

2014 Environmental and Social Responsibility Report

I. Scope of Report

The scope of this environmental and social responsibility report covers the Company and its subsidiaries with businesses related to expressway operations. Zheshang Securities Co. Ltd. and its affiliates, joint ventures and joint-stock companies are not included in this report.

II. Reporting Period

This environmental and social responsibility report covers the reporting period from 1 July 2013 to 30 June 2014.

III. Environmental and Social Responsibility Report

1. Quality of Work Environment

(1) *Work Environment*

Employees are the foundation for the Company's survival and development as well as the Company's valuable assets. The Company is committed to creating the corporate values of integrity, harmony, openness and progressiveness, providing employees with a good working environment and relaxed working atmosphere, and striving to establish a career platform on which the full potential of employees can be realized. Through a number of recruitment channels including campus recruitment, social recruitment, recommendation, self-recommendation, and recruitment agencies, the Company enlists talent and builds talent reserves that are in line with the Company's strategic requirements. A remuneration philosophy of grading by job specification, promotion by ability, and compensation adjusted by performance have been implemented. Compensation and benefits such as basic salaries, incentive payments, paid vacations, supplemental medical scheme and corporate annuity are provided. Career development paths such as competition for positions, two-way selection process, democratic recommendation and tasks swapping between employees have been implemented.

In order to resolve the employees' parking problem at the frontline stations, the company invested RMB1,090,000 during the reporting period for the construction of parking sheds by way of repairing and reconstructing the administration buildings at the Hangzhou management office, Shaoxing management office and the information centre.

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As at the end of the reporting period, there were a total of 3,770 employees of the Company, among them 488 were hired by third-party employment agencies. The percentage of male employees and the percentage of female employees were 56.6% and 43.4% respectively. During the reporting period, the employee turnover was 169, representing 4.5% of the Company's total number of employees.

Figure 1. Number of male and female employees in the Company

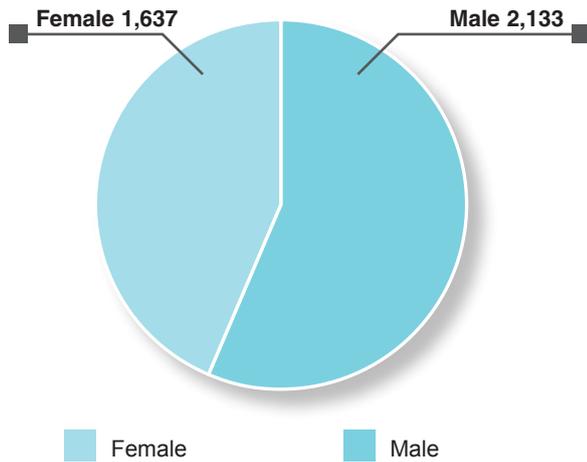


Figure 2. Categories of hired employees in the Company

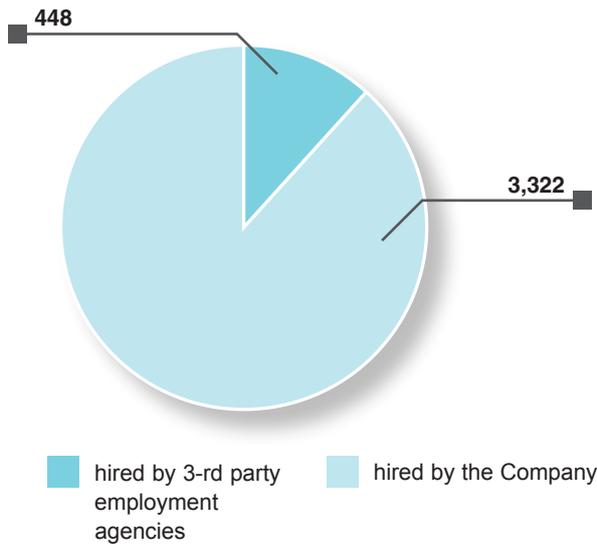
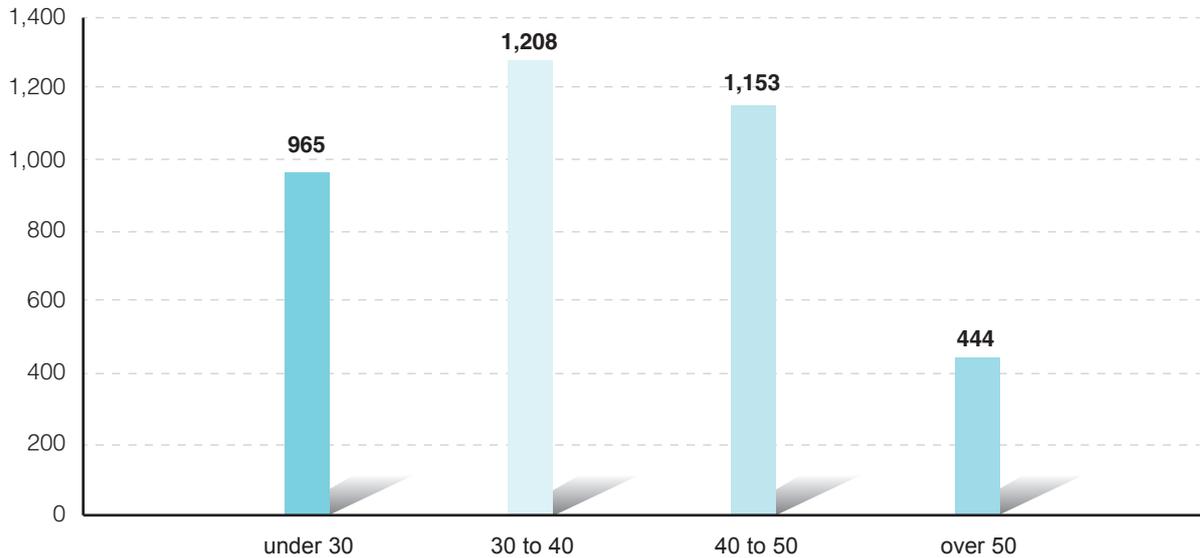


Figure 3. Employees' distribution by age in the Company



(2) Occupational Health and Safety

The Company adheres to the production safety policy of “people-oriented production and safe development”, and upholds the management principle of seamless integration between business operation and production safety. A responsibility system of production safety targets and risk-based deposits system have been implemented. Standardized safety operation procedures specific to the job positions have been implemented. Identification of potential sources of occupational health and safety hazards, assessment of risks and formulation of control measures are carried out from time to time. The Company’s occupational health and safety management system has been certified by a third-party organization Hangzhou WIT Certification Co. Ltd. From time to time, the Company also carries out various forms of safety alert education sessions and training, as well as activities of special themes such as “identification of hidden risks”, “knowing and carrying out responsibilities” and “production safety month”. The Company provides personal accident insurance for all employees, arranges for regular staff medical inspections, and procures labour protection supplies for the protection of employees as necessary.

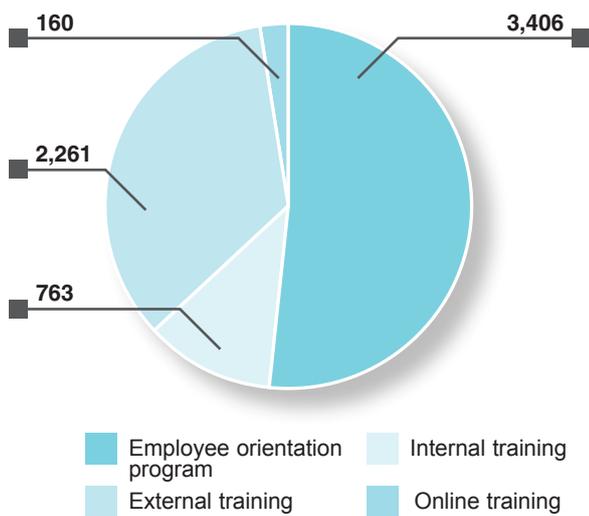
During the reporting period, the Company spent RMB544,000 for the purchase of employees’ personal accident insurance, RMB933,000 for staff medical inspections and RMB7,598,000 for the procurement of labour safety supplies and subsidies for use by the employees. During the reporting period, 7 cases of injured employees were reported, representing 0.2% of the total number of employees, while there was no fatal case of employees that was work-related.

(3) Development and Training

Staff development and training are pertinent to uplift employees' capabilities as well as to sustain the Company's development. The Company provides all staff with four types of training, namely new employee orientation programs, internal training, external training and online training. Employees are encouraged to participate in further education through appropriate incentives for those who have met training requirements and achieved results. According to the specific characteristics of different job positions, training including integrated management knowhow training, professional and technical business training, and production job skills training are provided in different categories and degrees of depth for the improvement of employees' technical capabilities and management skills.

During the reporting period, the Company has actively carried out various types of education and training tasks. The expenditure for training and development amounted to RMB4,410,000 and the accumulated training reached a total of 72,000 man-class-hours. The average training hours for senior staff, mid-level staff and junior staff were approximately 40 class-hours, 31 class-hours and 19 class-hours, respectively.

Number of employees participated in various trainings in Company



(4) Building a Corporate Culture

Corporate culture is the soul of the Company's development and its soft power equipped to beat the competition. During the reporting period, the Company was facing new circumstances and new challenges of reforms and innovations as well as restructuring and development. After a comprehensive selection process, Beijing AproaChina Investment and Management Consulting Co. Ltd. was selected to help the Company rebuild its corporate culture. Through processes including corporate culture diagnosis, corporate culture refinement, corporate culture discussions among all staff, and corporate culture establishment and promotion, a system of corporate culture which is appropriate for the Company's development needs has been established, at the same time consolidating and summarizing the fine traditions the Company has accumulated over the past 17 years since the establishment of the Company. A corporate culture handbook was prepared, a three-year corporate culture development plan was formulated and the establishment of "Home for Employees" and staff club for the frontline staff was greatly supported, with an aim to enhance internal vitality and stimulate the employees' enthusiasm for work, pro-activeness and initiatives so that they can support and safeguard the Company's new developments.

(5) Labour Standards

The Company supports and complies with the labour and employment laws and regulations, adheres to fair and equitable employment policies, and condemns the use of child labour and forced labour. Employment contracts are signed for 100% with all employees. The Company has established a collective bargaining process for the negotiation of employees' wages and has set up a system in which any major issues that may affect labour rights would require the consideration by and consent from the employees' representatives. A labour dispute arbitration committee has been put in place for the employees to protect labour rights. Dedicated rooms for psychological counseling and expressing emotion have also been established at the frontline stations. These facilities are manned by qualified, part-time psychological counselors who offer psychological consultations and counseling services to the employees, and guide them toward the maintenance of rational and peaceful minds, congenial work environments and contented lives. A distress relief fund (the distribution of which is in form of festive regards and living subsidies) has been established by the Company for the purposes of resolving special living difficulties of its staff resulted from critical illness and accidents. With the practical circumstances in mind, the Company has formulated the "Employee Retirement Administrative Guideline", which provides alternatives to properly resolve the actual difficulties of the elderly employees who are unable to fulfill the job requirements of their current positions. During the reporting period, the Company did not employ any child labour, nor has there been any labour dispute.

2. Environmental Protection

(1) Emissions

Protecting the environment is a shared responsibility of every member of society. The Company is primarily engaged in the investment, development and operation of high-grade highways. Although they are different from businesses which are involved in operations with direct impact to the environment, there are still certain direct or indirect impacts to the environment. The Company strictly complies with all environment-related laws and regulations. Environmental assessments are conducted according to relevant policy requirements. Wastewater disposal in the serviced areas as well as dust emission during the asphalt mixing process are in line with national standards. The “low-carbon, environmental friendly and high efficiency” asphalt pavement process which makes use of hot in-place recycling technique to achieve reduced use of asphalt mixture and enhance recycled materials for reuse is promoted and implemented. The Company’s environmental management system has been certified by a third-party organization Hangzhou WIT Certification Co. Ltd.

| | Reporting Period |
|---|-------------------------|
| Wastewater from toilets, restaurants and plaza within the service areas | 743,000 metric tons |
| Compliance rate of discharged wastewater | 100% |
| Recovered waste asphalt mixture | 84,000 metric tons |
| Reused of waste asphalt mixture | 10,000 metric tons |
| Dust emission compliance rate for hot mix asphalt | 100% |

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(2) Resource Consumption

The Company encourages all staff to conserve resources for the improvement of the environment and cost reduction. On the basis that quality of products and services are ensured, the Company strives to minimize the quantity used as well as wastage during the resource utilization processes, to use energy-saving, low-power technology and products as much as possible, to adopt energy-efficient light sources for the energy saving transformation of lighting equipment, and to encourage and support staff to bring up justifiable suggestions about energy conservation and energy saving.

| | Reporting Period |
|--------------------------|----------------------|
| Water ¹ | 1,848,000 metric ton |
| Electricity ¹ | 36,384,000 kWh |
| Steam | 2,392.7 metric ton |
| Fuel | |
| Gasoline | 760.6 metric ton |
| Diesel | 1,688.7 metric ton |
| Heavy oil | 2,892.2 metric ton |

Note 1: The water and electricity charges for the Company's headquarters are included in the property management fees and are difficult to estimate. As such, the data on water and electricity consumption excludes the water and electricity consumed by the Company's headquarters.

(3) Environment and Natural Resources

The Company adopts an energy-saving and green environmental management policy. Integrated with the specific locations and environment of the frontline toll stations, "Beautiful Stations" are erected with planting of greeneries, fruit trees and seasonal crops, with an aim to create a rural economy and achieve a greener environment at the same time, to enhance the appearances of the frontline stations and to improve the work environment of the frontline staff. In the office areas, the Company places green plants at appropriate spots according to the spatial arrangements at work place so as to create a vibrant atmosphere in the work environment. Video conferencing, office automation and email systems are widely used by the Company. Daily consumption of paper and office supplies is minimized and double-sided printing in the offices is encouraged to reduce the consumption of paper and its impact on the environment. During the reporting period, the Company consumed 820 cartons of paper (each carton contains 5,000 pieces of paper).

3. Operation Practices

(1) *Management of Suppliers*

The selection and identification of suppliers for the Company is subject to the “Guidelines on Management of Company’s Bidding” (《公司招標投標管理辦法》) issued by the Company. The procurements which are within the scope and meet the standards should be processed by way of tender, competitive negotiation and quotation comparison, and are conducted based on the principles of transparency, fairness, equity and integrity. The Company has established a bidding management committee and a bid evaluation committee. Any member of the bid evaluation committee who is found connected to potential suppliers must abstain from the evaluation. In relation to maintenance projects, equipment replacements, asphalt and stone procurements, the Company identified 50 suppliers by way of tender, with total procurement amounted to RMB280,427,000 during the reporting period.

(2) *Security System*

The Company’s quality management policy is to ensure safety, accessibility, quality and efficiency. Its core responsibilities in respect of products and services are to ensure that highways and ancillary facilities are intact, smooth and accessible. In order to best fulfill its core responsibilities, the Company has prepared mid to long-term road maintenance plans as well as annual maintenance schedules, established a standardized toll services system, formed an emergency team and set up a response mechanism for traffic accidents. An integrated support service combining dining, shopping, sanitation, fueling and vehicle repair has been established. Equipment repairs, maintenance and emergency handling procedures were standardized. An operational system for the assurance of occupational health and production safety was formulated. Access to the Zhejiang Provincial expressway service hotline 12122 has been set up. The retention period for vehicles images and inquiry procedures were standardized. With a team who provides courteous customer service and collects tolls only according to defined charging mechanism, the Company’s quality management system has been certified by a third-party organization Hangzhou WIT Certification Co. Ltd.

During the reporting period, the Company invested RMB391,878,000 on road maintenance for road surface treatment of 408,000 square meters of defective road surface, 70.5 kilometers of pavement overlay (single carriageway), overlay at 196 bridgeheads as well as protection and reinforcement of 33 high slopes. As inspected by the Zhejiang Road Administration Bureau, the pavement quality indices (PQI) of Shanghai-Hangzhou-Ningbo Expressway, Shangsang Expressway and Ningbo-Jinhua Expressway were 94.3, 94.4 and 94.1, respectively, all of which have met the highest standards recognized by the government transportation authority, and was named as a “2013 Progressive Unit in Zhejiang Province Highway Maintenance Responsibilities Targets Inspection”. The Company monitors the full length of highways and carries out regular road inspections and special inspections in response to abnormal weather and events, with an aim to detect abandoned objects or spilled materials on expressways as early as possible and to take appropriate measures to clean or to remove them. Public liability insurances are purchased to cover the potential loss suffered by the Company as a result of traffic accidents caused by abandoned objects or spillage on roads. During the reporting period, there were 487 traffic accidents along Shanghai-Hangzhou-Ningbo Expressway, Shangsang Expressway and Ningbo-Jinhua Expressway caused by abandoned objects or spillage on roads, of which 13 were covered by the Company’s public liability insurances and compensated by the insurance company for the benefit of the parties involved. There was no similar traffic accident for which the court held that the Company had to be liable for the compensation.



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During the reporting period, the full length of the Shanghai-Hangzhou-Ningbo Expressway, Shangsang Expressway and Ningbo-Jinhua Expressway were open for 331 days, inaccessible or closed for 34 days (including complete closure, closure of certain lanes, closure for a specified period, closure of toll stations and traffic diversion from main roads, etc.) due to causes such as traffic accidents, bad weather and road construction. The total number of the Company's ETC lanes reached 104, and a total of 22 automatic card issuing lanes at the entrances were added. The throughput of vehicles reached 144,598,000 units.

During the reporting period, the Company's 24-hour service hotline received a total of approximately 4,500 inquiries, of which 106 were related to customer complaints, representing a complaint rate of seven millionths (0.00007%) and the ratio of complaint handling and response was 100%. 1,109 customers were randomly selected for customer satisfaction survey and the results demonstrated that the rate of customer satisfaction was 97.6%.

In order to improve the overall appearance of the service areas, the Company carried out improvements on spatial arrangement and upgraded hardware equipment for some service areas under its management during the reporting period. The Company carried out a questionnaire survey in respect to customer demand and consumer trend, after which new foods and beverages including fast foods and local specialty snacks were introduced to meet customers' needs. The Company made contribution to public liability insurance in order to cover the losses incurred by its customers from accidental injuries within the service areas. The Company was awarded as one of the ten best contenders in the "The First Session of Outstanding Management Company of Highway Service Areas in China" ("中國第一屆高速公路服務區優秀管理公司" 十佳稱號). The Company was assessed and selected by the China Highway and Transportation Society among more than 200 competitors in China, and reviewed by competent authorities including the Zhejiang Provincial Communication Department. Jiaxing service area, Shaoxing service area, Yuyao service Area and Chang'an service area were awarded as four-star service areas, and Shengzhou service area, Xinchang service area and Tiantai service area were awarded as three-star service areas.

During the reporting period, the Company performed 31,473 roadside assistances. From receiving a request for roadside assistance to dispatch of rescue team, the average response time required was approximately 5 minutes.

During the reporting period, the Company has not been involved in any intellectual property litigation or any proceedings in relation to customer privacy leakage, nor has there been any food safety incident in its service areas.

(3) External Liabilities

Due to the inherent characteristics of our products and services, such as highway traffic noises and occasional spillage of dangerous goods on the roads, there are inevitably some impacts to the social environment and the daily lives of the residents along the roads. In this respect, the Company, through consultation with the government and residents, has installed soundproofed glasses in the affected residential units, and planted trees on roadsides to mitigate the noise nuisance caused to the residents. The Company has taken a series of measures to reduce or eliminate spillage of dangerous goods on the roads, including registration of vehicles carrying dangerous goods at the entrances, placement of warning signs, upgrading accident-prone road sections, formulation of internal emergency response plans, assisting local governments along the highways in preparation of contingency plans, and organizing emergency drills to shorten response time and improve handling capacity.

During the reporting period, there were a total of 3 incidents of dangerous goods spillage along the Shanghai-Hangzhou-Ningbo Expressway, Shangsang Expressway and Ningbo-Jinhua Expressway. The Company properly handled the incidents through active cooperation with the safety production supervision authorities and government environmental agencies and acted according to their requirements. No incident of dangerous goods spillage occurred due to the Company's fault.

(4) Anti-corruption

All of the Company's staff are familiar with the legal liabilities in respect to corruption. In order to strengthen its internal anti-corruption and anti-bribery monitoring work. The Company has established an internal monitoring unit—discipline inspection and supervision office, and each frontline station is manned with part-time discipline inspection and liaison personnel. The Company fortifies the responsibility of leaders and employees at all levels in fighting against corruption by way of signing a "letter of responsibility against corruption". Anti-corruption education activities such as "performance evaluation and integrity evaluation", "watching anti-corruption education videos", "visiting police education bases" and holding "anti-corruption business reporting seminars" are carried out. During the reporting period, there was no major illegal case in relation to corruption.

4. Community Involvement

(1) Investment in Community

The Company participates in the establishment of civilized units and is enthusiastic about public welfare activities in the community. In particular, it actively engages in helping the distressed people by providing material, mental and capability enhancement assistances, with an aim to uplift the spare-time civil qualities of the villagers in targeted villages, promote moral and ethical education, enrich their business and cultural lives, improve their living environment and quality of life, and to care for the left-behind children. During the reporting period, the Company cooperated with 20 institutions in giving assistance and sharing of cultural life with identified parties, helped 21 poor children to continue with their school, giving assistance amounting in total to RMB279,000.

(2) Volunteer Programme

Volunteer programme is an important vehicle through which our staff contributes to society. It is also a cultural value which the Company advocates. A number of volunteer service teams are formed to carry out volunteer activities in various forms and with different contents which take place during festive occasions and holidays. These include emergency rescues, traffic directions, services for the convenience of people, unpaid blood donations and driving safety initiatives. During the reporting period, the Company organized 129 volunteer activities in which a total of 1,235 employees participated, and 58 employees engaged in blood donations.

(3) Donation

The Company supports the development of cultural and sports activities in Zhejiang Province and has entered into a donation agreement with Zhejiang Sports Bureau, pursuant to which the Company donates RMB1,000,000 every year to Zhejiang College of Sports (three years in total) for the funding of teaching, scientific research and talent development. In response to the call of Zhejiang Provincial government, all employees took the initiative to contribute a total of RMB143,000 to support the Zhejiang Provincial government in the development and implementation of aquatic improvement projects for the enhancement of people's living environment throughout the province.

(This environmental and social responsibility report of 2014 was approved by the Board on 27 August 2014.)