

Stock code: SSE 601107
Stock code: Stock Exchange 00107

ESG 2016 ENVIRONMENTAL SOCIAL AND GOVERNANCE REPORT



四川成渝高速公路股份有限公司
SICHUAN EXPRESSWAY COMPANY LIMITED



CONTENTS

1. ABOUT THE REPORT	P02
2. CHAIRMAN'S STATEMENT	P03
3. COMPANY PROFILE	P05
4. STAKEHOLDERS	P06
A. SHAREHOLDERS	P06
B. CREDITORS AND SUPPLIERS	P07
C. CONSUMERS	P08
D. EMPLOYEES	P08
5. ENVIRONMENT AND RESOURCES	P09
A. THE EMISSIONS	P09
B. RESOURCES UTILIZATION	P12
C. ENVIRONMENT AND NATURAL RESOURCES	P13
6. EMPLOYEES	P15
A. EMPLOYMENT	P15
B. SAFETY AND HEALTH	P17
C. DEVELOPMENT AND TRAINING	P18
D. LABOR STANDARDS	P18
7. SUPPLY CHAIN AND PRODUCTS	P19
A. SUPPLY CHAIN MANAGEMENT	P19
B. PRODUCTS AND SERVICES	P19
8. ANTI-CORRUPTION	P22
A. ESTABLISH AND PERFECT ANTI-CORRUPTION RULES AND REGULATIONS	P22
B. CARRY OUT CORRUPTION-FREE EDUCATION ACTIVITY	P22
C. PERFECT AND IMPLEMENT ROUTINE SUPERVISORY MECHANISM	P22
9. COMMUNITY SERVICE	P23
10. TAKE SPECIFIC MEASURES TO ALLEVIATE POVERTY	P24

The Board of Directors and all Directors of the Company guarantee that this report does not contain any false records, misleading statements or material omissions, and that they bear several and joint responsibility for the truthfulness, accuracy and completeness of the contents.



ABOUT THE REPORT

This is the first environmental, social and governance report (Hereinafter referred to as "the report" or "report") developed and released by Sichuan Expressway Company Limited (Hereinafter referred to as "Chengyu Company", "Company", "the Company" or "we") in accordance with Guidelines on Preparing the Report on Corporate Fulfillment of Social Responsibility issued by the Shanghai Stock Exchange (Hereinafter referred to as "SSE"), and the Environmental, Social and Governance Reporting Guide (hereinafter referred to as "Guidelines") issued by The Stock Exchange of Hong Kong Limited (Hereinafter referred to as "Stock Exchange"). It covers the important performance of the Company and its major subsidiaries in environmental protection, social contribution and other aspects from 1 January 2016 to 31 December 2016.

The report is available in simplified Chinese, traditional Chinese and English. The electronic version may be obtained on the website of SSE, Stock Exchange and the Company.

Should you have any questions or comments regarding the report, please feel free to contact us at:

Address: 252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC

Postal Code: 610041

Tel: (86) 28-8552-7510

Fax: (86) 28-8553-0753

E-mail: cygszh@163.com

Official website: <http://www.cygs.com>





As a public listed company focusing on the investment, construction, operation and management of expressway infrastructure projects, we are committed to providing superior, reliable, unimpeded and safe road transportation services to the society and public. Over recent years, we have proactively adapted to the economic and social changes and implemented diversified development strategies highly related to the main businesses, we have also insisted on the spirit of overcoming difficulties through vigorous efforts, hard work and progressiveness. We continued to develop our main business, and conducted diversified operation. As a result, we realized the Company's own leap-style development. Meanwhile, we are clearly aware of the importance of harmonious coexistence and mutual development between the Company, environment, and society. We have always upheld the sustainable growth concept of "green harmony, convenient safety and efficient excellence", and apply it throughout our corporate development strategy and operating management, thus achieving the Company's coexistence and a win-win situation with the environment, and the society.

The Company firmly believes that, constantly improving the operating performance and generating better economic benefits are not the only enterprises' inherent mission, but also it is necessary for them to realize its own value, the above serves as the basis in fulfilling the corporate social responsibilities. With regard to the Company's five major segments— "toll roads and bridges", "city operation", "engineering construction", "energy and cultural media", and "financial investment" - the Company continued to utilize its potentials, and actively explored new business and market in 2016. The Company has continued to adhere to the general work guideline of seeking development and persisting in making progress while maintaining stability. Although faced with overall pressure imposed by the macroeconomic performance, the Company performed outstandingly by realizing annual operating revenue of RMB10.211 billion and the total profit of RMB1.437 billion, achieving a steady growth in corporate performance, and for the first time being listed as one of the "Fortune" top 500 listed Chinese enterprises.





We know well that enterprises' operation and development are closely associated with the society and the environment. As a listed infrastructure company mainly engaging in the investment, construction, operation and management of expressways, Chengyu Company considers serving the society as the purpose of its existence, and regards the possession of social resources as a commitment and promise to the society. In addition to providing safe, rapid and comfortable transportation services to the society, the Company also actively undertakes the responsibilities concerning the stakeholders including the employees, consumers, and customers, as well as for the community and the environment. We upheld the development concept of "We want both gold and silver mines, as well as beautiful natural scenery" . Such a sustainable development concept has been engraved in the heart of every person in Chengyu Company from its establishment. For many years, the Company has constantly adhered to maintaining the concept of "being a responsible enterprise" as its mission and goal, and actively pursued a harmonious development of the Company with the society and the environment. The above can be demonstrated from donation to help poor students, afforestation to community condolences, and from volunteer service to specific measures for helping people out of poverty.

We firmly believe that, by aggregating each enterprise' efforts, our society would become more harmonious, the environment more beautiful, and the future would also be full of hope. To this end, Chengyu Company will continue to proactively fulfill its own responsibility for the environment and society, be brave to take up the responsibility and determined to make progress, and also sticks to the sustainable development concept, striving to maximize its own development, environmental and social comprehensive benefits.

Zhou Liming

Chairman of the Board of Directors



The Company was incorporated in the Industry and Commerce Bureau of Sichuan Province of the PRC on 19 August 1997. The Company was listed on the Stock Exchange (stock code: 00107) on 7 October 1997 and on the SSE (stock code: 601107) on 27 July 2009 respectively.

The Group is principally engaged in the investment, construction, operation and management of expressway infrastructure projects as well as the operation of other business related to expressways. Currently, the Group mainly owns all or substantially all interests in a number of expressways in Sichuan Province such as Chengyu Expressway, Chengya Expressway, Chengle Expressway, Chengren Expressway, Chengbei Exit Expressway, Suixi Expressway and Suiguang Expressway. As at 31 December 2016, the length of toll expressways of the Group has reached approximately 744 km in total. The Group's total asset and net asset were approximately RMB36.4 billion and RMB13.9 billion respectively.

As at 31 December 2016, the total number of Shares of the Company was 3,058,060,000 Shares (comprising 895,320,000 H Shares and 2,162,740,000 A Shares).

Road Network of the Group's Expressways





A. Shareholders

The Company has been strictly complying with the relevant laws and regulations of the Company Law, the Securities Law, China Securities Regulatory Commission (CSRC), and the relevant rules of the SSE and Stock Exchange. It has also been strictly fulfilling the obligations required by CSRC's Code of Corporate Governance for Listed Companies, and the Stock Exchange's Corporate Governance Code. Meanwhile, the Company scrupulously abides by the supervisory requirements of different markets, guides daily operating activities by strictly obeying various established governance systems, and strives to enhance the operating transparency, to keep raising the corporate governance level and ensure the Company achieve a steady growth and make efforts in improving the shareholders' value.

a. Equally treat all shareholders, and guarantee all shareholders, especially the minority shareholders, enjoy equal status and that they can fully exercise their rights. In 2016, the Company held the Annual General Meeting (AGM) for once, and the Extraordinary General Meeting (EGM) for twice. The convening of the meetings was in line with the provisions of the Company Law, the Articles of Association of the Company, and the Rules of Procedure for the Shareholders' General Meeting, where a combination of both on-spot and online voting was adopted to facilitate the minority shareholders to exercise their rights.

b. Pay attention to the appropriate return on the shareholders' investment, and carry out sustainable, stable profit distribution policy. Since its listing, the Company has realized an annual distribution of cash dividends to the shareholders, enabling the shareholders to benefit from the corporate development. In this year, we distributed cash dividends per share of RMB0.08 (tax included) to holders of A Shares and H Shares, totaling approximately RMB245 million, approximately accounting for 42.58% of the distributable profit of the parent company determined under PRC GAAP for the Year.

c. Strictly perform the statutory information disclosure duty, ensure all shareholders enjoy an equal access to information, and perfect and improve the external supervisory mechanism. In 2016, the Company released 4 regular reports, 56 interim announcements, and 40 other announcements in the A Share market, as well as 65 announcements in the H Share market. The information disclosure has been rated by SSE among A level for consecutive years.

d. Keep maintaining and enhancing the relation with the investors in various ways. This year, the Company held the Internet performance announcement meeting, and participated in the theme activity titled "2016 Collective Reception Day for the Listed Company Investors from the Area under Sichuan Jurisdiction" jointly organized by Sichuan Listed Companies Association, SSE INFONET Co., Ltd. and Shanghai Securities News, and the activity of "Board Secretary Duty Week", to answer the investors' questions online. In addition, the Company promoted the online information communication among the various market participants through its "SSE e

Interaction" network platform, and exchanged information with the domestic and foreign investors, as well as the news media by phone, mail and Internet for nearly 86 times. It received 9 batches of agencies for spot investigation, and nearly 122 investors.





B. Creditors and Suppliers

The Company insists on operating by law and rules, and in accordance with standard operation, complying with the principle of openness, fairness and justice, as well as the principle of focusing on integrity, trustworthiness, equality and mutual benefit in all commercial activities. It actively promotes the tendering and bidding system, and strictly controls its internal examination and approval procedures, in order to effectively guarantee the legal rights and interests of creditors and suppliers, and strive to establish a healthy, sustainable relationship of cooperation.

For the creditors, the Company performs a strict control of the loan management procedures, and fulfills its repayment obligation, which makes that the company has never been in lack of loan management procedures standardization or had the behavior of not timely making due repayment. Hence, this guarantees the creditors' interests. For years, with stable cash flow, sound capital structure and good credit history, the Company has established and maintained a healthy creditrelation with the creditors. In 2016, China Chengxin International Credit Rating Co., Ltd. and China Chengxin Securities Rating Co., Ltd. graded the Company's corporate credit rating and facility credit rating as AAA, effectively enhancing the Company's influence and credibility in National Association of Financial Market Institutional Investors and stock exchanges.

For the suppliers, we improve the internal control to make the approval process more perfect and efficient by building a sound supply chain management system. We also effectively implement the corporate tendering and bidding management system at the same time, strictly complying with the country's relevant laws and regulations, while actively using open tender, project selection, inquiry tendering and other methods, and arranging the Company's discipline inspection & supervision personnel to review the tendering and bidding process. This can ensure open, transparent tendering and bidding procedures in the Company to effectively safeguard the legal rights of the suppliers.





C. Consumers

With the aim to "satisfy our consumers", the Company is committed to the improving in the road and facilities, and enhancing the level of management services, so as to ensure that consumers enjoy safe, convenient and comfortable road transportation services. Meanwhile, the Company, from the perspective of consumers, provides them with necessary help. By fully using the hotline, traffic radio, variable intelligence board and other media, it helps the consumers know about the road conditions, so that they could make good route arrangements to avoid traffic congestion.

The Company has established efficient channels with the consumers for information communication. They may make complaints by phone or through the Company's website. Once the Company has received the consumers' opinions or suggestions, it will order the relevant units to follow up with the investigation, and feedback the results to the consumers.



D. Employees

As the core competitive element in corporate development, employees are the decisive factor for us to realize a permanent expansion and sustainable development. During the year, we adhered to the "people-oriented" concept, committed to creating a work platform benefiting the Company's employees in realizing their own value and improvement, and were active in offering a healthy working environment to the employees to boost their enthusiasm and activeness in growing together with the Company. In 2016, we actively pushed forward labor, human resources, and distribution system reform, and speeded up the introduction of market-oriented mechanism; meanwhile, we constantly improved the social security system through providing the employees with endowment, medical, unemployment, employment injury, and maternity risk protection, and establishing and perfecting important systems such as the enterprise annuity and supplementary medical insurance. In addition, we paid attention to the training of our employees, and organized activities such as new employee orientation training, job-post expertise training, and medium and senior-level management staff training, and based on the differences in the employees abilities, to further strengthen the corporate talents pool. Also, we insisted on safety production, and guaranteed the safety of the employees by providing them with a safe, reliable and comfortable working environment through safety training and practicing, improving the workplace and facilities, and so on.





Ecological environment is the basis on which human relies to survive and develop, and environmental protection is the enterprise's indispensable social responsibility. We pay great attention to the ecological environment protection and strictly comply with the relevant laws and regulations such as "Environmental Protection Law", "Air Pollution Prevention and Control Law", "Water Pollution Prevention and Control Law" and "Environmental Pollution Prevention and Control Law of Solid Wastes". The Company has established a leading group for the environmental comprehensive improvement with the chairman of the board of directors serving as the head. Also, the Company has established and improved the organization system, evaluation & examination system for the environmental improvement and energy-saving & emission reduction, developed specific rules, and clarified the work arrangements and requirements for the environmental improvement and energy-saving & emission reduction at various stages, striving to fulfill the environmental responsibilities.

a. The emissions

Engaging mainly in expressway investment, construction, operation and management, the Group does not engage in industrial production in terms of the business nature. Although the Company's operating activities do not produce a large quantity of hazardous wastes directly, it still concerns largely about the waste management in its production and operation, in which it has been striving to minimize the impact of the emissions on the environment and improve the resources utilization.

(1). Waste Gas and Greenhouse Gas

The waste and greenhouse gases possibly produced during the expressway operation and management mainly include CO (carbon monoxide), CO₂ (carbon dioxide), HC + NO_x (hydrocarbon and nitrogen oxides), PM (particle, soot) and other hazardous gases. The main sources of the emissions are the vehicles used for road construction, management and maintenance of the expressway operation (patrol cars and troubleshooting vehicles). For such emission sources, the Company controls and cuts the emissions of the vehicles used for road construction, management and maintenance, by strictly implementing the relevant standards of the environmental protection departments. On one hand, we select and purchase the vehicle types strictly in accordance with the national standards for emission, to guarantee the newly purchased vehicles meet the latest environmental standards for vehicle exhausts; on the other hand, we conduct environmental testing and maintenance on the vehicles used for road construction, management and maintenance on a regular basis, enabling the vehicles to be in a good operating status, and the emissions released are in accordance with the standards on emission.





Moreover, the Company also focuses on guiding the majority of the expressway drivers and conductors to drive in a low-carbon energy-saving way. In the expressway operation and management, through establishing and promoting Electronic Toll Collection (ETC) system and strengthening technical training to improve the efficiency of manual toll collection as well as other measures, it strives to maintain a smooth road transportation, improves the transportation efficiency, promotes the social vehicles to reduce fuel consumption and cuts waste gas emissions.



As of 31 December 2016, there were a total of 121 ETC lanes built and put into use on the operating expressways belonging to Chengyu Company, accounting for 25.79% of the total number of the lanes; and 45 ETC / manual lanes are built and put into use, accounting for 10% of the total number of the lanes. In 2016, at the exits of all the operating expressways belonging to Chengyu Company, the ETC traffic flow reached approximately 20.76 million vehicles, accounting for approximately 25% of the total traffic flow at the exits.

According to the statistics of the relevant department, at the time when the vehicles get passed the area of 300 meters before or after the toll station, the ETC vehicle overall fuel consumption for a single vehicle may save approximately 50% compared with the vehicles with the traditional manual toll collection; and the carbon monoxide and carbon dioxide emissions may reduce by 71.3% and 48.9%, respectively^①.

^①Source: http://special.yunnan.cn/feature11/html/2014-06/18/content_3252816.htm



(2). Wastewater Discharge

The wastewater produced in the Company's operation and management is mainly from the expressway service area. The service facilities in our expressway service area have been contracted to the merchants in the form of lease. In order to effectively monitor the wastewater discharge by the merchants in their operation of the service area, reduce the impact of the wastewater on the air, water, vegetation, soil and other environments surrounding the area, and effectively improve the quality of wastewater discharge, the Company has constantly strengthened the wastewater management and treatment in the service area in the following: first, the wastewater from the service area flows into the urban sewage pipe network for a unified treatment and discharge, and for facilitating an intensive management; second, wastewater treatment systems meeting the national standards were built in the service area; as a result, the wastewater is only discharged after treatment. The wastewater treatment and discharge standards in the service area operated under the Company have satisfied the national standards during the year.



The wastewater centralized treatment facilities

(3). Solid Wastes

There may be a huge quantity of garbage produced in the service area operated under the Company in its operating activities. Therefore, we have set up many classified recyclable trash bins to store and treat the garbage by category, in order to alleviate their impact on the surrounding environment. At the same time, we have also set up trash temporary storage places in all service areas, so that the garbage generated in the service area may be stored on a centralized basis, and then transported by the local sanitation department to the location designated by the government for centralized treatment. For the construction wastes produced in the Company's road maintenance and construction such as asphalt pavement, construction waste residue, steel, and dumped spoil, we actively put them into recycling. During the reporting period, the Company realized the target of construction wastes recycling by 100%, and used the 7,830 tons of recycled asphalt concrete for sidewalk and local road paving, reducing the wastes pollution and resources consumption.



The classification of recyclable garbage





b. Resources Utilization

We know that it is a necessity to utilize resources in the Company's daily operating activities, but reducing resources utilization and improving utilization efficiency are significant to the corporate healthy development and environmental protection. Therefore, the Company has always been serious in management of resources utilization, raising it to the level of Company's sustainable development and implementation of environmental responsibility for consideration and for



devising policies. It applies several measures such as technology investment, employee education, and energy saving reconstruction to the energy-saving and emission reduction work in the operating activities, to save resources and effectively improve the efficiency in using the resources:

(1). Actively promote application of new technology and process in the production and operation activities to reduce energy consumption and pollution, and enhance resource utilization efficiency. In the maintenance and construction of the asphalt pavement on the expressway operated by the Company, process of preventive overlay of pavement is broadly used in order to reduce the excavation volume. The milled old pavement materials are stacked at fixed locations, and then transported to rural roads for basic use or reuse in the future. In this way, the Company promotes the recycling of road-use materials to effectively lower resource consumption and wastes pollution.

(2). Vigorously promote the concept that "protecting environment is everyone's responsibility" and "energy-saving and emission reduction gets started from me"; and actively encourage employees to develop good habits including turning off lights when leaving, using less air conditioning, encouraging paper double-sided use and re-use, and taking work meal according to need. The Company has further improved the Office Automation system, and implemented paperless office, which carries out strict management on office supplies, cars for business use, business meetings, reception and other aspects. Through reducing waste, the Company well implements environment protection and energy-saving & emission reduction.

(3). Carry out a large-scale energy saving reconstruction at toll stations, service areas and tunnels as well as other areas, promote and use various energy-saving environmental protection products on the basis of guaranteeing the product and service quality. The Company eliminates the old equipment with high-energy consumption but low efficiency, and enhances the energy utilization efficiency. It also encourages and supports employees to propose rationalization suggestions regarding energy-saving & mission reduction, and reducing energy consumption & raising efficiency.



In 2016, a mechanical and electrical system transformation was made at Chengyu Expressway Longquanshan Tunnel and Chengren Expressway Ereshan Tunnel. In the transformation, the tunnel lighting adopted LED energy saving and environmental protection lights, which is in line with the concept of energy saving and environmental protection. This does not only meets the overall lighting requirements, but also substantially cuts the energy consumption. The rate of energy saving at Longquanshan Tunnel and Ereshan Tunnel reached about 70% and 40%, respectively.



Chengyu Expressway Longquanshan Tunnel and Chengren Expressway Ereshan Tunnel after the energy saving reconstruction

c. Environment and Natural Resources

When operating expressways, the Company strictly complies with the Environmental Protection Law and relevant laws and regulations. The Company fully takes account into the vital interests of the local government and the residents along the expressway, and adopts effective ecological protection and pollution prevention & control measures, to minimize the damage caused by the road operations to the surrounding environment, and promote a harmonious relation between the road environment and the natural environment. During the reporting period, the Company kept strengthening the management and maintenance of the greening facilities along the expressway, the regular cleaning of the culverts and side ditches, and the emergency treatment of the slope retaining walls, which effectively played the role of purifying the air, reducing noise, beautifying the landscapes and preventing soil erosion; in the meantime, the Company kept strengthening the management on the vehicles transporting hazardous goods, and developed corresponding contingency plans to prevent environmental damage caused by emergencies.

In 2016, the Company implemented the key construction and maintenance for the green vegetation along the expressways, where the length of main driving lanes reached 510.4 kilometers, covering an area of about 750 square kilometers, and the greening area outside the driving lanes reached 1,146.42 square kilometers, with the cumulative funds for greening maintenance reaching RMB7.7268 million, offering a comfortable transportation environment to the majority of the expressway drivers and conductors, and at the same time greening and beautifying the environment, and preventing soil erosion.

The Company takes timely measures to deal with the cases of partial drivers and passengers throwing away white garbage and other wastes from time to time. In the year, we invested cumulatively a total of RMB20.42 million, commissioned the cleaning unit to conduct daily inspection and cleaning of the environment surrounding the roads; as a result, the cumulative trash cleaning totaled more than 294 tons throughout the year, including approximately 31 tons of white garbage. That effectively reduced the pollution caused by the trashes surrounding the roads to the environment, and maintained a clean and beautiful environment.



ENVIRONMENT AND RESOURCES

In the construction and maintenance of the expressways, the Company focuses on an ecologically sustainable development, and carries out ecological environment protection throughout the whole process including engineering design and construction, which actively promotes standardized construction, and at the same time carries out fine management, and reduces the impact on the environment as much as possible; the Company also selects the construction site, time and equipment, in order to reduce the disturbance caused by construction to the surrounding residents; it also develops relevant prevention and control measures in advance for possible issues including soil erosion, water pollution, noise and dust pollution; constructs environmental protection facilities and main projects at the same time, and completes both construction at the same time; strengthens material management and wastes monitoring in the construction, and prevents environmental pollution caused by the construction materials and wastes; conducts a unified transportation of the stone and sand, with the transport vehicles covered with tarpaulin to prevent leakage, and sprinkles water to reduce dust, to alleviate the impact of the dust from construction site on the environment and air; monitors waste residues, waste water, and noise at the construction sites, and prevents pollution to the surrounding environment and groundwater sources. Once the construction is completed, the Company restores the original land surface functions and the original green vegetation of the temporary occupied lands as early as possible.

Suiguang and Suixi Expressway operating under the Company cross respectively the Jialing River and Chicheng Lake Drinking Water Source Reservation Area. In order to protect the sensitive water environment along the expressway, Suiguang and Suixi Company have actively applied for the relevant transportation technology project in Sichuan Province, and adopted 6 sets of bridge surface runoff collection and treatment system, and 1 set of bridge surface runoff warning and monitoring system, thus effectively protecting the water source environment surrounding the road.





EMPLOYEES

As the core competitive element for enterprises, employees represent the factor determining the corporate growth and expansion, as well as realization of a sustainable development. Adhering to the people-oriented concept, the Company has been actively building a harmonious relationship with the employees, paying great attention to and safeguarding the employees' basic rights and interests; respecting the reasonable demands and requirements of the employees, and caring about their personal growth; and striving to provide a safe, healthy working environment to the employees, and creating a good working environment and providing self-improvement opportunities to them, in order to promote mutual development between the employees and the Company.

A. Employment

The Company strictly implements the "Labor Law", "Law on Employment Contracts" and other regulations, and has developed and improved the rules and systems by combining the corporate reality, including carrying out the "Measures on Management of Employment by Labor Contract", and "Measures on Management of Employee Recruitment and Deployment (Trial)". It adheres to the long-term employment concept, and does not have different treatment in the employee recruitment process because of gender, ethnic, geographical, cultural background and other factors, in addition, the Company always obeys the principle of "fair competition, hiring employees on the basis of competitive selection" in the recruitment process. In 2016, the Company introduced a specific test and evaluation team from Zhaopin, which cooperated with the Company to complete the overall screening and evaluation of the job applicants. As such, the Company widely attracts talents actively through campus and social recruitment, and has selected and employed 326 front-line employees, and 44 management staff, including 175 males and 195 females, a total of 370 people.

The Company adopts the system of full employment contract and collective contract. It strictly performs various labor protection policies, and carefully implements the national and local laws and regulations regarding the number of employee working hours and vacation; reasonably arranges employee work and rest time, safeguard their work and rest rights, and perfects various social insurances for the employees. In 2016, the Company paid various social insurances in full amount for the employees, including insurances for retirement, healthcare, unemployment, work-related injury and child birth. In accordance with the "multi-angle, multi-level, wide coverage, and strong support" principle, the Company has established an enterprise annuity fund, supplementary medical insurance and accident injury insurance for all employees that further strengthens the protection for the employees in pension, medical care and other aspects. It also processes the employment injury identification timely and the claim for the employment injury insurance and accident injury insurance for the injured employees. The Company pays the housing accumulation fund in full amount for the employees in a timely manner. In 2016, the Company issued a cumulative amount of RMB69,000 as assistance fund to 20 employees whose household per capita monthly income was less than RMB1,000, and met the qualification and corresponding grade of application for the employee assistance funding. At the end of the year, it issued a total of RMB144,000 as subsidy to 72 employees in need.





EMPLOYEES

According to the statutory requirements and the market conditions, the Company implements a remuneration system by linking wage with enterprise performance, so that the employee interests and the corporate overall interests are aligned. This can also ensure that the employee value can be reflected in the corporate development. In 2016, the Company developed and improved the systems involving the "Measures on Labor Cost Management" and "Opinions on Wage Management Guidance", as well as built appropriate remuneration distribution systems by combining the nature of the subsidiaries and branches' main business, such as implementing the "Measures on Performance Appraisal (Trial)" and "Pilot Program on Wage Distribution Management", so as to maintain a reasonable competitiveness for the corporate remuneration and benefits in the job market, which effectively mobilizes the enthusiasm and creativity of the employees in work.

The Company concerns greatly about offering the employees with a platform to facilitate their growth and realize their ambitions. It also established and continued to improve the evaluation competition mechanism, focusing on the principle of actual performance, democracy, openness, competition, and choosing the best in the talents selection, and adopting methods such as "selection by organization", "competition for job post", and "social recruitment". In the year, the Company selected and employed a batch of superior talents through setting up a medium-level deputy post reserve cadre talent pool, social recruitment, competition for job post, and selection by organization, constructing a career promotion platform for the outstanding employees. Hence, by integrating the employees' personal development and its development goals, the Company achieves a joint development with the employees.

Statistics on Employee Composition of the Group as of December 31, 2016					Number of persons	
Gender	Male			Female		
	2,680			2,411		
Type of employment	Fixed-term labor contract		Non fixed-term labor contract		Others	
	3,686		1,207		198	
Region	Chengdu		Meishan		Ya'an	
	3,280		547		265	
Age	35 years old and below		36-40 years old		41-50 years old	
	2,673		852		1,234	
Total		5,091				

We keep improving the measures to absorb and retain talents, and cooperate with the Company's business development in offering more career development opportunities to our employees and to continuously maintain a normal employee turnover rate. During the year, the employee turnover rate of the Group was 4.32%, which is at a normal level.

Statistics on Employee Turnover of the Group in 2016					Number of persons	
Gender	Male			Female		
	130			88		
Region	Chengdu		Meishan		Ya'an	
	130		49		15	
Age	35 years old and below		36-40 years old		41-50 years old	
	189		13		16	
Total		218				



B. Safety and Health

The Company implements thoroughly laws and regulations including but not limited to the "Production Safety Law" and attaches great importance to safe production and safeguards the life security of the employees. In 2016, the Company further intensified the safety responsibility system, and actively promoted the construction of the system; signed the safety responsibility agreement at all levels, and ensured the responsibility to be implemented; kept strengthening the safe production standardization system, further revised and improved the safety production regulations, and intensified the efforts in safe production construction; implemented the investment of special funds, improved the employee workplaces, perfected the supplies of safety facilities and labor protection appliances, and raised the job post safety; enhanced the employees' safety awareness and ability to deal with emergency by various safety trainings and security emergency practices. In 2016, the Company had one employee who died due to injury at work, with work-related injury accident rate at 0.31%, and the number of the working day lost due to work-related injury reaching 576 days cumulatively.



The Company also pays close attention to employee occupational health management, occupational disease prevention & control, and is committed to reducing the occurrence of occupational hazard accidents, and protecting the employees' health, related rights and interests. In the year, we improved the occupational health system and provided all-aspect occupational health protection measures to our employees, as well as arranged regular physical examination for the employees at the same time, in accordance with the Law on Prevention and Control of Occupational Diseases, and other laws and regulations; furthermore, we purchased the supplementary medical insurance and employer liability insurance for the employees, through which we continuously perfect the occupational health management system and safe production management system to prevent the physical and mental harm caused by occupational diseases to our employees.

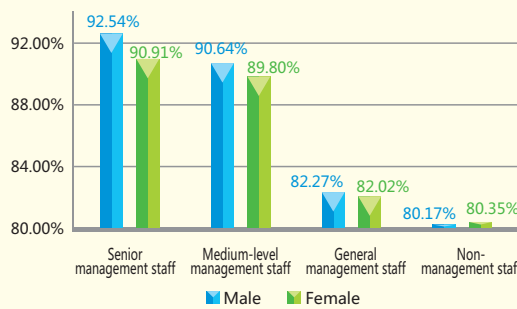
The Company cares about the employees' physical and mental health, and pays attention to the employee cultural atmosphere construction, which is implemented through organizing various activities. During the year, we organized and carried out a series of recreational and sports activities, such as the "6th Staff Photography Exhibition", "Shutu Chain Cup" five-a-side football game, "Chengyu Financial Cup" badminton competition, mini marathon competition, fun bicycle game, fitness activities, mountain climbing competition, "Celebrating July 1st · Singing the Praise of the Communist Party of China" chorus contest, and "Making Further Progress and Creating Greater Glories" Chengyu Company 2017 New Year Eve's Party; moreover, the Company led the team to participate in the 4th "Delutai Cup" National Road Staff Table Tennis Competition. During the year, the Company had activities participants of more than 2,000 people, effectively enriching the employees' recreational and sports life, and helping the employees to keep healthy physical conditions and to maintain a positive and optimistic attitude.



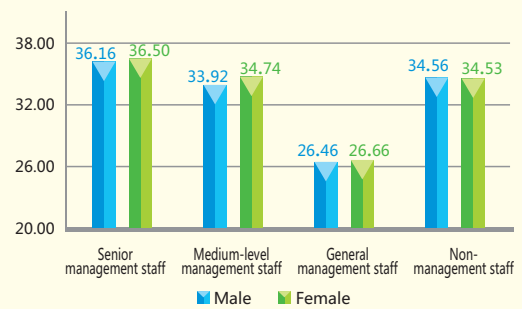


C. Development and Training

The Company encourages the employees to join various expertise learning and technical skills trainings, to improve their quality and ability. Relying on the Company's systems and considering training as the starting point, the Company keeps strengthening the talent pool construction, and it has established and improved the "Guiding Opinions on Management of the Employee Education and Training", and clarified issues concerning the organization management, training types, and funding support. In 2016, it held a variety of training courses that were flexible and diversified, and in accordance to the training object and content (including new employee orientation training, job post expertise training, on-the-job spare time learning and off-the-job learning, professional technical personnel continuing education and medium & senior-level management staff training). In the Group, there were cumulatively 10,515 people attending the trainings, with the average training percentage reaching 81.42%, and the average training time reaching 32.68 hours.



The percentage of the employees trained



The average number of training hours



D. Labor Standards

The Company strictly complies with and implements the country's labor & personnel laws and regulations, and scrupulously abides by fair and just labor employment policy, as well as prohibits child labor and forced labor. During the reporting period, the Company did not employ any child labor or forced labor in any business, nor did it commit any circumstances violating the labor rules.



a. Supply Chain Management

When cooperating with the suppliers, the Company strictly obeys the Law on Tenders and Bids, Regulation on the Implementation of the Bidding Law, and the Company's Measures on Management of Tendering and Bidding. For the procurement projects satisfying the Company's needs and standards, it insists on the principle of openness, fairness, and justice, and the principle of integrity, trustworthiness, equality and mutual benefit. The Company also introduces market-oriented mechanisms, and chooses the best through open tendering, planned comparison and inquiry. At the same time, the Company establishes a leading group managing the tendering and bidding to supervise and guide the tendering and bidding work, and sets up Tendering and Bidding Management Office composed of Investment and Development Department, the function departments of the projects, and Finance and Accounting Department, to be specifically responsible for the routine organization and coordination work for the tendering and bidding.

b. Products and Services

(1). Guarantee Safety and Smoothness of the Roads

The Company strictly implements the relevant laws and regulations such as "Highway Law", "Product Quality Law" and "Roll Highway Management Rules" and commits to providing a safe, rapid and comfortable expressway transportation services to consumers. In 2016, the Company continued to implement scientific, institutionalized, standardized and fine management in expressway operation, constantly improved various management systems, operating processes and emergency support systems, improved the Company's road comprehensive service capacity and emergency process efficiency, and successfully achieved the overall requirements for the roads' by achieving "safety, high quality, orderliness, and smoothness". For the road safety and smoothness in Spring Festival travel peak, major holidays, important hours and special weather conditions, the Company carefully develops work plans and contingency plans, makes arrangements and deployment in advance, soundly carries out potential safety hazard checking and controlling, strengthens the supervision and inspection as well as 24-hour duty system and to ensure the safety and smoothness for all expressways operated by the Company.

During the year, we organized and conducted a total of more than 28,000 patrols for road construction, with the cumulative patrolled mileages over 2.28 million kilometers, so as to ensure the safety and smoothness for all expressways operating under the Company. In 2016, all the expressways operating by the Company had a total of 4,439 traffic accidents, decreasing by 2.8% compared with the previous year. For accidents management, we quickly organized the road construction, management and maintenance team members to respond fast and deal with the accidents in a standardized way. Within the year, the Company did not encounter any source management responsibility traffic accidents, with the accident vehicle clearance rate exceeding 80%.



Chengya Company, one of the Company's branch companies, deals with the hazardous chemical vehicle accident in a fast and orderly manner



The Company scientifically develops the annual maintenance plan, continuously carries out the total life cycle maintenance, strengthens the preventive maintenance efforts, and guarantees the expressway traffic is in good conditions; constantly improves the road maintenance, and the road construction, management and maintenance informatization and mechanization, improves the quality management means, and innovatively adopts the detection of permeable coefficient as the basis for treatment of pavement disease; as a result, the maintenance quality control effectiveness and efficiency keeps improving. It also adheres to the principle of "smoothness first, maintenance second", scientifically prepares the maintenance plans, and organizes construction reasonably, to minimize the impact of road maintenance on vehicle traffic.



In 2016, the service quality of the expressways operated by Chengyu Company was always outstanding, of which the pavement quality index PQI, producing the most important impact on the operating comfort, maintained to be above 90 points, with the excellence rate for the operating section reaching 98.3%.

The Company strongly develops smart and intelligent transportation. In the year, we completed the weight calculation equipment upgrading at the entrances of 12 toll stations, with the ETC coverage rate of over 30% for all the expressways operating by the Company; strengthened and promoted the operation management informatization and intelligentization, and completed all the "move into silence" transformation for the weight calculation equipment at the entrances, and the new standards adjustment and upgrading; the construction of the self-service card sender at the entrance driving lanes was successful, with Suiguang and Suixi Expressway firstly realizing an all-IP management for the communication and monitoring equipment in Sichuan Province, and realizing a linkage between the speeding control at the entrance and the equipment of self-service card sender driving lanes. Consequently, the road transportation efficiency and capacity is expected to be further enhanced.



(2). Actively Implement Free Transportation and Green Channels Policy

In 2016, the Company continued to implement the toll-free policy for fresh agricultural products transport vehicles, set up specific "green channels", and developed uniform "green channels" signs, providing convenience for the fresh agricultural products transport vehicles to pass quickly.

The Company carefully carries out the free transportation policy for small passenger vehicles during the major holidays. In 2016, a total of 20 days were toll-free. For the traffic congestion possibly occurring during the toll-free period, the Company issued the holiday travel alert in advance through newspaper, website, traffic radio, micro-blog and on-spot interview by media; also, it offered a good contingency plan and vehicle dispersion during the holidays, so as to ensure the public enjoy a fast and safe travel.

(3). Improve Civilized Service Level

With regard to the characteristics of window service industry, the Company has continuously promoted to strengthen high-quality civilized service. It develops and issues the "Operating Expressway Toll Collection Management Code", and carried out the activities including the toll collection expertise competition and etiquette training. We held a series of high-quality civilized service activities such as "journey full of love", "hand in hand", and "on-the-job training", to keep raising the employees' service capability and level; meanwhile, we strove to improve the basic service facilities in the service area, enhance the service area's service level through the newly-added room for mother and infant, the third-party bathroom, disabled access and other humanism service facilities. In addition, through developing and issuing the relevant management regulations and supervisory agreements, the Company is able to maintain high quality management and control of the service quality of the operators in the service area.



High-quality civilized service at toll station



High-quality basic service facilities in service area

In the year, the expressways operating by the Company achieved excellent performance in Sichuan Province Expressway Operating Service Quality Evaluation. Chengren Expressway, for example, has won No.1 in the provincial expressway operating service quality evaluation for consecutive 6 months (April-September), being a microcosm of our enhanced service level.



ANTI-CORRUPTION

We are committed to creating a corruption-free environment for enterprise production and operation, viewing it as a key guarantee for the Company to achieve a long-term healthy development, and promoting and implementing the corruption-free style and concept from the management to each employee.

A. Establish and Perfect Anti-Corruption Rules and Regulations

We strictly comply with the "Anti Corruption and Bribery Law", "Anti Money Laundering Law", "Criminal Law" and other relevant laws and regulations, and have established and continuously improved the various rules and regulations including the internal incorruption system and covering toll collection management, project bidding, project investment, capital and financial management, personnel appointment and removal. Meanwhile, the Company insists on the policy of "comprehensive management and control, prevention and punishment together, and focus on prevention", strengthens the intervention from source and the process control, strengthens the efforts in spot check and supervision for the Company's management and operation key and weak section, puts the emphasis on monitoring the skilled job positions, and strictly controls the internal risks. In the year, there were no criminal acts such as duty encroachment and bribery occurring in the Company.



B. Carry out Corruption-free Education Activity

We firmly believe that improving the employees' incorruption and self-discipline awareness has important significance to the incorruption work, and the Company carries it out as a fundamental work of incorruption. In the year, we actively conducted corporate incorruption culture construction, and broadly undertook Corruption-free publicity and education through newly building a special column regarding incorruption construction on the corporate website, publicity display panel, playing warning education film, visiting educational base, holding incorruption education lecture, sending incorruption message, and organizing speech contest for discipline inspection and supervision cadres, striving to guide the employees to form the awareness of incorruption and self-discipline.



C. Perfect and Implement Routine Supervisory Mechanism

We regard the routine supervisory mechanism perfection and implementation as an important part of the incorruption work, and firmly believe that it is an effective measure to promote incorruption work and achieve substantive results. The Company has strengthened the incorruption responsibility for all-level management members and employees by means such as "signing an incorruption responsibility letter" ; also, it sets up an internal management agency – The Discipline Inspection and Supervision (Audit) Department-to intensify the internal anti-corruption and bribery supervision. During the year, we permanently improved the "letter, visit, telephone, and network" four-in-one letters and visits report system, and newly added an incorruption and reporting window on the official website of Chengyu Company to proactively accept the society supervision, and timely feed back the investigation results and disposal to the informants.



COMMUNITY SERVICE

Caring about and helping the community has always been an important form for us to fulfill the social responsibilities and contribute to our social values, which is also a key way for the Company to enhance its social image. "Integrate into the community and help the community" has become the principle for the Company to offer services and contribute to the society. In 2016, our employees participating in the community volunteer service totaled 5,036 people, with the total service time up to 13,678 hours, which effectively improved the community's well-being.

We actively promote a green and healthy lifestyle, and pay attention to helping community residents by enhancing their environmental protection awareness and putting the healthy lifestyle into practice. Each year, the Company's subsidiaries and branches carried out actively planting tree activity in March. In the year, we planted more than 5,774 fruit trees and various ornamental trees.

In the year, we conducted the community co-construction through safety publicity, community environment cleaning, and respecting the elderly and aiding the poor, with the number of the safety publicity activities carried out voluntarily over 30 times, the number of the volunteer labor for the community over 100 times, and the number of aiding the elderly and the disabled over 200 times cumulatively.

The Company's branches, Chengren and Chengya as well as Suiguang and Suixi Company, established a volunteer service team right before International Children's Day and the Dragon Boat Festival, which visited and condoled with the primary schools and rural villages in the communities along the expressway, helping the local community residents solve practical difficulties, which has won their praise.





**TAKE SPECIFIC MEASURES
TO ALLEVIATE POVERTY**

Conscientiously implementing the country's requirement for undertaking specific measures to alleviate poverty, the Company did a good job in taking targeted measures to help the people in the counterpart-assistance area - Asijiu Village of Aba Prefecture of Sichuan Province and Yipo Shujue Village of Liangshan Prefecture of Sichuan Province - by helping the people to lift themselves out of poverty in 2016, in accordance with the relevant corporate arrangements. With a gradual progress made by the various poverty alleviation measures, an early effect has been achieved.

In March 2016, the Company started the donation activity to help poor students, donating RMB 153,860.50 to the poor families in the counterpart-assistance area - Asijiu Village of Aba Prefecture of Sichuan Province and Yipo Shujue Village of Liangshan Prefecture of Sichuan Province - to alleviate their children schooling pressure caused by poverty.

In September 2016, the Company organized the loving care student-aiding activity titled "Chengyu Bookstore Stays in Liangshan, Targeted Measures for Poverty Alleviation Warms People", and donated a total of more than 1,500 books to Nidi Township Central Primary School and Lei Bo County Pahe Township Bahe Village Primary School, as well as set up a "Shandao Book House" with approximately 20 square meters and 40 square meters, respectively, at the two primary schools.

In 2016, a total of 20 outstanding poor students were aided by the Company, of which five realized the dream to be a university student.

Table of Statistics on 2016 Poverty Alleviation Work through Targeted Measures Unit: Yuan Currency: Renminbi

Indicator	Quantity and the work carried out
A. Overall situation	
Including: 1. Funds	169,860.50
2. Amount of money converted from material	40,000
B. Investment by item	
1. Poverty alleviation through education	
Including: 1.1 Investment amount for aiding poor students financially	153,860.50
1.2 Number of poor students aided financially	20
1.3 Investment amount for improving the educational resources in poor areas	40,000
2. Poverty alleviation through health service	
Including: 2.1 Investment amount in the medical care and health resources in poor areas	4,000
3. Other projects	
Including: 3.1 Number of projects	1
3.2 Investment amount	12,000
3.3 Other projects explanation	Aid by breeding

In 2017, we will continue to take specific measures to help the people in the counterpart-assistance areas to lift themselves out of poverty by following the Company's decision-making on the arrangements regarding how to carry out the poverty alleviation with targeted measures. We will be basing on the poverty alleviation work carried out in 2016 and the current results achieved.



TAKE SPECIFIC MEASURES TO ALLEVIATE POVERTY

