



REPORT

2018

ENVIRONMENTAL
SOCIAL AND
GOVERNANCE

The board of directors of the Company and all Directors hereby guarantee that there are no misrepresentations or misleading statements contained in, or material omissions from this report, and severally and jointly accept full responsibility for the authenticity, accuracy and completeness of the information contained herein.

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ABOUT THE REPORT

This report is prepared in accordance with Guidelines on Preparing the Report on Corporate Fulfilment 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 the "Stock Exchange"). It covers the important practices and performance of the Company in relation to its stakeholders, environment and resources, employees, supply chain and products, anti-corruption, community services as well as targeted poverty alleviation from 1 January 2018 to 31 December 2018. In this report, "Chengyu Company", "Company", "the Company" or "we" refer to Sichuan Expressway Company Limited and/or its subsidiaries.

The report was considered and approved at the 25th meeting of the sixth session of the board of directors convened by the Company on 28 March 2019.

The report is available in simplified Chinese, traditional Chinese and English, which may be obtained on the websites of SSE (<http://www.sse.com.cn>), Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.cygs.com>) as needed.

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COMPANY PROFILE AND CONCEPTS OF ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

The Company's principal business include operation of expressways, provision of traffic services to vehicles and collection of tolls in accordance with charging standards stipulated by relevant government authorities. At the same time, the Company also conducts a range of various other businesses including "city operation", "financial investment", "energy investment" and "transportation, tourism, culture and education".

Playing a fundamental and forerunner role in the national economy, the expressway sector does not merely satisfy people's needs for efficient and speedy travel, but also facilitates social and economic development. The Company obtains its operating expressway assets by way of investment and construction as well as acquisition. Currently, we own all or substantially all interests in a number of expressways in Sichuan Province such as Chengyu (Chengdu-Chongqing) Expressway, Chengya Expressway, Chengle Expressway, Chengren Expressway, Chengbei Exit Expressway, Suixi Expressway and Suiguang Expressway. The length of expressways of the Company has reached approximately 744km in total, representing over 10% of the total expressway mileage throughout the province. Therefore, we exert significant impact and play a critical role in investment, construction and operation of expressways in Sichuan province.

本集团辖下高速公路路网示意图



COMPANY PROFILE AND CONCEPTS OF ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

In 2018, the Company forged ahead from the new starting point after having made thorough studies and analysis on the economic and social development trends, and it exerted great efforts to make arrangements on relevant varied industries on the basis of toll roads and bridges in virtue of its advantages and initiatives. With the Company's expansion and further development of its businesses in other fields, the Company will, in consistent adherence to the concept of pursuing paralleled development of the Company and the environmental resources, take on its bounden social responsibility and make tireless efforts to achieve the vision of "growing itself into a long-lasting company that pursues innovation, creates value, cares for staff's happiness and operates with integrity (創新成渝、百年成渝、價值成渝、幸福成渝、清風成渝)".

Pursuing innovation	To develop into an intelligent expressway operator on the one hand; and a provider of expressway operation and management services.
Long-lasting development	While consolidating the principal business, it strives to supplement and adjust the industrial portfolio by extending to varied industries related to the principal business with the view to accomplishing the long-lasting development mission.
Creating value	To increase its business value, maximising the value for shareholders, exert its social value and enable the employees to develop their personal value.
Staff's happiness	To improve the professional identity, sense of achievement, professional clout and position competency of "Chengyu members" and to share the development dividends with the employees.
Operating with integrity	To rule out corruption by following rigid disciplines, behaving in a fair and honest manner and working selflessly.

At the same time, the Company also proactively follows provincial and national development strategies such as "one trunk with multiple branches and synergic development of five districts (一干多支,五區協同)"¹ and the "Belt and Road" initiative by constantly optimising the operation structure of the Company, promoting the preservation and appreciation of state-owned assets and furnishing more and better jobs so as to support the regional economic development and creating social value.

Being fully aware that corporate development is bound up with the society and environment where it operates, the Company has been committed to providing safe, fast and comfortable travelling services to the public and promoting the social and economic development by fulfilment of its social responsibility since its establishment. While gaining economic benefits, the Company pays close attention to the impacts of the products and services it delivers on the society and environment on an ongoing basis, shows respect to stakeholders' interests and holds itself accountable for resulting obligations. Meanwhile, the Company upholds the concept of "green development, convenience and safety, efficiency and excellence", implements the development goal of co-existence and co-prosperity with society and environment, and endeavors to achieve the win-win situation between self-development, environment protection and harmonious society.

¹ "one trunk with multiple branches and synergic development of five districts (一干多支,五區協同)" refers to promote the driving effects of Chengdu, acting as the backbone, to achieve the competitive development of the "multiple areas" comprising the economic circle surrounding Chengdu as well as South Sichuan, Northeast Sichuan and the western Panzhihua economic areas, and seek for the synergic development of Chengdu Plain, South Sichuan, Northeast Sichuan, Panxi Economic Zone and Northwest Sichuan Ecological Demonstration Zone, thus constructing a new regional development pattern.

STAKEHOLDERS

(I) The government and regulatory authorities

In compliance with the instructions and regulations of the government and regulatory authorities, the Company implements strict corporate governance, carries out law-abiding and compliance operations, pays taxes in accordance with laws and fulfils its information disclosure obligation. There is no breach of the regulatory requirements. The Company has been honoured with the "Best Corporate Governance Award" for listed companies by China Financial Market for three consecutive years and has been rated A level (Excellent) in the assessment conducted by the SSE for five consecutive years. In October 2018, personnel from Sichuan Securities Regulatory Bureau and the SSE conducted a one-month routine field supervision and inspection on the Company's finance management, accounting, internal control systems, information disclosure, investors relation and other aspects pursuant to the requirements of the Measures on Field Inspection of Listed Companies issued by China Securities Regulatory Commission ("CSRC"). In addition to speaking highly of the Company's institutionalise and normalised corporate governance, the regulatory authorities also gave valuable suggestions and advise to the Company.

(II) Shareholders

The Company has been strictly complying with the Company Law, the Securities Law, the relevant laws and regulations of CSRC and the relevant requirements of the listing 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 compliance requirements of the A share and H share markets, conducts operating activities by strictly obeying various regulatory and administrative systems, and strives to enhance the operating transparency, to keep raising the corporate governance level and attach sustainable and sound investment returns to shareholders.

1. Equally treat shareholders, and guarantee all shareholders, especially the minority shareholders, enjoy equal status and that they can fully exercise their rights. In 2018, the Company held one annual general meeting (AGM) and two extraordinary general meeting (EGM), respectively. 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.

STAKEHOLDERS

2. Pay attention to the appropriate return on the shareholders' investment, and carry out sustainable, stable profit distribution policy. In accordance with the provisions in the Articles of Association of the Company, if the Company distributes cash dividend, the proportion shall not be less than 30% of the profit available for distribution to the Shareholders recognized by the Company for the current period (the lower of the profit of the Company calculated under the following generally accepted accounting standards). The Board has recommended a final cash dividend for the year 2018 of RMB0.1 per share (tax inclusive), aggregating to approximately RMB305,806,000, representing 49.87% of the profit available for distribution to the Shareholders recognized by the Company for the year in accordance with the PRC Accounting Standards, and representing 36.01% of the profit attributable to the owners of the Company (calculated in accordance with the PRC Accounting Standards) in the consolidated financial statements. The proposed dividend is subject to approval at the forthcoming 2018 Annual General Meeting of the Company.

The dividends of the Company in recent three years are as follows:

Year	Dividend per share (RMB)	Total dividend (RMB' 000)	Approximate proportion of the profit available for distribution to the Shareholders recognized by the Company for the year (%)
2017	0.10	305,806	45.22
2016	0.11	336,387	47.79
2015	0.08	244,645	42.58

3. 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 2018, the Company released 4 regular reports, 56 interim announcements, and 36 other announcements in the A share market, as well as 91 announcements in the H share market.

4. Keep maintaining and enhancing the relation with the investors in various ways. This year, the Company participated in the theme activity titled "2018 Collective Reception Day for the Listed Company Investors from the Area under Sichuan Jurisdiction" jointly organized by Sichuan Listed Companies Association and SSE INFONET Co., Ltd., 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 domestic and foreign investors, as well as the news media by phone, mail and receiving site visits. During the year, the Company also organised roadshow presentations in Hong Kong and such events were well received by active participants from dozens of investment institutions.

STAKEHOLDERS

(III) Creditors and Suppliers

The Company insists on operating by laws 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 in accordance with the agreements. As a result, the Company has never been in lack of loan management procedures standardization or involved in overdue 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 credit relation with the creditors. In 2018, in spite of the tighter capital regulations, the Company managed to obtain a variety of financing in the amount of RMB3,400 million for the year and was granted a direct fiscal subsidy of RMB4.85 million as financing encouragement by Sichuan Provincial Government; China Chengxin International Credit Rating Co., Ltd. graded the Company's corporate credit rating and facility credit rating as AAA again, manifesting the Company's influence and credibility in National Association of Financial Market Institutional Investors and the two 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, complying with relevant national laws and regulations, while stringently 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.

(IV) Consumers

With the aim to "satisfy our consumers", the Company is committed to improving the road and facilities, and enhancing the level of management and services, so as to ensure that consumers enjoy safe, convenient and comfortable road transportation services. Meanwhile, the Company also provides the customers with necessary help from their perspective. 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 provided efficient channels for the consumers for information communication. They may make inquiry or complaints by phone or through the Company's website. Once the Company receives the consumers' opinions or suggestions, it will promptly follow up with the investigation, and feedback the results to the consumers.

(V) Employees

As the core competitiveness in corporate development, employees are the decisive factor for our growth, expansion and sustainable development. In 2018, we continued to adhere to the "people-oriented" concept, improve the employees' sense of belonging, sense of identity and sense of achievement, and provided each employee with opportunities to become the creator, witness and harvester of the construction achievements of the Company.

During the year, the Company further optimised the organisational structure, clarified the functions of each department and straightened out production safety management systems; it also intensified production safety education and updated and ameliorated the production equipment and facilities so as to provide safe production and working environment for the employees on a continuous basis; besides, it also consummated the remuneration system to ensure its market competitiveness and formulated compliance and reasonable staff social security and welfare systems; furthermore, it also advocated the learning awareness and achieved full attendance of training courses for employees; moreover, it also paid attention to the personal development of its employees and emphasized the provision of self-improvement and promotion platforms and channels for employees.

ENVIRONMENT AND RESOURCES

The ecological environment is the base on which humans relies on to survive and develop, and environmental protection is the enterprise's indispensable social responsibility. In 2018, unprecedented premium was put on the protection of environment and resources in China. In particular, with the formal promulgation and implementation of a number of laws and regulations including the Environmental Protection Tax Law and the Law on Prevention and Control of Water Pollution (newly revised), higher requirements were put forward for the environmental protection of enterprises.

The Company has paid consistent 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", "Law on Prevention and Control of Water Pollution" and "Environmental Pollution Prevention and Control Law of Solid Wastes". In 2018, the Company established and improved the environmental protection organisation, adjusted the environmental protection duties of each department of the Company, set up the safety and environmental protection department and made corresponding adjustments to leading group for environmental protection work by assigning the office of the leading group to the safety and environmental protection department to take charge of the daily management. Under the leadership of the leading group for environmental protection work which was presided by the chairman of the board of directors, the Company, having analysed the key tasks and specific goals of environmental protection, formulated the environmental protection working system, assessment measures and emergency response plan. Meanwhile, the Company had the principals at each level signed the liability statements so as to enhance the subdivision of environmental protection goals and the implementation of relevant responsibilities and further assign the environmental protection tasks to specific departments and employees, thereby ensuring the orderly and efficient progress of the environmental protection work of the Company.



ENVIRONMENT AND RESOURCES

(I) The emissions

As the Company is mainly engaged in expressway investment, construction, operation and management, the business of the Company does not involve any industrial production in nature and its operating activities do not produce a large quantity of wastes directly. Nonetheless, the protection of the natural environment and ecological resources has always been a major concern of the Company in its various operation and management work. While constantly intensifying environmental protection and pollution treatment from the perspective of enhancing consciousness, system establishment, capital contribution, technological reform, etc., the Company also relentlessly improved the utilization rate of resources.

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 general vehicles travelling on expressways and special vehicles used for road management and maintenance of the expressway (patrol cars and troubleshooting vehicles) for the purpose of operation and management of expressway. In particular, general vehicles prove to be the major source of emission. It is difficult for the Company to quantify the total emission, density and other data with its existing techniques. However, the Company carries out the following specific measures against such emission sources. On the one hand, the Company controls and cuts the exhaust emissions of the vehicles used for management and maintenance of road assets by scraping the heavy-polluting "yellow label vehicles" on a voluntary basis and making sure that the newly purchased ones are in line with the latest environmental protection standards; on the other hand, the Company carries out regular repair, maintenance and environmental detection to ensure that the exhaust emission thereof is in compliance with relevant requirements. In addition, it also intentionally guides the drivers and passengers to choose low-carbon and energy-efficient trips, and continues to promote the construction and operation of ETC and ETC/MTC² composite lane, electronic payment system and other convenient traffic systems to improve the traffic efficiency and reduce fuel consumption and

exhaust emission³. As of 31 December 2018, there were a total of 163 ETC lanes and 86 ETC/MTC composite lanes built and put into use on the expressways under the Company, accounting for 31.90% and 16.83%, respectively of the total number of the lanes; at the entrances and exits of all the expressways under the Company, the ETC traffic flow reached 69.85 million vehicles, accounting for 37.55% of the total traffic flow at the entrances and exits, representing a year-on-year increase of 5 percentage points.



Type	Number (lanes)	Percentage over the total lanes (%)	Year-on-year increase (lanes)
ETC	163	31.90	13
ETC/MTC composite	86	16.83	15

²ETC: the Electronic Toll Collection system; MTC: lanes with semi-automatic toll collection system

³According to the calculation and estimation conducted by relevant authorities, when a vehicle travels the distance of 300 meters along a toll station, the integrated fuel consumption for a vehicle passing through ETC lane is 50% lower than that of a vehicle passing by way of traditional manual toll collection, with decrease in emission of CO (carbon monoxide) and CO₂ (carbon dioxide) by 71.3% and 48.9%, respectively.

(Data resource: the website of China highway, www.chinahighway.com/news/2012/718465.php)

(中国公路网: www.chinahighway.com/news/2012/718465.php)

ENVIRONMENT AND RESOURCES

2. Wastewater Discharge

The aquatic pollution produced in the Company's operation and management is mainly comprised of the domestic sewage and oily wastewater from the toll collection stations and offices of the administrative organs in the expressway service areas. The Company earnestly implemented the aquatic pollution prevention and treatment measures and risk control measures to ensure that the wastewater was discharged after treatment and compliance with the standard in order to reduce the impact of the wastewater on the air, water, vegetation, soil and other environmental resources surrounding the area, the Company has constantly increased efforts on aquatic pollution treatment in the service area. first, it continued to optimise the existing wastewater treatment mode: on the one hand, in respect of wastewater treatment and discharge, the plan of connecting the Company's wastewater discharge into the municipal wastewater treatment network in principle for concentrated management; on the other hand, as for wastewater not qualified for connection, upgrade and transformation plan was formulated and put into practice stepwise so as to update and modify the existing wastewater treatment equipment or systems in the service areas and such wastewater would be discharged upon treatment and compliance with relevant standards. The brand new wastewater treatment mode of "pre-treatment + ultra-micro flotation + bio-filter + advanced treatment" was introduced into certain service areas of the Company. Second, it strengthened control over the source by intensifying environmental management from the perspective of food and beverage in the service areas, installing concentrated gas emission system and oil fume purifiers and setting up grease trap facilities to filtrate oily wastewater and have such wastewater discharged separately. Meanwhile, the Company also reduced the use of chemical detergents such as "Jie Ce Wang" and chose food-grade products and other alternatives made from natural materials. The wastewater treatment and discharge standards in the service area operated under the Company have satisfied the national standards during the year.

3. Solid Wastes

Solid wastes produced in the management and operation activities of the Company mainly comprise a huge quantity of household garbage in the expressway service areas under the Company and construction offscourings and scraps produced in the course of road maintenance and project construction. In order to alleviate their impact on the surrounding environment, we enhanced the supervision on the operators' garbage disposal in the service areas in terms of household garbage, and placed emphasis on daily management in this regard. We first placed many separate trash bins in service areas (parking lots) and toll stations under the management of the Company to store and treat the household garbage by category, and established corresponding follow-up tracing system after cleansing, shipping and treatment of such garbage; At the same time, we also set up trash temporary storage places in all service areas, so that the garbage generated in the service areas 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 construction offscourings and other scraps, the Company enhanced supervision and management to stop the construction companies from dumping construction offscourings randomly. In addition, it also encouraged the reuse of pavement scraps and milled waste materials and requested concentrated piling and united disposal of construction offscourings not suitable for recycling for the time being.

ENVIRONMENT AND RESOURCES

(II) Resources Utilization

We know that resource consumption is inevitable in the Company's daily operating activities, but reducing resources consumption and improving utilization efficiency are significant to the healthy development of the Company and environmental protection. The Company has always been serious about management of resource consumption, and considers it as a matter concerning the sustainable development and implementation of environmental responsibility of the Company. The Company applies several measures such as technology investment, promotion and education, and energy saving reconstruction in the operating activities, endeavors to fulfill our obligation within our capability to save resources and effectively improve the efficiency in using the resources:

1. Actively promote the application of new technology and ideas in the production and operation activities to reduce energy consumption and pollution, and enhance resource utilization efficiency.

(1) The Company advanced the reform in respect of expressway management, maintenance and patrol and achieved automatic traffic condition inspection to reduce the vehicle travelling frequency and total discharge by equipping video inspection system and 4G OBU with expressway management and maintenance vehicles and utilising cloud computing, artificial intelligence and other technological means.

(2) The wastewater treatment system of "pre-treatment + ultra-micro flotation + bio-filter + advanced treatment" which was highly secure, low energy consumption, highly efficient and very stable, was introduced into Pujiang service area of Chengya Company.

(3) The "three-simultaneousness" environmental system (which refers to simultaneous design, simultaneous construction and simultaneous utilisation of the pollution prevention facilities and the project in the course of project construction) was followed strictly in the Chengle Expressway Capacity Expansion Project under construction in order to reduce environmental pollution and improve resource utilisation efficiency at the same time, thereby striving to constructing green and quality expressways.

2. Vigorously promote the concept of "protecting the environment is everyone's responsibility" and "energy-saving and emission reduction gets started from me". The Company has been committed to enhancing the front-line employees' appreciation of environmental protection by organising safety and environmental protection working conferences; arranging the employees to learn environmental protection laws and regulations as well as relevant knowledge in a concentrated manner; carrying out theme activities including the "6.5" World Environment Day event; and promoting environmental protection concepts by distributing environmental protection pamphlets and running contests on environmental protection knowledge.



ENVIRONMENT AND RESOURCES

3. Take various measures to achieve energy conservation and consumption reduction and improve resource utilisation efficiency. In its expressway operations, the Company builds more torrent gutters and intercepting ditches on the higher slope such that the water can flow to the irrigation canal with the view to utilising water properly and improving the utilisation efficiency; makes water and electricity pipeline check and maintenance a routine work to avoid leakage and waste of water and electricity; and controls power consumption by switching on tunnel lighting only in certain hours of a day, phasing out equipment with high energy consumption, and promoting and adopting energy-efficient products such as solar strobes and LED mast lamps as well as using more time-control and voice-activated switches. In the daily business course, the Company popularises the OA system and multimedia conference system to effectuate paperless and information-based office and control the supply of commodities; and continues to ameliorate the "operating information spreadsheet system" and the "operating indicator search and analysis platform" developed independently by the Company to achieve paperless accounting and convenient business operation.

Table of statistics on resources used by the Company

	2017	2018
Water (0'000 tonnes)	78.7	73.2
Electricity (0'000 kwh)	1,957	2,012
Gas (0'000 litre)	123	120
Paper (0'000 pieces)	337	313
Natural gas (0'000 m ³)	23	21

ENVIRONMENT AND RESOURCES

(III) Environment and Natural Resources

When operating expressways, the Company strictly complies with the provisions of 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.

Upholding the philosophy of harmonious growth of production and environmental protection, the Company strives to minimise the impact of its operations on the life of the residents and the natural environment alongside the expressways from the following perspectives: (1) curbing noise pollution. The Company built standard soundproof walls (sound barriers) along the elevated road sections and assigned security staff to guide drivers to avoid siren noise. Meanwhile, it also completed the pavement layer modification for certain elevated road sections with the ultra-thin wearing layer technology, which reduced the noise in such sections by five to seven decibel and hence was well received by the residents living along (according to telephone follow-ups). (2) intensifying ecological resource protection. On the one hand, the Company energetically fulfilled its obligations of preserving the water and soil alongside the expressways through regularly trimming and planting the vegetation; cooperating with local government to ensure the ecological safety of the nucleus area of Longquan Lake and Shi Xianghu Scenic Area; as well as strengthening protection of the natural resources in the road areas in the neighbourhood of the headwaters of Jialing River and Chicheng Lake. On the other hand, the Company also worked hard to protect the river system and headwater environments. The expressways under the management of the Company run across or through more than 10 river systems or headwaters according to the investigation statistics. In order to guard against pollution over such river systems, all the relevant branches and subsidiaries have built runoff collection systems along the bridge decks, constructing more sedimentation basins and put up signs and boards signalling drinking water reserves, and have been keeping observation data and installed clean water treatment facilities at Tongjianghe Bridge and Qingshuihe Bridge to preserve the local drinking water source.

At the same time, the Company also strives to reduce the impact of expressway construction and maintenance on the environment and seeks for sustainable development: the Company continued to implement standard



construction and refined management to minimise the impact on environment; arranged construction sites, time and equipment in a reasonable manner to reduce interference to the surrounding residents; dealt with and recycled the waste materials at the working site properly and formulated well-established work parameter for waste residue treatment in the construction process; ran regular tests on the construction machinery so as to prevent the oil leaks from polluting the roads; and emphasized work relating to preventing and controlling fugitive dust at the construction sites by covering material stacks at the sites such as dust-labile stuffs and scraps with cloth with coloured strips and assigned special staff to clean and moisten the work sites so as to ward off dust pollution.

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 creating a safe, healthy working environment to the employees, and providing self-improvement opportunities to them, in order to promote mutual development between the employees and the Company.

(I) Employment

The Company strictly implements a number of national and regional laws, regulations and policies concerning labour and personnel such as the "Labour Law", "Labour Contract Law" and "Social Insurance Law" and other regulations, and has been in close compliance with the "Measures on Management of Employment by Labour Contract", "Measures on Management of Employee Recruitment and Deployment (Trial)" and other bylaws developed by itself in its actual business activities. 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. Under the principle of "fair competition, hiring employees on the basis of competitive selection" in the recruitment process, the Company widely attracts outstanding talents through campus and general recruitment in market-oriented recruitment manner, and has selected and employed 408 base line employees (including 185 males and 223 females) and 50 managers, totaling 458 persons. During the year, the staff turnover rate of the Company was 4.52%. The Company will constantly improve its measures for attracting and retaining talents and offer more occupational development opportunities for employees' further development based on the business development needs of the Company.

Number of employees (by gender and age)

Gender Age	Number of employees		Total	Number of management member		Total	Remarks
	Male	Female		Male	Female		
35 or below	1159	1458	2617	218	248	466	Based on the ages as at 31 December 2018
36-40	234	258	492	86	82	168	
41-50	642	444	1087	212	152	365	
51-55	160	35	195	70	34	104	
56 or above	69	3	72	25	1	26	
Total	2264	2198	4462	611	517	1128	

Number of employees (by region)

Region	Number
Chengdu City	2384
Meishan City	515
Neijiang City	315
Ziyang City	281
Ya'an City	270
Leshan City	188
Guang' an City	168
Suining City	144
Nanchong City	93
Others	104

Number of employees (by gender and position)

Gender	Management member			Non-management	Total
	Senior management	Middle-level management	General management		
Male	67	163	395	1640	2265
Female	14	95	426	1662	2197

Number of employees (by type of employment)

Type of employment	Male	Female	Total
Labour contract with a fixed term	1373	1539	2912
Open-ended labour contract	869	649	1518
Other types	30	2	32

EMPLOYEES

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 working time and rest time for employees, safeguard their work and rest rights, and perfects various social insurances for the employees. In 2018, the Company paid various social insurances in full amount for the employees, including insurances for pension insurance, medical insurance, unemployment insurance, occupational injury insurance, and maternity insurance. 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 employer's liability 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 also pays the housing accumulation fund in full amount for the employees in a timely manner.

The Company is very concerned about the employees in difficulties and the front-line employees. In 2018, the Company paid home visits to 22 toll stations of different subordinate units of the Company and 52 needy employees whose household per capita monthly income was less than RMB1,000 and provided them with solicitude funds of RMB118,000 in aggregate. Besides, the Company has had special archives for employees in difficulties in place. In summer, the Company carried out refreshing solicitude activities for the front-line employees of a number of subsidiaries and branches and bought refreshing drinks with a total of RMB72,000 for toll stations.

The Company has laid down sound remuneration systems to encourage the employees to create value on a continuous basis. In 2018, according to the statutory requirements and the market conditions, the Company implemented a remuneration system by linking wage with enterprise performance, and progressively improved the incentive and restraint mechanism that met up with the requirements of modern corporate system to promote the growth of the economic benefits and the shareholders equity of the Company and further ensure the competitiveness and reasonableness of the Company's remuneration in the market, which effectively aroused the enthusiasm and creativity of the employees.

The Company advocates the corporate atmosphere that is open for diversity and is opposed to discrimination in any form and has been working hard to create a harmonious, fair and just working environment and vocational development path. The Company adopts the same remuneration standard for both male and female employees and provides equal opportunity for each employee as it respects gender equality; it also offers employment to the disabled and pays Employment Security Fund for them; in addition, the Company provides the employees with a platform to facilitate their growth and realize their ambitions. Moreover, it selects superior talents based on the consistent principle of democracy, openness, competition, and meritocracy, constructs a fair and transparent career promotion platform for the outstanding employees, and integrates the employees' personal development into the course of pursuing the Company's development goals with the aim to achieve mutual development.

EMPLOYEES

(II) Safety and Health

The Company implements thoroughly laws and regulations including the "Production Safety Law" and attaches great importance to safe production and safeguards the life security of the employees. As it has always been better to be safe rather than sorry in respect of production safety, during the year, in addition to revising and supplementing the Production Safety Regulations, the Company, in accordance with a series of documented requirements, completed the self-assessment on compliance with the production safety standards, undertook the establishment of the dual prevention systems comprising Graded Risk Management and Hidden Hazard Screening and Treatment and ruled out the hidden hazards in the working sites and improved the conditions thereof, thereby creating a safe production and working environment for the employees to the extent possible. At the same time, the Company continued to perfect the supplies of safety facilities and labor protection appliances for the employees to increase the job post safety, and enhanced the employees' safety awareness and ability to deal with emergencies by various safety training courses and security drills. In 2018, the Company did not have any deaths within the workplace or due to work related reasons; work-related injury accident rate was 0.40%, and the number of the working day's lost due to work-related injury reached 797 days cumulatively.

In order to enhance occupational health management, prevent the outburst of occupational diseases, and safeguard the employees' health and relevant rights and interests, the Company improved the occupational health regulatory systems and carried out detections on occupational hazards elements in accordance with the Law on Prevention and Control of Occupational Diseases, and other laws and regulations on the one hand, and provided all-aspect occupational health protection measures to the employees to avoid various potential occupational health risks in accordance with the Occupational Health Management Bylaws of the Company on the other hand; in addition, since the Company valued the physical wellbeing of the employees very much, it arranged regular physical examination for the employees and purchased the employer liability insurance for the employees to improve the employees' capability in fighting diseases and accident risks.

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 hosted and participated in the employees' New Year art performance, May 4th artistic event, speech tour on advanced individuals, photograph competition, employee sports meeting, etc., and encouraged the employees to take active part in hobby groups in respect of basketball, badminton, yoga, book club, etc., and come to various cultural and sporting contests held by the community, greatly enriching the employees' recreational and sports life and helping the employees to keep a healthy physical condition and to maintain a positive and optimistic attitude.



EMPLOYEES

(III) Development and Training

The Company pays attention to employee trainings and has prepared vocational training courses concerning multiple aspects with the aim to improve the comprehensive quality and business competence of employees at all levels through various trainings from different perspectives. In 2018, the Company held a variety of centralized and special training courses including courses for comprehensive qualities enhancement of middle & senior-level management, self-selected course for cadres, new employee orientation training, job post training for skilled employees, and professional technical personnel continuing education, and attendance of such trainings amounted to 16,022 person-times on a cumulative basis.



Average training hours

Gender	Average training hours for the management member			Average training hours for non-management	Average training hours
	Senior management	Middle-level management	General management		
Male	50.98	38.67	31.82	22.03	29.39
Female	47.29	45.87	31.04	26.43	32.61

(IV) Labour Standards

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

SUPPLY CHAIN AND PRODUCTS

(I) Supply Chain Management

When cooperating with 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.

(II) 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 2018, 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 and improved the Company's road comprehensive service capacity and emergency process efficiency.

First, routine maintenance is of vital significance. Throughout the year, the Company identified 688 general hidden pitfalls, all of which have been rectified, conducted road inspections of over 30,000 times covering a mileage of more than 3,190,000 km, and recorded self-clearance rate for vehicles in accidents of over 96.52%, thus ensuring the normal operation of our expressways. In 2018, Chengyu Company was awarded "Advanced Unit for Construction of Hidden Hazard Screening and Treatment Systems in Sichuan Province" by Sichuan Provincial Government and hence became the sole laureate among expressway companies in Sichuan.

SUPPLY CHAIN AND PRODUCTS

Second, scientific preventive maintenance and management is implemented steadfastly. The Company always gives weight to maintenance work and catches hold of the timeliness in this regard, which keeps minor defects from growing into grave disaster on the one hand, and helps reduce the overall costs to be incurred for maintenance work on the other hand. In 2018, the pavement quality index PQI of each expressway of the Company was over 92 scores (excellent level) and was in line with the overall road requirements of "smoothness, safety, comfort and neatness".

Third, road safety keeps improving. The Company promoted the overlay overhaul and mid-scaled maintenance projects on pavements, renovated the traffic signs, markings and glare shields along the expressways and cemented and modified the traffic safety facilities at tunnel entrances, exits and road sections adjacent to water areas, cliffs and other roads so as to improve the standard of road safety services.

Fourth, equal importance is attached to refined maintenance and information-based maintenance. Refined management of maintenance work is implemented by way of "road inspection bookkeeping", "bookkeeping on hidden hazard screening and management" and "bookkeeping on utilisation of maintenance budget"; whereas, video inspection is introduced to improve the security and accuracy of maintenance-aimed inspection and thereby to enhance working efficiency.

Fifth, orderly and smooth traffic is guaranteed in special periods. For special occasions such as travel peaks resulting from Spring Festival and other major holidays, flood seasons, rainy and misty days, etc., the Company carefully develops work plans and contingency plans to ensure smooth traffic, soundly carries out potential safety hazard screening and treatment and makes timely repairs therefor, and strengthens the supervision and inspection as well as 24-hour duty system to ensure the public safety and smooth traffic.

2. Actively Implement Free Transportation and Green Channels Policy

In 2018, 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. Meanwhile, the Company carefully carries out the free transportation policy for small passenger vehicles during the major holidays. In 2018, a total of 20 days were toll-free. For the traffic congestion likely to occur 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 high-quality civilized services, the details of which include:

(1) High-quality civilized service at toll stations. The Company held toll collection post contests to reinforce quality assessment on high-quality civilised services; it also set up targeted volunteer service booths to provide tourist advise, traffic information, emergency medical supplies; meanwhile, it also mounted convenience cabinets at the square of each toll station with instrumental kits, OTC medicines and hot water in place.



SUPPLY CHAIN AND PRODUCTS

(2) High-quality civilized service at service areas. The Company continued to promote the "Restroom Revolution" by improving sanitary facilities, providing free hot water, toilet paper and liquid soap in 24 hours; ensured the normal operation of baby care rooms, gender-neutral toilets, emergency toilets and the tailor-made sanitary facilities for the disabled; constructed and preserved barrier-free passage and special parking lots for the disabled and provided free wheelchairs; and had play facilities in place for children.



(3) Improving service standards in virtue of advanced technology. The Company advocated new payment approaches and made phone scan-pay available at all of its toll stations; took the lead in introducing the MTC self-service card dispensers in the province; and set up pilots for intelligent toll collection booths, integrated LED screens in driveways and unmanned service areas. In addition, the Company obtained national invention patent for its "unmanned self-service card dispenser system and method under the backdrop of overload rectification at the entrances (入口治超环境下的无人值守自助发卡系统及方法)".

Ever since the expressway service quality evaluation was implemented in Sichuan Province, the Company has maintained its top rankings for its expressways in this respect for a long time. Chengren expressway has ranked first for three consecutive years and other road sections have also maintained at midstream to upstream levels in the province; Chengle, Suiguang, and Suixi expressways were rated as expressways in possession of "Five Models"; the Pujiang service area of Chengya Expressway, the Jiajiang Service area of Chengle Expressway were selected as "Top 100 National Demonstration Service Areas" by the Ministry of Transport and "Five-star" service areas of the province; Ms. Li Ying with Chengdu Station, and the road attendant team with Neijiang Station of the Chengyu(Chengdu-Chongqing) Expressway were honoured with the title of the "Most Beautiful Road Attendant" and the "Most Beautiful Road Attendant Team", respectively.



ANTI-CORRUPTION

Integrity is the cornerstone for sustainable development and an enterprise is obliged to keep a corruption-free and righteous outlook. We in the capacity of a state-owned enterprise, shoulder the glorious mission of safeguarding state-owned assets. Therefore, the Company values anti-corruption greatly and consistently purifies the conducts and eradicates corruption from the source through awareness enhancement and institutional improvement.

(I) 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. During the year, we established and improved the Key Points of Work concerning the Construction of a Clean and Honest Party and Anti-corruption of Chengyu Company in 2018 and other regulatory documents to further enhance the institutionalisation and long-term effectiveness of anti-corruption. We intensified the monitoring and inspection functions and conducted supervision on the working style to maintain the well-established working style and spiritual outlook. We also boosted the auditing, supervision and rectification on specific projects. In the year, there were no criminal acts such as duty encroachment and bribery occurring in the Company.

(II) Carry out Corruption-free Education Activity

By way of warning education, centralized learning, distributing anti-corruption books and setting up anti-corruption bookshelves, we actively promote anti-corruption education and deepen employees' awareness on anti-corruption. At the same time, by fully utilizing the platforms such as its website, Wechat official account and other media or platforms, the Company publicizes the anti-corruption culture widely, conveys the new circumstance, new tasks and new requirements for anti-corruption in a timely manner, and implements the value systems on combating corruption and upholding integrity in every aspect of the Company.

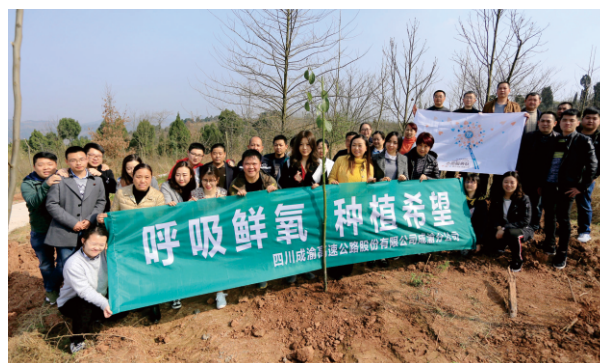
(III) Perfect and Implement Routine Supervisory Mechanism

We closely monitor deficiencies and loopholes in the key areas, positions and links, amend and perfect the systems on the election and appointment of cadres, three public expenses ("三公" 經費), official receptions and tendering and bidding management on the basis of our existing systems. We carry out inspections on anti-corruption risks, strengthen the integration of building a corruption-free Party and the establishment of systems and further improve the punishment and corruption prevention systems. We also inspect the integrity of systems, further enhance the prevention and control of integrity risks in various business and effectively standardize various management work.

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 2018, Chengyu Company invested a total of RMB714,000 and our employees participating in the community volunteer service totaled over 5,000, with the total service time up to 2,327.5 hours, which effectively improved the community's well-being.

(1) The Company proactively participates in the construction of community where it operates, advocates the environmental protection philosophy of harmonious coexistence of human and the nature. During the year, Suiguang-Suixi Company invested RMB209,100 to help villages and towns along the expressways build crash bearers to eliminate hidden safety dangers on the expressways along cliffs and slide slopes and guarantee the travelling safety of villagers. It also invested RMB190,000 in building a circular-pipe culvert with 32 meters under the bridge within Nanchong City, which solved problems in farm irrigation and smoothened the channel for the economic development of the community. Meanwhile, the Company plant trees in March as its annual practice with more than 1,000 fruit trees and various ornamental trees planted in 2018.



(2) The Company actively cares about community and made donations to people in need. In 2018, the Company conducted voluntary promotion activities in the form of security promotion with a total of 4,900 participants; carried out voluntary labor, such as cleaning public areas and clearing weeds and waste in communities, with a total of over 600 participants for the whole year; and helped orphans, widows and the disabled in the communities in washing, cooking and cleaning in over 240 occasions.

(3) The Company continues to deepen the building of the "Dandelion" volunteer service brand. Chengyu Company established the "Dandelion" volunteer service team and all subsidiaries and branches established volunteer service groups to conduct voluntary activities with the team flag and placards with the "Dandelion" logo independently designed by the staff of the Company. It stimulates volunteers' dedication enthusiasm in serving the society and consistently shows the positive energy of the young staff of Chengyu.

TARGETED POVERTY ALLEVIATION

Conscientiously implementing the country's requirement for undertaking targeted poverty reduction and alleviation, the Company devoted efforts in taking targeted measures to lift people out of poverty in 2018, in accordance with the relevant corporate arrangements. It continued to provide targeted assistance to Dageniang Village, Kuasha Town, Aba County under direct provincial supervision and innovated the form of poverty alleviation based on its own advantages and features.



Targeted poverty alleviation in Dageniang Village

(1) Carefully selected and assigned staff to work at the frontline in poverty alleviation. It assigned three cadres to work in the village to carry out inspection and visit and improve the poverty alleviation plans. It also assigned 2 technical staff to participate in the construction of provincial expressways and other poverty alleviation programs in Aba County and assist in technical guidance and quality supervision in the construction of expressways.

(2) Improved infrastructure and beautified the village image. Following the overall concept with "making investments each year under the overall budget", the Company formulated plans on infrastructure construction and collective economic programs in the village. During the year, the Company built or improved the roads, drinking water safety projects, educational and medical infrastructure in Dageniang Village. The construction team overcame altitude stress, natural disasters, machinery loss and other difficulties and advanced all projects in an orderly way. As a result, the infrastructure in Dageniang Village and the village image were significantly improved and the income of villagers further increased.

(3) Developed financial poverty alleviation based on local conditions. After deep investigation and inspection, the Company found that it is improper for Dageniang Village to develop planting and breeding industry due to its high altitude. As a result, it changed the concept and introduced the model of financial poverty alleviation. In 2018, the Company invested RMB1.30 million in financial poverty alleviation programs.

(4) Solved tangible difficulties through counterpart assistance. The Company organized 14 subsidiaries and branches to provide counterpart assistance to 49 households in Dageniang Village. They solved the practical difficulties of villagers through visits on holidays, donations and medical assistance. During the year, Chengren branch donated two transformers and Chengle operation branch distributed consolation funds and donated consolation items with a total value of approximately RMB50,000. The Company donated items with a total value of approximately RMB110,000 during the whole year.

TARGETED POVERTY ALLEVIATION

Innovation in forms of poverty alleviation

Besides targeted poverty alleviation, the Company also consistently expands the thinking and actively seeks methods for increasing the income in poverty-stricken areas. It innovates the forms of poverty alleviation based on its own features and advantages. In 2018, the Company set up special counters for transportation-based poverty alleviation in certain service areas and opened special stores for the sale of poverty alleviation products to fully display the collection and distribution function of the windows in service area along expressways and expand the sales channel of poverty alleviation products. The new attempt of the Company on "service areas + targeted poverty alleviation" received positive social response and generated generous economic benefits.

