
CIMC 中集

# China International Marine Containers (Group) Co., Ltd.

(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 2039

CIMC 中集 THE 30TH ANNIVERSARY OF CIMC

# Growing together with you and let's join hands for a brighter future

## Vision

To be a respectable and world's leading enterprise in each industry we have entered.

## Mission

To provide high-quality/reliable equipment and services for the logistics and energy industries, to provide good return for our shareholders and employees, and to create sustainable value for the society.


This annual report contains certain forward-looking statements with respect to the financial position, operational results and business of the Group. These forward-looking statements are, by their names, subject to significant risk and uncertainties because they relate to events and depend on circumstances that may occur in the future and are beyond our control. The forward-looking statements reflect the Group's current views with respect of future events and are not a guarantee of future performance. Actual results may differ from information contained in the forward-looking statements.

# Contents

# Important Notice

The Board of Directors (the "**Board**" or the "**Board of Directors**") of China International Marine Containers (Group) Co., Ltd. (the "**Company**" or "**CIMC**"), the Supervisory Committee and the Directors, Supervisors and Senior Management of the Company warrant that there are no material omissions from, or misrepresentation or misleading statements contained in this annual report, and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this annual report. The 2012 Annual Report has been approved at the 2nd meeting of the Sixth Session of the Board of Directors in 2013. Mr Wang Xingru, a non-executive Director of the Company, was absent from the 2nd meeting of the sixth Session of the Board. Mr Wang Xingru authorised Mr Xu Minjie, a non-executive Director of the Company, in writing to attend the meeting by proxy and to exercise his voting rights on his behalf.

Mr Li Jianhong, Chairman of the Board, Mr Mai Boliang, President of the Company, and Mr Jin Jianlong, General Manager of the Finance Department of the Company, warrant the truthfulness and completeness of the financial statements in this annual report.

No substantial shareholder of the Company has utilised the funds of the Company for non-operating purposes.

The financial statements of the Company and its subsidiaries (the "**Group**") have been prepared in accordance with China Accounting Standards for Business Enterprises ("**CASBE**"). The financial statements of the Group for 2012, which have been prepared in accordance with CASBE have been audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company and it has issued unqualified opinions on the financial statements.

# Corporate Profile

Our Company was incorporated in Shenzhen, Guangdong Province, the People's Republic of China ("PRC") under the PRC Companies Law as a joint venture on 14 January 1980 and was named as "China International Marine Containers Co., Ltd." (中國國際海運集裝箱股份有限公司). After being restructured as a joint stock limited company in December 1992, and publicly offered A shares and B shares which were listed on the Shenzhen Stock Exchange in 1994, our Company changed its name to "China International Marine Containers (Group) Co., Ltd." (中國國際海運集裝箱(集團)股份有限公司) on 25 August 1995. We are a global leading equipment and solution provider in the logistics and energy industries. Since our establishment in 1980, we have formed an industry cluster focusing on key equipment and solutions for the logistics and energy industries through business extension and technology development. Our principal activities include container manufacturing business, road transportation vehicle business, energy, chemical and food equipment business, offshore engineering business and airport facilities equipment business.

The A shares of the Company were listed on the Shenzhen Stock Exchange on 8 April 1994. An implementation plan in relation to the change of listing venue for all domestically listed foreign shares of the Company and the proposed listing and trading of such shares on the main board of the Stock Exchange of Hong Kong Limited ("HKSE" or the "Hong Kong Stock Exchange") by way of introduction (《境內上市外資股轉換上市地以介紹形式在香港聯合交易所有限公司主板上市及掛牌交易的方案》) was published by the Company on the website of the Shenzhen Stock Exchange on 15 August 2012 and was approved by the shareholders of the Company at an extraordinary general meeting on 30 August 2012. The Company's H shares were listed on the main board of the Hong Kong Stock Exchange on 19 December 2012, being the first enterprise with its B shares converted into H shares listed on the main board of the Hong Kong Stock Exchange.

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|---|---|
| Registered Chinese Name of the Company: | 中國國際海運集裝箱(集團)股份有限公司 |
| English Name of the Company: | China International Marine Containers (Group) Co., Ltd. |
| Legal Representative of the Company: | Li Jianhong |
| Secretary to the Board: | Yu Yuqun |
| Address: | CIMC R&D Centre,<br>2 Gangwan Avenue,<br>Shekou, Nanshan District,<br>Shenzhen, Guangdong 518067, PRC |
| Telephone: | 86 (755) 2669 1130 |
| Facsimile: | 86 (755) 2682 6579 |
| Email Address: | shareholder@cimc.com |
| Representative on Securities Matters: | Wang Xinjiu |
| Address: | CIMC R&D Centre,<br>2 Gangwan Avenue,<br>Shekou, Nanshan District,<br>Shenzhen, Guangdong 518067, PRC |
| Telephone: | 86 (755) 2680 2706 |
| Facsimile: | 86 (755) 2681 3950 |
| Email Address: | shareholder@cimc.com |

# Corporate Profile

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|---|---|
| Representative in Hong Kong: | Cheong Sui Fai |
| Representative Office Address: | 3101-2 Infinitus Plaza,<br>199 Des Voeux Road Central,<br>Hong Kong |
| Telephone: | 852 2528 9386 |
| Facsimile: | 852 2865 9877 |
| Email Address: | dickens.cheong@enric.com.hk |
| Legal Address of the Company: | 8th Floor, CIMC R&D Centre,<br>2 Gangwan Avenue,<br>Shekou, Nanshan District,<br>Shenzhen, Guangdong 518067, PRC |
| Registered Address and Address of Head Office: | 8th Floor, CIMC R&D Centre,<br>2 Gangwan Avenue,<br>Shekou, Nanshan District,<br>Shenzhen, Guangdong 518067, PRC |
| Internet Website: | http://www.cimc.com |
| Company's Email: | shareholder@cimc.com |

## NEWSPAPERS FOR INFORMATION DISCLOSURE:

A shares: China Securities Journal, China Securities News, Shanghai Securities News

## INTERNET WEBSITE PUBLISHING THIS ANNUAL REPORT DESIGNATED BY THE CHINA SECURITIES REGULATORY COMMISSION (THE "CSRC"):

http://www.cninfo.com.cn

## INTERNET WEBSITE OF THE DISCLOSURE FOR H SHARES:

www.hkexnews.hk (The website of Hong Kong Stock Exchange)

## COPIES OF THIS ANNUAL REPORT ARE AVAILABLE AT:

CIMC R&D Centre, 2 Gangwan Avenue, Shekou, Nanshan District, Shenzhen, Guangdong 518067, PRC

## PLACES OF LISTING:

| | |
|---|---|
| A shares: | Shenzhen Stock Exchange |
| Stock Name: | CIMC |
| Stock Code: | 000039 |
| | |
| H shares: | Hong Kong Stock Exchange |
| Stock Name: | CIMC |
| Stock Code: | 2039 |

## OTHER RELEVANT INFORMATION:

| | |
|---|---|
| First Registration Date of the Company: | 14 January 1980 |
| First Registration Place of the Company: | Shenzhen Administration of Industry and Commerce |
| Enterprise Legal Business Licence Registration No.: | 440301501119369 |
| | |
| Taxation Registration No.: | 440300618869509 |
| Organization No.: | 61886950-9 |

## NAME AND ADDRESS OF AUDITORS OF THE COMPANY:

| | |
|---|---|
| Name: | PricewaterhouseCoopers Zhong Tian CPAs Limited Company |
| Address: | 11th Floor, PricewaterhouseCoopers Center,<br>2 Corporate Avenue,<br>202 Hu Bin Road,<br>Huangpu District,<br>Shanghai 200021, PRC |

## NAME AND ADDRESS OF COMPLIANCE ADVISER APPOINTED BY THE COMPANY:

| | |
|---|---|
| Name: | Guotai Junan Capital Limited |
| Address: | 27/F, Low Block,<br>Grand Millennium Plaza,<br>181 Queen’s Road Central,<br>Hong Kong |

## NAME AND ADDRESS OF HONG KONG LEGAL ADVISERS APPOINTED BY THE COMPANY:

| | |
|---|---|
| Name: | Paul Hastings |
| Address: | 21-22/F, Bank of China Tower,<br>1 Garden Road,<br>Hong Kong |

# Chairman's Report

Dear Shareholders,

I am pleased to submit to you the annual report of the Company for the year ended 31 December 2012 for your review. I would also like to thank you for your care and support on behalf of the Board of Directors.

In 2012, impacted by the slow recovery of global economy as well as the depression and turbulence in the industry and market, the business operation of our Group confronted with substantial challenge and pressure. The revenue and net profit of our Group recorded substantial decrease comparing with the previous year during which we achieved the best operating results. However, by utilizing our competitive strength, we endeavored to take proactive initiatives and devoted to the optimization of our business structure, consolidation and enhancement of our market positions, innovation in our business model, reform in our management and organization as well as risk management. As a result, our Group achieved a stable and sustainable development in operation and management, which are mainly reflected in the following aspects:

In 2012, the Company recorded a revenue of RMB54,334 million, representing a decrease of 15.27% from RMB64,125 million for the same period of 2011, and the net profit attributable to equity holders of the Company amounted to RMB1,939 million, representing a decrease of 47.46% from RMB3,691 million for the same period of 2011. The basic earnings per share amounted to RMB0.73.


IN 2012, THE COMPANY RECORDED A REVENUE OF RMB54,334 MILLION, REPRESENTING A DECREASE OF 15.27% FROM RMB64,125 MILLION FOR THE SAME PERIOD OF 2011, AND THE NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY AMOUNTED TO RMB1,939 MILLION, REPRESENTING A DECREASE OF 47.46% FROM RMB3,691 MILLION FOR THE SAME PERIOD OF 2011. THE BASIC EARNINGS PER SHARE AMOUNTED TO RMB0.73.

## OPERATING RESULTS

The operating income, operating profit and net profit attributable to equity holders of the Company all decreased significantly, which mainly due to depression of the macro-economy which in turn resulting in the downturn of market demand from container and vehicle businesses, especially the notable decline in sales and prices of containers compared with that of the same period of last year due to the fact that the revenue and profit basis of the Company were relatively high in the previous year.

## BUSINESS DEVELOPMENT

In 2012, the non-container businesses of the Group gradually developed to around 50% of the Group's business operations. The business diversification development strategy of the Group has achieved certain preliminary results. Emerging business segments such as energy, chemical and food equipment business, logistics equipment business, airport facilities equipment business and financial business developed rapidly and smoothly.

In 2012, facing up with the rapid fluctuations in market demand, the Group effectively integrated its resources and conducted cost control in quick response to market changes, thus enhancing the operational efficiency of the container business. Benefited from the increase in the rapid growth in the downstream demand of energy industry, especially in the field of energy supply and consumption of natural gas, the operating income and profit of the Group's energy, chemical and food equipment business achieved substantial growth. In 2012, the offshore engineering business achieved expected progress that the loss was decreased substantially and the process of project delivery and engineering projects under construction was progressed smoothly with the recognition and praise from the ship owners. The Group improved its base management, implemented a concentration strategy and obtained substantial breakthrough in the North Sea market in Europe in particular.

In 2012, the Group continued to push forward the upgrade of its strategies with important progress in multiple aspects. The Group planned its strategies comprehensively, contemplated the fields of future competition and understood a blueprint for future growth of business operations. The promotion of layering management and establishment of 5S management system laid the foundation for the institutionalized and streamlined management of the Group. The Group successfully introduced a series of new products and expanded new businesses as well as new business models. The Group implemented a number of long-term incentives arrangements and strengthened its incentive and restraint mechanisms of the core management team to attract and nurture excellent talents. The Group actively promoted a cultural philosophy of "people-oriented and mutual business", with a care and concern on its employees so as to achieve a joint growth and development for both the employees and the Company. The business philosophy of sincere cooperation and resource sharing also won more strategic partners for the Company.

Chairman's Report

## CORPORATE GOVERNANCE

In 2012, the Company constantly improved its corporate governance system, standardized its operation and optimized its internal control system in accordance with the relevant requirements under the PRC Companies Law, the PRC Securities Law, Corporate Governance Guidelines for Listed Companies, relevant laws and regulations from the CSRC and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules"). The Company maintained a frequent communication with the regulatory authorities with timely feedback and completed the corporate governance rectification, special inspections, institutional improvement and other measures required by the regulatory authorities on a timely basis. The Company initiated an implementation plan for investor protection and communication and actively implemented relevant issues relating to realization of cash dividend. The candidates with best practices of the Company's Directors and Supervisors were selected and included in the "Casebook of the Best Practices of Independent Non-Executive Directors and Supervisory Committees of Shenzhen-Listed Companies" to be issued by the Association of Shenzhen-Listed Companies and CSRC Shenzhen Bureau. The Company has received a public recognition for its promotion of self-disciplined works from CSRC Shenzhen Bureau in the fourth successive year.

## CORPORATE SOCIAL RESPONSIBILITY

In 2012, the Group continued to implement the vision and strategy of its corporate social responsibility. The Company continued to maintain a sound growth with good operating results, brought about value for its shareholders, contributed to the local economic growth, employment and community development, and delivered good return to its employees. The Company constantly improved its product quality control system and service system, promoted technology innovation and development of new products and provided reliable products and services to customers from logistics and energy industries. The Company promoted strategic cooperation with suppliers, led a healthy development of the industry, and facilitated an equal, fair, healthy and transparent environment for cooperation. The development concept of safety, environmental protection and green development of our Group has received respect from the society, and its efforts on corporate social responsibility have received a general recognition from customers, governments, international organizations, media and other related parties.

## DIVIDEND

Based on the Group's 2012 operations results and taking into account of the Group's overall financial position and cash flows situation, the Board of Directors recommended a payment of RMB0.23 per share (including applicable taxes) for the final dividend for the year of 2012. The final dividend of 2012 is subject to shareholders' approval at the annual general meeting for the year of 2012.

## PROSPECTS

Looking into 2013, both opportunities and challenges exist. The global economy is still facing up with many uncertainties and will maintain a slow growth rate. China will continue to expand domestic demand, speed up industrial restructuring and continue to support the development of strategic emerging industries. China's monetary policy will turn from relaxation to neutral and continue to implement a positive fiscal policy. We remain optimistic about the prospects for continued growth in global demand for shipping containers in the next few years. In respect of road transportation vehicle business, overseas market demand will remain stable with a slight increase, while Asia and other emerging markets may grow at a relatively faster pace. In the next few years, China's demand for natural gas will further increase. It is expected that the development of related products, equipment and engineering services will accelerate and the development of tank containers and chemical equipment& liquid food equipment business will remain stable. The demand growth for global offshore engineering equipment market will have a promising middle to long term prospects. China is also accelerating the implementation of the exploration, development and investment plans of offshore oil and gas resources. As one of the strategic emerging industries and the key point for industrial upgrades in China, the offshore engineering business will continue to benefit from China's supportive policies.

In 2013, our Group will focus on the following:

Under the background of global economic adjustment and under the guidance of the new mission as providing high quality and reliable equipment and services for the logistics and energy industries, the Group will continue to develop its competitive strengths, optimize business structure and promote strategic upgrades, implement systematic reforms on its development strategy, business model, organizational culture, operations management and many other aspects, continue to promote layering and precision management, and establish a cumulative continuous improvement mechanism to lay a new foundation for the Group's continuous sound development.

In respect of container manufacturing business, we will promote lean management, strengthen services and collaboration, improve operational efficiency and break through the manufacturing bottlenecks in terms of increase in component costs, environmental protection, labor-intensive conditions and other factors.

In respect of road transportation vehicle business, we will continue to increase production quality and capacity, improve sales and service network, expand regional market share, introduce new technology products and accelerate the development of engineering vehicles.

In respect of energy, chemical and food equipment business, we will focus on energy industry. In order to grasp potential development opportunities, we will improve our business-centric management model and system, strengthen internal coordination, and conduct visionary studies. We will promote research and development of new products, reinforce and improve existing major equipment and their market shares. We will also strengthen our engineering business and accelerate our expansion into international markets.

In respect of offshore engineering business, we will enhance the standardization and serialization of our products and engineering projects, strengthen our cooperation capability in manufacturing core equipment such as drilling package and polish our advantage in design and manufacturing of spud legs and launch jointly designed or independently designed ship model.

Li Jianhong
*Chairman*
Shenzhen, the PRC
21 March 2013

In 2012, the operating income from our container business was RMB24,840 million, representing a decrease of 29.17% as compared with the same period of last year, and its net profit was RMB1,807 million, representing a decrease of 50.21% as compared with the same period of last year.

# Containers Manufacturing Business

# Summary of Financial Data and Financial Indicators

## 1. KEY FINANCIAL DATA AND FINANCIAL INDICATORS PREPARED UNDER CASBE

Unit: RMB thousand

| Items | As at or for the year ended December 31, 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| **Turnover** | **54,334,057** | 64,125,053 | 51,768,316 | 20,475,507 | 47,327,281 |
| **Profit from operations** | **2,639,441** | 4,735,293 | 3,438,168 | 1,320,470 | 1,766,979 |
| **Profit before income tax expense** | **2,907,380** | 5,022,706 | 3,674,607 | 1,465,385 | 1,927,029 |
| **Income tax expense** | **976,950** | 1,363,768 | 823,748 | 384,674 | 241,824 |
| **Profit for the year** | **1,930,430** | 3,658,938 | 2,850,859 | 1,080,711 | 1,685,205 |
| **Attributable to:** | | | | | |
| Equity holders of the Company | **1,939,081** | 3,690,926 | 3,001,851 | 958,967 | 1,406,908 |
| Non-controlling interest | **(8,651)** | (31,988) | (150,992) | 121,744 | 278,297 |
| **Basic and diluted earnings per share for profit attributable to equity holders of the Company (RMB)** | **0.73/0.73** | 1.39/1.37 | 1.13/1.13 | 0.36/0.36 | 0.53/0.53 |
| **Total current assets** | **38,346,189** | 40,727,025 | 33,791,508 | 20,535,330 | 18,818,379 |
| **Total non-current assets** | **24,646,191** | 23,634,689 | 20,339,141 | 16,823,053 | 15,739,484 |
| **Total assets** | **62,992,380** | 64,361,714 | 54,130,649 | 37,358,383 | 34,557,863 |
| **Total current liabilities** | **25,540,032** | 31,236,333 | 29,971,335 | 15,042,710 | 12,399,120 |
| **Total non-current liabilities** | **15,335,191** | 11,511,709 | 4,952,614 | 6,489,042 | 7,224,295 |
| **Total liabilities** | **40,875,223** | 42,748,042 | 34,923,949 | 21,531,752 | 19,623,415 |
| **Equity** | | | | | |
| **Attributable to:** | | | | | |
| Equity holders of the Company | **19,513,176** | 18,633,154 | 16,223,057 | 14,198,208 | 13,428,901 |
| Non-controlling interest | **2,603,981** | 2,980,518 | 2,983,643 | 1,628,423 | 1,505,547 |
| **Total equity** | **22,117,157** | 21,613,672 | 19,206,700 | 15,826,631 | 14,934,448 |
| Other financial data | | | | | |
| Net cash flows from operating activities | **2,242,919** | 2,254,437 | 1,482,901 | 969,685 | 3,366,538 |
| Net cash flows used for investing activities | **(1,559,348)** | (3,576,060) | (2,730,302) | 2,795 | (2,527,127) |
| Net cash flows from financing activities (used for financing activities) | **(2,889,667)** | 4,507,951 | 477,409 | 520,840 | (958,649) |
| Net cash flows from operating activities per share (RMB) | **0.84** | 0.85 | 0.56 | 0.36 | 1.26 |
| Net assets per share attributable to equity holders of the Company (RMB) | **7.33** | 7.00 | 6.09 | 5.33 | 5.04 |
| Weighted average return on net assets (%) | **10.00%** | 21.00% | 20.00% | 7.00% | 10.00% |
| Weighted average return on net assets after deducting nonrecurring profit/loss (%) | **9.00%** | 20.00% | 18.00% | -2.00% | 7.00% |

## 2. NON-RECURRING PROFIT/LOSS ITEMS

Unit: RMB thousand

| Non-recurring profit/loss items | For the year 2012 | For the year 2011 | For the year 2010 |
|---|---|---|---|
| Profit/(loss) on disposal of non-current assets | **37,135** | 13,000 | (164,757) |
| Government grants recognised in profit or loss for the current period | **133,270** | 267,349 | 93,685 |
| The Group's interest in gains from the excess of the fair value of identifiable net assets of the acquire over the acquisition cost | **54,750** | – | 84,166 |
| Except for the effective hedging activities related to the Group's ordinary activities, profit or loss arising from changes in fair value of financial assets and financial liabilities held for trading, and investment income from disposal of financial assets and financial liabilities held for trading and available-for-sale financial assets | **41,358** | (152,179) | 209,457 |
| Reversal of the provision on receivables assessed for impairment on an individual basis | **9,383** | – | – |
| Payment received from non-financial enterprises recognised in profit or loss for the current period | **11,445** | 8,665 | 7,919 |
| Other non-operating income/expenses other than aforesaid items | **42,786** | 20,350 | 79,139 |
| Sub-total | **330,127** | 157,185 | 309,609 |
| Effect of income tax | **(73,276)** | (32,450) | (62,571) |
| Effect of minority interests (after tax) | **(24,260)** | (12,971) | (36,694) |
| Total | **232,591** | 111,764 | 210,344 |

## 3. ITEMS TO WHICH FAIR VALUE MEASUREMENT IS APPLIED

Unit: RMB thousand

| For the year of 2012 | Balance at the beginning of the year | Profit or loss arising from changes in fair value for the year | Cumulative changes in fair value recognized in equity | Impairment charged for the year | Balance at the end of the year |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| 1. Financial assets to which fair value measurement applied and changes of which recognized in profit or loss for the current period (excluding derivative financial assets) | 143,692 | 67,723 | – | – | 389,557 |
| 2. Derivative financial assets | 32,691 | (12,562) | – | – | 12,684 |
| 3. Hedging instruments | 9,751 | – | 5,885 | – | 2,851 |
| 4. Available-for-sale financial assets | 571,954 | – | 541,024 | – | 609,751 |
| Sub-total for financial assets | 758,088 | 55,161 | 546,909 | – | 1,014,843 |
| Financial liabilities | (105,943) | 3,400 | – | – | (95,098) |


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# Road Transportation Vehicle Business

In 2012, the total sales of road transportation vehicles were 98,800 units (sets) in 2012, representing a decrease of 34.95% as compared with the same period of last year. The sales revenue was RMB14,130 million, representing a decrease of 17.84% as compared with the same period of last year, and the net profit was RMB137 million, representing a decrease of 73.24% as compared with the same period of last year.

# Changes in Share Capital and Information on Shareholders

## 1. CHANGES IN SHAREHOLDINGS

### (1) Change in shareholdings

| | Pre-movement | | Increase/decrease (+/-) | | | | | Post-movement | |
|---|---|---|---|---|---|---|---|---|---|
| | Numbers of shares | Percentage (%) | New Issue | Bonus Issue | Conversion from Reserves | Others | Sub-total | Numbers of shares | Percentage (%) |
| I. Shares with selling restrictions | 372,826 | 0.01% | 0 | 0 | 0 | -1,800 | -1,800 | 371,026 | 0.01% |
| 1. State-owned shares | 0 | 0% | 0 | 0 | 0 | 0 | 0 | 0 | 0% |
| 2. Shares held by state-owned companies | 0 | 0% | 0 | 0 | 0 | 0 | 0 | 0 | 0% |
| 3. Shares held by other domestic investors | 0 | 0% | 0 | 0 | 0 | 0 | 0 | 0 | 0% |
| Of which: Shares held by domestic legal persons | 0 | 0% | 0 | 0 | 0 | 0 | 0 | 0 | 0% |
| Shares held by domestic natural persons | 0 | 0% | 0 | 0 | 0 | 0 | 0 | 0 | 0% |
| 4. Shares held by foreign investors | 0 | 0% | 0 | 0 | 0 | 0 | 0 | 0 | 0% |
| Of which: Shares held by foreign legal persons | 0 | 0% | 0 | 0 | 0 | 0 | 0 | 0 | 0% |
| Shares held by foreign natural persons | 0 | 0% | 0 | 0 | 0 | 0 | 0 | 0 | 0% |
| 5. Senior management shares | 372,826 | 0.01% | 0 | 0 | 0 | -1,800 | -1,800 | 371,026 | 0.01% |
| II. Shares without selling restrictions | 2,662,023,225 | 99.99% | 0 | 0 | 0 | 1,800 | 1,800 | 2,662,025,025 | 99.99% |
| 1. RMB-denominated ordinary shares | 1,231,544,516 | 46.26% | 0 | 0 | 0 | 0 | 0 | 1,231,544,516 | 46.26% |
| 2. Shares traded in non-RMB currencies and listed domestically | 1,430,478,709 | 53.73% | 0 | 0 | 0 | -1,430,478,709 | -1,430,478,709 | 0 | 0% |
| 3. Shares traded in non-RMB currencies and listed overseas | 0 | 0% | 0 | 0 | 0 | 1,430,480,509 | 1,430,480,509 | 1,430,480,509 | 53.73% |
| 4. Others | 0 | 0% | 0 | 0 | 0 | 0 | 0 | 0 | 0% |
| III. Total Shares | 2,662,396,051 | 100% | 0 | 0 | 0 | 0 | 0 | 2,662,396,051 | 100% |

## (2) Reasons for the changes in shareholdings

On 30 August 2012, the Company convened the third extraordinary general meeting in 2012, which considered and passed, amongst other things, the resolution in respect an implementation plan in relation to the change of listing venue for all domestically listed foreign shares of the Company and the proposed listing and trading of such shares on the main board of the Hong Kong Stock Exchange Limited by way of introduction and other relevant resolutions.

On 18 December 2012, the Company obtained the formal listing approval from the Listing Committee of the Hong Kong Stock Exchange in respect of the application for the change of listing venue for all domestically listed foreign shares of the Company and the proposed listing and trading of such shares on the main board of the Hong Kong Stock Exchange by way of introduction (the "**Listing**"), and such shares were formally listed and traded on the main board of the Hong Kong Stock Exchange on 19 December 2012.

## (3) Approval for the changes in shareholdings

In respect of the Listing, on 22 October 2012, the Company submitted an application to the CSRC in relation to the Listing, and received the notification letter of acceptance from the CSRC on 24 October 2012. On 26 October 2012, the Company submitted the listing application form in relation to the Listing (Form A1) to the Hong Kong Stock Exchange, and received the acceptance letter thereof from the Hong Kong Stock Exchange on 31 October 2012.

On 20 November 2012, the Company received the formal approval from the CSRC in respect of the Listing, according to which the Company was approved to convert its 1,430,480,509 existing domestically listed foreign shares ("**B Shares**") into overseas listed foreign shares ("**H Shares**") and list and trade such H Shares on the main board of the Hong Kong Stock Exchange.

On 22 November 2012, the Listing Committee of the Hong Kong Stock Exchange convened a hearing for the listing application in relation to the Listing. On 28 November 2012, the Company obtained the approval-in-principle from the Hong Kong Stock Exchange in relation to the Listing. On 18 December 2012, the Company received the formal listing approval from the Hong Kong Stock Exchange in relation the listing of its H Shares.

The H Shares of the Company were formally listed and traded on the main board of the Hong Kong Stock Exchange on 19 December 2012.

## 2. CHANGES IN SHARES WITH SELLING RESTRICTIONS

Unit: Shares

| Name of Shareholders | Number of shares with selling restrictions at the beginning of the year | Number of shares with selling restrictions expired in the year | Change in number of shares with selling restrictions in the year | Number of shares with selling restrictions at the end of the year | Reasons for selling restrictions | Expiry date of selling restrictions |
|---|---|---|---|---|---|---|
| Mai Boliang | 371,026 | 123,676 | 123,676 | 371,026 | Shares of the Company held by the senior management are locked by China Securities Depository and Clearing Company Limited, Shenzhen Branch in accordance with relevant rules and regulations | No |
| Total | 371,026 | 123,676 | 123,676 | 371,026 | | |

Note: Mr. Mai Boliang holds 494,702 locked-up shares held by senior management. 25% of such total locked-up shares are unlocked at the beginning of each year. The unlocked shares, if not sold out, are recalculated as locked-up shares at the end of the year.

## 3. ISSUE AND LISTING OF SECURITIES

### (1) Issue of shares in the past three years

As at the end of the reporting period, there was no issue of shares in the past three years.

### (2) Shares held by Employees

During the reporting period, no shares for employees of the Company were in issue.

## 4. NUMBER OF SHAREHOLDERS AND SHAREHOLDINGS

The number of shareholders of the Company as at 31 December 2012 was 158,327, including 158,326 holders of A shares and one registered holder of H Shares. The minimum public float of the Company satisfied the requirements of the Hong Kong Listing Rules.

The total number of shareholders of the Company as at 13 March 2013, being the five business days preceding the date of the Company's result announcement for 2012 was 148,047 including 148,044 holders of A shares and 3 registered holders of H shares.

## (1) Shareholdings of the top ten shareholders as at the end of the reporting period

Unit: Shares

| Name of Shareholders | Number of shares without selling restrictions held at the end of the year | Types of shares | |
|---|---|---|---|
| | | Types of shares | Number of shares |
| HKSCC NOMINEES LIMITED | 1,430,480,509 | H Shares | 1,430,480,509 |
| COSCO CONTAINER INDUSTRIES LIMITED (中遠集裝箱工業有限公司) | 432,171,843 | RMB-denominated ordinary shares ("**A Shares**") | 432,171,843 |
| New China Life Insurance Company Ltd. – Dividends – Personal Dividends – 018L – FH002 Shenzhen (新華人壽保險股份有限公司－分紅－個人分紅-018L-FH002深) | 24,463,784 | A Shares | 24,463,784 |
| Bank of China – E Fund SZSE 100 Index Tradable Open-Ended ETF Securities Investment Fund (中國銀行－易方達深證100交易型開放式指數證券投資基金) | 13,470,955 | A Shares | 13,470,955 |
| Industrial and Commercial Bank of China – Rong Tong SZSE 100 Index Securities Investment Fund (中國工商銀行－融通深證100指數證券投資基金) | 9,434,000 | A Shares | 9,434,000 |
| China Minsheng Banking Corp., Ltd. – Yinhua SZSE 100 Index Classified Securities Investment Fund (中國民生銀行－銀華深證100指數分級證券投資基金) | 9,058,306 | A Shares | 9,058,306 |
| Guotai Junan Securities Co., Ltd. – Client Account of Collateral Securities for Margin Trading (國泰君安證券股份有限公司客戶信用交易擔保證券帳戶) | 7,138,030 | A Shares | 7,138,030 |
| PICC Life Insurance Company Limited – Dividends – Individual Insurance Dividends (中國人民人壽保險股份有限公司－分紅－個險分紅) | 6,916,187 | A Shares | 6,916,187 |
| PICC Property and Casualty Company Limited – Traditional – Ordinary Insurance Products (中國人民財產保險股份有限公司－傳統－普通保險產品) | 6,912,239 | A Shares | 6,912,239 |
| Industrial and Commercial Bank of China – Fullgoal CSI 300 Enhanced Index Securities Investment Fund (中國工商銀行－富國滬深300增強證券投資基金) | 6,672,728 | A Shares | 6,672,728 |

Changes in Share Capital and Information on Shareholders

## (2) Shareholdings of top ten shareholders of shares without selling restrictions as at the end of the reporting period

Unit: Shares

| Name of Shareholders | Number of shares without selling restrictions held at the end of the year | Types of shares | |
|---|---|---|---|
| | | Types of shares | Number of shares |
| HKSCC NOMINEES LIMITED | 1,430,480,509 | H Shares | 1,430,480,509 |
| COSCO CONTAINER INDUSTRIES LIMITED (中遠集裝箱工業有限公司) | 432,171,843 | A Shares | 432,171,843 |
| New China Life Insurance Company Ltd. – Dividends – Personal Dividends – 018L – FH002 Shenzhen (新華人壽保險股份有限公司－分紅－個人分紅-018L-FH002深) | 24,463,784 | A Shares | 24,463,784 |
| Bank of China – E Fund SZSE 100 Index Tradable Open-Ended ETF Securities Investment Fund (中國銀行－易方達深證100交易型開放式指數證券投資基金) | 13,470,955 | A Shares | 13,470,955 |
| Industrial and Commercial Bank of China – Rong Tong SZSE 100 Index Securities Investment Fund (中國工商銀行－融通深證100指數證券投資基金) | 9,434,000 | A Shares | 9,434,000 |
| China Minsheng Banking Corp., Ltd. – Yinhua SZSE 100 Index Classified Securities Investment Fund (中國民生銀行－銀華深證100指數分級證券投資基金) | 9,058,306 | A Shares | 9,058,306 |
| Guotai Junan Securities Co., Ltd. – Client Account of Collateral Securities for Margin Trading (國泰君安證券股份有限公司客戶信用交易擔保證券帳戶) | 7,138,030 | A Shares | 7,138,030 |
| PICC Life Insurance Company Limited – Dividends – Individual Insurance Dividends (中國人民人壽保險股份有限公司－分紅－個險分紅) | 6,916,187 | A Shares | 6,916,187 |
| PICC Property and Casualty Company Limited – Traditional – Ordinary Insurance Products (中國人民財產保險股份有限公司－傳統－普通保險產品) | 6,912,239 | A Shares | 6,912,239 |
| Industrial and Commercial Bank of China – Fullgoal CSI 300 Enhanced Index Securities Investment Fund (中國工商銀行－富國滬深300增強證券投資基金) | 6,672,728 | A Shares | 6,672,728 |

## (3) Disclosure of Substantial Shareholders under the Securities and Futures Ordinance of Hong Kong

So far as the Directors are aware, as at 31 December 2012, the persons other than a Director, Supervisor or senior management of the Company who have interests or short positions in the shares or underlying shares of the Company which are discloseable under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance of Hong Kong are as follows:

| Name of shareholders | Nature of shareholding | Number of shares | Capacity | Percentage of such shares in the same class of the issued share capital (%) | Percentage of total share capital (%) |
|---|---|---|---|---|---|
| China Merchants Group Limited[1] | H Shares | 679,927,917 (L) | Interest of Corporation Controlled by the Substantial Shareholder | 47.53 | 25.54 |
| China Ocean Shipping (Group) Company ("**COSCO**")[2] | A Shares | 432,171,843 (L) | Interest of Corporation Controlled by the Substantial Shareholder | 35.08 | 16.23 |
| | H Shares | 173,642,143 (L) | Interest of Corporation Controlled by the Substantial Shareholder | 12.14 | 6.52 |
| Hony Capital Management Limited[3] | H Shares | 137,255,434 (L) | Interest of Corporation Controlled by the Substantial Shareholder | 9.60 | 5.16 |
| Templeton Asset Management Ltd. | H Shares | 122,584,186 (L) | Investment Manager | 8.57 | 4.60 |

(L) Long position

Note 1: China Merchants Group Limited, through various subsidiaries, had an interest in the H shares of the Company, all of which 679,927,917 H shares (long position) were held in its capacity as interest of corporation controlled by the substantial shareholder.

Note 2: COSCO, through various subsidiaries, had an interest in the A shares and H shares of the Company, all of which 432,171,843 A shares (long position) and 173,642,143 H Shares (Long position) were held in its capacity as interest of corporation controlled by the substantial shareholder.

Note 3: Hony Capital Management Limited, through various subsidiaries, had an interest in the H shares of the Company, all of which 137,255,434 H shares (long position) were held in its capacity as interest of corporation controlled by the substantial shareholder.

As at 31 December 2012, so far as the Directors are aware, save as disclosed above, no person (other than a Director, Supervisor or senior management of the Company) has an interest or short position in the shares of the Company according to the register of interests in shares and short positions kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong.

# Changes in Share Capital and Information on Shareholders

## 5. INFORMATION ON SUBSTANTIAL SHAREHOLDERS

There was no controlling shareholder or the ultimate controller during the reporting period. In addition, there was no change in the substantial shareholders during the reporting period.

### (1) Substantial Shareholders

China Merchants Group Limited was incorporated on 14 October 1986 in the PRC. Its registered capital is RMB10.05 billion and its legal representative is Fu Yuning. The three core business sectors of China Merchants Group Limited focus on the construction, operation and service in respect of transportation and related infrastructure (ports, toll roads, energy transportation and logistics), financial investment and management, property development and management.

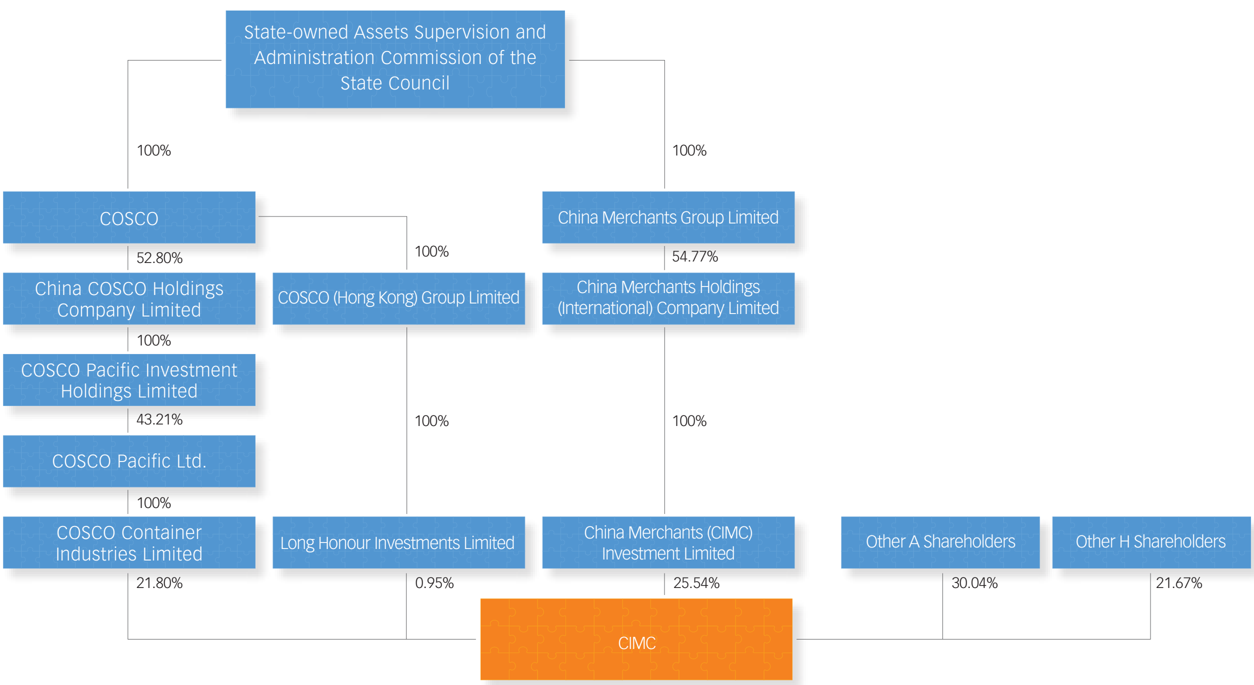
COSCO was incorporated on 27 April 1961 in the PRC. Its registered capital is RMB4,103.367 million and its legal representative is Wei Jiafu. COSCO is an international company with its businesses covering marine transportation, logistics terminals, ship building and repairing.

(2) Except for China Merchants Group Limited and COSCO, no other legal person holds 10% or more of the shares in the Company (excluding HKSCC Nominees Limited).

### (3) Ultimate controller

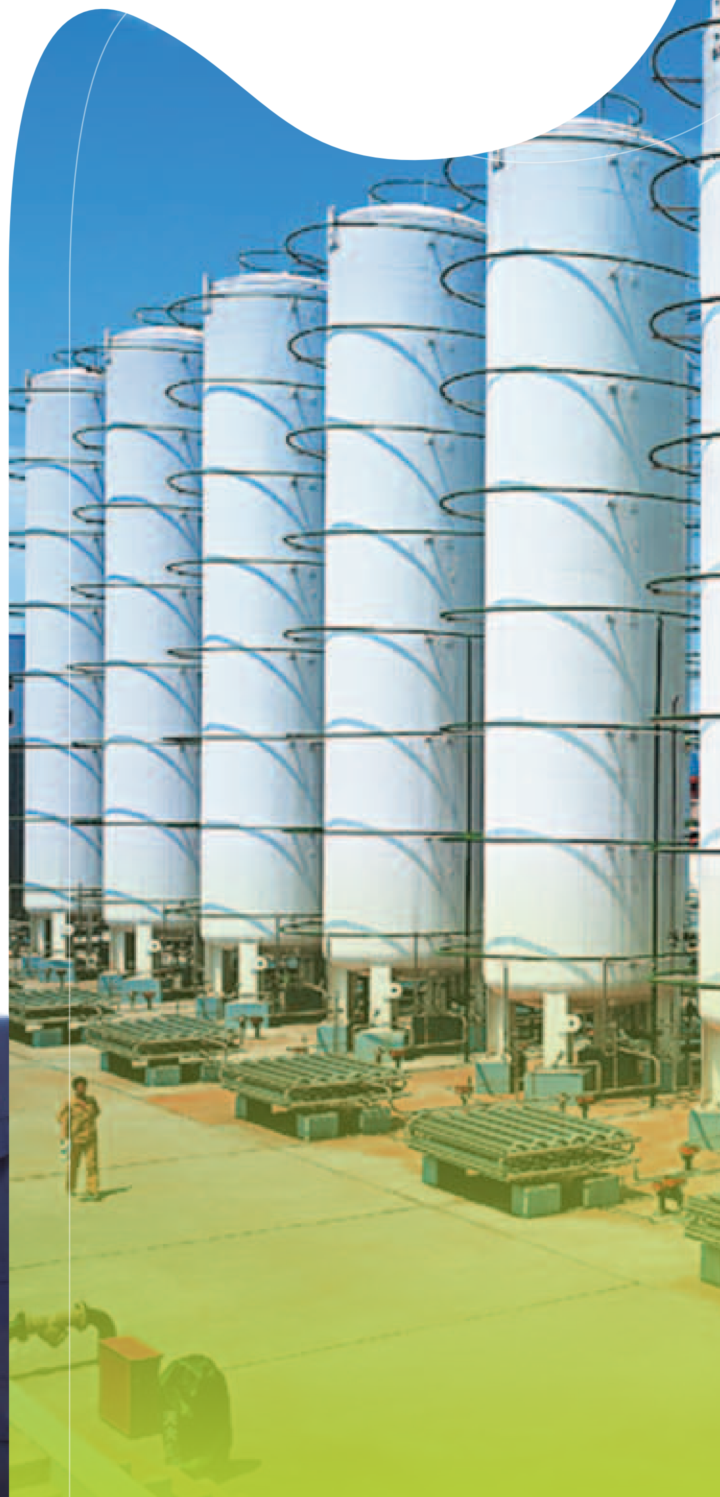
There is no ultimate controller of the Company.

### (4) The equity interest structure between the Company and the substantial shareholders



# Energy, Chemical and Food Equipment Business

The operating income from this business in 2012 was RMB9,634 million, representing an increase of 12.96% as compared with last year. The net profit was RMB645 million, representing an increase of 30.85% as compared with the corresponding period of last year.

# Management's Discussion and Analysis

The revenue and net profit of our Group recorded substantial decrease compared with the previous year during which we achieved the best operating results.

Our Group achieved a stable and sustainable development in operation and management.


In 2012, impacted by the slow recovery of global economy as well as the depression and turbulence in the industry and market, the business operation of our Group confronted with substantial challenge and pressure. The revenue and net profit of our Group recorded substantial decrease compared with the previous year during which we achieved the best operating results. However, by utilizing our competitive strength, we endeavored to take proactive initiates and devoted to the optimization of our business structure, consolidation and enhancement of our market positions, innovation in our business model, reform in our management and organization as well as risk management. As a result, our Group achieved a stable and sustainable development in operation and management. In 2012, the Company recorded a revenue of RMB54,334 million, representing a decrease of 15.27% from RMB64,125 million for the same period of 2011, and the net profit attributable to equity holders of the Company amounted to RMB1,939 million, representing a decrease of 47.46% from RMB3,691 million for the same period of 2011. The basic earnings per share amounted to RMB0.73.

## MACRO ECONOMY, INDUSTRIAL CONDITIONS AND THEIR IMPACT

In 2012, under the lingering influence of the European debt crisis, the European economy plummeted into recession, while the U.S. economy recovered moderately at a slow growth rate. Due to the weak external demand and the

In 2012, the global demand for containers dropped significantly, with the industrial demand plummeting to its lowest level since 2004 except for 2009.

decreased domestic investment, China's GDP growth rate hit a new low for a decade. Impacted by the global economic downturn and slow recovery as well as shipping overcapacity, the volume of international trade and shipping demand dropped dramatically. The shipping industry entered into its low season, during which all major shipping companies incurred decreased revenue and increased operation costs, with their demand for containers mainly for the purpose of leasing. In 2012, the global demand for containers dropped significantly, with the industrial demand plummeting to its lowest level since 2004 except for 2009. In 2012, the global container output was approximately 2.7 million TEUs, representing a decrease of 15.6% as compared with last year. The output of standard dry containers, reefer containers and special containers was approximately 2.35 million TEUs, 113,000 units and 127,000 units, respectively.

In 2012, due to the deceleration in China's economic growth, as well as the slowdown in the growth rate of logistics industry, infrastructure construction and real estate investment, the domestic market demand for special vehicles continued the downward trend from 2011. In particular, the demand for special vehicles used in logistics and engineering projects both declined by over 20%. The competition was more intense in the domestic industry. However, the overseas markets maintained a momentum of recovery in general, especially the strong growth in the North American market.

Since the outbreak of the global financial crisis, central banks of the world's major developed countries, including the Board of Governors of the Federal Reserve System and the European Central Bank, have implemented multiple rounds of quantitative easing monetary policy to boost their economies. In 2012, the global liquidity overflow led to soaring prices of bulk commodities, hot money flowing into emerging markets and increasing risks and uncertainties in financial markets. At the same time, China implemented a prudent monetary policy and promoted the market-oriented interest rate reform which would expand the floating space for deposit and lending rates of Renminbi, increase the volatility of exchange rate of Renminbi and the pressure of appreciation of Renminbi, hence bringing risks and challenges to the Company's financial management and foreign exchange management.

Management's Discussion and Analysis

## NATIONAL INDUSTRIAL POLICIES, REGULATORY CHANGE AND ITS IMPACT

In July 2012, China's Ministry of Industry and Information Technology ("MIIT") issued the Notice on Establishing the Exit Mechanism for Automotive Industry (《關於建立汽車行業退出機制的通知》), which established an exit mechanism for enterprises in the Chinese automotive industry with poor performance for the first time, which will partially relieve the competition in the special vehicle industry.

China's energy policy will comprehensively promote energy conservation, vigorously explore new and renewable energy resources and accelerate the improvement of energy technology. In accordance with relevant plans, the proportion of natural gas to one-off energy consumption will be increased from currently 4% to 9% in 2015 and further to 15% in 2020, which will stimulate the continuous and rapid growth in demand for equipment for the storage, transportation and processing of natural gas in China.

In 2012, certain significant middle to long term industrial policies in respect of national offshore engineering industry were successively initiated a favourable policy environment for the sound development of the Chinese offshore engineering industry as well as the offshore engineering equipment business of the Group. MIIT promulgated the Middle to Long Term Development Plan of Offshore Engineering Equipment Industry (《海洋工程裝備製造業中長期發展規劃》) to increase the annual sales revenue of the industry to over RMB200 billion by 2015, which will concentrate on developing three key industrial regions, namely Bohai Bay Rim region, Yangtze River Delta region and Pearl River Delta region, and facilitating 5 to 6 general contractors with strong international competitive strengths. The 12th Five-Year Development Plan of High-end Equipment Manufacturing Industry (《高端裝備製造業「十二五」發展規劃》) expressly states that the focus of offshore equipment industry is to make breakthroughs in the key technologies for manufacturing the equipment for use in the 3,000-meter-deep water. The State Council issued the 12th Five-year Development Plan of National Strategic Emerging Industries (《「十二五」國家戰略性新興產業發展規劃》) which sets out the development goals of offshore engineering equipment industry that by 2015, the domestic industry shall have the preliminary capability of independent design and construction of deep-water offshore engineering equipment and key equipment with international competitive strengths, and by 2020, the domestic industry shall have the overall capability of independent design and construction of deep-water offshore engineering equipment and key equipment. MIIT also issued the Offshore Engineering Equipment Research Project Guide (2012) (《海洋工程裝備科研項目指南(2012年)》), which requires conducting offshore engineering equipment research in 18 key directions in the three fields of the equipment for offshore resources exploration, mining and operation, key systems and equipment, and fundamental generic technologies and standards.

## BUSINESS REVIEW

During the reporting period, the major operations of the Group are summarized below:

The Group is principally engaged in the manufacture of containers, energy, chemical and food equipment, offshore engineering equipment and airport facilities as well as the provision of relevant services, including the design and manufacture of international standard dry containers, reefer containers, regional special containers, tank containers, wooden container floorboards, road tank trucks, gas equipment and static tanks, road transportation vehicles, jack-up drilling platforms, semi-submersible drilling platforms, special vessels and passenger boarding bridges, air cargo handling systems, ground vehicles with specific purpose and automatic parking system. In addition, the Group is also engaged in logistics equipment manufacturing and service, railway wagons manufacturing, real estate development, financing leases and other businesses. Currently, the Group is ranked No. 1 in the world in terms of output and sales of standard dry containers, reefer containers and tank containers. The Group is also China's largest manufacturer of road transportation vehicles and one of China's leading offshore engineering equipment enterprises.

In 2012, the Company's diversified development strategy achieved certain preliminary results. The businesses of containers, vehicles, energy, chemical and food equipment are our main sources of revenue, each accounting for 10% or more of the Group's operating income or operating profit. Among those emerging businesses, the loss of our offshore engineering business reduced significantly. Revenue from our non-container businesses exceeded 50% of our total operating income.

The following discussion and analysis should be read in conjunction with the audited financial statements of the Group and their notes set out in the annual report and other information.

## 1. The financial data set out below is extracted from the audited financial statements of the Group prepared under CASBE

### (1) Consolidated Operating Results

| | **As at 31 December 2012 RMB thousand** | As at 31 December 2011 RMB thousand | Percentage of change % |
|---|---|---|---|
| Operating Income | **54,334,057** | 64,125,053 | (15.27%) |
| Operating Profit | **2,639,441** | 4,735,293 | (44.26%) |
| Net profit attributable to shareholders of the Company | **1,939,081** | 3,690,926 | (47.46%) |
| Net cash inflow from operating activities | **2,242,919** | 2,254,437 | (0.51%) |
| Net increase of cash and cash equivalents | **(2,165,741)** | 2,765,838 | (178.30%) |

The operating income, the operating profit and the net profit attributable to equity holders of the Company decreased significantly, which was mainly due to depression of the macro-economy, downturn of market demand from container and vehicle businesses, especially the notable decline in sales and prices of containers compared with that of the same period of last year, and our operating results reduced significantly compared to the same period of last year due to the fact that the revenue and profit basis of the Company were relatively high in the previous year.

Compared to the same period of the previous year, the production scale of containers and vehicles of the Company decreased, the receivables and the purchase costs of raw materials reduced correspondingly and the working capital increased; compared to the previous year, the net cash flow generated from the operating activities in the year decreased. Influenced by the decrease of operating size, capital expenditure and costs, the total liabilities ratio of the Company was 64.89%, and the level of liabilities ratio decreased compared with the end of the previous year.

### (2) Segment Results

| | Income from operations for 2012 RMB thousand | Cost of operations for 2012 RMB thousand | Margin % | Year-on-year change in income from operations % | Year-on-year change in cost of operations % | Change in margin Percentage points |
|---|---|---|---|---|---|---|
| Container manufacturing business | 24,840,079 | 20,657,972 | 16.84% | (29.17%) | (26.41%) | (3.12%) |
| Road transportation vehicle business | 14,130,480 | 12,251,132 | 13.30% | (17.84%) | (16.90%) | (0.98%) |
| Energy, chemical and food equipment business | 9,633,707 | 7,731,425 | 19.75% | 12.96% | 10.02% | 2.14% |
| Offshore engineering business | 1,829,410 | 1,713,647 | 6.33% | 217.29% | 80.40% | 71.08% |
| Airport facilities equipment business | 757,001 | 523,053 | 30.90% | 32.57% | 47.00% | (6.79%) |
| Other business | 4,168,450 | 2,749,098 | 34.05% | 24.63% | 45.78% | (9.57%) |
| Inter-segment offset | (1,025,070) | (1,025,070) | | | | |
| Total | 54,334,057 | 44,601,257 | 17.91% | (15.27%) | (14.60%) | (0.65%) |

# Management's Discussion and Analysis

*Container Manufacturing Business*

In 2012, the operating income from our container business was RMB24,840 million, representing a decrease of 29.17% as compared with the same period of last year, and its net profit was RMB1,807 million, representing a decrease of 50.21% as compared with the same period of last year, both achieving the expected goals. The total sales of the Group's ordinary dry containers were 1,080,900 TEUs, representing a decrease of 24% as compared with the same period of last year and the sales revenue was RMB15,463 million, representing a decrease of 28.90% as compared with the same period of last year. The total sales of reefer containers were 123,300 TEUs, representing a decrease of 31% as compared with the same period of last year and the sales revenue was RMB4,370 million, representing a decrease of 30.36% as compared with the same period of last year. The total sales of special containers (excluding tank containers and pallet containers) were 73,100 units, representing a decrease of 5% as compared with the same period of last year and the sales revenue was RMB5,964 million, representing a decrease of 9.97% as compared with the same period of last year.

The decrease in our revenue during the year was primarily due to the decrease in demand for containers compared with the same period of last year as a result of the slowdown in the growth rate of global economy and trade. In addition, the price for containers also decreased approximately 10% during the year. The decrease in our gross profit margin was primarily due to the price reduction in containers and appreciation of Renminbi. However, the price of steel, being the principal raw material for container manufacturing, also dropped compared with the same period of last year, which offset the negative impact by the price reduction in containers on our profit before taxation to some extent.

The containers market usually fluctuates in demand and prices between the low and peak seasons of a year. The first and fourth quarters of 2012 were both low seasons, while the second and third quarters of the year turned out to be peak seasons with significant pickup. For instance, the prices of 20-feet standard dry containers in low seasons were approximately 15% lower than those in peak seasons. Impacted by the weak demand in the industry as a result of tough economic situation and shipping cycle, the capacity utilization rate of standard dry containers declined. During the year, container manufacturers further enhanced their market adaptability to cope with market downturn in which they promoted renovation and upgrading, introduced mechanized and automatic production equipment and appropriately allocated and enhanced their capacities.

In 2012, facing up with rapid fluctuations in market demand, the Group effectively integrated its resources and conducted cost control in a quick response to market changes, thus enhancing the operating efficiency of the container business. The Company carried on its strategic upgrading initiatives, promoted lean production and the "ONE" management model to further improve the factory management. In addition, we also promoted the application of technological achievements, reformed traditional production process and enhanced the level of automation to reduce labor intensity and improve production efficiency. Adhering to the philosophy of "Safe, Green, Smart Application and Light Weight", the Company focused on promoting the utilization of new green technologies such as water-based paint and bamboo and wood floors to achieve energy conservation and emissions reduction. In 2012, the "Theoretical Research and Application of Composite Structure of Wood and Bamboo" jointly developed by our Company and universities won the second prize for the National Scientific and Technological Advance Award which has significantly improved the safety, conservation and reuse of our products, receiving high recognition from international customers. Currently, our Company is the one and the only enterprise in the industry that has obtained the Certificate of China Environmental Labeling Products (中國環境標誌產品認證). New wooden container floorboards currently accounted for over 30% of our total procurements, saving 500,000 cubic meters of tropical woods each year, equivalent to the protection of 35,000 hectares of tropical rainforest, and directly reducing carbon dioxide emissions. Compared with traditional paints, the water-based paint can reduce the emission of organic exhaust gas, creating a good production environment while preserving resources. Our Company commenced its research on the application of water-based paint since 2003, which was officially applied to production of our containers in large quantities in 2011. Since 2012, the research on application of zinc-free water-based paint has also made encouraging progress. The new alternative of wooden container floorboards to traditional materials and the introduction of a new painting technology ushered a green revolution in the container industry.

*Road transportation vehicle business*

CIMC Vehicle (Group) Co., Ltd. ("CIMC Vehicle Group"), a subsidiary of the Company, adhered to the strategic development of the full value chain businesses including the design and development of products, the manufacturing and delivery of products, sales of products and services and customer tracking and feedback, committing to the strategic vision of "relying on our national competitive strengths to offer global customers first-class land logistics equipment and services". CIMC Vehicle Group has established 22 production bases, with a total annual production capacity of over 200,000 sets in various locations throughout Central China, East China, South China, North China, Australia, Thailand, the United States and other countries and regions, and established over 400 service centres and sales outlets in North America, Europe, Australia, and China. It has ranked No.1 in the world in terms of production and sales since 2006.

In 2012, the total sales of road transportation vehicles were 98,800 units (sets) in 2012, representing a decrease of 34.95% as compared with the same period of last year. The sales revenue was RMB14,130 million, representing a decrease of 17.84% as compared with the same period of last year, and the net profit was RMB137 million, representing a decrease of 73.24% as compared with the same period of last year.

During the year, the Group's vehicle business incurred a substantial decrease in both sales volume and operating income, which was primarily due to the slowdown in the growth rate of both the world's major economies and domestic economy, the sustained control over the real estate industry by the Chinese government, the shrinking investment in fixed assets and the slowdown in the development of the logistics industry. In addition, the uncertainties of the global economy such as the spreading European debt crisis slowed down the growth of the global economy, which led to the continued decline in demand for road transportation vehicles.

Despite decreasing demand, intensive competition and overall industrial loss in the Chinese automobile market, the Group continued to make profit and maintain the first place in the domestic market. Our major products such as flat-trucks, staked-side trailers, tipping trailers, powder tankers, refrigerator cars and tank trucks continued to lead the industry in terms of market share, among which the sales of our refrigerator cars achieved a substantial increase.

Overseas markets maintained a momentum of growth in general, especially the strong growth in the North American market, which was the main source of profit for our vehicle business. Vanguard National Trailer Corporation, being the major subsidiary of our Group in North America, achieved a substantial growth in sales and profit by improving management and seizing market opportunities in the past two years. Skeletal vehicles in the Group's vehicle business remained the largest market share in the North American market, and our refrigerator cars have successfully penetrated into the American mainstream market, with the output and sales both exceeding 1,000 units with better-than-expected profit. The Group maintained a good momentum of development in emerging markets such as Asia, South America and Australia, with satisfactory growth in both sales volume and profit. In the European market, Burg Silvergreen has completed the development, research and production of third-generation semi-trailers, representing the global development direction of special vehicle technology. It made a successful exhibition at Hanover Auto Show of Germany in September 2012, and launched its products into domestic and European markets. Its European business has still been in the initial stage of commercial operation, and is yet to be profitable.

In 2012, the Group continued to adopt a steady operation strategy for its vehicle operations in all major markets around the world. The Group committed to the integration of resources, the enhancement of operation efficiency for assets and corporate profitability, the implementation of business unit management model, and the promotion of marketing network and establishment of brand system. In addition, the Group explored the vehicle logistics park business model and steadily promoted relevant investment and construction, and intensified its efforts in new products development and investment, such as engineering vehicles and third-generation semi-trailers.

# Management's Discussion and Analysis

In 2012, C&C Trucks Co., Ltd. (集瑞聯合重工有限公司), which is owned as to 45% by the Company, also faced enormous pressure on its heavy truck business. Despite its annual sales revenue of RMB672 million, it still recorded a substantial loss which was mainly due to the decelerating domestic economy and the downward trend in the industry. According to the incomplete statistics, in 2012, the domestic sales of heavy trucks were approximately 610,000 units in aggregate, representing a decrease of 33% as compared with last year. During the year, C&C Trucks Co., Ltd. (集瑞聯合重工有限公司) proactively expanded its market share and reduced its supply chain costs, fully initiated the lean production model to improve and exercise strict control over product quality. In order to adapt to the new development trends including load limit, specifications limit and emissions improvement, it concentrated on promoting product innovation and launching competitive products. Among which, its new product development was mainly focused on light weight, M-platform and the State-IV products.

*Energy, Chemical and Food Equipment Business*

The Group's energy, chemical and food equipment business is mainly conducted through CIMC Enric Holdings Limited ("**CIMC Enric**") and its subsidiaries. CIMC Enric has 15 manufacturing facilities and research centers across the PRC and Europe, such as Shijiazhuang and Langfang in Hebei province, Bengbu in Anhui province, Nantong and Zhangjiagang in Jiangsu province, Jingmen in Hubei province, Nanjing, Randers in Denmark, Menen in Belgium and Emmen and Sneek in Netherlands, respectively.

Despite the sluggish major economies, the domestic demands for LNG storage and transportation equipment and engineering, cryogenic equipment and tank containers are very strong benefiting from the demand in the downstream industries of energy sector, especially the rapid growth in the supply and consumption of natural gas. In 2012, the energy, chemical and liquid food equipment business of our Group maintained a strong momentum of growth. The operating income from this business in 2012 was RMB9,634 million, representing an increase of 12.96% as compared with last year. The net profit was RMB645 million, representing an increase of 30.85% as compared with the corresponding period of last year. Among which the operating income from energy (natural gas) equipment business of CIMC Enric was RMB4,268 million, representing an increase of 26.2% as compared with the corresponding period of last year. The operating income from chemical equipment business was RMB2,846 million, representing a decrease of 1% as compared with the corresponding period of last year. The operating income from liquid food equipment business was RMB968 million, representing an increase of 69% as compared with the corresponding period of last year.

The increase in our sales revenue for the year was primarily due to the increase in sales volume as compared with the same period of last year as a result of the increased market demand for natural gas and other energy resources and the expansion of production capacity of CIMC Enric as well as the declining price of raw materials. In addition, the sales of chemical equipment such as the newly-developed light tank containers increased, and the demand for liquid food equipment in Chinese market also increased. The acquisition of Ziemann Group in Germany ("**Ziemann Group**") in August 2012 also made positive contribution to the increase in our gross profit margin of energy, chemical and food equipment business.

In 2012, CIMC Enric carried out an effective product mix strategy. In respect of energy equipment, while reinforcing its presence in the market of mature products such as cryogenic transportation vehicles/tankers, gas and liquid tankers, medium-pressure LPG transportation vehicles, high-pressure tube CNG trailers, hydraulic natural gas filling sub-stations, natural gas compressors and large-sized cryogenic storage tanks (above 30,000 cubic meters), the Group focused on the development of cryogenic gas bottles, brand new manufacturing technique for helispherical gas bottles and LNG gas stations, which all received encouraging market acceptance. The Group also put more efforts in the research and development of products and technologies such as LNG vessel storage tanks, spherical tanks, small and medium-sized natural gas liquefaction equipment, high calibre steel bottles, containers for nuclear materials and large-sized natural gas compressors. In respect of chemical equipment, the Group focused on the development of special tank containers and light-weight tank containers. In respect of food equipment, CIMC Enric acquired part of the assets in Ziemann Group in Germany in August 2012 at a consideration of €26.502 million. Ziemann Group in Germany was the largest manufacturer and supplier for equipment of breweries in the world. It was an established German enterprise with a history of 160 years and its international operating network spread over Germany, France, Mexico, Brazil, China and India, and it is capable of building up and providing world-class saccharification equipment, tank groups, integrated breweries and turnkey projects, which included the manufacturing, processing, installation and testing of equipment, engineering project management and on-site technical support and services. Over the years, Ziemann Group has been in a leading position in terms of manufacturing techniques for large-sized beer tanks and saccharification equipment. The joining of Ziemann Group will enable our Group to improve its core technologies in the area of liquid food, with the capability and qualification in providing comprehensive solutions for turnkey projects to our customers, as well as to enhance our brand influence.

To further strengthen its service and research and development capabilities, CIMC Enric acquired Nanjing Yangzi Petrochemical Design & Engineering Co., Ltd. ("YPDI"), with a view to facilitate itself with capabilities in engineering service, integrated solution and product design and research. The Group established an engineering business center to carry out internal integration and coordination. The Group also improved the collaboration of TGE Gas Engineering GmbH and Technodyne International Limited in the projects of large-sized cryogenic tanks, and through the merger and reorganisation of its Beijing Technology Company with YPDI, the Group preliminarily built up YPDI's engineering capability in natural gas engineering business. In May 2012, the Group's special project of storage tanks for LNG receiving station in SINES of Portugal was completed and delivered. In September 2012, the mechanical part for the master contracted special project of three storage tanks for COSL's LNG receiving station in Ningbo was completed and successfully delivered.

Through a forward-looking study on the demand in the industry chain of natural gas equipment, especially its judgment on future cryogenic equipment market, in 2012, CIMC Enric continued to increase its capacity significantly, rationally optimized and expanded its cryogenic production capacity, relocated to new plants and relocated its production lines, so as to establish an effective production layout and develop an advantage in production capacity. The Group also specifically increased the production capacity and production volume for special tank containers and cryogenic tanks/vehicles/bottles, commenced the construction of production lines for light-weight helispherical bottles in Shijiazhuang, and expanded the production capacity of LNG manufacturing equipment in Zhangjiagang and LPG equipment in Jingmen. In the second half of the year, the new plants and new production lines in Shijiazhuang, Langfang, and Bengbu in Anhui province commenced operation. As a result, the effective production layout and advantage in production capacity of the Group was promptly established, so as to satisfy the rapidly increasing market demand for the supplying and application equipment of natural gas in the PRC, and secure a significant growth in both operating income and profit of the business sector at the same time.

In 2012, CIMC Enric continued to implement cost control and lean management programs. Operational efficiency and quality have been enhanced with internal resources allocated and shared among operating units more effectively. In terms of the supply chain, the Group implemented centralised and collaborated procurement policy, and achieved cost reduction through optimizing product design and production process.

In 2012, CIMC Enric devoted itself to the research of product technology, patent and technical development, so as to build a solid foundation for its products to enter the overseas market in the future, and added new sales channels in Nigeria, Pakistan, Southeast Asia and Uzbekistan, and focused on exploring the North American market for expansion.

*Offshore Engineering Business*

We are one of the leading offshore engineering equipment manufacturers in the world and have been involved in the competitive international market of offshore engineering business all the time. Our major products include jack-up drilling platforms, semi-submersible drilling platforms, and auxiliary vessels for offshore engineering. The Group has established a complete set of strategic business system of "one center with three bases", consisting of Yantai CIMC Raffles Offshore Co., Ltd. ("YCRO") as the manufacturing, assembly, testing and delivery base for semi-submersible drilling platforms, Longkou CIMC Raffles Offshore Co., Ltd. as the manufacturing base for jack-up drilling platforms, and Haiyang CIMC Raffles Offshore Ltd. as the manufacturing base for module works. The Group also holds a "National Energy Marine Petroleum Drill Platform R&D (Experiment) Center" which was issued by the National Bureau of Energy (國家能源局) of the PRC, and consists of CIMC Offshore Engineering Institute Research Center Co., Ltd. (中集海洋工程研究院有限公司) in Yantai and Ocean Engineering Design and Research Institute of CIMC (中集船舶海洋工程設計研究院) in Shanghai.

# Management's Discussion and Analysis

In 2012, the sales revenue from offshore engineering business of the Group reached RMB1,829 million in aggregate, representing an increase of 217.29% from RMB577 million in the previous year. It incurred a net loss of RMB527 million, narrowing down significantly by 52.81% as compared with the previous year. The significant increase in operating income and the decrease in loss were mainly due to the sales of SUPREME DRILLER, a self-constructed jack-up drilling platform, and the completion of the delivery of COSL PROMOTER, a deep water semi-submersible drilling platform.

Our sales revenue increased substantially compared with the previous year, which was primarily attributable to the recognized sales revenue from the jack-up drilling platforms H197, H267 and JU2000, the semi-submersible drilling platforms cosl3 # and cosl4 # and ship repair projects. In addition, for the same period of the previous year, as only a few projects were delivered and the amount of recognized sales revenue from the projects under construction are relatively small, the base number of sales revenue is relatively small.

In 2012, CIMC Raffles Offshore (Singapore) Limited ("**CIMC Raffles**") achieved a smooth progress in delivering its main products. In March 2012, a jack-up drilling platform named"SUPREME DRILLER" was delivered. In April 2012, COSL PROMOTER, the third deepwater semi-submersible drilling platform for COSL Drilling Europe AS (CDE), was successfully delivered. In December 2012, EXPLORER LIFTER ("**SSCV2#**"), China's first deepwater semi-submersible lifting platform independently designed and constructed by CIMC Raffles (and the intellectual property right was wholly owned by CIMC Raffles), was successfully delivered within a historical short period of only 27 months; and H195, the Caspian Sea jack-up drilling platform of the EPC project was delivered, which was China's largest offshore engineering cooperation project in Russia.

In July 2012, the fourth deepwater semi-submersible drilling platform "COSL Xingwang Platform"built for COSL commenced construction in Yantai.

Since the Company acquired YCRO in 2008, the Company has been facing various challenges, including delay in project construction and loss, poor fundamental management, weak design capability and mismatched production capability. The Group adopted a critical responsive strategy and achieved expected progress with significant results in 2012. Our orders were mainly for drilling platforms and the North Sea market in Europe, and the Company gradually obtained new orders, made breakthroughs in technical bottlenecks and pushed forward the delivery of previous projects. The Group also improved the platform construction model, promoted the standardization and modularisation in design, enhanced the control on risks, costs and expenditures, thus improving the fundamental management.

In February 2012, CIMC Raffles was granted the master construction contract of North Dragon, a deepwater semi-submersible drilling platform by North Sea Rigs As in Norway. This marks that the semi-submersible products of CIMC Raffles received the recognition from North Sea, one of the international mainstream markets, and the capability as a general contractor of CIMC Raffles in engineering projects was further enhanced, and its mass production has commenced. Leveraging on its strengths of shorter delivery time, favorable payment terms, financing support and lower construction costs, the Group will continue to participate in the competitions of overseas markets in the future, while trying to secure new orders in the domestic market.

In terms of platform research and design, the Group has owned the intellectual property right for the detailed design and construction of spud legs of jack-up drilling platforms. The unique construction model for semi-submersible platforms and the construction models for 300-feet and 400-feet jack-up platforms have been improved and established. The Group completed the final designs for three different models of semi-submersible platforms and two different models of jack-up platforms, and accelerated the standardisation and modularisation in design. The Group will also carry out research on deepwater semi-submersible drilling platforms suitable for the South Sea, such as ultra deepwater double-rig semi-submersible drilling platforms and moderately deepwater semi-submersible drilling platforms to meet the demand of our national development strategy.

*Airport Facilities Business*

In 2012, Shenzhen CIMC Tianda Airport Support Co., Ltd. ("**CIMC Tianda**"), a 70% owned subsidiary of the Company, realised operating income of RMB757 million, representing an increase of 32.57% as compared with RMB571 million in the previous year. Its net profit was RMB69 million, representing an increase of 57.66% as compared with RMB44 million in the previous year. The business structure of this segment was further optimized, and the proportion of income from businesses other than civil aviation increased significantly in this segment.

Our revenue from the airport facilities business increased substantially as compared with the previous year, which was primarily attributable to the substantial increase in our garage and logistics businesses which now accounts for a larger proportion of our total revenue, and the continued growth in the passenger boarding bridges business. In addition, the airport shuttle bus business of Beijing Civil Aviation Xinfa Airport Equipment Co., Ltd. which was acquired by our Group in 2012, achieved good operating results in 2012 which also contributed to our revenue growth. As most of our projects were delivered to our customers and most of our account receivables were received from our customers in the second half or the fourth quarter of the year, the decrease in the operating income in the period from January to September of the year narrowed down significantly as compared with the same period of last year.

In 2012, airport facilities business, including passenger boarding bridges, gradually recovered from a low level in the global aviation industry, and the market demand remained stable with steady growth. In 2012, the passenger boarding bridge products of CIMC Tianda continued to dominate the domestic market. In overseas market, while facing German and American enterprises as our major competitors, the Group still managed to obtain a great number of orders. The Group also received a large number of domestic orders for airport baggage handling systems, civil logistic warehouses, three dimensional car parking spaces and passenger boarding bridges. Since the acquisition of Beijing Civil Aviation Xinfa Airport Equipment Co., Ltd. in 2011, the consolidation process went smoothly, and the research and development of bi-directional airport shuttle buses was completed and such products have been sold to Australia. In respect of three dimensional car parking spaces, the Group cooperated with various levels of governments to develop car parking spaces, and extended our services from the manufacturing and after-sale service for car parking spaces to the operation and investment in car parking, and achieved sound results in "car parking real estate" business. In August 2012, the Company, through one of its subsidiaries, increased its shares in Pteris Global Limited ("Pteris", a company listed on the Singapore Exchange Limited, stock code: J74). The Company indirectly held 14.99% of the share capital of Pteris, becoming its single largest shareholder. As a result, the Group has successfully expanded into the business of airport baggage handling systems and global airport logistics management systems.

Looking into 2013 and the future, with the gradual economic recovery, foreign aviation industry will grow steadily, while domestic aviation industry will continue to grow at an annual growth rate of 10%, it is expected that the increase in demand for passenger boarding bridges from both domestic and overseas airports will be optimistic. The trend of upgrade of automation in the Chinese manufacturing industry will promote the rapid development of automation logistic equipment. The gradual decrease in land resources and more intensive car parking problem in the PRC will lead to the steady and rapid growth of three dimensional car parking equipment, and urbanization will boost the rapid demand for engineering vehicles in the cities.

The strategic objective of CIMC Tianda is to become an internationally leading airport facilities supplier and expand its logistic and automation equipment business. While maintaining its leading market position in the passenger boarding bridge market, CIMC Tianda will also develop ground services equipment (GSE) such as airport shuttle buses, airport baggage handling system and other businesses. It will continue to expand the businesses such as three dimensional car parking spaces and automation logistic equipment. The sales revenue and net profit of CIMC Tianda is expected to increase significantly in 2013.

*Other Principle Business*

- Logistics equipment and service business

  The Group is committed to offering specialised logistic equipment and comprehensive logistic solution for customers in different industries. The logistic equipment products of the Group mainly comprise of the pallet containers for vehicle, logistics, food, chemical and agricultural purposes, and the intermediate bulk container (IBC) made of stainless steel for chemical and food usage, as well as specialised logistic equipment. Meanwhile, the Group also provides logistic services based on its standardized logistic appliances, transportation service solutions regarding finished automobiles based on special containers, logistic service solutions regarding logistic of liquid based on IBC containers, logistic service solutions regarding transportation of automobiles based on pallet boxes as well as pallet leasing and repairing services.

# Management's Discussion and Analysis

In 2012, despite the negative impact of the deteriorated global economic environment as well as the intense competition in domestic logistics industry, the logistic equipment business segment achieved its expected operating targets. The Group achieved sales volume of 870,000 units, decreased by 6.04% as compared with the previous year, and its operating income was RMB1,627 million, representing a decrease of 1.62% as compared with the same period of last year.

In 2012, the logistic equipment business of the Group achieved significant growth in market segments including manufacturing, supply chain, domestic transportation and international logistics. The layout for logistic network across the country was completed and the leasing business system based on multi product lines was developed. In respect of manufacturing business unit, the Group maintained its leading position in the automation industry and developed new products such as offshore boxes; and in respect of supply chain business unit, the Group continued to explore new business opportunities the process of improving its level of standardisation and optimising its logistic model, so as to provide optimised solutions for its customers. The Group's business has completely penetrated into the entire supply chain, including packaging and leasing, in-bound logistics, on-line distribution, finished product delivery and complete set export. In respect of international and domestic logistic business unit, a new business model was developed, including the development of the BUSDECK skeletal containers applicable in solutions for exporting commercial vehicles, stainless steel IBC applicable in solutions for the packaging of specialised chemicals, and the sea transportation and highway transportation for 53-feet containers.

- Container Service Business

The Group placed great efforts in the development of container service business, including but not limited to container stack yards, transformation of old containers, modularized buildings. We have a container stack yard service network across the nation which provided container services such as shipping agency, freight forwarding, logistics and transportation, repairment, storage, and the sales, leasing, refurbishment and repackaging of secondhand containers. The Group proactively developed innovative businesses in the trade and financial services of container logistics and container services throughout the whole life span of containers, and sought new business opportunities arising in the upgrading of coastal industries, the development of Central and Western China, urbanization and the development of tourism, energy conservation and emission reduction, as well as the development of recycling economy. In 2012, the operating income from our container service business was RMB432 million, representing an increase of 25.43% as compared with last year, and its net profit was RMB17 million, representing a decrease of 61.49% as compared with last year.

Based on years of practices in these two business fields, the Group has formed its mature market service capabilities in port logistics services, logistics service network, industry equipment and logistics services, design and manufacturing of standardized logistics equipment, logistics financial services and port container service. On this basis, the Group has integrated the existing service resources by adhering to the overall strategy of upgrading the manufacturing services, and in March 2013, the Group completed the mergers and acquisitions to Zhenhua Logistics Group Co., Ltd., its logistics service and operating capacity has been enhanced accordingly. In the future, the Group will continue to upgrade its operating capacity, develop integrated logistics services business, build three basic operating platforms (i.e. network-based logistics operations, logistics informatization and container recycle), develop the industry supply chain logistics solutions and related specialty services based on standardized logistics equipment, and strive to become China's leading logistics service provider within five years.

- Real estate development business

In 2012, there was no fundamental change in the macro control policies relating to the real estate industry in China, the market pressure remained relatively high. In 2012, the Group's projects in Jiangmen, Yangzhou, Zhenjiang, Yangjiang and Shenzhen were all progressed as planned. In 2012, the operating income and the net profit amounted to RMB835 million and RMB75 million, representing an increase of 63.44% and a decrease of 52.82% as compared with the previous year.

- Railway equipment business

  Dalian CIMC Railway Equipment Co., Ltd., a subsidiary of the Group, was committed to the expansion of railway equipment business. Before the Group obtained the production qualification granted by the Ministry of Railways of the PRC, the Group focused on the production of bogie, railway accessories and specialised transportation equipment to expand the international market. In 2012, the operating income was RMB220 million, representing an increase of 33.23% as compared with the previous year, and a net profit of RMB3 million was achieved.

- Financial business

  As for its financial business, the Group took an overall approach to enhance the efficiency and effectiveness of its internal capital utilization, assist the Group to realize its objectives in industrial strategic development, industrial restructuring and market competition, and was devoted to the establishment of a financial service system which matches its role as a world leading manufacturer, so as to become a profit growth point of the Group. The main operating subsidiaries consist of CIMC Financial Leasing Co., Ltd. and CIMC Finance Company Ltd.. In 2012, the Group achieved a revenue of RMB704 million and a net profit of RMB370 million, representing an increase of 22.46% and a decrease of 15.86% as compared with last year, respectively.

  CIMC Financial Leasing Co., Ltd. was established in 2007 and its primary role was to focus on the financial coordination between industry and finance, to promote the overall enhancement in value of the Group and industrial upgrade, and to realise the synergic development in terms of both operation and finance. It promoted the sales of equipment and services of the Group's equipment manufacturing segment, supported the business model transformation of equipment manufacturing segment, and also provided financial solutions and created values for the Group's customers, increased the core competitiveness of the Group, reduced cost by improving sales profit margin and turnover ratio of assets, and optimized the financial structure of the Group.

  In 2012, the registered capital of CIMC Financial Leasing Co., Ltd. was increased from US$20 million to US$70 million. CIMC Financial Leasing Co., Ltd. also received the "2012 Innovation Award in Financial Leasing of China". Financial leasing business has, to different extent, participated and penetrated into the offshore engineering business, energy, chemical and liquid food equipment business, road transportation vehicle business and modularization business of the Group. Financial leasing business was comprehensively involved in the offshore engineering projects in 2012, and gradually formed an innovative offshore engineering leasing model in China. CIMC Financial Leasing Co., Ltd. successfully signed a bareboat chartering contract with CMA CGM, one of our core customers in container segment and the third largest container liner shipping company in the world, to lease ten 9200TEU container ships for a term of 12 years. By successfully providing financial services for the Group's overseas customers in the construction period and operating period of modularized products, the Group has become the sole domestic conglomerate that is capable of providing modularised products as well as relevant project financing.

  Since 2010 when it officially commenced operation, CIMC Finance Company Ltd. has been providing professional financial services for members of the Group, and realized the objectives to enhance the centralised management of our Group's capital and increase the efficiency and effectiveness of its capital utilization. CIMC Finance Company Ltd. significantly reduced the financial cost, financing cost and transaction cost levels of the entire Group, effectively prevented and controlled capital risk, and maintained and increased the value of capital. In 2012, CIMC Finance Company Ltd. performed well in management and operation in terms of concentration level of capital, deposits and loans, settlement amount and income, as well as profit.

# Management's Discussion and Analysis

## (3) Principal operations by regions

| Revenue from external customers | **2012 RMB thousand** | 2011 RMB thousand | Year-on-year change % |
|---|---|---|---|
| Mainland China | **23,202,710** | 22,450,481 | 3.35% |
| America | **13,651,754** | 15,778,210 | (13.48%) |
| Europe | **11,266,791** | 18,057,672 | (37.61%) |
| Asia (excluding China) | **3,661,789** | 5,606,815 | (34.69%) |
| Other | **2,551,013** | 2,231,875 | 14.30% |
| Total | **54,334,057** | 64,125,053 | (15.27%) |

| Non-current assets* | **31 December 2012 RMB thousand** | 31 December 2011 RMB thousand | Year-on-year change % |
|---|---|---|---|
| Mainland China | **18,099,106** | 18,496,639 | (2.15%) |
| America | **313,853** | 325,886 | (3.69%) |
| Europe | **1,018,737** | 1,143,609 | (10.92%) |
| Asia (excluding China) | **47,508** | 36,863 | 28.88% |
| Other | **49,731** | 44,405 | 11.99% |
| Total | **19,528,935** | 20,047,402 | (2.59%) |

* Non-current assets mainly include other non-current assets other than financial instruments and deferred tax assets.

## (4) Description of reasons for any material changes in the composition of profits in the current reporting period as compared with those for the preceding reporting period

For reasons of changes, please refer to the above paragraph headed "Management Discussion and Analysis – Consolidated Operating Results" in this annual report.

## (5) Principal subsidiaries and associates of the Group

For details of the principal subsidiaries and associates of the Group, please refer to notes IV.1 and V.12 to the financial statements prepared in accordance with CASBE in this annual report.

# BUSINESS PROSPECTS

## Economic Environment and Policies

In 2013, the global economy will still face up with various uncertainties and may keep a slow growth. The international monetary environment will be eased and major developed economies will continue to promote fiscal reforms and economic structural reforms. From the perspective of the development trend of the global economy, developed economies will still play the leading role, while the emerging markets including Asia will play a more important part in the future and will become an important new market with growth potential. The International Monetary Fund (IMF) predicts that the global economic growth will reach 3.5% in 2013 while the growth of the emerging markets and the developing economies will reach 5.5% in 2013. China will continue to expand its domestic demands, promote urbanization, increase investments in infrastructures, accelerate its industrial restructuring, continue to support the development of strategic emerging industries and increase investment therein. China's monetary policy will shift from an easing stance to a milder one and continue to implement the positive fiscal policies.

## Industry Development Trend and Market Outlook

Looking forward to 2013, as the US economic recovery is accelerating, the downside trend of European economy is eased and tends to stabilize, and the emerging economies are regaining the momentum for economic growth, the global economic growth is expected to stabilize and rebound. It is also expected that the exports of China will improve significantly as compared with 2012 and its growth rate will rise again.

In respect of container business, it is expected that the overall demand for containers will be still in a recovery period and there might be a slight growth in 2013. CLARKSONS (a British shipbroker in dynamic analysis of shipbuilding and marine trade) predicts that the growth rate for container trade will rise to 6.1% in 2013. Alphaliner (a French shipping consulting firm) predicts that the shipping capacity of containers will increase by 7.9% in 2013, and the newly launched ships will amount to 1.69 million TEU, while the situation of supply over demands in relation to shipping capacity will remain. For the purpose of absorbing excessive capacity, saving fuel costs and reducing carbon emissions, shipping companies will continue to maintain their current slow-speed sailing policy. The increase in the global shipment volume, the newly launched ships and the slow- speed sailing policy will all contribute to the increase in demands for containers in 2013. In light of the above, we remain positive on the prospects of the growing demands for containers from the global shipping market in the future and expect such demands will continue to grow at an average annual growth rate of more than 6% for the next few years.

In respect of road transportation vehicle business, as the economic growth of most European countries will remain weak, and the US economy will maintain a moderate recovery in 2013 and the emerging economies may achieve a relatively faster growth, it is expected that the demands from North American market will rebound steadily, the demands from European market will remain unchanged as compared with that of last year; and the demands from emerging markets including Asia will maintain a slow growth or grow more significantly. It is expected that the demand for vehicles used in domestic transportation and engineering activities will be stabilize and begin to rebound in 2013. As a result, the total market demand for semi-trailers in 2013 may realize a slight increase. In 2013, domestic investment in infrastructures will become more active and destocking activities in this industry will come to an end, which is favorable to a positive growth in demand for engineering vehicles. However, the regulation and control over the domestic real estate market will continue, forcing the growth of demands for mixer truck to slow down.

Management's Discussion and Analysis

In respect of energy, chemical and food equipment business, (1) energy equipment business: with the acceleration of China's industrialization and urbanization, China's demand for natural gas energy will further increase in the next few years. In particular, the business of cryogenic product trucks, bottles, cans, gas-filling stations, liquefaction plants and other products will be further developed while the competition will intensifies. Impacted by macro-economy and competition factors, it is expected that the domestic market demand for industrial gas and LPG will slow down in 2013; (2) chemical equipment business: impacted by the weak global economy, the global chemical market will remain sluggish in 2013. With the continuous development of domestic and international energy and chemical industries and the enhanced environmental requirements on the logistics industry, it is expected that our tank container business will continue to achieve a steady growth; and (3) liquid food equipment business: as the global beer industry gets more matured, it is expected that the overall market demand for liquid food equipment in 2013 will achieve a steady growth.

In respect of offshore engineering business, we anticipate a promising prospect for the demand in the offshore engineering equipment market in the mid- and-long run. Impacted by high oil prices and the increased efforts in development of global offshore oil, the oil and gas companies will be urged to increase their investments in relevant equipments. In addition, the severe ageing of the existing drilling equipments will also produce the demands for updating equipments. The demands for offshore engineering equipments mainly concentrate in North Sea, the Gulf of Mexico, Brazil, Southeast Asia, West Africa and other major regional markets. China is also accelerating implementation of its plans for exploration and development of offshore oil and gas resources and related investments. As one of the strategic emerging industries and the priorities for industrial upgrades in China, offshore engineering business will continue to benefit from China's supportive policies. In addition, China's offshore engineering industry will have a considerable advantage in the area of general assembly construction in the mid-and-short run and its management and design capabilities are improving rapidly.

## Overall Operation Targets for our Business Development and Initiatives

In 2013, with the opportunity of global economic restructuring, our Group will accelerate the process of industrial restructuring and strategic upgrade, carry out systematic reforms in development strategy, business model, organizational culture, operational management and other areas, continue to implement layering management and precision management so as to realize an "accumulative continuous improvement mechanism", which will lay a new foundation for the continuous healthy development of our Group.

In respect of container business, we will implement lean management, and strengthen services and collaboration. Through research and development in technology and management, we strive to break through the manufacturing bottlenecks in terms of increase in component costs, environmental protection, labor-intensive conditions and other factors. In addition, we will also optimize resource allocation to increase the asset operational efficiency of this segment of our business, and promote the decision-making standard.

In respect of road transportation vehicle business, we will: (1) continue to expand our market share on the regional markets; (2) continue to introduce new technology and new products and promote the application of the third generation semitrailer technology, and speed up the development of engineering vehicles; (3) improve production quality and capacity, including completion of building up the new factory in Europe as well as the specific assorted production lines in China; improving the assembly capacity in the United States; and optimizing the production layout and carrying out technological reform in the production lines in China on a continuous basis; and (4) strengthen the construction of the products distribution channels, improve our sales and service network, and increase our investment in the vehicle logistics park business.

In respect of energy, chemical and food equipment business, our Group will focus on energy industry in the future. We will design strategic plans and carry out prospective research on energy equipment and engineering aspects so as to grasp the opportunity of potential development. We will set up and improve a business-oriented management model and system and strengthen internal coordination to guarantee a healthy business development in the future. We will fully utilize the production capacities of the newly constructed and expanded production bases as well as production lines by improving the operational efficiency of the cryogenic equipment business. We will proactively promote the research and development of new products, and strengthened the development of special tanks, consolidate and increase the market share of our existing major equipment and products so as to enhance the core competitiveness of our Company. We will, by taking advantage of business collaboration and the complementary advantages of China and Europe, enhance our ability for management of engineering projects, and strengthen our engineering business, in particular with a focus on cryogenic tanks, projects of filling stations, small and medium-sized liquefied and petrochemical gas storage and processing projects and chemical spherical tanks. We will further develop international market of high-pressure, low- temperature, medium-pressure containers, tank containers and liquid food equipment, in particular, vigorously exploring the North American market by utilizing the opportunity of the significantly growing demand in US natural gas market.

In respect of offshore engineering business, we will improve the standardization and serialization level of our products and engineering projects, make an overall planning on the resource allocation in our three production bases, strengthen the management of supply chain, and establish a long- term cooperative relationship with our key suppliers. In addition, we will also enhance our cooperation ability in manufacturing core equipments such as drilling package and polish our advantage in design and manufacturing of spud leg, launch jointly designed or independently designed ship model, and further promote the improvement of production management.

## Capital Expenditure and Financing Plan

According to the changes in economic situation and operating environment, as well as the needs for the Group's strategic upgrade and business development, the capital expenditure of our Group is expected to be RMB6,241 million in 2013, for which various forms of financing arrangements will be considered.

## Risk Factors for our Future Development

In 2013, the Company's operation will still face the following risks in macro economy and policy adjustments: (1) in the aftermath of the financial crisis, the world's economy is recovering at a slow pace and entering a cycle of low economic growth; in China, the growth rate of exports slowed down due to decrease in external demands, and its energy dependence increased whereas the prices of raw materials fluctuated intensively. The changes and fluctuations in financial markets might result in the potential risks of appreciation of RMB and the fluctuation in the foreign exchange rates of RMB against others; (2) in recent years, the old development model of China, which is characterized by low wages, high energy consumption and environmental pollution, is becoming increasingly difficult to sustain, and the competitiveness of China's traditional manufacturing industry which is focusing on low value-added processing business is also declining. China's economic development is facing up with a number of mid-and-long-term challenges such as economic restructuring, decline in demographic dividends, energy conservation and emission reduction, which will in turn result in plenty of pressures for our Group's business development and production management; (3) impacted by the policies asserting low-carbon, environmental protection, energy conservation, improvement of people's livelihood and sustainable development, the regulations on labor and environmental protection tend to be more stringent and various costs tend to rise; (4) both the manufacturing capacities in emerging market economies and China are excessive while the global shipping capacities are excessive in the mid-to-long term; (5) resources, price of oil, environment and transportation all imposed constraints on the development of automobile industry, while the negative impacts of railway construction, and the adverse effect of split of passenger and cargo on trunk road freight has also imposed certain pressure on the growth of demands for transportation vehicles; and (6) offshore engineering industry is a high investment and long-cycle industry with investment risk. As a "strategic emerging industry", the development of offshore engineering industry is supported by the state policy. For the domestic offshore engineering industry, in addition to facing up with competition from overseas leading offshore engineering companies, it will also encounter with more intensified competition within this industry as more traditional domestic shipbuilding enterprises and external capitals entered into this industry.

## FINANCIAL RESOURCES REVIEW

### Liquidity and financial resources

As at 31 December 2012, the Group's cash on hand amounted to RMB5,221.539 million (2011: RMB7,788.126 million). The Group has always maintained sufficient cash on hand to repay the bank loans due, and will concurrently continue to remain prudent in managing its future development and capital expenditure.

As at 31 December 2012, the Group's bank loans, overdrafts and debentures payable amounted to RMB20,799.527 million (2011: RMB21,085.359 million).

In 2012, net cash flows from operating activities of the Group amounted to RMB2,242.919 million (2011: RMB2,254.437 million). The Group had appropriated an amount of RMB15,627.848 million (2011: RMB29,180.931 million) of bank loans and made repayment of bank loans of RMB18,384.272 million (2011: RMB22,895.986 million).

### Capital Structure

The Company's capital structure consists of equity interests attributable to shareholders and liabilities. As at 31 December 2012, the equity interests attributable to shareholders amounted to RMB22,117.157 million, of which the minority interests amounted to RMB2,603.981 million, and the total liabilities amounted to RMB40,875.223 million. The total assets amounted to RMB62,992.380 million and the gearing ratio was 64.89% as at the end of this reporting period.

### Pledge of assets

For the details of the pledge of assets of our Group, please refer to note V.22 to the financial statements prepared in accordance with CASBE in this annual report.

## Assets and liabilities

### Significant changes in asset items

Unit: RMB thousand

| Assets: | | 31 December 2012 | 31 December 2011 | Fluctuation amount and percentage | |
|---|---|---|---|---|---|
| | | | | Amount | % |
| Cash at bank and on hand | (1) | **5,221,539** | 7,788,126 | (2,566,587) | (33%) |
| Financial assets held for trading | (2) | **405,092** | 186,134 | 218,958 | 118% |
| Advance to suppliers | (3) | **1,213,042** | 1,930,496 | (717,454) | (37%) |
| Interest receivable | (4) | **14,410** | 2,020 | 12,390 | 613% |
| Current portion of non-current assets | (5) | **1,636,332** | 2,635,287 | (998,955) | (38%) |
| Investment properties | (6) | **183,668** | 126,983 | 56,685 | 45% |
| Long-term prepaid expenses | (7) | **47,947** | 34,892 | 13,055 | 37% |
| Other non-current assets | (8) | **203,040** | 764,849 | (561,809) | (73%) |

(1) Cash at bank and on hand: mainly due to the centralised management of fund by the Group.

(2) Financial assets held for trading: due to the increase in the balance of equity securities investment held for trading in the year.

(3) Advance to suppliers: mainly due to the decrease in procurement at the end of the year.

(4) Interest receivable: mainly due to the accrual of outstanding interest receivable of RMB7,000,000 at the end of the year.

(5) Current portion of non-current assets: due to the decrease in the balance of receivables under finance lease in non-current assets due within one year.

(6) Investment properties: mainly due to the lease of newly constructed warehouses and shops of the Group and the lease of certain previously self-used land and buildings in the year.

(7) Long-term prepaid expenses: mainly due to the increase of fees for ancillary facilities in stack yards and improvements of fixed assets under operating lease of the Group in the year.

(8) Other non-current assets: mainly comprise of prepayment for land use right of RMB760,000,000 by Shenzhen CIMC Skyspace Real Estate Development Co., Ltd., the land was acquired and the land development commenced in 2012.

# Management's Discussion and Analysis

## Significant changes in liabilities items

Unit: RMB thousand

| Liabilities: | | **31 December 2012** | 31 December 2011 | **Fluctuation amount and percentage** Amount | % |
|---|---|---|---|---|---|
| Short-term borrowings | (1) | **5,438,407** | 8,030,912 | (2,592,505) | (32%) |
| Financial liabilities held for trading – current portion | (2) | **12,856** | 31,107 | (18,251) | (59%) |
| Notes payable | (3) | **989,710** | 3,295,226 | (2,305,516) | (70%) |
| Interest payable | (4) | **203,288** | 152,067 | 51,221 | 34% |
| Dividends payable | (5) | **38,747** | 116,253 | (77,506) | (67%) |
| Current portion of non-current liabilities | (6) | **1,261,940** | 2,560,318 | (1,298,378) | (51%) |
| Debentures payable | (7) | **6,462,235** | 3,988,438 | 2,473,797 | 62% |
| Long-term payables | (8) | **145,103** | 86,846 | 58,257 | 67% |
| Payable for specific projects | (9) | **4,802** | 8,940 | (4,138) | (46%) |
| Other non-current liabilities | (10) | **348,630** | 198,564 | 150,066 | 75% |

(1) Short-term borrowings: mainly due to the appropriate adjustment of the structure of long-term and short-term loans.

(2) Financial liabilities held for trading – current portion: the decrease of financial liabilities held for trading was mainly due to the decrease in forward exchange contracts by the Group in this year as compared with last year.

(3) Notes payable: mainly due to the decrease in purchases paid in the form of bills.

(4) Interest payable: in this year, the Group issued debentures payable in a principal amount of RMB2 billion, resulted in interest payable to increase.

(5) Dividends payable: mainly due to the payment of dividends payable to minority shareholders in the previous years.

(6) Current portion of non-current liabilities: mainly due to the appropriate adjustment of the structure of long-term and short-term loans.

(7) Debentures payable: mainly due to the issuance of debentures payable in a principal amount of RMB2 billion by the Group on 22 May 2012. NSR, a subsidiary of CIMC Financial Leasing Co., Ltd., also issued a 3-year convertible bond with a principal amount of approximately RMB470 million on 10 December 2012.

(8) Long-term payables: mainly due to the increase in payables to minority shareholders.

(9) Payables for specific projects: mainly due to the increase in special payables in the year.

(10) Other non-current liabilities: mainly due to the compensation granted by the government for the relocation of CIMC Enric Bengbu, a subsidiary of CIMC Enric, to an industrial park.

## Gearing ratio

The gearing ratios as at 31 December 2011 and 2012 were calculated based on our total debts as at the respective dates divided by our total assets. Our gearing ratio decreased from 66.42% as at 31 December 2011 to 64.89% as at 31 December 2012 mainly due to the decrease of total debts of the current period as compared with the same period of last year.

## Capital commitments

As at 31 December 2012, the Group had contracted capital commitments of approximately RMB2,263.576 million (approximately RMB2,867.516 million as at 31 December 2011), which was mainly used for building of vessels for sale or rent, purchase and construction of fixed assets and foreign investment. The above capital commitment has been included in the 2013 capital expenditure budget.

## Significant investments

In 2012, the Group acquired 100% equity interests in YPDI at a consideration of RMB165 million to improve the Group's engineering service capability so as to expand the Group's energy, chemical and food equipment business into the upstream customer network. The Group also acquired certain assets and equity interests in Ziemann Group at a consideration of €25.6 million so as to enhance the Group's competitive edges in the liquid food equipment industry. In addition, the Group acquired 60% equity interests in the 3rd phase of property development project of Yangjiang Shangdong Furi Property Development Co., Ltd. at a consideration of RMB36 million. Furthermore, the Group acquired 70% equity interests in Beijing Civil Aviation Xinfa Airport Equipment Co., Ltd. at a consideration of RMB18.9 million so as to expand the Group's airport equipment business.

## Foreign Exchange Rate Risk

The majority of the Group's revenue is denominated in U.S. dollars, while most of its expenditure is made in Renminbi. Currently, the PRC government has implemented a regulated floating exchange rate regime based on market supply and demand with reference to a basket of currencies. However, Renminbi is still regulated in capital projects. The exchange rates of Renminbi are affected by domestic and international economic and political changes, and demand and supply for Renminbi. Future exchange rates of Renminbi against other currencies may vary significantly from the current exchange rates, which in turn would affect the operating results and financial position of the Group.

## Future plans for material investments and expected source of funding

Currently, the Group's operating and capital expenditures are mainly financed by our own fund and external financing. Concurrently, the Group will take a prudent attitude in order to enhance its future operating cash flow.

The Group has sufficient resources of funding to meet future capital expenditure and working capital requirement. As at 31 December 2012, the Group had total capital commitments of RMB2,263.576 million. The above capital commitment has been included in the 2013 capital expenditure budget.

# Offshore Engineering Business

In 2012, the sales revenue from offshore engineering business of the Group reached RMB1,829 million in aggregate, representing an increase of 217.29% from RMB577 million in the previous year. It incurred a net loss of RMB527 million, narrowing down significantly by 52.81% as compared with the previous year.

# Significant Events

## 1. MATERIAL LITIGATION AND ARBITRATION EVENTS

The semi-submersible oil drilling platforms named SS Pantanal and SS Amazonia built by CIMC Raffles and its subsidiaries for subsidiaries of Schahin Group in Brazil, were delivered in November 2010 and April 2011, respectively. CIMC Raffles and its subsidiaries also provided advances for Schahin Holdings SA and its six connected parties for the construction of drilling platforms. Since Schahin Holdings SA and its other connected parties did not pay the amount in accordance with relevant contracts, CIMC Raffles and its subsidiaries lodged a law suit and arbitration application against Schahin Holdings SA and its connected parties in December 2011 and May 2012, respectively, the aggregate amount of which amounted to approximately US$208 million (equivalent to approximately RMB1.3 billion). As at 31 December 2012, the arbitration in relation to the advances was settled in December 2012 and CIMC Raffles was granted US$69 million. As at the date of this announcement, Schahin Holdings SA and its six connected parties have raised a counterclaim. Based on the current progress of the legal proceedings, the Company was in an optimistic view regarding the litigation results. In the course of the proceedings, the Company will take positive legal measures to ensure that shareholders' interests are not compromised.

Save as disclosed above, the Company was not involved in any material litigation or arbitration during the reporting period which could be expected to have a material adverse effect on our business, financial condition and results of operations.

## 2. SHAREHOLDING IN OTHER COMPANIES

### (1) Shareholding interests of the Company in other listed companies

As at the end of the reporting period, interests in other listed securities held by the Group were as follows:

Unit: RMB thousand

| Stock code | Stock short name | Initial Investment amount | Number of shares (million) | Shareholding (%) | Book value as at the end of the year | Profit or loss during the reporting period | Change in equity during the reporting period | Classification in accounts | Source of shareholding |
|---|---|---|---|---|---|---|---|---|---|
| Shanghai Stock Exchange ("**SHSE**"): 600036 | China Merchants Bank | 25,461 | 12 | 0.53% | 158,483 | 4,841 | 16,252 | Available-for-sale financial assets | Corporate shares |
| SHSE: 600999 | China Merchants Securities | 57,518 | 42 | 0.90% | 442,873 | 6,297 | 11,649 | Available-for-sale financial assets | Corporate shares |
| Australian Stock Exchange: OEL | Otto Energy | 13,480 | 14 | 1.19% | 8,395 | N/A | 547 | Available-for-sale financial assets | Share acquisition |
| HKSE: 206 | TSC Offshore Group Limited | 167,591 | 92.8 | 14.60% | 168,837 | 1,676 | N/A | Long-term equity investment | Share acquisition |
| Singapore Stock Exchange: J74 | Pteris Global Ltd | 84,501 | 82 | 14.99% | 78,782 | (5,719) | N/A | Long-term equity investment | Share acquisition |

### (2) Holding of interest in non-listed financial institutions

Unit: RMB thousand

| Name of investment target | Initial investment amount | Number of shares (million) | Shareholding (%) | Book value as at the end of the year | Profit or loss during the reporting period | Change in equity during the reporting period | Classification in accounts | Source of shareholding |
|---|---|---|---|---|---|---|---|---|
| Bank of Communications Schroder | 8,125 | N/A | 5% | 8,125 | 5,000 | N/A | Long-term equity investment | Corporate shares |

## 3. ACQUISITIONS, DISPOSALS AND MERGERS DURING THE REPORTING PERIOD

(i) On 5 January 2012, Shenzhen CIMC Skyspace Real Estate Development Co., Ltd., a wholly-owned subsidiary of the Group, completed its transaction to acquire 60% of all total shares of Yangjiang Shangdong Furi Property Development Company Limited, for expanding its real estate business. Shenzhen CIMC Skyspace Real Estate Development Co., Ltd. has paid RMB36.0 million to acquire such shares.

(ii) On 16 August 2012, Ziemann International GmbH (formerly known as Kronen tausend 706 GmbH., a company established under the laws of Germany and an indirect wholly-owned subsidiary of CIMC Enric), entered into an asset purchase agreement with Dr. Tibor Braun in his capacity as insolvency administrator, whereby, Ziemann International GmbH agreed to purchase certain assets of Ziemann Ludwigsburg GmbH, Ziemann Services GmbH and Ziemann + Bauer GmbH and certain equity interests of Ziemann Consulting Pty. Ltd., Ziemann Australia & Oceania Pty. Ltd., Ziemann USA Inc., Ziemann Asia-Holding Co., Ltd. and Ziemann Asia-Pacific Co., Ltd. (collectively, the "**Ziemann Group**"), the aggregate consideration of which is approximately EUR25.6 million.

(iii) On 28 August 2012, Sharp Vision Holdings Limited, a wholly-owned subsidiary of the Company, signed an agreement with Pteris Global Limited ("**Pteris**", a company listed on the Singapore Exchange Limited, stock code: J74), pursuant to which, Pteris has issued 17.63% shares (the original 466,268,257 shares was increased to 548,488,257 shares after issue of 17.63% additional shares) to the Company at 0.13 Singapore Dollar per share for a total transaction value of 10,688,600 Singapore Dollars (equivalent to RMB54,254,265). Upon completion of the issue, the Company has indirectly become the single largest shareholder of Pteris and its equity interests increased to 14.99% of the enlarged share capital of Pteris.

The above transactions did not affect the continuity of the Group's business and the stability of its management. They are beneficial for the future financial position and operating results of the Group on a continuing basis.

## 4. SIGNIFICANT CONNECTED TRANSACTIONS DURING THE REPORTING PERIOD

Please refer to the section headed "Connected Transactions" in this annual report. During the reporting period, no substantial shareholder of the Company has utilised the funds of the Company for non-operating purposes.

Significant Events

## 5. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

(1) During the reporting period, there were no trusteeship, sub-contracting and leasing of properties of other companies by the Company which would contribute profit to the Company of 10% or more of its total profits for the year.

(2) The Company has no material guarantee during the reporting period.

(3) The Company did not entrust any other person on wealth management during the reporting period.

(4) The Company has the following entrustment loans during the reporting period:

Unit: RMB'0000

| Borrower | Related party or not | Amount of loans | Interest rate | Guarantor or collaterals | Intended purpose of loans | Loans pending renewal or being overdue, or involving legal proceedings |
|---|---|---|---|---|---|---|
| CIMC Vehicle (Group) Xinjiang Co., Ltd. (中集車輛(集團)新疆有限公司) | Yes | 5,000 | 5.535% | Nil | For the purpose of general working capital | Nil |
| Nantong CIMC Large-sized Tank Co., Ltd. (南通中集大型儲罐有限公司) | Yes | 1,500 | 5.4% | Nil | Replenishment of cash flow | Nil |
| Nantong CIMC Large-sized Tank Co., Ltd. (南通中集大型儲罐有限公司) | Yes | 2,500 | 5.4% | Nil | Replenishment of cash flow | Nil |
| Nantong CIMC Large-sized Tank Co., Ltd. (南通中集大型儲罐有限公司) | Yes | 1,000 | 5.4% | Nil | Replenishment of cash flow | Nil |
| Suining CIMC Forestry Co., Ltd. (綏寧中集林業有限公司) | Yes | 170 | 5.4% | Nil | Replenishment of cash flow | Nil |
| Shenzhen CIMC Junyu Real Estate Development Co., Ltd. (深圳中集駿宇置業有限公司) | Yes | 1,500 | 6.15% | Nil | Payment for project in progress | Nil |
| Shenzhen CIMC Modularity Building Co., Ltd. (深圳中集模組化房屋有限公司) | Yes | 180 | 5.4% | Nil | For the purpose of general working capital | Nil |
| Shanghai Tijieyi Gas Engineering and Technology Co., Ltd. (上海梯傑易氣體工程技術有限公司) | Yes | 400 | 5.4% | Nil | Payment for construction project | Nil |
| Shenzhen CIMC Investment Holding Co., Ltd. (深圳中集投資控股有限公司) | Yes | 700 | 5.4% | Nil | For the purpose of general working capital | Nil |
| Shenzhen CIMC Junyu Real Estate Development Co., Ltd. (深圳中集駿宇置業有限公司) | Yes | 3,500 | 6.15% | Nil | Settlement of Intra-group balances | Nil |
| Yantai CIMC Raffles Offshore Co., Ltd. (煙台中集來福士海洋工程有限公司) | Yes | 66,000 | 5.4% | Nil | For the purpose of general working capital | Nil |
| CIMC Vehicle (Jiangmen) Co., Ltd. (中集車輛(江門市)有限公司) | Yes | 1,527 | 5.4% | Nil | Replenishment of cash flow | Nil |

Unit: RMB'0000

| Borrower | Related party or not | Amount of loans | Interest rate | Guarantor or collaterals | Intended purpose of loans | Loans pending renewal or being overdue, or involving legal proceedings |
|---|---|---|---|---|---|---|
| Hunan CIMC Bamboo Industry Development Co., Ltd. (湖南中集竹木業發展有限公司) | Yes | 500 | 5.4% | Nil | Replenishment of cash flow | Nil |
| Yantai CIMC Raffles Offshore Co., Ltd. (煙臺中集來福士海洋工程有限公司) | Yes | 40,000 | 6% | Nil | Replenishment of cash flow | Nil |
| Shenzhen CIMC Investment Holding Co., Ltd. (深圳中集投資控股有限公司) | Yes | 130 | 5.6142% | Nil | Replenishment of cash flow | Nil |
| Dalian CIMC Heavy Chemical Equipment Co., Ltd. (大連中集重化裝備有限公司) | Yes | 3,400 | 5.89464% | Nil | Replenishment of cash flow | Nil |
| CIMC Jidong (Qinhuangdao) Vehicle Manufacturing Co., Ltd. (中集冀東(秦皇島)車輛製造有限公司) | Yes | 1,115 | 5.6142% | CIMC Vehicle (Group) Co., Ltd. | Replenishment of cash flow | Nil |
| Nantong CIMC Large-sized Tank Co., Ltd. (南通中集大型儲罐有限公司) | Yes | 8,000 | 5.6142% | Nil | Replenishment of cash flow | Nil |
| CIMC Jidong (Qinhuangdao) Vehicle Manufacturing Co., Ltd. (中集冀東(秦皇島)車輛製造有限公司) | Yes | 2,285 | 6.310002% | Nil | Replenishment of cash flow | Loan extension |
| CIMC (Chongqing) Logistics Equipment Manufacturing Co., Ltd. (中集(重慶)物流裝備製造有限公司) | Yes | 1,500 | 5.94% | Nil | For the purpose of general working capital | Loan extension |
| CIMC Jidong (Qinhuangdao) Vehicle Manufacturing Co., Ltd. (中集冀東(秦皇島)車輛製造有限公司) | Yes | 2,800 | 5.775% | Nil | Replenishment of cash flow | Loan extension |
| Qingdao CIMC Environmental Protection Equipment Co., Ltd. (青島中集環境保護設備有限公司) | Yes | 150 | 5.775% | Nil | Replenishment of cash flow | Loan extension |
| Qingdao CIMC Environmental Protection Equipment Co., Ltd. (青島中集環境保護設備有限公司) | Yes | 500 | 5.7504% | CIMC Vehicle (Group) Co., Ltd. | Replenishment of cash flow | Loan extension |
| CIMC Jidong (Qinhuangdao) Vehicle Manufacturing Co., Ltd. (中集冀東(秦皇島)車輛製造有限公司) | Yes | 1,900 | 5.68014% | Nil | Replenishment of cash flow | Loan extension |
| Total | — | 146,257 | — | — | — | — |

(5) Save as disclosed in this annual report, during the reporting period, the Company did not enter into any material contract which requires disclosure.

Significant Events

## 6. PERFORMANCE OF COMMITMENTS BY THE SUBSTANTIAL SHAREHOLDERS

No commitments.

## 7. ENGAGEMENT AND DISENGAGEMENT OF FIRM OF ACCOUNTANTS

During the reporting period, as the term of service of KPMG Huazhen Certified Public Accountants (currently KPMG Huazhen (Special General Partnership)) is over 5 years, the Company has engaged PricewaterhouseCoopers Zhong Tian CPAs Limited Company as its auditors on 25 May 2012 by way of an open tendering process. The remuneration in respect of the audit work was RMB5.63 million mainly including the provision of auditing services for the Company's needs and the remuneration in respect of the non-audit work was RMB6.58 million mainly for the supporting works for the listing of the Company's share on the main board of the Hong Kong Stock Exchange.

## 8. PENALTIES ON THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SUBSTANTIAL SHAREHOLDERS AND REMEDIES THERETO

During the reporting period, none of the Directors, Supervisors, senior management or substantial shareholders was subject to any investigation or administrative penalty by the CSRC, or any denial of participation in the securities market or deemed unsuitable to act as a Director, Supervisor or senior officer of the Company by other administrative authorities or any public criticisms made by a stock exchange.

## 9. OTHER SIGNIFICANT EVENTS

(1) On 9 May 2012, the Company signed a strategic cooperation framework agreement with Bank of China Limited in Beijing involving a total value of RMB24.8 billion.

(2) On 19 December 2012, the Company successfully lists its 1,430,480,509 H Shares on the main board of the Hong Kong Stock Exchange by way of introduction.

(3) On 20 December 2012, China International Marine Containers (Hong Kong) Limited, a wholly-owned subsidiary of the Company, Bank of China and Bank of America Merrill Lynch held a ceremony in Shenzhen for the signing of a tri-party cooperation framework agreement for the proposed issuance of commercial notes of US$600 million in the United States of America.

The above transactions did not affect the continuity of the Group's business and the stability of its management. They are beneficial for the future financial position and operating results of the Group on a continuing basis.

# Connected Transactions

## 1. CONNECTED PERSONS

COSCO Pacific Ltd. ("**COSCO Pacific**") is the holding company of COSCO Container Industries Limited ("**COSCO Container**"), a substantial shareholder of the Company. Thus, each of its subsidiaries (including COSCO Container) and itself is our connected person pursuant to Rule 14A.11(4) of the Hong Kong Listing Rules.

The following connected transaction constitute a "continuing connected transaction" as defined under Chapter 14A of the Hong Kong Listing Rules and satisfied relevant disclosure requirements thereof. For the details of the following continuing connected transaction, please refer to the listing document published on the websites of the Hong Kong Stock Exchange, the Shenzhen Stock Exchange and the Company on 17 December 2012 and the announcement entitled "Revision of Annual Caps for the Continuing Connected Transaction for the Years Ending 31 December 2013 and 2014" published on the websites of the Hong Kong Stock Exchange, the Shenzhen Stock Exchange and the Company on 22 March 2013.

## 2. CONTINUING CONNECTED TRANSACTION

During the reporting period, the following connected transaction (the "**Continuing Connected Transaction**") has been entered into between our Group and COSCO Pacific and/or its subsidiaries which will constitute non-exempt continuing connected transaction of our Group under Chapter 14A of the Hong Kong Listing Rules upon and after the Listing.

### Provision of Commodities Framework Agreement (the "Framework Agreement") with COSCO Pacific

#### (1) Date

12 December 2012

#### (2) Parties

(a) The Company (for itself and on behalf of its subsidiaries)

(b) COSCO Pacific (for itself and on behalf of its subsidiaries)

#### (3) Subject matter

Pursuant to the Framework Agreement, the Company and/or its subsidiaries agreed to provide to COSCO Pacific and/or its subsidiaries commodities such as containers for a term commencing from the listing date as 19 December 2012 and expiring on 31 December 2014.

COSCO Pacific and/or its relevant subsidiaries will enter into separate agreements with relevant members of the Group which shall set out the specific terms and conditions according to the principal terms provided under the Framework Agreement.

# Connected Transactions

## (4) Price Determination

The following general pricing principles apply to the determination of service charges payable under the Framework Agreement:

(a) the bidding pricing where the bidding process is required;

(b) government-prescribed price;

(c) where there is no government-prescribed price, then the government-guidance price;

(d) where there is neither government-prescribed price nor government-guidance price, then the market price; or

(e) where none of the above prices is applicable or where it is not practicable to apply the above pricing policies, then according to the price to be agreed following arm's length negotiation between the parties.

## (5) Termination

During the term of the Framework Agreement, each of the parties can serve not less than three months prior written notice to the other party to terminate any specific agreement under the Framework Agreement and the Framework Agreement itself.

## Transaction Amount for 2012

The actual transaction amount in respect of the Continuing Connected Transaction for the full year of 2012 amounted to approximately RMB1,444.1 million which exceeded the annual cap of RMB675.3 million for the year ended 31 December 2012. As substantial time was required for the collection and review of historical transaction figures regarding the Continuing Connected Transaction between the Group and each of its subsidiaries, it only came to the Company's knowledge in March 2013 that the aggregate transaction amount in respect of the Continuing Connected Transaction under the Framework Agreement for the full year of 2012 exceeded the annual cap for the year ended 31 December 2012.

This is primarily due to the reason that the annual cap for the year ended 31 December 2012 was estimated with reference to the historical transaction amount in respect of the Continuing Connected Transaction for the six months ended 30 June 2012 and the Company's estimates on the demand for the Group's containers for the second half of 2012 was made with reference to the decrease of global market demand for containers as a result of the slowdown of the global economy recovery in 2012. However, the Company underestimated the demand for the Group's containers from COSCO Pacific and/or its subsidiaries, and the purchase of the Group's containers from COSCO Pacific and/or its subsidiaries increased significantly in the second half of 2012, which resulted in the transaction amount for the first half of 2012 amounted to RMB375.3 million, while the transaction amount for the second half of 2012 amounted to RMB1,068.8 million.

In future, the Company will intensify its effort in monitoring the Continuing Connected Transaction and negotiate with COSCO Pacific and/or its subsidiaries to provide a prior estimate of future demand for the Group's containers on a quarterly basis, so as to monitor the transaction amount of the Continuing Connected Transaction in a timely manner.

## Revision of Annual Caps for the Years Ending 31 December 2013 and 2014 under the Framework Agreement

Taking into account the potential acceleration in the growth rate of global economy as well as international trade and business in the future, the large volume of containers purchased from COSCO Pacific and/or its subsidiaries in 2011 and 2012, the Company expects that the existing annual caps for the years ending 31 December 2013 and 2014 cannot meet the demands for its containers. As such, the Company intends to revise the existing annual caps in respect of the Continuing Connected Transaction under the Framework Agreement for each of the two years ending 31 December 2013 and 2014.

## Reasons and Benefits for the Continuing Connected Transaction

The Continuing Connected Transaction is and will be conducted in the ordinary and usual course of business of the Company. This transaction will continue to be agreed on an arm's length basis with terms that are fair and reasonable to the Company. Due to the long-term relationship between the Company and COSCO Pacific, the Directors (including the independent non-executive Directors) consider that (i) it is beneficial to the Company to continue to enter into the Continuing Connected Transaction as this transaction has facilitated and will continue to facilitate the operation and growth of the Group's container business; (ii) the Continuing Connected Transaction has been conducted on normal commercial terms or on terms no less favorable than those available to the Group from independent third parties, under prevailing market conditions, and was entered into in the ordinary and usual course of business of the Group, is fair and reasonable and in the interests of the Company and its shareholders as a whole, and that the proposed revised annual caps for the years ending 31 December 2013 and 2014 are fair and reasonable.

## Historical Figures, Existing Annual Caps and Proposed Revised Annual Caps

For the three financial years ended 31 December 2010, 2011 and 2012, the revenues generated in connection with our provision of commodities to COSCO Pacific and/or its subsidiaries were approximately RMB967.4 million, RMB1,536.7 million and RMB1,444.1 million.

We set out below (1) the actual transaction amount and the existing annual cap for the year ended 31 December 2012 in respect of the Continuing Connected Transaction under the Framework Agreement, and (2) the existing annual caps and proposed revised annual caps for the years ending 31 December 2013 and 2014 in respect of the Continuing Connected Transaction under the Framework Agreement:

Unit: RMB million

| **Year ended 31 December 2012** | | Year ending 31 December 2013 | | Year ending 31 December 2014 | |
|---|---|---|---|---|---|
| **Existing annual caps** | **Actual Transaction Amount** | Existing annual cap | Proposed Revised Annual Cap | Existing annual cap | Proposed Revised Annual Cap |
| **675.3** | **1,444.1** | 1,694.2 | 1,800 | 1,778.9 | 2,200 |

# Connected Transactions

## BASIS FOR THE PROPOSED ANNUAL CAPS

In arriving at the above proposed annual caps, the Company has taken into account (i) the historical figures for the past three years ended 31 December 2010, 2011 and 2012 and the revenues generated in connection with the provision of our commodities, such as containers, to COSCO Pacific and/or its subsidiaries in 2011 and 2012 were the highest for the past five years; (ii) the actual transaction amount for the year ended 2012 exceeded the annual cap for the year ended 2012 due to a significant increase of demand for containers from COSCO Pacific and/or its subsidiaries in the second half of 2012; (iii) with reference to the relatively high price and large sales volume in terms of containers in 2011 and 2012 as well as forecasts from COSCO Pacific and/or its subsidiaries for their demands for the Group's containers, it is expected that the growth rate in the demand of COSCO Pacific and/or its subsidiaries for the Group's containers in 2013 and 2014 will be accelerated; and (iv) due to the potential amplification effect from the expected accelerated growth in the economy recovery in future such as 3.6% and 4.1% forecast for the global GDP growth rate in 2013 and 2014 made by International Monetary Fund together with the corresponding expected accelerated growth in the international trade as well as the global container shipping business in 2013 and 2014, it is estimated that the demand for the Group's containers from COSCO Pacific and/or its subsidiaries will further increase in 2013 and 2014. Based on the foregoing, the Company proposed higher annual caps for the years ending 31 December 2013 and 2014 in respect of the Continuing Connected Transaction.

### Hong Kong Listing Rule Implications

COSCO Pacific is the holding company of COSCO Container, a substantial shareholder of the Company. Thus, each of its subsidiaries (including COSCO Container) and itself is our connected person pursuant to Rule 14A.11 (4) of the Hong Kong Listing Rules. Accordingly, the Framework Agreement constitutes a Continuing Connected Transaction of the Company as defined under Rule 14A.13 of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) in respect of the proposed revised annual caps for the years ending 31 December 2013 and 2014 calculated according to Rule 14.07 of the Hong Kong Listing Rules will be more than 5%, the Continuing Connected Transaction under the Framework Agreement is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules pursuant to Rule 14A.35 of the Hong Kong Listing Rules.

The annual cap for the year ended 31 December 2012 is exceeded and the Company intends to revise the existing annual caps for the years ending 31 December 2013 and 2014. Pursuant to Rule 14A.36 of the Hong Kong Listing Rules, the Company will comply with the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

### Approval by the Board and Independent Shareholders

On 21 March 2013, the second meeting of 2013 of the six session of the Board was convened by way of a physical meeting, at which the non-connected Directors approved the resolutions (i) on ratification of the annual cap in respect of the Continuing Connected Transaction for the year ended 31 December 2012; (ii) on revision of the annual caps in respect of the Continuing Connected Transaction for the years ending 31 December 2013 and 2014. As Mr. Xu Minjie and Mr. Wang Xingru hold positions in COSCO Pacific and/or its associates, they have therefore abstained from voting on the relevant board resolution approving the Proposed Annual Caps pursuant to the articles of association of the Company. Save as disclosed above, none of the Directors have a material interest in the revision of the annual cap of the Continuing Connected Transaction under the Framework Agreement.

The Directors (including the independent non-executive Directors) are of the view that: (i) the proposed revised annual caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (ii) the terms of the Framework Agreement are entered into and conducted in the usual and ordinary course of business of the Group, on an arm's length basis, are fair and reasonable and in the interest of the Company and its shareholders as a whole.

Further, an independent board committee has been formed to advise the independent shareholders in connection with the proposed revised annual caps in respect of the Continuing Connected Transaction, and the independent financial advisor will be appointed to advise the independent board committee and the independent shareholders of the Company on the same.

The Board has approved the proposed revised annual caps of the Continued Connected Transaction under the Framework Agreement for the two years ending 31 December 2013 and 2014. As a substantial shareholder of the Company and a subsidiary of COSCO Pacific, COSCO Container will abstain from voting on the resolution to be considered at the shareholders' general meeting in relation to the Continuing Connected Transaction under the Framework Agreement for the two years ending 31 December 2013 and 2014.

### Circular, Views of the Independent Board Committee and Advice

An independent board committee comprising all the independent non-executive Directors has been formed to advise the independent shareholders of the Company on the proposed revised annual caps of Continuing Connected Transaction under the Framework Agreement.

A circular containing, among other things, (i) further details of the Framework Agreement and the proposed revised annual caps of the Continuing Connected Transaction contemplated thereunder for the two years ending 31 December 2013 and 2014; (ii) a letter from the independent board committee of the Company on the abovementioned issue; and (iii) a letter setting out the advice of the independent financial adviser of the Company to the independent board committee and the independent shareholders of the Company, together with the notice to convene the shareholders' general meeting, will be dispatched to the shareholders of the Company in due course.

## 3. WRITTEN AGREEMENT

In relation to the above Continuing Connected Transaction, the Company, relevant subsidiaries of the Company and relevant connected persons will enter into written agreement for each continuing connected transaction carried out by relevant connected persons.

## 4. INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION

In relation to the Continuing Connected Transaction of the Group in 2012, the independent non-executive Directors of the Company have reviewed and confirmed that:

(i) the connected transaction mentioned above has been entered into in the ordinary and usual course of business of the Company;

(ii) the connected transaction mentioned above has been entered into on normal commercial terms; and

(iii) except that the actual transaction amount for 2012 exceeded the annual caps for 2012, the connected transaction mentioned above has been entered into in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

## 5. AUDITOR'S CONFIRMATION

The auditors of the Company have reviewed the continuing connected transaction mentioned above and have provided the Board of Directors with a letter stating that:

(i) the auditors did not notice any matters that cause them to believe the connected transaction mentioned above has not been approved by the Board of Directors;

(ii) in relation to the transactions regarding provision of commodities and services by the Group, the auditors did not notice any matters that cause them to believe the connected transaction mentioned above is not in accordance with the pricing policies in all material aspects;

(iii) the auditors did not notice any matters that cause them to believe the connected transaction mentioned above has not been carried out in accordance with the relevant agreement governing such transaction in all material aspects; and

(iv) the actual transaction amount of the provision of commodities by the Group to COSCO Pacific and/or its subsidiaries in 2012 amounted to RMB1,444.1 million, This actual transaction amount has exceeded the annual caps of RMB675.3 million as disclosed in the listing documents dated 17 December 2012.

## 6. THE INFORMATION SET OUT IN THE TABLES BELOW IS PRINCIPALLY EXTRACTED FROM THE FINANCIAL STATEMENTS OF THE GROUP:

### Provision of Commodities

Unit: RMB million

| Connected party | Transaction amount for 2012 | Annual cap for 2012 |
|---|---|---|
| COSCO Pacific and/or its subsidiaries | **1,444.1** | **675.3** |

## 7. CONNECTED AND RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group during the year are set out in note VI to the financial statements prepared in accordance with CASBE in this annual report and save as disclosed above in this section, there were no other related party transactions which need to be disclosed as connected transactions in compliance with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

# Corporate Governance

## 1. IMPROVEMENT OF CORPORATE GOVERNANCE

During the reporting period, the Company was able to regulate its operations in accordance with domestic and overseas regulatory requirements. In accordance with the Articles of Association of the Company (the "Articles of Association") and related laws and regulations as well as the securities regulatory rules of the jurisdictions in which the Company was listed, and in light of the actual conditions of the Company, the Company constantly formulates, improves and implements various systems and related procedures for each of the special committees to operate under the Board. To cope with the changing regulatory requirements, the Company is further sorting out and optimising a system which is fundamental to its corporate governance. During the reporting period, checks and balances were achieved through the coordination among the shareholders' meeting, the Board of Directors and its related special Board committees, the Supervisory Committee and the management headed by the President. Together with the effective internal control and management systems, the Company's internal management and operations was further standardized and the corporate governance of the Company is further enhanced.

During the reporting period, the Company constantly enhanced the Company's corporate governance and improved its standardised operation in strict compliance with the requirements of laws and regulations including the PRC Companies Law, Corporate Governance Guidelines for Listed Companies, Guidance Opinion on Establishing a System of Independent Directors in Listed Companies, Rules of General Meetings of Listed Companies and Guidelines on the Articles of Association of Listed Companies. In accordance with a series of rules and regulations of the Company such as the Rules of Procedure for Shareholders' Meeting, the Rules of Procedure for Board of Directors, the Rules of Procedure for Supervisory Committee and the Working Rules for President, the Company implemented corporate governance by giving full play to the role of Board committees, which ensured the due performance of functions and responsibility of the general meeting, the Board of Directors and the Supervisory Committee and the effective safeguarding of the interests of the shareholders and the Company. Thereby, the Company preliminarily established a corporate governance structure which is in line with the requirements of management of modern enterprise.

In accordance with standards for the corporate governance of listed companies by CSRC, CSRC Shenzhen Bureau, Shenzhen Stock Exchange (the "SZSE") and the Hong Kong Stock Exchange, the Company communicated proactively with relevant regulatory authorities, positively and timely completed corporate governance rectification, special inspection and system establishment as required by relevant regulatory authorities, and promptly gave feedbacks as required. The Company established the implementation plan in respect of publication works for investor protection, actively realised issues concerning cash dividends, and completed the establishment and amendment to the Shareholders' Return Plan, Work Scheme for Realisation of Issues Concerning Cash Dividend and the Articles of Association. Best practices of directors and supervisors of the Company were included into Best Practice The candidates with best practices of the Company's Directors and Supervisors were selected and included in the "Casebook of the Best Practices of Independent Non-Executive Directors and Supervisory Committees of Shenzhen-Listed Companies" to be issued by the Association of Shenzhen-Listed Companies and CSRC Shenzhen Bureau. The Company has received a public recognition for its promotion of self-disciplined works from CSRC Shenzhen Bureau in the fourth successive year. In 2012, the Company provided necessary support to Shenzhen Office of the Ministry of Finance in respect of examination on the quality of the Company's accounting information, which further regulated the corporate financial and accounting foundation works and improve the corporate financial and accounting management system.

Corporate Governance

In 2012, the Company continued to place emphasis on and committed to improving investor relations management by, in the interest of small and medium investors, adopting effective and innovative measures in daily work and settlement of major issues to strengthen all-around communication with shareholders and investors. The Company took the lead in transferring its B shares to H shares in the PRC capital market. Such an "ice-breaking" initiative in exploring solutions to the long-term B-share problems makes historic contributions to major innovations and development of the PRC capital market and is conducive to protecting medium/long-term interests of shareholders. During the implementation period of the listing project, the Company opened a special consulting mailbox, increased ad-hoc staff to cope with intensive telephone inquiries and published Q&A on B-share cash option on securities media. In June 2012, the Company received the large-scale collective research involving multiple securities brokers, funds and other institutional investors, which visited the Company's new business production bases for its offshore engineering equipment and energy and chemical equipment businesses. In September 2012, the Company sponsored the first-stop activity of "open day for investors of main board listed companies" hosted by the SZSE and CSRC Shenzhen Bureau, and the Company's management communicated and interacted with small and medium investors and shareholders. The Company achieved good communication effect and customer satisfaction through a continuous, comprehensive, in-depth and multi-level communication.

The Company has established an Insider Registration and management System according to various securities regulatory requirements and has revised the above system in 2011. The above system, which specifies the scope of inside information and insiders, the approval, registration and filing system of inside information and confidentiality obligation, has become an important part of the Company's internal control system. In respect of implementation of inside information and insider management system, the Company carried out an effective supervision on internal circulation and disclosure of inside information in accordance with the various systems and requirements on a strict basis. Self-examination result shows that no insiders has used any inside information to trade the Company's shares before disclosure of major sensitive information affecting the Company's share price in 2012.

During the reporting period, no unpublished information was submitted to substantial shareholders by the Company.

## 2. IMPROVEMENT OF INTERNAL CONTROL SYSTEM

### Overview

In 2011, after becoming a key pilot company of internal control regulations of the main board of SZSE, the Company seriously implemented requirements for the pilot work of internal control regulations and dutifully finished work relating to establishment of internal control works. CSRC Shenzhen Bureau issued a document in May 2012 acknowledging that the Company has completed the establishment of the over-all internal control system as required.

In early 2012, in response to the Company's strategic upgrading plan and the fundamental idea of layering management of the headquarters of the Group, business segments and enterprises, the Company prudently arranged four key internal control tasks, including internal control talent fostering system, hierarchical preparation of internal control manual, standard internal control project and E-KRI key risk indicators, which promoted in-depth and long-term implementation of internal control and formed a pattern of examination, supervision and undertaking of implementation of the internal control system by various functional bodies of the Company, business segments and enterprises. Such efforts were in accordance and even higher than the requirements later issued by CSRC Shenzhen Bureau.

## Major internal control achievements of the Company in the year

(1) *Acknowledgment from domestic and overseas authorities which strongly support to the Company in completing significant strategic tasks*

The Company's internal control case has been included into Internal Control Yearbook of China of CSRC; the Company was awarded "2012 China's Top 100 Listed Companies in Internal Control and Outstanding Leadership" by China Internal Control Research Center; China Accounting News also reported the Company's experience in internal control; the Company also attended and addressed at the "Internal Control China Trip- Guangdong" Forum.

Benefiting from the solid base laid by previous internal control works, the Company, as the first company applying for B-to-H share conversion in both SHSE and SZSE, obtained approval for various application materials including internal control provided to the Hong Kong Stock Exchange and converted its B shares to H shares within half a year.

(2) *Further establishment of the internal control system*

(a) With expansion of coverage of the internal control system, the Company provided internal control upgrading guidance to more than 20 domestic and overseas companies uncovered in 2011, which made arrangement and preparation for full coverage of the internal control works in 2013.

(b) Phased progress was achieved as scheduled in four key internal control tasks

(i) Hierarchical preparation of internal control manual: the internal control manual is a carrier of internal control requirements of enterprises at various levels and regulations on the business procedure of the headquarters of the Group, various business segments and member enterprises and is a basis for the implementation of control procedure by various business segments and member enterprises. By the end of 2012, four pilot entities has prepared and issued the internal control manuals, and the Company preliminarily completed the Guidelines on Hierarchical Preparation of the Internal Control Manual.

(ii) Standard internal control project: the Company integrated internal control talent team and system building, internal control manual, internal control self-evaluation, defect correction and other daily internal control requirements into standard internal control projects and linked the certification result with evaluation to reward the excellent and punish the inferior to promote in-depth implementation of the internal control system in various enterprises, guide enterprises to make improvement based on the benchmark and gradually realize an internal control work mechanism of company-wide participation and continuous improvement. In 2012, the Company specified standard internal control project management institutions and duties, formulated project promotion plans, and prepared and designed measures for certification and examination of standard internal control projects, examination standards and detailed rules, the checklist of key control points of eight procedures and sub-item standards.

(iii) Internal control and examination talent fostering system: the internal control talent fostering system is aimed at providing a supportive system that attracts, retains and fosters internal control talent and gives play to their roles. In 2012, a versatile high-end internal control talent team involving accounting, audit, evaluation, IT, engineering and law fostered by the headquarters of the Group basically took shape, which transported medium/high-end internal control talent to subsidiary business segments, made customized plan on fostering of internal control talent for key pilot entities and improved internal control capabilities of business segments and enterprises.

(iv) KRI system sort-out and key financial risk pre-warning system: in order to achieve the pre-management, active management and quantitative management of risks, the Company organized pilot entities to sort out and identify key risks, with a view to establish a KRI risk management system and advancing the time of risk management by use of IT system monitoring platform to control the Company's overall risks effectively and efficiently. In 2012, the Company completed a research on sort-out of KRI index systems and KRI pre-warning information system demand of five pilot enterprises, which facilitated the launch of E-platform of KRI system of pilot enterprises in 2013.

## Organization of internal control evaluation

According to the Internal Control System of CIMC issued by the Board of Directors of the Company, the internal control evaluation is organised as follows:

*(1) Internal Control System Building Committee*

The Company set up an Internal Control System Establishment Committee (the "**Internal Control Committee**") in 2007 to intensify the establishment of the internal control system, to improve corporate operation and management capability and risk prevention capability and to promote standard operation and sound development of the Company.

*(2) Audit and Supervision Department*

The Internal Control Committee authorized the Audit and Supervision Department of the Group to evaluate, examine and audit the Company's internal control. The Department consists of 33 members with different specialities and at different levels, showing a reasonable professional capability and knowledge structure.

*(3) Internal control institutions and staff of subsidiary entities*

Internal control system establishment and leading groups and taskforces set up by various subsidiary business segments and enterprises organize the establishment and operation maintenance of the internal control system of the Company.

## Division of labour and schedule of the Company's internal control self-evaluation

*(1) Division of labour among organisations for internal control evaluation*

(a) Various member enterprises set up taskforces of internal control evaluation, which were responsible for the internal control evaluation of their enterprises and reporting the results of the enterprises' internal control evaluation to their relevant business segments and the taskforce of internal control evaluation of the Group.

(b) Various business segments set up taskforces of internal control evaluation, which were responsible for organising self-examination, testing and evaluation on internal control of their relevant business segments, summarising the test results of internal control evaluation of their relevant business segments, preparing self-evaluation reports of internal control of their relevant business segments and submitting the same to the taskforce of internal control evaluation of the Group.

(c) The Audit and Supervision Department of the Group set up the taskforce of internal control evaluation of the Group, which was responsible for formulating annual evaluation plans, organising and guiding various organisations of the Company to implement the plans; immediately reporting the major issues discovered in the process of evaluation to the Board, Audit Committee or the management; summarising the internal control evaluation reports of various business segments, preparing internal control evaluation report of the Company in 2012 and submitting it to the Internal Control Committee for examination and approval; and disclosing it after examination and approval by the Board and its Audit Committee.

*(2) Schedule of evaluation work*

After sample tests and self-examination of member enterprises, business segments and the taskforce of internal control evaluation of the Group, the self-evaluation report of internal control of the Company was reported to the Internal Control Committee before 28 February 2013, and submitted to the Board and its Audit Committee for examination and approval on 9 March 2013.

*(3) Arrangement for external audit on internal control*

Upon the proposal by the Internal Control Committee and consideration and approval by the Board of Directors, PricewaterhouseCoopers Zhong Tian CPAs Limited Company was engaged as the accounting firm for internal control audit. According to the relevant agreements, at present, PricewaterhouseCoopers Zhong Tian CPAs Limited Company has basically completed the on-site work of internal control audit of the enterprises listed in the announcement of the Company, and the enterprises of the Company provided positive assistance; the Board will disclose the internal control audit report of the accounting firm according to relevant regulatory requirements.

## Basis for Internal Control Evaluation

According to Basic Norms for Enterprise Internal Control, Application Guidelines for Enterprise Internal Control and Guidelines for Evaluation of Enterprise Internal Control jointly issued by five ministries and commissions such as CSRC and the Ministry of Finance and based on the actual situation of the Company, the Company formulated Internal Control System of CIMC, Measures for Internal Control Evaluation of CIMC, Operational Guidelines for Sample Tests on Internal Control Evaluation of CIMC, Standards and Framework for the Evaluation on Internal Control Defects of CIMC, Manual of Internal Control of Group Company and other documents about regulations and procedures, and organise professional teams to evaluate the effectiveness of the design and operation of internal control of the companies they belong to in accordance with the aforesaid norms and company regulations and procedures.

## Scope of Internal Control Evaluation

The Company has over 100 subsidiaries in Mainland China and overseas areas like South and North America, Europe, Asia, Australia and Hong Kong. According to the Circular on Properly Handling the Disclosure of 2012 Annual Reports of Listed Companies issued by SZSE and Announcement [2012] No. 42, Basic Norms for Enterprise Internal Control and Supporting Guidelines for Enterprise Internal Control issued by CSRC, the Company chose 90 companies including the headquarters of the Group for self-evaluation on internal control, whose total assets, operating incomes and net profits accounted for over 90% of the relevant figures in the audited consolidated financial statements of the Company in 2012.

The business scope of the Company covers many industries and fields such as manufacturing, logistic service, financial service, integration service, marketing service and real estate development, resulting in different operation and management modes and requirements for risk control. Therefore, during the internal control evaluation, the Company, based on Application Guidelines for Enterprise Internal Control and Guidelines for Internal Control of Companies Listed on the SZSE and its actual businesses, developed three modules comprising employment risk, production management and intellectual property (including the total of 24 specific application modules) covering major aspects in operation management of the headquarters of the Group, various business segments and member enterprises without any material omission.

## Internal control environment

(1) Organisational structure: According to the requirements of modern enterprise systems and strategic plans for company upgrading, the Company established an organisational framework and management bodies in line with its operation and development needs. The shareholders' general meeting, the Board and Supervisory Committee respectively exercised their right to make decisions, right to execute and right to supervise within their terms of reference. The shareholders' general meeting is entitled to the legal rights specified by laws and regulations and articles of association, and exercises the right to make decisions on major issues such as operation guidelines, fund raising, investment and profit distribution of the Company pursuant to laws. The Board is accountable to the shareholders' general meeting and exercises the right to make decisions on the operation of the enterprise pursuant to laws. The Board has set up three special committees for audit, remuneration and examination and strategy to improve the operation efficiency of the Board. Three out of the eight Directors are independent non-executive Directors, who act as the conveners of each of the special committees of the Board. Through Rules of Procedure for Meetings of the Board, Rules of Procedure for Meetings of the Supervisory Committee, Working Rules of the President, Measures for Authorisation Management of CIMC and other rules, the Company specified the duties of the Board, Supervisory Committee and the executives and management process regulations. To meet the listing requirements in Hong Kong and internal development needs, the Company amended the Articles of Association, Implementation Rules of the Remuneration and Evaluation Committee of the Board and the Implementation Rules of the Audit Committee of the Board in 2012.

(2) Development strategy: The Company formulated the Administrative Measures for the Formulation of Industry Strategic Plans of CIMC (Provisional) and specified the requirements for the process of strategic plan formulation. According to the Company's strategic development goals and in consideration of comprehensive factors such as macroeconomic policies, changes in foreign and domestic market demands, technical development trend and the situation of the industry and rivals, it worked out long and medium-term strategic goals and plans for its development, evaluated the implementation of the development strategies of the Company and made adjustment and improvement.

(3) Human resources: In line with its overall development strategy, the Company adhered to the core human resources idea of "making the country strong and people rich through common development" and improve the human resources system of the Company according to the principle of hierarchical management. Since 2012, the headquarters of the Group, business segments and member enterprises organised every December the cadres including department heads and professionals working at posts susceptible to corruption (i.e., engineering, purchase, sales, financial, human resources and auditing staff) to sign the Statement on Observing the Company's Policy Against Corruption.

(4) Corporate culture: The Company has always emphasised the importance of corporate culture in its development, strengthened the core value of "creditable, customer-oriented, brief and efficient, innovative, dedicated and perfect" by implementing Rules of Core Values of CIMC, Employee Manual and other systems, and effectively promoted the staff commitment and capacity via daily and regular cultural activities.

(5) Social responsibilities: The Company advocated actively in undertaking social responsibilities with a view to implement the scientific development philosophy, establishment of a harmonious society and promoting the sustainable economic and social development. The Company vigorously popularised ONE production management model, quality system and social environment management system from the perspective of scientific development, fair operation, environment protection and energy saving as well as safe production, and helped enterprises improve the production environment and product quality and ability to fulfil social responsibilities through safe production report mechanism, implementation of lean production, TPM and creative work and other activities.

In the selection of "CBN • Enterprises with Social Responsibility in China" in 2012, the Company won the award of "The Outstanding Enterprise in China for Corporate Social Responsibilities".

## Risk assessment

In light of its strategic development goals and risk tolerance, and upon weighing risks against benefits, the Company set goals for risk control and identified and evaluated various risks it faced according to the basic norms for internal control and supporting guidelines thereof.

## Control activities

To reasonably ensure the fulfilment of strategic and business objectives, the Company, under the guidance of norms for internal control, formulated Internal Control Handbook of CIMC in connection with control objectives, key risks and links of various businesses, which specified control methods and measures. The Company also set up pre-warning mechanism for significant risks and emergencies, to ensure an effective response procedure and result of relevant emergency plans.

*(1) Management of subsidiaries*

The Company established and improved the systems of appointment of directors in subsidiaries and the performance evaluation and incentive mechanisms for personnel appointed to subsidiaries, such as general manager, financial manager and others; established systems on approval authority delegation of business of subsidiaries to monitor and manage their businesses; established procedures for reporting major issues and Board resolutions of subsidiaries, requiring all member enterprises to regularly report operating conditions to the Company through "monthly report on operation" and "performance billboard", which was included into the evaluation scope by the Company. The Audit and Supervision Department of the Group conducted internal audit and supervision over all subsidiaries and regularly followed up and implemented audit opinions.

*(2) Management and control of related party transactions*

In 2012, the Company amended Regulations on Related Party Transactions of CIMC, which specified the identification, exanimation and approval and voting of related party transactions, the signing, amendment and examination and approval of related party transaction agreements and the audit of related party transactions. The Company regularly and irregularly checked balance of related party transactions at least once a year. The Company disclosed information about relevant related parties and related party transactions in a timely manner according to Rules of Listing of Securities on the SZSE, Regulations on Information Disclosure of CIMC and Regulations on Related Party Transactions of CIMC.

*(3) Management of raised funds*

The Company formulated Regulations on Raised Funds of CIMC, which specified the storage, usage, change of committed investment project, management and supervision of special account for raised funds. In accordance with Regulations on Information Disclosure of CIMC and securities regulatory laws and regulations, the Company annually discloses its investment projects financed by raised funds through annual reports or "temporary announcements" based on actual needs.

*(4) Information disclosure*

According to Regulations on Information Disclosure of CIMC, the Board is the governing body responsible for all matters relating to information disclosure. The Chairman of the Board shall be the first person responsible for information disclosure of the Company. Financial management department and securities affairs department of the Company are specific departments in charge of daily information disclosure. The Secretary to the Board shall be the person directly responsible for information disclosure of the Company. Before being reported or disclosed, all the information shall be subject to the review of the representative on securities affairs of the Company and then the submission to the general manager of financial management department and the Secretary to the Board for approval.

*(5) Guarantee business*

According to the Articles of Association, Regulations on Credit Guaranty of CIMC, General Suggestions on Guarantee Contract Clauses of Creditor Banks and Regulations on Credit Guaranty of CIMC and other internal rules, the Company specified that external guarantee shall be considered and approved by the shareholders' general meeting, other guarantees shall be subject to approval by over two-thirds of the Directors attending the Board meeting and over two-thirds of all the independent non-executive Directors.

*(6) Financial report*

The Company, according to the new accounting standard of the PRC and its own actual situation, formulated Accounting Regulations of CIMC, which specified changes of accounting policies and estimates, establishment and maintenance of accounting subjects, accounting bookkeeping, tax treatment, preparation of individual financial reports, financial system permissions, safety measures, preparation of consolidated financial reports, foreign exchange trade and preparation of foreign currency financial reports, management of accounting documents, availability of financial reports, analysis and use of financial reports, and accounting supervision. Every year, the Audit and Supervision Department of the Group conducts internal audit on all companies according to plans, inspects implementation of accounting policies, and requires any audited company to make corrections within a specified period on the problems found from the investigation.

## Information and communication

The Company, according to its development strategy and characteristics of risk control and performance evaluation, formulated Regulations on Information and Communication of CIMC. Meanwhile, it also established hierarchical internal control indicator systems, collected internal and external information through its IT systems and some special data packet and table, established various analysis models in full consideration of the needs of users, and specified procedures for the preparation and audit of internal reports. According to Regulations on Reporting and Handling of Major Issues of Members and Enterprises of CIMC, the Company prescribed procedures for reporting significant matters, and specified the timing and procedures of delivery of internal reports, so as to achieve separation of duties, authorized access, supervision and examination of management of internal reports.

## Internal supervision

In accordance with the Articles of Association, Internal Audit System of CIMC, Internal Control System of CIMC, System of Supervision over Cadre and Staff Holding Sensitive Positions of CIMC and Internal Control Self-evaluation Measures of CIMC, the Company set up certain internal control management bodies like Audit Committee of the Board, Internal Control Committee and Audit and Supervision Department. The headquarters of the Group, business segments and member enterprises established internal control taskforces to supervise, examine and evaluate the operation, management and financial revenue and expenditure of headquarters of the Group and its subsidiaries thereof, identify defects in internal control and supervise corrections.

The Company's internal control and audit web portals published complaints and whistleblowing channels and notes on relevant issues, so as to actively promote anti-fraud work and create a "Zero Tolerance to Fraud" atmosphere.

## Procedures and Methods for Evaluation on Internal Control

The internal control evaluation was conducted in strict accordance with the Basic Norms for Enterprise Internal Control, Guidelines for Evaluation of Enterprise Internal Control and Measures for Internal Control Evaluation of CIMC jointly issued by five ministries and commissions of the PRC.

In the process of evaluation, we adopted various appropriate methods such as personal interview, walk-through test, sample test, questionnaire, topic-based discussion, on-site examination and inspection and comparative analysis, extensively collected evidence of effectiveness of internal design and operation of enterprises under evaluation, honestly filled in the evaluation manuscripts, analysed and identified the defects in design and operation of internal control and kept detailed records of the implementation of evaluation, including evaluation factors, major risks, control measures adopted, relevant evidential data and identification results. After on-site evaluation, the evaluation group needed to communicate with the management about the implementation and results of evaluation with feedback.

## Identification and Correction of Defects in Internal Control

According to the requirements for identification of internal control defects as specified in Basic Norms for Internal Control and Guidelines for Evaluation of Internal Control, and based on the size of the Company, its industry features, risk level and strategic objectives of the Company, the Board of the Company formulated the Standards and Framework for the Evaluation on Internal Control Defects of CIMC, classified defects in internal control as significant defects, important defects and general defects and weighed the defects with quantitative and qualitative standards. The evaluation results should be based on the higher standards.

## Standards for identification of defects in internal control of financial statements

(1) Qualitative standards:

Defects with the following features should be identified as significant defects:

(a) Directors, Supervisors or the senior management are found to have conducted fraud practices that have material influence on the financial statements;

(b) Correcting the financial statements that have been published so as to reflect correction of significant misstatements resulting from mistake or fraud;

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(c) Significant misstatements which were found by auditors instead of the internal control system of the Company to have influence on the financial statements of the period in question;

(d) Significant defects that have been reported to the senior management or the Board are not corrected after a reasonable period of time; or the enterprise has corrected the internal control with significant defects before the benchmark date, but the new control has not lasted for a time long enough; and

(e) The supervision of the Audit Committee of the Board and internal auditing institution on the internal control is ineffective.

(2) Quantitative standards:

Based on the data of the annual consolidated statements, the quantitative criteria on the importance of the misstatement (including omission) in the consolidated statements of the listed company are determined as follows:

| Importance Items | Average | Important | Significant |
|---|---|---|---|
| Potential misstatement of sales revenue | Misstatement < 0.1% of sales revenue | 0.1% of total sales revenue ≤ misstatement < 0.5% of total sales revenue | Misstatement ≥ 0.5% of total sales revenue |
| Potential misstatement of net profit | Misstatement < 1% of total profit | 1% of total profit ≤ misstatement < 5% of total profit | Misstatement ≥ 5% of total profit |
| Potential misstatement of total assets | Misstatement < 0.2% of total assets | 0.2% of total assets ≤ misstatement < 1% of total assets | Misstatement ≥ 1% of total assets |
| Potential misstatement of shareholders' equity | Misstatement < 0.2% of total shareholders' equity | 0.2% of total shareholders' equity ≤ misstatement < 1% of total shareholders' equity | Misstatement ≥ 1% of total shareholders' equity |

## Identification standards for significant defects of internal control in non-financial reports

(1) Enterprises' business activities seriously violate state laws and regulations;

(2) Major decisions, issues and personnel appointment and removal and decision-making procedures of large-amount payment are not in compliance with relevant rules and regulations.

### Identification and correction of defects of internal control at the end of evaluation period

For various defects sorted out and identified by the headquarters of the Group, business segments and member enterprises during internal control pilot and upgrading in the reporting period, the Company urged persons in charge at various levels of the headquarters of the Group, business segments, subsidiary enterprises and functional departments to take active correction measures for defects of internal control by establishing accountability mechanism and including internal control into corporate performance evaluation system.

As at the reporting benchmark date, no significant defect was found, and the Company's internal control system relevant to financial statements was sound and effectively implemented. During the period from the benchmark date to the date of issue of the internal control evaluation report, there were no significant changes in internal control that substantially affected the evaluation conclusion.

### Follow-up Issues

We have noted that strategic upgrading plan and decentralized management of the Company has entered a new stage, and the operating scale, business scope, competition and risks of the enterprise have changed, therefore, internal risk control and corresponding system need to be adjusted correspondingly in a timely manner. The Company will continue improving its internal control system, continue promoting the four key internal control tasks, thoroughly carry out risk control in its professional fields in coordination with related functional departments with a focus on operating effect, and intensify supervision and inspection on internal control to promote a sound and sustainable development of the Company.

### Conclusions of Self-evaluation on Internal Control

The Board of Directors is of the view that there is no major defect for the Company's established internal control system in terms of completeness, compliance, effectiveness and other respects. However, due to certain factors such as the limitation of the internal control system of its alignment with operating scale, business scope, risk level of the enterprise, and constant change of external environment like macro-economy, competition, and policies and regulations may result in the inapplicability or deviation of original control activities. As a result, the Company will continuously make timely amendments, improve internal control system with a focus on operating effect, and intensify its supervision and inspection on internal control, thus providing a reasonable guarantee for the truthfulness and completeness of the financial statements and achievement of the Company's strategic and operational targets.

## 3. PERFORMANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS' DUTIES

In 2012, the independent non-executive Directors of the Company were committed to strictly and diligently performing their duties in accordance with the relevant domestic and overseas laws and regulations and the Articles of Association. Since the listing date on the main board of the Hong Kong Stock Exchange as 19 December 2012 to 31 December 2012, they reviewed the proposals and relevant documents presented by the Company and actively participated in the meetings of the Board of Directors and special committees of the Board (please refer to the section headed "Directors' Report" of this annual report for detailed information on the attendance of the meetings). They expressed their views objectively and independently protecting the interests of the independent shareholders and played a part in the checks and balances of the decision making process of the Board of Directors. Independent non-executive Directors reviewed regular reports of the Company diligently. They had discussions with external auditors in regular and special meetings before and after their year-end auditing works. Such meetings were held prior to the Board meetings. Since the listing date on the main board of the Hong Kong Stock Exchange as 19 December 2012 to 31 December 2012, the independent Directors of the Company did not object to any motions, resolutions and other matters discussed at the meetings of the Board of Directors.

## 4. INDEPENDENCE OF THE COMPANY FROM THE SUBSTANTIAL SHAREHOLDER

The Company is independent from its substantial shareholders, China Merchants Group Limited and COSCO, in respect of our business, personnel, asset, organizational structure and finance. The Company has independent and comprehensive business operations and management capabilities.

## 5. SENIOR MANAGEMENT EVALUATION AND INCENTIVE SCHEMES

The Company has established the performance appraisal and incentive and restraint mechanisms which link the remuneration of senior management with both the Company's performance and individual performance.

In order to promote the Company's development in a standardized, sound and orderly manner, to attract more talents and to maintain the stability of the senior management, the Board of Directors developed relevant appraisal systems based on the medium-to-long-term development strategy of the Company and taking into account the interests of all shareholders of the Company. The total remuneration is determined based on the fulfilment progress of appraisal indicators. The remuneration of Mai Boliang, the President of the Company, is determined by the Board of Directors. The proposal on remuneration of other senior management shall be formulated by the President of the Company according to the value of positions and subject to approval by the Chairman and Vice Chairman of the Board of Directors.

## 6. CORPORATE GOVERNANCE REPORT

### (1) Compliance with the Corporate Governance Code

The Company has complied with the code provisions under the Corporate Governance Code set out in Appendix 14 of the Hong Kong Listing Rules during the period commencing from the date of listing on the main board of the Hong Kong Stock Exchange (being 19 December 2012) and ended 31 December 2012.

### (2) Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the provisions in relation to dealing in shares of the Company by Directors as set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Hong Kong Listing Rules (the "**Model Code**"). Each Director and Supervisor has confirmed to the Company that each of them has complied with the requirements set out in the Model Code during the period since the date of listing on the main board of the Hong Kong Stock Exchange (being 19 December 2012) and ended 31 December 2012.

### (3) Board of Directors

Pursuant to the Company's Rules and Procedures for the Board of Directors, the Board of Directors convened 2 regular meetings and 19 extraordinary meetings of Board of Directors and 13 meetings of special Board committees and passed 34 resolutions of the Board of Directors and 12 letters of opinions from Board committees during the reporting period.

For details of the composition of the Board of Directors and attendance rate of Directors at regular Board meetings during the year, please refer to the section headed "Members of the Board of Directors and the attendance rate of Directors" in the "Directors' Report" of this annual report.

There is no relationship (including financial, business, family or other material/relevant relationship(s)) among members of the Board of Directors and between the Chairman and the President of the Company.

To ensure that the directors continue to develop and update their knowledge and skills so as to better perform their responsibilities as directors, the Company has arranged one training entitled "Responsibilities for Directors of Hong Kong Listed Companies" delivered by legal counsels for all Directors before the Company's listing of H Shares. All of our Directors have attended the training.

## (4) Operations of the Board of Directors

The Company's Board of Directors is elected by the shareholders' general meeting of the Company through voting and is held accountable to the shareholders' general meeting. The primary responsibilities of the Board of Directors are to provide strategic guidance to the Company, exercise effective supervision over the senior management, ensure that the Company's interests are protected and are accountable to the shareholders. In accordance with the Articles of Association or as authorised by the shareholders, the Board of Directors makes decisions on certain important matters, including strategic proposals and medium-to-long term planning; annual business plans and investment plans; annual financial budgets; annual criteria for assessment of the performance of members of working units of the Company and annual remuneration plans; interim and annual financial reports; preliminary distribution plans in respect of interim profit and full year profit; and material issues involving development, and acquisition or corporate reorganisation of the Company. The Directors and the Board of Directors carry out corporate governance duties in respect of the Company in a serious and responsible manner. The Directors are elected strictly following the procedures for election and appointment of Directors provided for in the Articles of Association. The Directors attend Board meetings in a serious and responsible manner, perform their duties as Directors seriously and diligently, make important decisions concerning the Company, appoint and supervise the members of the operation units of the Company.

The Company has established a system of independent non-executive Directors. There are three independent non-executive Directors in the Board of Directors, which satisfied the minimum number of independent non-executive Directors required under the Hong Kong Listing Rules. The Company has received a confirmation of independence from each of the 3 independent non-executive Directors pursuant to Rule 3.13 of the Hong Kong Listing Rules. The Company considers that the 3 independent non-executive Directors are completely independent of the Company, its substantial shareholders and its connected persons and comply fully with the requirements concerning independent non-executive Directors under the Hong Kong Listing Rules. Mr Ding Huiping, an independent non-executive Director, has appropriate accounting and financial management experience as required under Rule 3.10 of the Hong Kong Listing Rules. Please refer to the section headed "Directors' Report – Brief Biography of the Directors" for detailed biographies of Mr Ding Huiping. The 3 independent non-executive Directors do not hold other positions in the Company. They perform their duties seriously according to the Articles of Association and the relevant requirements under the applicable laws and regulations.

When the H Shares of the Company were listed on the Hong Kong Stock Exchange, the Company undertook that it would appoint a resident who ordinarily resides in Hong Kong as an independent non-executive Director at its forthcoming 2012 annual general meeting to fully comply with Rule 19A.18(1) of the Hong Kong Listing Rules. The Company proposed to appoint an eligible person, who ordinarily resides in Hong Kong, as an independent non-executive Director at its 2012 annual general meeting.

The Board of Directors has established the Audit Committee, the Strategic Development Committee and the Remuneration and Appraisal Committee. The main responsibilities of such committees are to provide support to the Board of Directors in the decision-making process. The Directors participating in these special board committees focus on particular issues according to the work allocation and make recommendations on the improvement of the corporate governance of the Company.

# Corporate Governance

## (5) The Chairman and President

Mr Li Jianhong is the Chairman of the Company and Mr Mai Boliang is the President of the Company. Pursuant to the Articles of Association, the primary duties and responsibilities of the Chairman are chairing the shareholders' general meetings and convening and chairing meetings of the Board of Directors, responsible for strategic development, inspecting the implementation of Board resolutions, signing certificates of securities issued by the Company, and other duties and power authorised under the Articles of Association and by the Board of Directors. The primary duties and responsibilities of the President are deciding the overall corporate strategies, managing production and operation, further develop the businesses, organising the implementation of Board resolutions, organising the implementation of annual business plans and investment plans of the Company, formulating plans for the establishment of internal management institutions of the Company, devising the basic management system of the Company, formulating specific rules and regulations of the Company, advising the Board of Directors to appoint or dismiss Senior Vice Presidents, Vice Presidents, the Chief Financial Officer and other senior management personnel, appointing or dismissing management staff other than those that should be appointed or dismissed by the Board of Directors, and performing other duties and power authorised by the Articles of Association and the Board of Directors.

## (6) Term of Office of Directors

Pursuant to the Articles of Association, the Directors (including non-executive Directors) shall be elected at the shareholders' general meeting and serve a term of office of three years. Upon the expiry of their term of office, the Directors may be re-elected for another session. The term of office of the independent non-executive Directors shall not exceed six years.

## (7) Directors' remuneration

Among the eight Directors of the Company, Mr. Mai Boliang was paid by the Company due to his position as President. Other than that, the Company did not pay other non-independent non-executive Directors during the reporting period. As considered and passed by the Board of Directors and shareholders' general meeting, each of the independent non-executive Directors, namely, Mr. Ding Huiping, Mr. Jin Qingjun and Mr. Xu Jing'an received an allowance for independent non-executive Directors of RMB120,000 every year based on the respective term of office. Other than that, the Company did not provide other remuneration to the independent non-executive Directors during this year. In the review and determination of specific remuneration packages for Directors, the Company's Remuneration and Appraisal Committee may consider factors such as salaries paid by comparable companies, time of commitment and responsibilities of the Directors.

## (8) The Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee of the Company comprises five Directors, including three independent non-executive Directors with Mr. Jin Qinjun as committee chairman, Mr. Wang Hong, Mr. Wang Xingru, independent non-executive Directors Dr. Ding Huiping and Mr. Xu Jing'an as committee members. This is in accordance with relevant provisions of the Corporate Governance Code. The terms of reference of the Remuneration and Appraisal Committee are included in the Rules and Procedures for the Board of Directors and set out on the Company's website at www.cimc.com and the Hong Kong Stock Exchange's website at www.hkexnews.hk.

The main duties and responsibilities of the Remuneration and Appraisal Committee are: study and formulate evaluation criteria of senior management and perform evaluation and propose remuneration policies and plans; make recommendations regarding the evaluation criteria and remuneration policies of Directors; formulate share incentive plans pursuant to provisions of relevant laws, regulations and normative documents; responsible for the management of share incentive plans, including but not limited to reviews on the qualification of grantees, grant condition and exercise condition; other matters authorized by the Board.

The Remuneration and Appraisal Committee held 2 meetings during the reporting period. The members of the Remuneration and Appraisal Committee and their attendance rate at meetings are as follows:

| Position | Name | Attendance Rate (%) |
|---|---|---|
| Chairman | Jin Qingjun | 100 |
| Member | Ding Huiping | 0 |
| Member | Wang Hong | 100 |
| Member | Wang Xingru | 0 |
| Member | Xu Jing'an | 100 |

Note: the 8th Session of the 6th Board of Directors for 2012 elected Mr. Ding Huiping and Mr. Wang Xingru as members of the Remuneration and Appraisal Committee. The Remuneration and Appraisal Committee has not hold any meeting since then.

A summary of the work of the Remuneration and Appraisal Committee of the Company in 2012 is as follows: the meeting of the Remuneration and Appraisal Committee held at the first meeting of the Sixth Session of the Board of Directors for 2012 considered the "Resolution Regarding Adjustments to the Remuneration of the Senior Management", and the meeting of the Remuneration and Appraisal Committee held at the second meeting of the Sixth Session of the Board of Directors for 2012 considered the "Results of Assessment on the Operation Team in 2011" and "Resolution Regarding the Disclosure of Remuneration of the Directors, Supervisors and Senior Management of the Company".

## (9) Nomination of Directors

Pursuant to the Articles of Association, election and replacement of Directors shall be proposed to the shareholders' general meeting for approval. Shareholders whose shareholding represents 1% or more of the voting shares of the Company are entitled to make such proposal and request the Board of Directors to authorise the Chairman to consolidate a list of candidates for the Directors to be nominated by the Shareholders who are entitled to make such proposal. As authorised by the Board of Directors, the Chairman shall consolidate a list of candidates for the Directors and order the Secretariat of the Board of Directors together with the relevant departments to prepare relevant procedural documents, including but not limited to invitations to serve as Director, confirmation letters, resume of candidates and letters of resignations. The Secretariat of the Board of Directors is responsible for requesting the Chairman and/or the Shareholders entitled to make such proposal to issue invitations to serve as Director to the candidates for directorship. The candidates for directorship will sign the confirmation letters. At the same time, resigning Directors are requested to sign resignation letters. Pursuant to the Articles of Association, the Company is required to give notice of the shareholders' meeting to shareholders in writing 45 days in advance and send a circular to shareholders. Pursuant to Rule 13.51(2) of the Hong Kong Listing Rules, information concerning the list, resume and emoluments of the candidates for directorship must be set out in the circular to shareholders to facilitate voting by shareholders. The new Directors must be approved by more than half of the total voting shares held by the shareholders present in person or by proxy at the shareholders' general meeting.

As at the end of the reporting period, the Company has not established a Nomination Committee.

# Corporate Governance

## (10) Audit Committee

The Audit Committee of the Company comprises one non-executive Director and two independent non-executive Directors. Under the Rules and Procedures of the Audit Committee of the Company, the chairman of the Committee must be an independent non-executive Director and all resolutions of the Committee shall be approved by all independent non-executive Directors.

The terms of references of the Audit Committee of the Company are set out on the Company's website at www.cimc.com and the Hong Kong Stock Exchange's website at www.hkexnews.hk. The major responsibilities of the Audit Committee of the Company are: making proposals of engaging and replacing external audit firms (including auditing of both financial statements and internal control, hereinafter referred to as the "external audit"); supervising the Company's internal audit system and its implementation; responsible for conducting coordination and communication between our internal audit department and external auditors; reviewing the Company's financial information and its disclosures; reviewing the implementation of Company's internal control system and its self-evaluation; conducting a conclusive review and the confirmation of the Company's material defects in respect of internal control; conducting audit on material connected transactions;; and other duties authorized by the Board.

During the reporting period, the Audit Committee held 6 regular meetings. 4 of the meetings of the Audit Committee were held by way of written resolution.

The opinions of the Audit Committee will be presented to the Board of Directors and need to take certain actions (where appropriate). The members of the Audit Committee and their attendance rate at meetings are as follows:

| Position | Name | Attendance Rate (%) |
|---|---|---|
| Chairman | Ding Huiping | 100 |
| Member | Wang Xingru | 100 |
| Member | Xu Jing'an | 100 |

The followings are the work reports prepared by the Audit Committee in respect of the performance of its responsibilities relating to the quarterly, interim and annual results and the review of the internal control system and the performance of other responsibilities set out in the Corporate Governance Code during the reporting period:

the Audit Committee considered the annual financial statements of the Company for 2011 (with the results announcement for the year ended 31 December 2011 attached), the financial statements for the first quarter of 2012, the financial statements for the first half of 2012, the financial statements for the third quarter of 2012, working report of the Company's internal control and matters relating to the appointment of the Company's auditors for 2012. The Audit Committee formed a written opinion in respect of the Company's financial statements for 2011, the first quarter of 2012, the first half of 2012, and the third quarter of 2012.

## (11) Shareholders and Shareholders' General Meetings

For details of shareholders and shareholder's general meetings, please refer to the section headed "Shareholders' General Meetings" in this annual report.

## (12) Supervisors and the Supervisory Committee

The Supervisory Committee of the Company is accountable to the shareholders' general meeting. All of the Supervisors have discharged their duties seriously in accordance with the provisions of the Articles of Association, attended all Board meetings and persistently reported their work to the shareholders' general meeting. In line with the spirit of accountability to all shareholders, the Supervisory Committee monitored the financial affairs and internal control of the Company and the performance of duties and responsibilities by the Directors, managers and other senior management personnel of the Company to ensure that they have performed their duties in compliance with applicable laws and regulations.

## (13) Directors' Responsibilities in Preparing Financial Statements

The Directors are responsible to review the financial statements in each financial year with the support from the accounting departments, and to ensure that the relevant accounting practices and policies are observed and CASBE are complied with in the compilation of such financial statements in order to report the financial position of the Company in a true and fair manner.

## (14) Continuing Operations

The Directors, having made appropriate enquiries, considered that the Company has adequate resources to continue operations for the foreseeable future and that, for this reason, it is appropriate to adopt the basis of continuing operations in the preparation of the financial statements.

## (15) Remuneration of the Auditors

For information relating to the remuneration received by the auditors for their services to the Company, please refer to the sub-section headed "Engagement and disengagement of firm of accountants" of the section headed "Significant Events" in this annual report.

## (16) Investor Relations

In 2012, the Company continued to place emphasis on and committed to improving investor relations management by, in the interest of small and medium investors, adopting effective and innovative measures in daily work and settlement of major issues to strengthen all-around communication with shareholders and investors. The Company took the lead in transferring its B shares to H shares in the PRC capital market. Such an "ice-breaking" initiative in exploring solutions to the long-term B-share problems makes historic contributions to major innovations and development of the PRC capital market and is conducive to protecting medium/long-term interests of shareholders. During the implementation period of the listing project, the Company opened a special consulting mailbox, increased ad-hoc staff to cope with intensive telephone inquiries and published Q&A on B-share cash option on securities media. In June 2012, the Company received the large-scale collective research involving multiple securities brokers, funds and other institutional investors, which visited the Company's new business production bases for its offshore engineering equipment and energy and chemical equipment businesses. In September 2012, the Company sponsored the first-stop activity of "open day for investors of main board listed companies" hosted by the SZSE and CSRC Shenzhen Bureau, and the Company's management communicated and interacted with small and medium investors and shareholders. The Company achieved good communication effect and customer satisfaction through a continuous, comprehensive, in-depth and multi-level communication.

There have been some changes in the Company's constitutional documents since the date of listing on the main board of the Hong Kong Stock Exchange (being 19 December 2012) to 31 December 2012 in order to comply with the relevant requirements of the Hong Kong Listing Rules.

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## (17) Others

Information on corporate governance, mechanisms for assessment of performance and performance incentives and restrictions of the Company, information disclosure and transparency, the relationship with substantial shareholders, performance of duties by the independent non-executive Directors, professional and ethical code for senior management personnel and code of conduct for staff and workers can accessed on the Company's website at www.cimc.com. You may access such information by following these steps:

1. From our main web page, click "Investor Relations";

2. Next, click "Corporate Governance"; and

3. Finally, click on the information you are looking for.

# Shareholders' General Meetings

To ensure that all shareholders of the Company enjoy equal rights and exercise their rights effectively, the Company convenes shareholders' general meetings every year pursuant to its Articles of Association.

Pursuant to the Articles of Association, shareholder(s) individually or jointly holding more than 3% of the Company's shares are entitled to propose resolutions to the Company. The shareholder(s) individually or jointly holding more than 3% of the Company's shares are entitled to submit extraordinary resolutions in writing to the Board of Directors 10 days prior to the shareholders' general meeting.

Pursuant to the Articles of Association, the shareholder(s) are entitled to supervise the operation of the Company, make recommendation or enquiries to the Company.

On 25 May 2012, the Company held the annual general meeting for 2011 at Shekou, Shenzhen, pursuant to which 8 ordinary resolutions were passed.

On 1 March 2012, the Company held the first extraordinary general meeting of the Company for 2012 at Shekou, Shenzhen, pursuant to which 3 ordinary resolutions were passed.

On 17 August 2012, the Company held the second extraordinary general meeting of the Company for 2012 at Shekou, Shenzhen, pursuant to which 1 ordinary resolution was passed and approved at the meeting.

On 30 August 202, the Company held the third extraordinary general meeting of the Company for 2012 at Shekou, Shenzhen, pursuant to which 7 ordinary resolutions were passed.

Attendance rates of the Directors at the shareholders' general meetings are as follows:

| Position | Name | Attendance Rate (%) |
|---|---|---|
| Chairman and Non-executive Director | Li Jianhong | 25 |
| Vice Chairman and Non-executive Director | Xu Minjie | 0 |
| Executive Director and President | Mai Boliang | 75 |
| Non-executive Director | Wang Hong | 25 |
| Non-executive Director | Wang Xingru | 25 |
| Independent non-executive Director | Ding Huiping | 25 |
| Independent non-executive Director | Jin Qingjun | 25 |
| Independent non-executive Director | Xu Jing'an | 50 |

The resolutions passed at the above annual and extraordinary shareholders' general meetings, together with relevant details, have been set out in the relevant announcements published on the websites of the SZSE, cninfo at http://www.cninfo.com.cn and the Company.

# Shareholders' General Meetings

## Requisition by shareholders to convene an extraordinary general meeting

Pursuant to the Articles of Association, shareholder(s) individually or jointly holding a total of 10% or more of the shares of the Company are entitled to request the Board of Directors in writing to convene an extraordinary general meeting. Two or more shareholders holding a total of 10% or more of the shares carrying voting right of the Company may sign one or more written requests of identical form and substance requesting the Board of Directors to convene a class shareholders' general meeting or extraordinary general meeting and stating the subject of the meeting. If the Board of Directors disagrees with the proposal of convening an extraordinary general meeting requested by such shareholders, such shareholders shall make a written resolution to the Supervisory Committee for convening such an extraordinary general meeting. If the Supervisory Committee agrees to convene such a meeting, a notice of such meeting shall be issued within 5 days upon receipt of the proposal. Changes made to the original proposal shall be approved by the original proposer. If the Supervisory Committee fails to dispatch a notice of the shareholders' general meeting within a prescribed period of time, it shall be deemed that the Supervisory Committee fails to convene and preside over the shareholders' general meeting. In that case, the shareholder(s) individually or jointly holding 10% or more of the shares of the Company for a continuous period of 90 days may convene and preside over a shareholders' general meeting by himself/themselves, provided that prior to the announcement of the resolutions of the shareholders' general meeting the shares held by such convening shareholder(s) shall not be less than 10% of the shares of the Company. The reasonable expenses incurred by the Supervisory Committee or such shareholders for a shareholders' general meeting or a class shareholders' general meeting shall be borne by the Company and shall be deducted from the remuneration paid by the Company to the negligent Directors.

The Company values feedbacks from its shareholders, investors and the public. Enquiries and proposals are welcome and can be submitted to the Company through the following:

By phone: 86 (755) 2680 2706

By fax: 86 (755) 2681 3950

By post: CIMC R&D Centre,
2 Gangwan Avenue,
Shekou, Nanshan District,
Shenzhen, Guangdong 518067, PRC

By email: shareholder@cimc.com

# Directors' Report

The Board of Directors of the Company is pleased to present its directors' report for perusal.

## 1. REVIEW OF RESULTS OF OPERATIONS AND THE BUSINESS PROSPECT OF THE COMPANY DURING THE REPORTING PERIOD

Please refer to the sections headed "Summary of Financial Data and Financial Indicators", "Management's Discussion and Analysis" and "Chairman's Report" in this annual report.

## 2. RISK FACTORS

In the course of its production and operation, the Group actively took various measures to avoid and mitigate various types of risks. However, in practice, it may not be possible to prevent all risks and uncertainties completely.

### (1) We operate in cyclical industries and our results of operations tend to fluctuate with the performance of the PRC and global industrial sector and overall economic development in world.

Our principal businesses include (i) container manufacturing business; (ii) road transportation vehicle business; (iii) energy, chemical and food equipment business; (iv)offshore engineering business; and (v) airport facilities equipment business. Our businesses depend significantly on the performance of the PRC and global economy and tend to move in response to cycles in the overall economic environment. The demand for our containers, vehicles, equipment and the related services are influenced by, among other factors, global and regional economic conditions, currency exchange rates, the globalisation of manufacturing, fluctuation in the levels of global and regional international trade, regulatory developments and changes in sea-borne and the demand of container shipping services. Global trade volumes and Chinese import and export volumes are affected by changes or developments in global economic, financial and political conditions, which are outside our control. The rate of spending in infrastructure, construction, container transport and logistics industries affects our operations as our products are primarily used in these industries. Fuel costs, cargo transportation prices and availability of suitable road networks also impact our businesses. An economic slowdown in the PRC and/or globally may materially and adversely affect our financial position and future prospects.

### (2) Market Competition Risk

We operate in concentrated and intensely competitive industries. In particular, the worldwide container manufacturing business, road transportation vehicle business and energy, chemical and food equipment business are highly competitive. We face competition from both domestic and international competitors who compete with us based on price, quality of products, value added services and other customer requirements. We expect the current competitive pressures will continue. The competitive landscape in these industries may also change due to the emergence of new entrants in the industry or the increase in production capacity of existing competitors. Our competitors, domestic or foreign, may have competitive advantages over us, such as greater financial or other resources, stronger manufacturing and distribution capabilities, more advanced technologies and equipment, better product quality, higher brand recognition, and a wider customer base. They could change their strategy and compete in price against our products and services, as a consequence we may lose our market share and may require to lower the price to compete. To compete successfully, we may need to incur additional capital expenditures to improve product quality, enhance product performance and strengthen our existing sales network through further marketing and promotional efforts. However, we cannot assure you that our strategies will be effective nor can we predict what measures our competitors may take. If we cannot maintain our competitiveness in the market, we may lose our market share, experience slower growth of our customer base, or suffer a reduction in our profit margin, any of which could adversely affect our business, results of operations and financial condition.

### (3) If we cannot renew, extend or comply with our business license, qualification certificates, operating permits and other approvals, our business, financial condition and results of operations will be materially and adversely affected.

Our business and operation require us to obtain various licenses, certificates, permits and approvals from relevant government authorities in the PRC and other countries. Renewal of such licenses, certificates, permits and approvals may require us to pay the fees and maybe subject to further review and approval by the relevant authorities. Due to the expansion of our business, our existing licenses, certificates, permits or approvals may not match our growth and we may need to apply for new licenses, certificates, permits or approvals. In the event if we fail to apply in advance, renew, extend or comply to the laws and regulations, the relevant government authorities could impose fines or require us to cease operations, resulting in a material adverse effect on our business, financial condition and results of operations.

### (4) We may not be able to meet our construction and delivery schedules. In particular, delay of our offshore engineering projects may have a material adverse impact on our business, financial condition and results of operations.

Our ability to meet our construction and delivery schedules is subject to various factors beyond our control. We depend on our suppliers for the timely delivery of raw materials such as aluminum and steel, marine equipment and vehicle parts such as engines, diesel generators, boilers and gear boxes. We count on the completion of our production bases within the planned timeframe and uninterrupted operations of our production bases and other manufacturing facilities. We also rely on a skilled workforce and competent management to carry out our business strategies. We also depend on the timely completion of outsourced work for some projects. Any breach by our subcontractors or outsourcing partners of their contractual obligations or any failure by them to timely complete their work according to specifications will affect our ability to deliver vessels or other products to our customers in accordance with the specifications in the relevant shipbuilding or other purchase contracts. In addition, we are also subject to natural disasters and various risks inherent in shipbuilding activities that may also affect our ability to meet our obligations.

## 3. CONTINGENT LIABILITIES

### (1) Compensation

CIMC Raffles and its subsidiaries entered into shipbuilding and leasing contract with buyers for the construction, sale and lease of the vessel, of which the contract clauses involve compensation for delivery postponement and termination terms and conditions. While the actual amount of compensation for delivery postponement in future is subject to the actual delivery date in the future, the maximum amount of the compensation for delivery postponement from contracted delivery date to future estimated actual delivery date that CIMC Raffles may need to bear is US$19,820,000 as at 31 December 2012, equivalent to RMB124,579,000. We currently expect to complete the delivery in 2013. During the reporting period, we did not make any provision for this matter as we expect that compensation may not be claimed.

### (2) Bank and other guarantees

During the reporting period, we entered into contracts with China Construction Bank, Bank of China, China Merchants Bank and China Everbright Bank to provide guarantees in respect of banking facilities granted to our customers who drew down loans under such banking facilities to settle outstanding payables arising from their purchases of trailers from our Group. As at 31 December 2012, the outstanding guarantees provided by our Group amounted to RMB637,605,000.

Jiangmen Dichan, a subsidiary of the Group, provided guarantees to purchasers of commodity homes by way of secured loans. The amount of guarantees provided by the Group was RMB300,000,000.

### (3) Legal contingencies

The semi-submersible oil drilling platforms named SS Pantanal and SS Amazonia built by CIMC Raffles and its subsidiaries for subsidiaries of Schahin Group in Brazil, were delivered in November 2010 and April 2011, respectively. CIMC Raffles and its subsidiaries also provided advances for Schahin Holdings SA and its six connected parties for the construction of drilling platforms. Since Schahin Holdings SA and its other connected parties did not pay the amount in accordance with relevant contracts, CIMC Raffles and its subsidiaries lodged a law suit and arbitration application against Schahin Holdings SA and its connected parties in December 2011 and May 2012, respectively, the aggregate amount of which amounted to approximately US$208 million (equivalent to approximately RMB1.3 billion). As at 31 December 2012, the arbitration in relation to the advances was settled and CIMC Raffles was granted US$69 million. As at the date of this announcement, Schahin Holdings SA and its six connected parties have raised a counterclaim. Based on the current progress of the legal proceedings, the Company was in an optimistic view regarding the litigation results. In the course of the proceedings, the Company will take positive legal measures to ensure that shareholders' interests are not compromised.

### (4) Group insurance

The Group carries limited insurance coverage for vehicles and certain assets subject to significant operating risks, in addition to third-party liability insurance against claims relating to personal injury, property and environmental damages arising from accidents and employer's liability insurance. The effect of non-coverage on future incidents on the Company's liability cannot be reasonably assessed at present.

## 4. PROJECTS NOT FUNDED BY PROCEEDS FROM FUND RAISING

(1) Equity purchase: the Group spent RMB1.325 billion to purchase equity interests of several companies this year.

(2) Establishment or capital increase of subsidiaries: the Group spent RMB2.724 billion on establishment or capital increase of subsidiaries this year.

(3) Fixed asset investment: the Group had its fixed assets (including projects under construction) increased by RMB1.105 billion in 2012.

(4) Ending balance of short-term securities investment of the Group is RMB389.56 million in 2012.

# Directors' Report

Key projects are set out below:

Unit: RMB million

| Project | Shares held by the Company Percentage (%) | 2012 Progress | Year-end Cumulative investment volume |
|---|---|---|---|
| Equity purchase from minority shareholders of Shenzhen CIMC Yantian Port Container Service Co., Ltd. (深圳中集鹽田港集裝箱服務有限公司) | 100 | Completed | 10.72 |
| Equity purchase from Shanghai Shenyi Components for Special Vehicles Co., Ltd. (上海申毅專用車零部件有限公司) | 25 | Completed | 9.95 |
| Equity purchase from Beijing Civil Aviation Xinfa Airport Equipment Ltd. (北京民航協發機場設備有限公司) | 70 | Completed | 18.90 |
| Equity purchase from minority shareholders of CIMC Offshore Holdings Limited | 100 | Completed | 2,302.55 |
| Equity purchase from Tai Sun Resources Development Pte. Ltd. | 100 | Completed | 23.23 |
| Equity purchase from Yangjiang Shangdong Furi Property Development Co., Ltd. (陽江市上東富日房地產開發有限公司) | 60 | Completed | 36.00 |
| Equity purchase from Nanjing Yangzi Petrochemical Design Engineering Company Ltd. (南京揚子石油化工設計工程有限責任公司) | 100 | Completed | 165.00 |
| Equity purchase from Ziemann International GmbH | 100 | Completed | 208.59 |
| Equity purchase from minority shareholders of CIMC Burg B.V. | 100 | Completed | 499.43 |
| Equity purchase from Pteris Global Limited | 14.99 | Completed | 54.87 |
| Establishment of CIMC Container Shareholding Co., Ltd. (中集集裝箱控股有限公司) | 100 | Completed | 1,000.00 |
| Establishment of Cooperatie CIMC U.A | 100 | Completed | 207.09 |
| Establishment of Shaanxi CIMC Vehicle Industrial Park Investment and Development Co., Ltd. (陝西中集車輛產業園投資開發有限公司) | 100 | Completed | 80.00 |
| Establishment of Chengdu CIMC Transportation Equipment Manufacture Co., Ltd. (成都中集交通裝備製造有限公司) | 100 | Completed | 7.50 |
| Establishment of Ningbo MRO Trading Co., Ltd. (寧波西馬克貿易有限公司) | 100 | Completed | 10.00 |
| Capital Increase for CIMC Taicang Refrigeration Equipment Logistics Co., Ltd. (太倉中集冷藏物流裝備有限公司) | 100 | Completed | 445.42 |
| Capital increase for CIMC Vehicle (Group) Co., Ltd. (中集車輛(集團)有限公司) | 80 | Completed | 848.70 |
| Capital increase for CIMC Financing Leasing Co., Ltd. (中集融資租賃有限公司) | 100 | Completed | 560.98 |
| Capital Increase for Tianjin CIMC Logistics Equipments Co., Ltd. (天津中集物流裝備有限公司) | 100 | Completed | 54.85 |
| Capital increase for Shenzhen South CIMC Logistics Co., Ltd (深圳南方中集物流有限公司) | 100 | Completed | 78.95 |
| Capital increase for Zhumadian CIMC Huajun Casting Co., Ltd. (駐馬店中集華駿鑄造有限公司) | 70 | Completed | 206.54 |
| Capital increase for Chengdu CIMC Industrial Park Operation and Management Co., Ltd. (成都中集產業園經營管理有限公司) | 100 | Completed | 5.00 |
| Total | | | 6,834.27 |

## 5. OPERATIONS OF THE BOARD OF DIRECTORS

### (1) The convening of Board meetings and the issues resolved

During the reporting period, the Board of Directors convened 21 regular Board meetings and passed the following resolutions:

| Name of meeting | Date of meeting | Resolution considered |
|---|---|---|
| The first meeting of the Sixth Board of Directors for 2012 | 12 January 2012 | Resolution on adjustment to the investment in the third-generation semi-trailer technology and the investment subject of manufacturing projects in Europe;<br>Resolution on amendments to the "Administrative Rules for Connected Transactions of China International Marine Containers (Group) Co., Ltd." |
| The second meeting of the Sixth Board of Directors for 2012 | 8 February 2012 | Resolution on capital increase in CIMC Vehicle Finance Leasing Co., Ltd. (中集車輛融資租賃有限公司) |
| The third meeting of the Sixth Board of Directors for 2012 | 13 February 2012 | Resolution on addition of nominated candidates for Directors of the sixth Board of Directors;<br>Resolution on the convening of the first extraordinary general meeting for 2012;<br>Resolution on election of Directors to chair the first extraordinary general meeting for 2012 |
| The fourth meeting of the Sixth Board of Directors for 2012 | 23 February 2012 | Resolution on the establishment of Taicang CIMC Reefer Logistics Equipment Co., Ltd. (太倉中集冷藏物流裝備有限公司) |
| The fifth meeting of the Sixth Board of Directors for 2012 | 6 March 12 | Resolution on the election of vice chairman and addition of candidates for members of the Strategy Committee |
| The sixth meeting of the Sixth Board of Directors for 2012 | 22 March 12 | 1. Resolution on the sixth meeting for 2012<br>2. Resolution on provision of guarantee to subsidiaries in respect of bank facilities and projects for 2012<br>3. Resolution on provision of credit guarantee by CIMC Vehicle (Group) Co., Ltd. (中集車輛(集團)有限公司)and its subsidiaries to their respective dealers and customers<br>4. Resolution on provision of guarantee by subsidiaries to Group members in respect of bank facilities<br>5. Resolution on financing arrangements for 2012<br>6. Resolution on implementation of day-to-day related party transactions in 2011 and anticipation of day-to-day related party transactions for 2012 |
| The seventh meeting of the Sixth Board of Directors for 2012 | 24 April 2012 | Resolution on the report for the first quarter of 2012 |
| The eighth meeting of the Sixth Board of Directors for 2012 | 2 May 2012 | Resolutions proposed at the eighth meeting of the Sixth Board of Directors for 2012;<br>Resolution on addition of candidates for member of the Remuneration and Appraisal Committee |
| The ninth meeting of the Sixth Board of Directors for 2012 | 24 May 2012 | Resolution on capital increase in Southern CIMC Logistics Co., Ltd. (南方中集物流有限公司);<br>Resolution on election of Directors to chair the 2011 annual general meeting |
| The tenth meeting of the Sixth Board of Directors for 2012 | 4 June 2012 | Resolution on establishment of CIMC Container Holdings Co., Ltd. (中集集團集裝箱控股有限公司) (intended name) |
| The eleventh meeting of the Sixth Board of Directors for 2012 | 5 July 2012 | Resolution on adjustments to the exercise price under the share option incentive scheme |
| The twelfth meeting of the Sixth Board of Directors for 2012 | 31 July 2012 | Resolution on amendments to the Articles of Association;<br>Resolution on the convening of the second extraordinary general meeting for 2012;<br>Resolution on election of Directors to chair the second extraordinary general meeting for 2012 |

# Directors' Report

| Name of meeting | Date of meeting | Resolution considered |
|---|---|---|
| The thirteenth meeting of the Sixth Board of Directors for 2012 | 14 August 2012 | Resolutions proposed at the thirteenth meeting for 2012 |
| The fourteenth meeting of the Sixth Board of Directors for 2012 | 23 August 2012 | Resolution on the report of the first half of 2012;<br>Resolution on the appointment of senior management |
| The fifteenth meeting of the Sixth Board of Directors for 2012 | 25 September 2012 | Resolution on amendments to the "Administrative Rules for Information Disclosure of China International Marine Containers (Group) Co., Ltd." |
| The sixteenth meeting of the Sixth Board of Directors for 2012 | 25 October 2012 | Resolutions proposed at the sixteenth meeting of the Sixth Board of Directors for 2012 |
| The seventeenth meeting of the Sixth Board of Directors for 2012 | 29 October 2012 | Resolution on the report of the third quarter of 2012 |
| The eighteenth meeting of the Sixth Board of Directors for 2012 | 13 November 2012 | Resolution on acquisition of Zhenhua Logistic Group Co., Ltd. (振華物流集團有限公司) |
| The nineteenth meeting of the Sixth Board of Directors for 2012 | 30 November 2012 | Resolution on acquisition of equity interest in C & C Trucks Co., Ltd. held by CIMC Vehicle (Group) Co., Ltd. (中集車輛(集團)有限公司) |
| The twentieth meeting of the Sixth Board of Directors for 2012 | 5 December 2012 | Meeting minutes of the twentieth meeting of the Sixth Board of Directors of CIMC for 2012 |
| The twenty-first meeting of the Sixth Board of Directors for 2012 | 15 December 2012 | Resolution on review of the establishment of CIMC Refrigerated Investments Co., Ltd. (中集集團冷鏈投資有限公司) by CIMC Container Holdings Limited (中集集團集裝箱控股有限公司) |

## (2) Members of the Board of Directors and attendance rate of Directors

| Position | Name | Attendance Rate (%) |
|---|---|---|
| Chairman and Non-executive Director | Li Jianhong | 100 |
| Vice Chairman and Non-executive Director | Xu Minjie | 100 |
| Executive Director and President | Mai Boliang | 100 |
| Non-executive Director | Wang Hong | 100 |
| Non-executive Director | Wang Xingru | 100 |
| Independent non-executive Director | Ding Huiping | 100 |
| Independent non-executive Director | Jin Qingjun | 100 |
| Independent non-executive Director | Xu Jing'an | 100 |

## (3) The implementation of resolutions of annual general meeting by the Board of Directors

All members of the Board of Directors have seriously and diligently performed their duties, implemented the resolutions passed at the annual general meeting and accomplished all tasks as authorized by the annual general meeting according to the relevant laws, regulations and rules of the respective jurisdictions where Company's shares are listed and the provisions as set out in the Company's Articles of Association.

## (4) Work of the special committees of the Board of Directors

### A. Audit Committee

During the reporting period, the Audit Committee held 6 regular meetings of which 4 of the meetings were held by way of written resolution.

| Name of meeting | Date of meeting | Resolution considered |
|---|---|---|
| The first meeting of the Sixth Board of Directors for 2012 | 9 March 2012 | Written report on the progress of audit of the financial report and internal control of 2011 was heard |
| The second meeting of the Sixth Board of Directors for 2012 | 21 March 2012 | 1. Audit opinion on the financial report of 2011;<br>2. Opinion on the "Internal Control and Self-Appraisal Report of CIMC in 2011" |
| The third meeting of the Sixth Board of Directors for 2012 | 23 April 2012 | Resolution on the financial report of the first quarter of 2012 |
| The fourth meeting of the Sixth Board of Directors for 2012 | 22 August 2012 | Resolution on the financial report of the first half of 2012 |
| The fifth meeting of the Sixth Board of Directors for 2012 | 26 October 2012 | Resolution on the report of the third quarter of 2012 |
| The sixth meeting of the Sixth Board of Directors for 2012 | 28 November 2012 | Report on planned audit progress and audit strategy in relation to audit work for 2012 by PricewaterhouseCoopers Zhong Tian CPAs Limited Company was heard;<br>Report on internal control work for 2012 was heard |

### B. Remuneration and Appraisal Committee

| Name of meeting | Date of meeting | Resolution considered |
|---|---|---|
| The first meeting of the Sixth Board of Directors for 2012 | 16 January 2012 | Resolution on Adjustments to the Remuneration of the Senior Management was heard |
| The second meeting of the Sixth Board of Directors for 2012 | 21 March 2012 | 1. Resolution on "Results of Appraisal of the Operation Team in 2011";<br>2. Resolution on the Disclosure of Remuneration of the Directors, Supervisors and Senior Management of the Company. |

### C. Strategic Development Committee

The Strategic Development Committee of the Company held various meetings from time to time to discuss important matters of the Company. At the same time, the CIMC investment review committee under the Strategic Development Committee has also held five meetings to give full evaluations on the Company's major investments and acquisitions, which provided a strong basis for the decision of the Board of Directors.

## 6. PROFIT DISTRIBUTION FOR THE PREVIOUS THREE YEARS

Unit: RMB thousand

| Year | Amount of dividends in cash (including tax) | Net profit in respect of the year declaring | Percentage of dividends to net profit (%) |
|---|---|---|---|
| 2009 | 319,487.53 | 958,967 | 33.32% |
| 2010 | 931,838.62 | 3,001,851 | 31.04% |
| 2011 | 1,224,702.18 | 3,690,926 | 33.18% |

### The Formulation and Implementation of the Company's Dividend Distribution Policy in Cash

The Company has adopted a stable dividend distribution policy in a strict compliance with its relevant commitments in its H share listing document and its Articles of Association. At present, the Company has distributed its dividend to shareholders once a year, namely the final dividend, and the total profit distributed in the form of cash dividend shall not be less than 30% of the average annual distributable profit of the Company of the last three years. The Company's stable and active dividend distribution policy has received a warm welcome from its shareholders which fully protects the interests of its minority shareholders.

The Articles of Association specifically stipulated the Company's dividend distribution: the Company's final dividend will be determined at the shareholders' meeting by ordinary resolutions. The Company is in a strict compliance with all relevant provisions under the Articles of Association over the years for its decision-making on dividend distribution.

The Company strives to achieve outstanding operating results and a good return for its shareholders.

## 7. DISTRIBUTION OF DIVIDEND

Based on the Group's 2012 operation results and taking into account the Group's overall financial position and cash flows situation, the Board of Directors recommended a payment of RMB0.23 per share (including applicable taxes) for the final dividend for the year of 2012. The final dividend of 2012 is subject to shareholders' approval at the annual general meeting for the year of 2012.

## 8. EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2012, there were approximately 58,535 employees of our Group. The total staff cost of our Group for the financial year ended 31 December 2012, including Directors' remuneration, contribution to the retirement benefit schemes and share option schemes amounted to approximately RMB4,918.886 million.

The Group provided salary and bonus payment to its employees based on performance, qualification, experience and market conditions. The share option scheme is used to recognize and award the contribution and long-term service of the Directors and core employees. Other benefits include contribution to the governmental pension schemes and insurance plans for employees in mainland China.

The Group regularly reviewed its remuneration policies, including Directors' remuneration, and strive to design an improved incentive and assessment mechanism based on operating results of the Group and market conditions.

## 9. FIVE-YEARS FINANCIAL SUMMARY

For the summary of the results and of the assets and liabilities of the Group for the last five financial years, please refer to the sub-section headed "Key Financial Data and Financial Indicators Prepared under CASBE" under the section headed "Summary of Financial Data and Financial Indicators" in this annual report.

## 10. BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Company and the Group as at 31 December 2012 are set out in notes V.23, V.34, V.35, V.36 to the financial statements prepared in accordance with CASBE in this annual report.

## 11. INTEREST CAPITALISATION

Interest capitalised by the Group for the year ended 31 December 2012 was RMB161.821 million.

## 12. FIXED ASSETS

Changes to the fixed assets of the Company and the Group during the year are summarised in note V.14 to the financial statements prepared in accordance with CASBE in this annual report.

## 13. LAND VALUE APPRECIATION TAX

Land value appreciation tax paid by the Group for the year ended 31 December 2012 was RMB106.536 million.

## 14. RESERVES

Details of changes to the reserves of the Group for the year ended 31 December 2012 are set out in notes V.41, V.42, V.43 to the financial statements prepared in accordance with CASBE in this annual report.

## 15. DISTRIBUTABLE RESERVES

Details of the reserves of the Group that can be distributed as dividends for the year ended 31 December 2012 are set out in notes V.42 and V.43 to the financial statements prepared in accordance with CASBE in this annual report.

## 16. MANAGEMENT CONTRACT

During the year, the Company did not enter into any management contracts concerning the management or administration of its overall business or any of its material business, nor did any such management contract exist.

# Directors' Report

## 17. MAJOR SUPPLIERS AND CUSTOMERS

The aggregate purchase attributable to the five largest suppliers of the Group was less than 30% of the Group's total purchase in 2012.

The aggregate revenue derived from the major customers is set out in note V.44(5) to the financial statements prepared in accordance with CASBE in this annual report. The aggregate revenue derived from the five largest customers was less than 30% of the Group's total sales.

Save as disclosed above, none of the Directors, Supervisors and their associates or any shareholder (who to the knowledge of the Directors were holding 5% or more of the Company's share capital) had any interest in any of the above-mentioned suppliers and customers.

## 18. REPURCHASE, SALE OR REDEMPTION OF SECURITIES

The Group did not sell any other securities of the Company, nor did it repurchase or redeem any of the securities of the Company during the twelve months ended December 31, 2012.

## 19. TRUST DEPOSITS AND IRRECOVERABLE OVERDUE TIME DEPOSITS

As at December 31, 2012, the Company did not have any trust deposits or irrecoverable overdue time deposits.

## 20. PENSION BENEFITS

Pursuant to the relevant laws and regulations of the PRC, the Group has provided the basic pension insurance for the employees arranged by local labour and social security bureaus. The Group makes contributions to the pension insurance at the applicable rates based on the amounts stipulated by the government organisation. The contributions are capitalised as part of the cost of assets or charged to profit or loss on an accrual basis. When employees retire, the local labour and social security bureaus are responsible for the payment of the basic pension benefits to the retired employees.

For details of pension benefits, please refer to note II.24 and V.28 to the financial statements prepared in accordance with CASBE in this annual report.

## 21. SHARE OPTION SCHEME

### (1) The Company

A share option scheme (the "**Scheme**") was approved and adopted at an extraordinary general meeting of the Company held on 17 September 2010. According to the Scheme, the initial grants of 54,000,000 share options were registered on 26 January 2011. According to the board resolution passed at the thirteenth meeting in 2011 of the Sixth Board of Directors of the Company held on 21 September 2011, the remaining 6,000,000 share option for reservation were registered on 17 November 2011. The first share option scheme has been exercisable since 28 September 2012.

Movements of the options, which have been granted under the Scheme mentioned above, ended 31 December 2012 are set out as below:

| | | Number of underlying shares comprised in share options | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Date of Grant | Balance as at 1 January 2012 | Granted during the year | Exercised during the year | Cancelled during the year | Lapsed during the year | Balance as at 31 December 2012 | Exercise price (RMB) | Exercise period |
| Director Mai Boliang | 2010.9.28 | 3,800,000 | 950,000 | 0 | 0 | 0 | 3,800,000 | 11.58 | 25% of the granted options 2012.9.28-2014.9.27; Other 75% of the granted options: 2014.9.28-2020.9.27 |
| Other Senior Management (Total) | 2010.9.28 | 10,000,000 | 2,500,000 | 0 | 0 | 0 | 10,000,000 | 11.58 | 25% of the granted options 2012.9.28-2014.9.27; Other 75% of the granted options: 2014.9.28-2020.9.27 |
| Other employees | 2010.9.28 | 40,200,000 | 10,050,000 | 0 | 0 | 0 | 10,050,000 | 11.58 | 25% of the granted options 2012.9.28-2014.9.27; Other 75% of the granted options: 2014.9.28-2020.9.27 |
| | 2011.9.22 | 6,000,000 | 0 | 0 | 0 | 0 | 6,000,000 | 17.11 | 25% of the granted options 2013.9.22-2015.9.21; Other 75% of the granted options: 2015.9.22-2020.9.27 |
| Total | – | 60,000,000 | 13,500,000 | 0 | 0 | 0 | 60,000,000 | – | – |

### (2) Subsidiaries

CIMC Enric, a subsidiary of the Company, has adopted a share option plan according to the ordinary resolution passed at its extraordinary general meeting held on 12 July 2006. The plan aims to reward and give back to employees, directors and other eligible persons of CIMC Enric for their contributions to CIMC Enric. On 11 November 2009, CIMC Enric granted share options to several eligible persons according to the plan to subscribe totally 43,750,000 ordinary shares with par value of HK$0.01 per share in the share capital of CIMC Enric. A total of 3,350,000 share options had become invalid by 31 December 2012. In addition, CIMC Enric granted share options to several eligible persons on 28 October 2011 according to the plan to subscribe totally 38,200,000 ordinary shares with par value of HK$0.01 per share in the share capital of CIMC Enric.

# Directors' Report

The table below sets out the changes in the share options granted under the share option incentive plan of CIMC Enric in the year as at 31 December 2012:

| | Date of grant | Balance as at 1 January 2012 | Granted within the year | Exercised within the year | Transferred to/from other categories within the year | Become expired within the year | Balance as at 31 December 2012 | Exercise price per share | Exercise period |
|---|---|---|---|---|---|---|---|---|---|
| | | Number of underlying shares comprised in share options | | | | | | | |
| Directors of CIMC Enric | | | | | | | | | |
| Zhao Qingsheng | 2009.11.11 | 1,000,000 | 0 | 0 | 0 | 0 | 1,000,000 | HK$4.00 | 2010.11.11-2019.11.10 |
| | 2011.10.28 | 450,000 | 0 | 0 | 0 | 0 | 450,000 | HK$2.48 | 2013.10.28-2021.10.27 |
| Gao Xiang | 2009.11.11 | 1,000,000 | 0 | 0 | 0 | 0 | 1,000,000 | HK$4.00 | 2010.11.11-2019.11.10 |
| | 2011.10.28 | 500,000 | 0 | 0 | 0 | 0 | 500,000 | HK$2.48 | 2013.10.28-2021.10.27 |
| Jin Jianlong | 2009.11.11 | 800,000 | 0 | 0 | 0 | 0 | 800,000 | HK$4.00 | 2010.11.11-2019.11.10 |
| | 2011.10.28 | 300,000 | 0 | 0 | 0 | 0 | 300,000 | HK$2.48 | 2013.10.28-2021.10.27 |
| Yu Yuqun | 2009.11.11 | 800,000 | 0 | 0 | 0 | 0 | 800,000 | HK$4.00 | 2010.11.11-2019.11.10 |
| | 2011.10.28 | 300,000 | 0 | 0 | 0 | 0 | 300,000 | HK$2.48 | 2013.10.28-2021.10.27 |
| Jin Yongsheng | 2009.11.11 | 500,000 | 0 | 0 | 0 | 0 | 500,000 | HK$4.00 | 2010.11.11-2019.11.10 |
| | 2011.10.28 | 300,000 | 0 | 0 | 0 | 0 | 300,000 | HK$2.48 | 2013.10.28-2021.10.27 |
| Mr. Van der Burg | 2009.11.11 | 1,000,000 | 0 | 0 | 0 | 0 | 1,000,000 | HK$4.00 | 2010.11.11-2019.11.10 |
| | 2011.10.28 | 400,000 | 0 | 0 | 0 | 0 | 400,000 | HK$2.48 | 2013.10.28-2021.10.27 |
| Wong Chun Ho | 2009.11.11 | 500,000 | 0 | 0 | 0 | 0 | 500,000 | HK$4.00 | 2010.11.11-2019.11.10 |
| | 2011.10.28 | 300,000 | 0 | 0 | 0 | 0 | 300,000 | HK$2.48 | 2013.10.28-2021.10.27 |
| Tsui Kei Pang | 2011.10.28 | 300,000 | 0 | 0 | 0 | 0 | 300,000 | HK$2.48 | 2013.10.28-2021.10.27 |
| Zhang Xueqian | 2011.10.28 | 300,000 | 0 | 0 | 0 | 0 | 300,000 | HK$2.48 | 2013.10.28-2021.10.27 |
| Employees of CIMC Enric | 2009.11.11 | 25,550,000 | 0 | (5,100,000) | (1,350,000) | (100,000) | 19,000,000 | HK$4.00 | 2010.11.11-2019.11.10 |
| | 2011.10.28 | 31,750,000 | 0 | 0 | (520,000) | (880,000) | 30,350,000 | HK$2.48 | 2013.10.28-2021.10.27 |
| Other participants | 2009.11.11 | 9,350,000 | 0 | (674,000) | 1,350,000 | 0 | 10,026,000 | HK$4.00 | 2010.11.11-2019.11.10 |
| | 2011.10.28 | 3,300,000 | 0 | 0 | 520,000 | (400,000) | 3,420,000 | HK$2.48 | 2013.10.28-2021.10.27 |
| Total | – | 78,700,000 | 0 | (5,774,000) | 0 | (1,380,000) | 71,546,000 | – | – |

The implementation of share option scheme is helpful to establish an interest sharing and restraint mechanism among the directors, the management and the core employees, by which the management can better balance its long-term goal and short-term goal so as to attract and retain outstanding management candidates and key employees and stimulate sustainable value of incentives which will serve to guarantee the stable development of our Company in the long term and enhance its competitive strength.

## 22. PRE-EMPTIVE RIGHTS

There is no provision regarding pre-emptive rights under the Articles of Association or the PRC laws.

## 23. ISSUE OF DEBENTURE

During the year as at 31 December 2012, the Company has issued medium-terms notes of RMB2 billion on 22 May 2012. Please refer to note V.36 of the consolidated financial statements of this annual report which is prepared according to CASBE for details.

## 24. DONATION

During the year as at 31 December 2012, the Company has made a total donation of RMB957,500 and HK$1,000,000.

## 25. SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the public float of the Company has satisfied relevant requirements under the Hong Kong Listing Rules as at the latest practicable date (being 17 April 2013).

By Order of the Board
Li Jianhong
*Chairman*

Shenzhen, the PRC
21 March 2013

# Report of the Supervisory Committee

Dear Shareholders,

During the year of 2012, the Supervisory Committee of the Company has performed and discharged its duties and responsibilities conscientiously in accordance with the relevant provisions of the PRC Companies Law and the Articles of Association.

## 1. MEETINGS OF THE SUPERVISORY COMMITTEE

| Meeting | Time of the meeting | Resolutions |
|---|---|---|
| First meeting of the sixth session of the Board of directors in 2012 | 22 March 2012 | 1. Resolution regarding the first meeting in 2012<br>2. Audit opinion of The Self-Assessment Report on CIMC's Internal Control in 2011 |
| Second meeting of the sixth session of the Board of directors in 2012 | 24 April 2012 | Audit opinion of the First Quarterly Report for 2012 |
| Third meeting of the sixth session of the Board of directors in 2012 | 14 August 2012 | Resolution on the third meeting in 2012 |
| Fourth meeting of the sixth session of the Board of directors in 2012 | 23 August 2012 | Audit opinion of the Interim Report for 2012 |
| Fifth meeting of the sixth session of the Board of directors in 2012 | 29 October 2012 | Audit opinion of the Third Quarterly Report for 2012 |

## 2. SUPERVISORY COMMITTEE'S PRESENCE ON OTHER MEETINGS AND PERFORMANCE OF OTHER OBLIGATIONS

All members of the Supervisory Committee have attended the regular meetings convened by the Board of Directors.

## 3. OTHER MATTERS REVIEWED OR CONCERNED BY THE SUPERVISORY COMMITTEE

### (1) Opinion of the Supervisory Committee on the lawful operation of the Company

The Supervisory Committee of the Company conscientiously performs its duties in accordance with the applicable provisions of the PRC Companies Law and the Articles of Association. During the year, the members of the Supervisory Committee attended all board meetings. They conducted supervision on the procedures for convening the Board meetings, the decision-making and the actual implementation of the resolutions passed at the shareholders' meeting by the Board of Directors as well as the decision-making process and business operation process of the Company in accordance with the applicable laws and regulations. The Supervisory Committee considered that, during the year, the Company has made all decisions in accordance with legitimate procedures and its internal control system is sound. They are of the view that none of the Directors, President and senior management of the Company violated the Company's Articles of Association or were detrimental to the interests of the Company during their usual course of work, nor have they abused their powers to damage the interests of shareholders and employees.

## (2) Opinion of the Supervisory Committee on inspection of the financial status of the Company

During the year, the Supervisory Committee has examined the Company's business and financial situation, audited the annual report and interim report, quarterly reports and other documents submitted by the Board of Directors. The Supervisory Committee is of the view that these financial statements truly and fairly represents the Company's financial position and operational results.

## (3) Opinion of the Supervisory Committee on the actual use of proceeds from the latest fund raising exercise

During the reporting period, the proceeds raised by the Company were applied in the manner as undertaken and no exceptions were discovered.

## (4) Opinion of the Supervisory Committee on the acquisition and disposal of assets by the Company

During the reporting period, acquisition and disposal of assets of the Company were carried out at reasonable considerations, and no insider dealing was discovered. No prejudice to shareholders' rights, dissipation of the Company's assets or prejudice to the Company was discovered.

## (5) Opinion of the Supervisory Committee on connected transactions of the Company

During the reporting period, the continuing connected transactions of the Company were carried out with the approval of the Hong Kong Stock Exchange. Connected transactions were carried out at reasonable and fair considerations, and no prejudice to the non-connected shareholders or the Company was discovered.

## (6) Opinion of the Supervisory Committee on the operation of the internal control system of the Company and on the self-assessment report on the internal control of the Company

Having conducted an adequate verification of the Company's internal control pursuant to the basic regulations governing corporate internal control and the auxiliary guidelines on corporate internal control as well as the requirements of the Internal Control Guidelines for Companies Listed on the SZSE, the Supervisory Committee is of the view that after substantial review on the Company's internal control systems: the Company's existing internal control system complies with the requirements of the applicable laws, regulations and rules and can satisfy all the requirements of effective risk control in all material aspects; Self-Assessment Report on internal Control of CIMC for 2012 objectively and truly represents how the Company's internal control system was established, operated, examined and supervised.

By Order of the Supervisory Committee
Lui Sai Kit Eddie
*Chairman of the Supervisory Committee*

Shenzhen, the PRC
21 March 2013

# Directors, Supervisors, Senior Management and Employees

## 1. INFORMATION ON THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### (1) Directors

Information on the current Directors is set out below:

| Name | Gender | Age | Position | Term | Remuneration received from the Company in 2012 (RMB'000) | Number of Shares held in the Company As at December 31, 2011 | As at December 31, 2012 |
|---|---|---|---|---|---|---|---|
| Li Jianhong | M | 56 | Chairman and Non-executive Director | 3 | Nil | Nil | **Nil** |
| Xu Minjie | M | 54 | Vice Chairman and Non-executive Director | 3 | Nil | Nil | **Nil** |
| Mai Boliang | M | 53 | Executive Director and President | 3 | 9,979 (1) | 494,702 | **494,702** |
| Wang Hong | M | 50 | Non-executive Director | 3 | Nil | Nil | **Nil** |
| Wang Xingru | M | 47 | Non-executive Director | 3 | Nil | Nil | **Nil** |
| Ding Huiping | M | 56 | Independent non-executive Director | 3 | 120 | Nil | **Nil** |
| Jin Qingjun | M | 55 | Independent non-executive Director | 3 | 120 | Nil | **Nil** |
| Xu Jing'an | M | 70 | Independent non-executive Director | 3 | 120 | Nil | **Nil** |

Note:

(1) Mr. Mai Boliang, the executive Director of the Company, has received the remuneration from the Company due to his position of president in the Company.

Brief biography of Directors:

**Mr. LI Jianhong (李建紅)**, aged 56, has been a Director of our Company since 2 March 1995 and was elected as the Chairman of our Company on 25 October 2010. Mr. Li has been the chairman of China Merchants Energy Shipping Co., Ltd. (招商局能源運輸股份有限公司) (Shanghai stock code: 601872) since November 2010 and the vice-chairman and an executive director of China Merchants International (Hong Kong stock code: 144) since October 2010. Mr. Li also holds the position of director and president of China Merchants Group. He had worked for COSCO and held various positions, including factory director of COSCO Nantong Shipyard (中遠南通船廠), general manager of COSCO Industry Company (中遠工業公司), assistant to the president, chief economist and executive vice president of COSCO, chairman of COSCO Corporation (Singapore) Limited (中遠投資(新加坡)有限公司), a company listed in Singapore, Sino-Ocean Land Holdings Limited (遠洋地產控股有限公司) (Hong Kong stock code: 3377), COSCO Shipyard Group Co., Ltd. (中遠船務工程集團有限公司) and Nantong COSCO KHI Ship Engineering Co., Ltd. (南通中遠川崎船舶工程有限公司), a director of COSCO Holdings (Hong Kong stock code: 1919, Shanghai stock code: 601919), COSCO Pacific (Hong Kong stock code: 1199) and COSCO International Holdings Limited (Hong Kong stock code: 517). Mr. Li was also the vice chairman of Chinese Society of Naval Architecture and Marine Engineering and the vice president of China Association of Naval Shipping Industry. He was awarded the third session of National Outstanding Young Entrepreneur in 1993, the Model Worker of National Transportation System in 1994 and the National Model Worker in 1995. Mr. Li obtained his MBA degree from University of East London in October 2000 and a master degree in economic administration from Jilin University in 1998. He is a senior economist.

**Mr. XU Minjie (徐敏傑)**, aged 54, has been a Director of our Company since 23 April 2007. He resigned as a Director in July 2011 and was re-appointed as our Director on 1 March 2012 and the vice Chairman of our Company on 6 March 2012. Mr. Xu has 30 years of experience in shipping industry and has extensive experience in corporate operation and management. Mr. Xu has been the chairman of the board of directors of COSCO Container Lines Company Limited (中遠集裝箱運輸有限公司), COSCO Logistics Co., Ltd. (中國遠洋物流有限公司) and COSCO Korea Co., Ltd. (中遠韓國有限公司) since January 2012. Mr. Xu is also the deputy general manager and member of the party committee of COSCO and an executive director of COSCO Holdings (Hong Kong stock code: 1919, Shanghai stock code: 601919). He joined COSCO in 1980 and had been a marine captain, manager of the department of container division, operation division and export division of COSCO Shanghai (上海遠洋運輸有限公司) and its deputy general manager, the deputy general manager, general manager, member of the party committee and then vice secretary of the party committee of Shanghai Ocean International Freight Company, the general manager and vice secretary of the party committee of COSFRE Shanghai (中遠集運亞太部上海分部), the manager of transportation department of COSCO and vice chairman, director and general manager of COSCO Pacific (Hong Kong stock code: 1199). He served as a director of China Communications and Transportation Association from June 2005 to January 2007 and as vice chairman of Shanghai International Freight Forwarders Association from December 1998 to September 2003. Mr. Xu graduated from the marine navigation Qingdao Ocean Shipping Mariners College in 1980 and obtained a master degree in business administration from Shanghai Maritime University and Maastricht School of Management in Netherlands in June 1999. He is a senior engineer.

**Mr. MAI Boliang (麥伯良)**, aged 53, has been the president of our Company since 7 March 1994 and an executive Director of our Company since 8 March 1994. Mr. Mai joined our Company in 1982 and served as manager of Product Technical Department and the deputy manager. Mr. Mai graduated from mechanical engineering of South China University of Technology in July 1982 with a bachelor degree.

**Mr. WANG Hong (王宏)**, aged 51, has been a Director of our Company since 23 April 2007. He has been a director of China Merchants Property Development Co., Ltd. (Shenzhen stock code: 000024), also a company listed in Singapore, since April 2011, a director of China Merchants Energy Shipping Co., Ltd. (Shanghai stock code: 601872) since May 2010 and the general manager of planning department of China Merchants Group since February 2011 and its chief economist since February 2012. Mr. Wang has also been an executive director of China Merchants International (Hong Kong stock code: 144) since May 2005. He worked as vice chairman of Shanghai International Port (Group) Co., Ltd. (Shanghai stock code: 600018) from June 2005 to July 2009, chairman of China Merchants Holdings (Pacific) Limited, a company listed in Singapore, from May 2005 to February 2009, deputy managing director of China Merchants International (Hong Kong stock code: 144) from 2005 to 2009 and its chief operational officer from 2007 to 2009. Prior to that, Mr. Wang worked as general manager of performance appraisal department, human resources department and strategic research department of China Merchants Group. He also served as managing director of Hoi Tung Marine Machinery Suppliers Limited, general manager of financial department, shipping department and vice manager of China Communications Import & Export Corporation and the marine engineer of COSCO Guangzhou Ocean Shipping Company (中遠廣州遠洋運輸公司). Mr. Wang graduated from turbine management in Dalian Maritime University in 1982 and obtained a MBA degree from Graduate School of University of Science and Technology Beijing in 1991 and Ph.D degree in management from Gradual School of Chinese Academy of Social Sciences in July 1999.

**Mr. WANG Xingru (王興如)**, aged 47, has been a Director of our Company since 11 August 2011. Mr. Wang is currently the deputy general manager of COSCO Holdings (Hong Kong stock code: 1919, Shanghai stock code: 601919). Mr. Wang has been a director of COSCO Pacific Investment and a director of COSCO (Hong Kong) Investment Co., Ltd. (中遠(香港)投資有限公司) since August 2011. He has also been an executive director, vice chairman of the board of directors and managing director, chairman of investment and strategic planning committee and a member of executive committee, remuneration committee and nomination committee of COSCO Pacific (Hong Kong stock code: 1199) since July 2011. In addition, he has been director or chairman of 34 subsidiaries of COSCO Pacific (Hong Kong stock code: 1199) and director or chairman or vice chairman of 8 jointly-controlled and associated companies of COSCO Pacific (Hong Kong stock code: 1199) since July 2011. He

# Directors, Supervisors, Senior Management and Employees

has over 20 years of operation and management experience in shipping related industries and has demonstrated excellent experience in enterprise operation and management and assets operation. Mr. Wang joined COSCO group in 1991 and had held important and senior positions including the deputy managing director of COSCO Co-Development (Tianjin) Co., Ltd, the deputy general manager of COSCO Industry Company, the managing director of COSCO Shipyard Group Co., Ltd. and a non-independent and non-executive director of COSCO Corporation (Singapore) Limited (中遠投資(新加坡)有限公司), a company listed in Singapore. Mr. Wang is the vice president of the Marine Engineering Equipment Branch of China Association of the National Shipbuilding Industry and was previously the president of the Ship Repair Branch of China Association of the National Shipbuilding Industry and the vice president of China Association of the National Shipbuilding Industry. Mr. Wang graduated from Shandong University of Technology with a master degree in engineering in July 1994 and obtained a doctor degree in engineering from Dalian Maritime University in 2010. He is also a senior engineer with outstanding results.

## Independent Non-Executive Directors

Dr. DING Huiping (丁慧平), aged 56, has been an independent non-executive Director of our Company since 26 April 2010. He is a professor and Ph.D supervisor in accounting at the School of Economics and Management of Beijing Jiaotong University since August 1999 and also the director of the Centre for China Business Competitiveness Research of Beijing Jiaotong University since June 2007. Dr. Ding has more than 9 years of experience working as an independent non-executive director and a member/chairman of the audit committee of listed companies in the PRC and Hong Kong. He once acted as an independent non-executive director and chairman of the audit committee of Road and Bridge International Co., Ltd. from February 2009 to March 2012, which was listed on Shanghai Stock Exchange on 25 July 2000 and delisted on 1 March 2012, an independent non-executive director and a member of the audit committee of Huadian Power International Corporation Limited (Hong Kong stock code: 1071 and Shanghai stock code: 600027) from October 2003 to June 2009 and from March 2004 to June 2009, respectively, an independent non-executive director and a member of the strategic development committee of Shandong Xinneng Taishan Power Generation Co., Ltd. (Shenzhen stock code: 000720) from August 2003 to November 2009 and chairman of its remuneration and appraisal committee from August 2003 to May 2008 and an independent non-executive director and a member of the audit and connected transactions control committee of China Merchants Bank Co., Ltd. (Shanghai stock code: 600036 and Hong Kong stock code: 3968) from May 2003 to May 2006 and from August 2003 to May 2006, respectively and chairman of its audit and connected transactions control committee from June 2004 to May 2006. When acting as an independent non-executive director and a member or chairman of the audit committee of these listed companies, he was responsible for handling certain accounting or financial matters, including but not limited to reviewing and monitoring the completeness and integrity of annual reports, interim reports and quarterly reports, if any, and related financial statements and accounts and any material opinion contained therein, monitoring financial reporting system and internal control procedures, checking and assessing matters relating to the financial operations, internal control and risk management, reviewing and scrutinizing the work conducted by the internal audit department and reviewing and supervising engagement of external auditors and their performance and reporting regularly to the board of directors on the annual reports, interim reports and quarterly reports and any other significant matters which may affect the financial positions and operations of these listed companies. He graduated from Northeastern University with a bachelor degree in engineering in 1982, and obtained the degree of licentiate of engineering in production economics in 1991 and the Ph.D degree in production economics in 1992 from Lingkoping University, Sweden. He then did postdoctoral research in 1993. His research interests include corporate finance, investment and financing decision-making, business performance evaluation and business economy and innovation. Accordingly, taking into account Dr. Ding Huiping's past experiences and qualifications, the Company takes the view that he is experienced in handling accounting or financial works of the Company, familiar with the financial statements, internal control and risk management system of listed companies and has appropriate accounting or related financial management expertise.

**Mr. JIN Qingjun (靳慶軍)**, aged 55, has been an independent non-executive Director of our Company since 23 April 2007. Mr. Jin is a partner of King & Wood Mallesons and practises in finance, securities, foreign direct investments, mergers and acquisitions, private equity investment and real estate. He is an adjunct professor at China University of Political Science and Law and Tsinghua University. Mr. Jin has been an independent non-executive director of Gemdale Corporation (Shanghai stock code: 600383) since November 2010 and Invesco Great Wall Fund Management Co. Ltd. since June 2003. He once acted as an independent director of China United Travel Company Limited (國旅聯合股份有限公司) (Shanghai stock code: 600358) from September 2005 to June 2012. Mr. Jin was an independent non-executive director of SYSCAN Technology Holdings Ltd (now known as China Innovationpay Group Ltd) (Hong Kong stock code: 8083) from September 2004 to April 2010. Prior to joining King & Wood Mallesons, he worked with Clyde & Co. Johnson Stokes & Master, C&C Law office and founded Xin Da Law Firm in Shenzhen. Mr. Jin also holds such positions as an arbitrator of China International Economic and Trade Arbitration Commission, a member of the Appeal Review Committee of Shenzhen Stock Exchange, legal counsel of Washington Court of Appeals regarding PRC laws and legal counsel of many financial institutions, securities companies and listed companies. He currently holds memberships with China Law Society, Chinese Society of International Law, China Maritime Law Association and Inter-Pacific Bar Association. Mr. Jin obtained his bachelor degree in English from Anhui University in 1982 and master degree in law from China University of Political Science and Law in July 1987.

**Mr. XU Jing'an (徐景安)**, aged 70, has been an independent non-executive Director of our Company since 23 April 2007. He is the chairman of Shenzhen Jing'an Culture Communications Company (深圳市景安文化傳播公司). Mr. Xu has been an independent non-executive director of Eternal Asia Supply Chain Management Ltd. (Shenzhen stock code: 002183) since May 2010. Mr. Xu was once an independent director of Shenzhen Nanshan Power Co., Ltd. (Shenzhen stock code: 000037 for A shares and 200037 for B shares) from 2004 to 2011 and worked as chairman and research fellow of Shenzhen New Century Civilization Research Institute (深圳市新世紀文明研究會). Mr. Xu had previously worked for Shenzhen Economic Reform Commission (深圳體改委) and acted as vice director of Shenzhen Stock Exchange. He served as vice director of China Society of Economic Reform. Prior to that, he once worked in Central Marxist-Leninist Research Institute, Central Policy Research Institute, State Planning Commission, Office of Economic Policy Reform under State Council and State System Reform Commission. He graduated from News Department of Fudan University and obtained his bachelor degree in 1964.

## (2) Supervisors

Information on the current Supervisors is set out below:

| Name | Gender | Age | Position | Term | Remuneration received from the Company in 2012 (RMB'000) | Number of Shares held in the Company As at December 31, 2011 | As at December 31, 2012 |
|---|---|---|---|---|---|---|---|
| Lui Sai Kit Eddie | M | 48 | Chairman of Supervisory Committee | 3 | Nil | Nil | **Nil** |
| Wong Sin Yue Cynthia | F | 60 | Supervisor | 3 | Nil | Nil | **Nil** |
| Feng Wanguang | M | 65 | Supervisor | 3 | 2,345[(1)] | Nil | **Nil** |

Note:

(1) Mr. Feng Wanguang has received remuneration from the Company due to his position held in the Company other than the Supervisor.

# Directors, Supervisors, Senior Management and Employees

Brief biography of the Supervisors:

**Mr. LUI, Sai Kit Eddie (呂世傑)**, aged 48, is the Chairman of our Supervisory Committee and has been a Supervisor of our Company since 22 June 2009. He has also been a director of Suez Canal Container Terminal S.A.E. since May 2009, a director of Antwerp Gateway NV since September 2008, the financial controller of COSCO Pacific (Hong Kong stock code: 1199) since January 2008 and a director or chairman of the board of directors of Florens Container Holdings Limited (佛羅貨箱控股有限公司) since December 2011, COSCO Ports (Antwerp) NV since June 2010, COSCO Ports Services (Guangzhou) Limited (中遠碼頭服務(廣州)有限公司) since February 2009, COSCO Ports (Services) Limited (中遠碼頭(服務)有限公司) since February 2009, COSCO Ports (Greece) S.à r.l. since December 2008, Xiamen Ocean Gate Container Terminal Co., Ltd. (廈門遠海集裝箱碼頭有限公司) since December 2008, Piraeus Container Terminal S.A. since November 2008 and COSCO Ports (Panama) Limited (中遠碼頭(巴拿馬)有限公司) since May 2008. Prior to joining COSCO Pacific in January 2008, Mr. Lui had held chief financial officer and general management positions for companies listed on the Hong Kong Stock Exchange and US multinational companies, such as New World TMT, Wang On Group Limited and Hong Kong Plastics Division of General Electric Company. Mr. Lui currently holds the memberships of Hong Kong Institute of Certified Public Accountants, American Institute of Certified Public Accountants, the Chartered Institute of Management Accountants of the United Kingdom and Certified Management Accountants of Canada. He obtained his bachelor degree in administration from York University in 1987 and a master degree business management from University of Ottawa in 1997.

**Ms. WONG, Sin Yue Cynthia (黃倩如)**, aged 60, has been a Supervisor of our Company since 22 June 2009. Ms. Wong has been working for China Merchants International (Hong Kong stock code: 144) since November 2003, first holding the position of general manager of its project development department and since July 2004, she has been its deputy general manager, responsible for its financial affairs. She has been an independent non-executive director of China Gas Holdings Ltd. (Hong Kong stock code: 384) since October 2003 and has been appointed as chairperson of its board of directors (independent and non-executive) in March 2011. Before that, Ms. Wong has over 15 years' working experience as a top executive in a number of internationally reputable investment banks, including Societe Generale, Deutsche, Morgan Grenfell, Samuel Montague and Bear Stearns Asia and has provided financial advisory and corporate finance services for not less than 50 companies in the Greater China Region and Asia. Ms. Wong received her MBA degree from University of East Asia, Macau in 1989.

**Mr. FENG Wanguang (馮萬廣)**, aged 65, has been an employee Supervisor since 29 May 2002 and the vice secretary of the Party Committee of our Company since April 1999. From September 1996 to April 1999, Mr. Feng worked for China Merchants & Bank of China Zhangzhou Economic Development Zone Company Ltd. (招商局中銀漳州經濟開發區有限公司) as vice general manager and vice secretary of the Party Committee. Between January 1987 and September 1996, he worked in the Human and Resources Department and the office of the board of directors of China Merchants Group, serving as vice general manager. He graduated from the Mechanical Engineering Department of South China University of Technology in 1982.

## (3) Senior Management

Information on current members of the Senior Management is set out below:

| Name | Gender | Age | Position | Term | Remuneration received from the Company in 2012 (RMB'000) | Number of Shares held in the Company | |
|---|---|---|---|---|---|---|---|
| | | | | | | As at December 31, 2011 | As at December 31, 2012 |
| Mai Boliang | M | 53 | President | 3 | 9,979 | 494,702 | **494,702** |
| Zhao Qingsheng | M | 60 | Vice President | 3 | 4,142 | Nil | **Nil** |
| Wu Fapei | M | 54 | Vice President | 3 | 2,292 | Nil | **Nil** |
| Li Yinhui | M | 45 | Vice President | 3 | 1,936 | Nil | **Nil** |
| Liu Xuebin | M | 53 | Vice President | 3 | 3,569 | 2,400 | **2,400** |
| Yu Ya | M | 57 | Vice President | 3 | 2,400 | Nil | **Nil** |
| Zhang Baoqing | M | 56 | Vice President | 3 | 3,502 | Nil | **Nil** |
| Yu Yuqun | M | 47 | Secretary to the Board of Directors | 3 | 1,949 | Nil | **Nil** |
| Jin Jianlong | M | 59 | General Manager of Financial Department | 3 | 1,697 | Nil | **Nil** |
| Zeng Beihua | F | 58 | General Manager of Capital Management Department | 3 | 1,799 | Nil | **Nil** |

Brief Biography of the Senior Management:

Mr. MAI Boliang (麥伯良), is a Director and the president of the Company. For details of Mr. Mai Boliang, please refer to the sub-section headed "Directors, supervisors, senior management and employees – Information on the Directors, Supervisors and Senior Management – Directors" above.

Mr. ZHAO Qingsheng (趙慶生), aged 60, was the vice Chairman of our Company from 1997 to 1999 and appointed as our vice president in 1999. He has been the chairman or director of 52 subsidiaries of our Company and the chairman of board of directors of CIMC Enric (Hong Kong stock code: 3899) since September 2007. Mr. Zhao joined China Merchants Group in 1983 and served as general manager of the enterprise department in China Merchants Group from 1991 to 1995. He worked in China Merchants International (Hong Kong stock code: 1199) as the vice general manager from 1995 to 1999. He graduated from Wuhan University of Technology (formerly known as Wuhan University of Water Transportation Engineering), majoring in vessel gas engineering in 1982.

Mr. WU Fapei (吳發沛), aged 54, has been a vice president of our Company since March 2004. He joined our Company in 1996, was appointed as the manager of Information Management Department in December 1996, then the assistant to the president in December 1998 and further promoted to the Board secretary in December 1999. Before that, he used to be a teacher and associate professor of School of Business Administration in South China University of Technology and the deputy general manager of Zhaoqing Nanhua Bicycle Ronghui Co., Ltd. in Guangdong. Mr. Wu graduated from South China University of Technology with a bachelor degree in mechanical manufacturing in July 1982 and a master degree in engineering in July 1989.

Directors, Supervisors, Senior Management and Employees

**Mr. LI Yinhui (李胤輝)**, aged 45, has been a vice president of the Company since March 2004. He has been the chairman or director of 7 subsidiaries of our Company since 2004. He worked with us as part-time vice president from October 2002 to October 2003. Mr. Li worked in Ministry of Commerce from March 2003. Between May 1993 and March 2003, he worked in State Commission of Foreign Trade and Economic Cooperation. Prior to that, Mr. Li worked in Central Committee of Chinese Communist Youth League. He received his bachelor degree in history from Jilin University in July 1991, a MBA degree from School of Business in Nanjing University in December 1997 and Ph.D in economics from Jilin University in June 2001.

**Mr. LIU Xuebin (劉學斌)**, aged 53, has been a vice president of the Company since March 2004. He joined our Group in 1982, and once worked in the Company's Procurement Department from 1982 to 1990, deputy general manager of Nantong Shunda Container Co., Ltd. (南通順達集裝箱有限公司) from 1990 to 1994, deputy general manager of the Container Branch of our Company from 1994 to 1995, and general manager of Xinhui CIMC Container Co., Ltd. (新會中集集裝箱有限公司) from 1995 to 1997. Since 1997, he was appointed as general manager of Shenzhen Southern CIMC Containers Manufacture Co., Ltd. (深圳南方中集集裝箱製造有限公司) and in December 1998, he held the positions of the assistant to the president of the Company and chairman of Xinhui CIMC Container Co., Ltd. (新會中集集裝箱有限公司). Mr. Liu graduated from Shenzhen University with a bachelor degree in business administration in August 1990.

**Mr. YU Ya (于亞)**, aged 57, has been a vice president of the Company since March 2010. Mr. Yu has been working with our Company since August 2007, serving as vice secretary of the Party Committee and general manager of Public affairs department. He has also been the chairman or a director of 10 subsidiaries of our Company since October 2009. He once worked for the Ministry of Light Industry (now known as China Light Industry Association) as vice director of office department, for China Light Industry Corporation as vice president and for Capgemini as executive director and executive vice president in Greater China Region. Mr. Yu graduated from the Mechanical Engineering Department of Tianjin Light Industry Vocational Technical College in July 1984 and obtained a MBA degree from Nanjing University in June 1997.

**Mr. ZHANG Baoqing (張寶清)**, aged 56, was appointed as a vice president of our Company in March 2012. Mr. Zhang has been the general manager of Guangdong Xinhui CIMC Containers Wood Flooring Co., Ltd. (廣東新會中集集裝箱木地板有限公司) from March 2004 to March 2012, the vice general manager and then general manager of Guangdong Xinhui CIMC Containers Co., Ltd. (廣東新會中集集裝箱有限公司) since June 1995, the general manager of Guangdong Xinhui CIMC Special Transportation Equipment Co., Ltd. (廣東新會中集特種運輸設備有限公司) since January 2003, the general manager of Guangdong Xinhui CIMC Wood Co., Ltd. (廣東新會中集木業發展有限公司) since February 2009 and the vice general manager of dry containers business segment of our Company since June 2011. Mr. Zhang once acted as the assistant to the president of our Company from March 2004 to March 2012. Before that, he once worked as the general manager of department of technical quality control and assistant to the general manager of Nantong Shunda Containers Co., Ltd. (南通順達集裝箱有限公司). Mr. Zhang is a senior engineer. He graduated from South China University of Technology with a bachelor degree in mechanical design and automation science in July 1982.

**Mr. YU Yuqun (于玉群)**, aged 47, has been the secretary to the Board of the Company since March 2004. He joined the Company in 1992 and firstly worked as deputy manager, subsequently appointed as manager of Financial Affairs Department and then manager of the office of secretary to the Board, responsible for securities affairs and fund management. Mr. Yu became the representative for securities affairs of the Company since its listing on the Shenzhen Stock Exchange in 1994. In September 1999, Mr. Yu has attended a training course for secretaries to the board of directors jointly organised by the Shenzhen Stock Exchange and the Hong Kong Institute of Chartered Secretaries and obtained a training certificate. He has been appointed as the secretary to the Board since March 2004 and has been appointed as an executive director of CIMC Enric (Hong Kong stock code: 3899) since September 2007 and a director of 25 subsidiaries of our Company since 2004. He has been appointed as a non-executive director of TSC Group Holdings Limited (Hong Kong stock code: 206) since March 2011. In 2012, he has been appointed as a non-executive director of Pteris Global Limited, a company listed on the main board of the Singapore Stock Exchange. Before joining us, he graduated with a bachelor's degree in economics from Beijing University in July 1987. From July 1987 to October 1989, he worked in the State Price Control Bureau. From October 1989 to July 1992, he studied at Beijing University for postgraduate studies in economics and obtained a master's degree in economics.

**Mr. JIN Jianlong (金建隆)**, aged 59, has been the general manager of Financial Department since October 2001. Mr. Jin has been an executive director of CIMC Enric (Hong Kong stock code: 3899) since September 2007 and 92 subsidiaries of our Company since 2001. He joined the Group in 1989, appointed as the manager of of the Financial Management Department of Shenzhen Southern CIMC Containers Manufacture Co., Ltd. (深圳南方中集集裝箱製造有限公司) and then of the Financial Management Department of the Company. From August 1975 to April 1989, he worked in Hangzhou Iron & Steel Works as manager of its financial department. He graduated from Maanshan Institute of Iron and Steel Technology in July 1985, majoring in accounting. He is a certified accountant.

**Ms. ZENG Beihua (曾北華)**, aged 58, has been the general manager of Capital Management Department of our Company since December 2009. She has been the executive director of CIMC Financial Leasing and CIMC Finance since 2007 and 2010, respectively. Ms. Zhen joined the Company in 1989, and once took the positions of the general manager of Financial Department, deputy general manager of CIMC Vehicle and general manager of CIMC Financial Leasing from August 2007 to August 2012 and general manager of CIMC Finance from February 2010 to August 2012. Ms. Zhen graduated from Wuhan University, majoring in accounting in July 1989, studied accounting at Shanghai University of Finance and Economics from 1996 to 1997. She studied in the diploma in management program in China Europe International Business School and graduated in 2002.

## 2. ELECTION OR RETIREMENT OF DIRECTORS AND SUPERVISORS AND THE APPOINTMENT AND REMOVAL OF SENIOR MANAGEMENT

1. On 2 February 2012, the letter of resignation of Mr. Sun Jiakang, a former Director, was lodged to the Company;

2. On 1 March 2012, Mr. Xu Minjie was elected to be a Director of the Sixth Board of Directors at the first extraordinary general meeting for 2012;

3. On 22 March 2012, according to the proposal made by Mr. Mai Boliang, the President of the Company, Mr. Zhang Baoqing was appointed as a Vice President of the Company at the sixth meeting of the Sixth Board of Directors for 2012 for a term of three years; and

4. On 23 August 2012, according to the proposal made by Mr. Mai Boliang, the President of the Company, Mr. Zhao Qingsheng was appointed as a Vice President of the Company at the fourteenth meeting of the Sixth Board of Directors for 2012 for a term until the 2015 annual Board meeting.

## 3. INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2012, the interest and short positions held by Directors, Supervisors and chief executive of the Company in any shares, underlying shares or debentures of the Company or any associated corporation within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong required to be recorded in the register mentioned under Section 352 of the Securities and Futures Ordinance of Hong Kong or as otherwise notifiable to the Company and the Hong Kong Stock Exchange by the Directors and Supervisors pursuant to the Model Code are as follows:

### (1) Interest in the shares of the Company

| Name | Nature of interest | Number of shares | Class of shares |
|---|---|---|---|
| Mai Boliang | Beneficial interest | 494,702 | A Shares |

### (2) Interest in the underlying shares of the Company

For the interest in the underlying shares of the Company held by Directors, Supervisors and Chief Executive of the Company as at 31 December 2012, please refer to "Directors' Report- Share Option Scheme" of this annual report.

### (3) Interest in the associated corporation

| Name | Name of associated corporation | Nature of Interest | Number of shares |
|---|---|---|---|
| Mai Boliang | CIMC Vehicle (Group) Co., Limited | Beneficiary of a trust | 10,350,000 |
| Feng Wanguang | CIMC Vehicle (Group) Co., Limited | Beneficiary of a trust | 1,850,000 |

## 4. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of our Directors has entered into a service contract with our Company on 5 December 2012. The principal particulars of these service contracts are (a) effective from the listing date as 19 December 2012 to our Company's forthcoming 2012 annual general meeting to be held in June 2013 and can be renewed for a term of three years upon expiry; and (b) are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations.

Each of the Supervisors has entered into a contract with our Company on 5 December 2012 in respect of, among others, compliance with relevant laws and regulations, observations of the Articles of Association and provision on arbitration.

Save as disclosed above, none of our Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

## 5. INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

None of the Directors or Supervisors had any material personal interest, either directly or indirectly, in any contract of significance to which the Company or any of its subsidiaries was a party to during the year.

## 6. REMUNERATION POLICY OF THE SENIOR MANAGEMENT

Each member of the senior management of the Company has entered into a performance agreement with the Company. The Company's senior management remuneration policy links financial interests of the senior management with the Group's operating results and the performance of its shares in the market.

## 7. EMPLOYEES OF THE GROUP

As at 31 December 2012, the Group had a total of 58,535 employees.

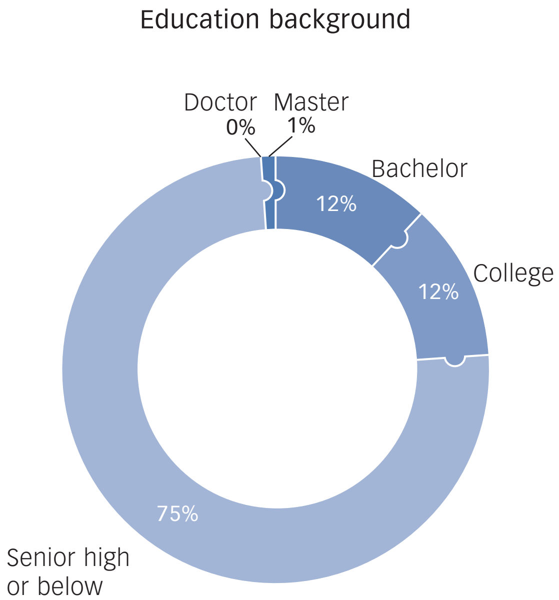
The number of full time employees by functions as at 31 December 2012 is set out below:

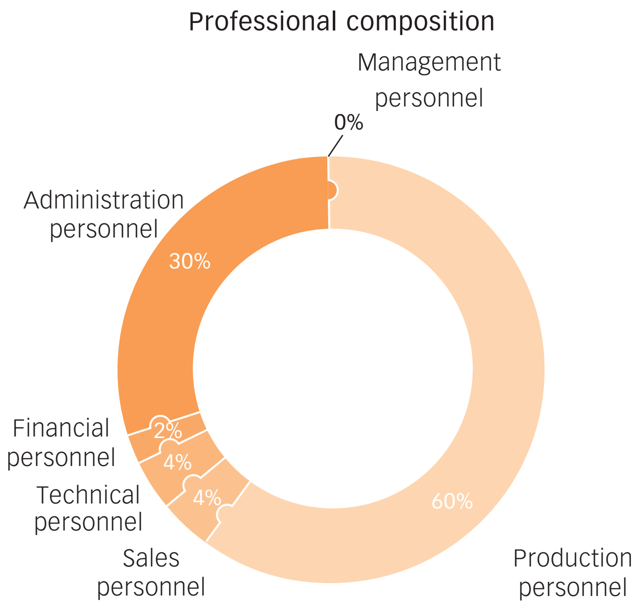
| | Number of employees | Percentage of total no. of employees (%) |
|---|---|---|
| Management personnel | 335 | 0.57% |
| Production personnel | 34,940 | 59.69% |
| Sales personnel | 2,204 | 3.77% |
| Technical personnel | 2,663 | 4.55% |
| Financial personnel | 932 | 1.59% |
| Administration personnel | 17,461 | 29.83% |
| Total | 58,535 | 100.00% |

# Directors, Supervisors, Senior Management and Employees

The number of full time employees by education level as at 31 December 2012 is set out below:

| | Number of Employees | Percentage of total no. of employees (%) |
|---|---|---|
| Doctor | 31 | 0.05% |
| Master | 733 | 1.25% |
| Bachelor | 6,881 | 11.76% |
| College | 6,953 | 11.88% |
| Others | 43,937 | 75.06% |
| Total | 58,535 | 100.00 |




## 8. EMPLOYEE WELFARE PLANS

Details on employee welfare plans of the Company are set out in notes II.24 and V.28 to the financial statements prepared in accordance with CASBE in this annual report.

# Auditor's Report

pwc

普华永道

PwC ZT Shen Zi (2013) No. 22929
(Page 1 of 2)

All Shareholders of China International Marine Containers (Group) Co., Ltd.:

We have audited the accompanying financial statements of China International Marine Containers (Group) Co., Ltd. ("the Company"), which comprise the consolidated and company balance sheets as at 31 December 2012, and the consolidated and company income statements, the consolidated and company statements of changes in shareholders' equity and the consolidated and company cash flow statements for the year then ended, and the notes to the financial statements.

## (1) MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## (2) AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

*普华永道中天会计师事务所有限公司*
*PricewaterhouseCoopers Zhong Tian CPAs Limited Company, 11/F PricewaterhouseCoopers Center*
*2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC*
*T: +86 (21) 2323 8888, F: +86 (21) 2323 8800, www.pwccn.com*

# Auditor's Report

PwC ZT Shen Zi (2013) No. 22929
(Page 2 of 2)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## (3) OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of the Company as at 31 December 2012, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

PricewaterhouseCoopers
Zhong Tian CPAs Limited Company

Certified Public Accountant Zhou Weiran

Certified Public Accountant Cao Cuili

Shanghai, the People's Republic of China
21 March 2013

# Financial Statements Prepared in Accordance with China Accounting Standards

As at 31 December 2012
(All amounts in RMB'000 unless otherwise stated)
(English Translation for Reference Only)

## Consolidated Balance Sheet

| | Note V (unless otherwise stated) | **31 December 2012** | 31 December 2011 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets:** | | | |
| Cash at bank and on hand | 1 | **5,221,539** | 7,788,126 |
| Financial assets held for trading | 2 | **405,092** | 186,134 |
| Notes receivable | 3 | **778,109** | 1,030,528 |
| Accounts receivable | 4 | **8,238,033** | 8,110,784 |
| Advance to suppliers | 6 | **1,213,042** | 1,930,496 |
| Interest receivable | | **14,410** | 2,020 |
| Other receivables | 5 | **2,114,435** | 2,709,665 |
| Inventories | 7 | **18,034,726** | 15,468,352 |
| Current portion of non-current assets | 8 | **1,636,332** | 2,635,287 |
| Other current assets | 9 | **690,471** | 865,633 |
| **Total current assets** | | **38,346,189** | 40,727,025 |
| **Non-current assets:** | | | |
| Available-for-sale financial assets | 10 | **609,751** | 571,954 |
| Long-term receivables | 11 | **2,540,574** | 2,311,235 |
| Long-term equity investments | 12 | **1,913,762** | 1,957,187 |
| Investment properties | 13 | **183,668** | 126,983 |
| Fixed assets | 14 | **11,608,747** | 10,885,435 |
| Construction in progress | 15 | **2,279,993** | 1,898,330 |
| Intangible assets | 16 | **3,273,750** | 3,172,222 |
| Goodwill | 17 | **1,267,162** | 1,207,504 |
| Long-term prepaid expenses | 18 | **47,947** | 34,892 |
| Deferred tax assets | 19 | **717,797** | 704,098 |
| Other non-current assets | 20 | **203,040** | 764,849 |
| **Total non-current assets** | | **24,646,191** | 23,634,689 |
| **TOTAL ASSETS** | | **62,992,380** | 64,361,714 |

# Financial Statements Prepared in Accordance with China Accounting Standards

As at 31 December 2012
(All amounts in RMB'000 unless otherwise stated)
(English Translation for Reference Only)

| | Note V (unless otherwise stated) | **31 December 2012** | 31 December 2011 |
|---|---|---|---|
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Current liabilities:** | | | |
| Short-term borrowings | 23 | **5,438,407** | 8,030,912 |
| Financial liabilities held for trading | 24 | **12,856** | 31,107 |
| Notes payable | 25 | **989,710** | 3,295,226 |
| Accounts payable | 26 | **7,059,420** | 7,328,966 |
| Advances from customers | 27 | **2,722,482** | 2,662,742 |
| Employee benefits payable | 28 | **2,019,563** | 2,012,608 |
| Taxes payable | 29 | **747,530** | 916,118 |
| Interest payable | 30 | **203,288** | 152,067 |
| Dividends payable | 31 | **38,747** | 116,253 |
| Other payables | 32 | **4,292,597** | 3,393,837 |
| Provisions | 33 | **753,492** | 736,179 |
| Current portion of non-current liabilities | 34 | **1,261,940** | 2,560,318 |
| **Total current liabilities** | | **25,540,032** | 31,236,333 |
| **Non-current liabilities:** | | | |
| Financial liabilities held for trading | 24 | **82,242** | 74,836 |
| Long-term borrowings | 35 | **7,641,785** | 6,572,585 |
| Debentures payables | 36 | **6,462,235** | 3,988,438 |
| Long-term payables | 37 | **145,103** | 86,846 |
| Payables for specific projects | 38 | **4,802** | 8,940 |
| Deferred tax liabilities | 19 | **650,394** | 581,500 |
| Other non-current liabilities | 39 | **348,630** | 198,564 |
| **Total non-current liabilities** | | **15,335,191** | 11,511,709 |
| **Total liabilities** | | **40,875,223** | 42,748,042 |
| **Shareholders' equity** | | | |
| Share capital | 40 | **2,662,396** | 2,662,396 |
| Capital surplus | 41 | **930,482** | 799,261 |
| Surplus reserve | 42 | **3,059,836** | 2,953,160 |
| Undistributed profits | 43 | **13,392,795** | 12,785,092 |
| Difference on translation of foreign currency financial statements | | **(532,333)** | (566,755) |
| **Total equity attributable to shareholders of the company** | | **19,513,176** | 18,633,154 |
| **Minority interests** | | **2,603,981** | 2,980,518 |
| **Total equity** | | **22,117,157** | 21,613,672 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **62,992,380** | 64,361,714 |

The accompanying notes form an integral part of these financial statements.

Legal representative's authorised person

The person in charge of accounting affairs

The head of the accounting department

# Balance Sheet

| | Note XII (unless otherwise stated) | **31 December 2012** | 31 December 2011 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets:** | | | |
| Cash at bank and on hand | 1 | **447,387** | 430,350 |
| Financial assets held for trading | 2 | **177,450** | – |
| Dividends receivable | 3 | **4,066,711** | 5,403,255 |
| Other receivables | 4 | **10,860,103** | 6,798,779 |
| **Total current assets** | | **15,551,651** | 12,632,384 |
| **Non-current assets:** | | | |
| Available-for-sale financial assets | 5 | **601,356** | 564,155 |
| Long-term equity investments | 6 | **6,831,621** | 4,341,151 |
| Fixed assets | | **139,120** | 137,642 |
| Construction in progress | | **4,950** | 14,457 |
| Intangible assets | | **15,931** | 22,246 |
| Long-term prepaid expenses | | **5,649** | 5,683 |
| Deferred tax assets | 16 | **53,983** | 71,554 |
| **Total non-current assets** | | **7,652,610** | 5,156,888 |
| **TOTAL ASSETS** | | **23,204,261** | 17,789,272 |

# Financial Statements Prepared in Accordance with China Accounting Standards

As at 31 December 2012
(All amounts in RMB'000 unless otherwise stated)
(English Translation for Reference Only)

| | Note XII (unless otherwise stated) | **31 December 2012** | 31 December 2011 |
|---|---|---|---|
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Current liabilities:** | | | |
| Short-term borrowings | 7 | **465,703** | 363,009 |
| Financial liabilities held for trading | 8 | **8,987** | 21,290 |
| Employee benefits payable | 9 | **657,886** | 671,840 |
| Taxes payable | 10 | **43,493** | 63,652 |
| Interest payable | 11 | **187,691** | 133,106 |
| Other payables | 12 | **3,574,947** | 72,733 |
| Current portion of non-current liabilities | 13 | **1,257,100** | 1,094,352 |
| **Total current liabilities** | | **6,195,807** | 2,419,982 |
| **Non-current liabilities:** | | | |
| Financial liabilities held for trading | 8 | **81,944** | 74,836 |
| Long-term borrowings | 14 | **3,875,845** | 4,223,180 |
| Debentures payable | 15 | **5,990,833** | 3,988,438 |
| **Total non-current liabilities** | | **9,948,622** | 8,286,454 |
| **Total liabilities** | | **16,144,429** | 10,706,436 |
| **Shareholders' equity** | | | |
| Share capital | V.40 | **2,662,396** | 2,662,396 |
| Capital surplus | 17 | **334,259** | 199,322 |
| Surplus reserve | V.42 | **3,059,836** | 2,953,160 |
| Undistributed profits | | **1,003,341** | 1,267,958 |
| **Total equity** | | **7,059,832** | 7,082,836 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **23,204,261** | 17,789,272 |

The accompanying notes form an integral part of these financial statements.

Legal representative's authorised person

The person in charge of accounting affairs

The head of the accounting department

# Consolidated Income Statement

| | | Note V (unless otherwise stated) | **2012** | 2011 |
|---|---|---|---|---|
| **I.** | **Revenue** | 44 | 54,334,057 | 64,125,053 |
| | Less: Cost of sales | 44 | 44,601,257 | 52,224,731 |
| | Taxes and surcharges | 45 | 506,040 | 344,723 |
| | Selling and distribution expenses | 46 | 1,765,697 | 1,867,900 |
| | General and administrative expenses | 47 | 3,720,704 | 3,767,221 |
| | Financial expenses-net | 48 | 524,557 | 783,699 |
| | Asset impairment losses | 51 | 537,071 | 409,602 |
| | Add: Profit/(losses) from changes in fair value | 49 | 58,561 | (100,577) |
| | Investment (losses)/income | 50 | (97,851) | 108,693 |
| | Including: Share of (losses)/profit of associates and joint ventures | | (76,731) | 44,120 |
| **II.** | **Operating profit** | | 2,639,441 | 4,735,293 |
| | Add: Non-operating income | 52 | 360,365 | 370,193 |
| | Less: Non-operating expenses | 53 | 92,426 | 82,780 |
| | Including: Losses on disposal of non-current assets | | 47,569 | 28,082 |
| **III.** | **Total profit** | | 2,907,380 | 5,022,706 |
| | Less: Income tax expenses | 54 | 976,950 | 1,363,768 |
| **IV.** | **Net profit** | | 1,930,430 | 3,658,938 |
| | Attributable to equity holders of the Company | | 1,939,081 | 3,690,926 |
| | Minority interests | | (8,651) | (31,988) |
| **V.** | **Earnings per share:** | | | |
| | (I) Basic earnings per share (RMB) | 55 | 0.73 | 1.39 |
| | (II) Diluted earnings per share (RMB) | 55 | 0.73 | 1.37 |
| **VI.** | **Other comprehensive income** | 56 | 58,828 | (486,403) |
| **VII.** | **Total comprehensive income** | | 1,989,258 | 3,172,535 |
| | Attributable to equity holders of the Company | | 1,997,506 | 3,302,938 |
| | Minority interests | | (8,248) | (130,403) |

The accompanying notes form an integral part of these financial statements.

| | | |
|---|---|---|
| Legal representative's authorised person | The person in charge of accounting affairs | The head of the accounting department |

Financial Statements Prepared in Accordance with China Accounting Standards

For the year ended 31 December 2012
(All amounts in RMB'000 unless otherwise stated)
(English Translation for Reference Only)

# Income Statement

| | | Note XII (unless otherwise stated) | 2012 | 2011 |
|---|---|---|---|---|
| I. | **Revenue** | 18 | **241,531** | 946 |
| | Less: Cost of sales | 18 | **16** | 50 |
| | Taxes and surcharges | | **36,563** | 12,906 |
| | General and administrative expenses | | **413,366** | 671,689 |
| | Asset impairment losses | | **(103)** | 322 |
| | Financial expenses-net | | **221,789** | 259,050 |
| | Add: Profit from changes in fair value | 19 | **19,131** | 2,191 |
| | Investment income | 20 | **1,431,996** | 1,784,513 |
| II. | **Operating profit** | | **1,021,027** | 843,633 |
| | Add: Non-operating income | 21 | **55,259** | 1,871 |
| | Less: Non-operating expenses | | **1,254** | 737 |
| | Including: Losses on disposal of non-current assets | | **–** | – |
| III. | **Total profit** | | **1,075,032** | 844,767 |
| | Less: Income tax expenses | 22 | **8,271** | (76,328) |
| IV. | **Net profit** | | **1,066,761** | 921,095 |
| V. | **Other comprehensive income** | 23 | **(27,901)** | (149,727) |
| VI. | **Total comprehensive income** | | **1,038,860** | 771,368 |

The accompanying notes form an integral part of these financial statements.

Legal representative's authorised person

The person in charge of accounting affairs

The head of the accounting department

# Consolidated Cash Flow Statement

| | | Note V (unless otherwise stated) | 2012 | 2011 |
|---|---|---|---|---|
| I. | **Cash flows from operating activities:** | | | |
| | Cash received from sales of goods or rendering of services | | **60,176,127** | 66,772,464 |
| | Refund of taxes and surcharges | | **2,265,507** | 3,606,931 |
| | Cash received relating to other operating activities | 57(1) | **752,053** | 363,735 |
| | **Sub-total of cash inflows** | | **63,193,687** | 70,743,130 |
| | Cash paid for goods and services | | **51,619,237** | 59,108,743 |
| | Cash paid to and on behalf of employees | | **4,794,471** | 4,454,158 |
| | Payments of taxes and surcharges | | **1,685,299** | 1,637,178 |
| | Cash paid relating to other operating activities | 57(2) | **2,851,761** | 3,288,614 |
| | **Sub-total of cash outflows** | | **60,950,768** | 68,488,693 |
| | **Net cash inflows from operating activities** | 58(1) | **2,242,919** | 2,254,437 |
| II. | **Cash flows from investing activities:** | | | |
| | Cash received from disposal of investments | | **439,752** | 342,872 |
| | Cash received from returns on investments | | **71,934** | 42,550 |
| | Net cash received from disposal of fixed assets, intangible assets and other long-term assets | | **358,966** | 85,898 |
| | Cash received relating to other investing activities | 57(3) | **278,719** | 220,654 |
| | **Sub-total of cash inflows** | | **1,149,371** | 691,974 |
| | Cash paid to acquire fixed assets intangible assets and other long-term assets | | **2,087,094** | 2,998,389 |
| | Cash paid to acquire investments | | **325,079** | 1,179,827 |
| | Net cash paid to acquire subsidiaries and other business units | | **296,546** | 89,818 |
| | **Sub-total of cash outflows** | | **2,708,719** | 4,268,034 |
| | **Net cash outflows from investing activities** | | **(1,559,348)** | (3,576,060) |

# Financial Statements Prepared in Accordance with China Accounting Standards

For the year ended 31 December 2012
(All amounts in RMB'000 unless otherwise stated)
(English Translation for Reference Only)

| | | Note V (unless otherwise stated) | 2012 | 2011 |
|---|---|---|---|---|
| III. | **Cash flows from financing activities** | | | |
| | Cash received from capital contributions | | **129,303** | 83,049 |
| | Including: Cash received from capital contributions by minority shareholders of subsidiaries | | **129,303** | 83,049 |
| | Cash received from borrowings | | **15,627,848** | 29,180,931 |
| | Cash received from issuance of debentures | | **2,471,402** | – |
| | Cash received relating to other financing activities | 57(4) | **416,505** | – |
| | **Sub-total of cash inflows** | | **18,645,058** | 29,263,980 |
| | Cash repayments of borrowings | | **18,384,272** | 22,895,986 |
| | Cash payments for interest expenses and distribution of dividends or profits | | **2,292,118** | 1,797,341 |
| | Including: Cash payments for dividends or profit to minority shareholders of subsidiaries | | **213,163** | 100,652 |
| | Cash payments relating to other financing activities | | **858,335** | 62,702 |
| | **Sub-total of cash outflows** | | **21,534,725** | 24,756,029 |
| | **Net cash (outflows)/inflows from financing activities** | | **(2,889,667)** | 4,507,951 |
| IV. | **Effect of foreign exchange rate changes on cash and cash equivalents** | | **40,355** | (420,490) |
| V. | **Net (decrease)/increase in cash and cash equivalents** | 58(1) | **(2,165,741)** | 2,765,838 |
| | Add: Cash and cash equivalents at beginning of year | | **6,563,253** | 3,797,415 |
| VI. | **Cash and cash equivalents at end of year** | | **4,397,512** | 6,563,253 |

The accompanying notes form an integral part of these financial statements.

Legal representative's authorised person

The person in charge of accounting affairs

The head of the accounting department

# Cash Flow Statement

| | | Note XII (unless otherwise stated) | 2012 | 2011 |
|---|---|---|---|---|
| I. | **Cash flows from operating activities:** | | | |
| | Cash received from sales of goods or rendering of services | | **241,531** | – |
| | Cash received relating to other operating activities | | **3,375,532** | 10,977,238 |
| | **Sub-total of cash inflows** | | **3,617,063** | 10,977,238 |
| | Cash paid for goods and services | | **16** | – |
| | Cash paid to and on behalf of employees | | **128,812** | 117,690 |
| | Payments of taxes and surcharges | | **59,232** | 26,820 |
| | Cash paid relating to other operating activities | | **4,374,140** | 13,828,276 |
| | **Sub-total of cash outflows** | | **4,562,200** | 13,972,786 |
| | **Net cash outflows from operating activities** | 24 | **(945,137)** | (2,995,548) |
| II. | **Cash flows from investing activities:** | | | |
| | Cash received from disposal of investments | | **–** | 292,788 |
| | Cash received from returns on investments | | **2,816,622** | 465,415 |
| | Net cash received from disposal of fixed assets, intangible assets and other long-term assets | | **62,963** | 1,209 |
| | Cash received relating to other investing activities | | **–** | 308,980 |
| | **Sub-total of cash inflows** | | **2,879,585** | 1,068,392 |
| | Cash paid to acquire fixed assets, intangible assets and other long-term assets | | **16,301** | 21,933 |
| | Cash paid to acquire investments | | **210,114** | 152,887 |
| | Net cash paid to acquire subsidiaries and other business units | | **1,951,951** | 679,695 |
| | **Sub-total of cash outflows** | | **2,178,366** | 854,515 |
| | **Net cash inflows from investing activities** | | **701,219** | 213,877 |
| III. | **Cash flows from financing activities** | | | |
| | **Cash received from borrowings and sub-total of cash inflows** | | **5,617,820** | 9,201,687 |
| | Cash repayments of borrowings | | **3,699,716** | 5,216,339 |
| | Cash payments for interest expenses and distribution of dividends or profits | | **1,657,147** | 1,193,264 |
| | **Sub-total of cash outflows** | | **5,356,863** | 6,409,603 |
| | **Net cash inflows from financing activities** | | **260,957** | 2,792,084 |
| IV. | **Effect of foreign exchange rate changes on cash and cash equivalents** | | **–** | – |
| V. | **Net increase in cash and cash equivalents** | 24 | **17,039** | 10,413 |
| | Add: Cash and cash equivalents at beginning of year | | **427,874** | 417,461 |
| VI. | **Cash and cash equivalents at end of year** | 24 | **444,913** | 427,874 |

The accompanying notes form an integral part of these financial statements.

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## Financial Statements Prepared in Accordance with China Accounting Standards

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(All amounts in RMB'000 unless otherwise stated)
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# Consolidated Statement of Changes in Shareholders' Equity

| Item | Note | 2012 | | | | | | | 2011 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Attributable to equity holders of the Company | | | | | | | Attributable to equity holders of the Company | | | | | | |
| | | Share capital | Capital surplus | Surplus reserve | Undistributed profits | Difference on translation of foreign currency financial statements | Minority interest | Total shareholders' equity | Share capital | Capital surplus | Surplus reserve | Undistributed profits | Difference on translation of foreign currency financial statements | Minority interest | Total shareholders' equity |
| **I. Balance at 1 January** | | 2,662,396 | 799,261 | 2,953,160 | 12,785,092 | (566,755) | 2,980,518 | 21,613,672 | 2,662,396 | 1,349,420 | 3,577,588 | 10,689,335 | (2,055,682) | 2,983,643 | 19,206,700 |
| **II. Movements for the year** | | | | | | | | | | | | | | | |
| (I) Net profit | | - | - | - | 1,939,081 | - | (8,651) | 1,930,430 | - | - | - | 3,690,926 | - | (31,988) | 3,658,938 |
| (II) Other comprehensive income | V.56 | - | 24,003 | - | - | 34,422 | 403 | 58,828 | - | (146,828) | - | - | (241,160) | (98,415) | (486,403) |
| **Sub-total of (I)&(II)** | | - | 24,003 | - | 1,939,081 | 34,422 | (8,248) | 1,989,258 | - | (146,828) | - | 3,690,926 | (241,160) | (130,403) | 3,172,535 |
| (III) Capital contribution and withdrawal by owners | | | | | | | | | | | | | | | |
| 1 .Contributions by minority Shareholders | | - | 22,352 | - | - | - | 106,951 | 129,303 | - | (58,964) | - | - | - | 353,660 | 294,696 |
| 2. Increase in minority interests resulted from acquisition or establishment of subsidiary | | - | - | - | - | - | 39,347 | 39,347 | - | - | - | - | - | - | - |
| 3. Decrease in capital surplus/ undistributed profits resulted from acquisition of minority interest | IV.10 | - | (168,657) | - | - | - | (625,888) | (794,545) | - | - | - | (19,843) | - | (29,856) | (49,699) |
| 4. Decrease in minority interests resulted from disposal of subsidiary (not losing the controlling rights on the subsidiary) | IV.11 | - | 178,916 | - | - | - | 184,500 | 363,416 | - | - | - | - | - | - | - |
| 5. Decrease in capital surplus resulted from corporate restructuring | | - | (42,696) | - | - | - | 42,696 | - | - | - | - | - | - | - | - |
| 6. Capital contribution resulted from share option exercised in subsidiary | | - | 1,880 | - | - | - | 16,906 | 18,786 | - | - | - | - | - | - | - |
| 7. Increase in shareholders' equity resulted from share-based payments | VII.2 | - | 115,423 | - | - | - | 2,856 | 118,279 | - | 117,805 | - | - | - | 4,333 | 122,138 |
| (IV) Profit distribution | | | | | | | | | | | | | | | |
| 1. Appropriation to surplus reserves | V.42 | - | - | 106,676 | (106,676) | - | - | - | - | - | 92,110 | (92,110) | - | - | - |
| 2. Profit distribution to shareholders | V.43(1) | - | - | - | (1,224,702) | - | (135,657) | (1,360,359) | - | - | - | (931,839) | - | (200,859) | (1,132,698) |
| (V) Effect of functional currency change | | - | - | - | - | - | - | - | - | (462,172) | (716,538) | (551,377) | 1,730,087 | - | - |
| **III.Balance at 31 December** | | 2,662,396 | 930,482 | 3,059,836 | 13,392,795 | (532,333) | 2,603,981 | 22,117,157 | 2,662,396 | 799,261 | 2,953,160 | 12,785,092 | (566,755) | 2,980,518 | 21,613,672 |

The accompanying notes form an integral part of these financial statements.

Legal representative's authorised person     The person in charge of accounting affairs     The head of the accounting department

# Statement of Changes in Shareholders' Equity

| Item | Note | 2012 Share capital | 2012 Capital reserve | 2012 Surplus reserve | 2012 Undistributed profits | 2012 Total shareholders' equity | 2011 Share capital | 2011 Capital reserve | 2011 Surplus reserve | 2011 Undistributed profits | 2011 Difference on translation of foreign currency financial statements | 2011 Total shareholders' equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **I. Balance at 1 January** | | **2,662,396** | **199,322** | **2,953,160** | **1,267,958** | **7,082,836** | 2,662,396 | 852,264 | 3,577,588 | 1,579,889 | (1,533,994) | 7,138,143 |
| **II. Movements for the year** | | | | | | | | | | | | |
| (I) Net profit | | **-** | **-** | **-** | **1,066,761** | **1,066,761** | - | - | - | 921,095 | - | 921,095 |
| (II) Other comprehensive income | XII.23 | **-** | **27,901** | **-** | **-** | **27,901** | - | (149,727) | - | - | - | (149,727) |
| **Sub-total of (I)&(II)** | | **-** | **27,901** | **-** | **1,066,761** | **1,094,662** | - | (149,727) | - | 921,095 | - | 771,368 |
| (III) Capital contribution and withdrawal by owners | | | | | | | | | | | | |
| 1. Increase in shareholders' equity resulted from share-based payment | VII.2 | **-** | **107,036** | **-** | **-** | **107,036** | - | 105,164 | - | - | - | 105,164 |
| (IV) Profit distribution | | | | | | | | | | | | |
| 1. Appropriation to surplus reserves | V.42 | **-** | **-** | **106,676** | **(106,676)** | **-** | - | - | 92,110 | (92,110) | - | - |
| 2. Profit distribution to shareholders | V.43(1) | **-** | **-** | **-** | **(1,224,702)** | **(1,224,702)** | - | - | - | (931,839) | - | (931,839) |
| (V) Effect of functional currency change | | **-** | **-** | **-** | **-** | **-** | - | (608,379) | (716,538) | (209,077) | 1,533,994 | - |
| **III. Balance at 31 December** | | **2,662,396** | **334,259** | **3,059,836** | **1,003,341** | **7,059,832** | 2,662,396 | 199,322 | 2,953,160 | 1,267,958 | - | 7,082,836 |

The accompanying notes form an integral part of these financial statements.

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The head of the accounting department

Financial Statements Prepared in Accordance with China Accounting Standards

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# Notes to the Financial Statements

## I. GENERAL INFORMATION

China International Marine Containers (Group) Co., Ltd. (the "Company"), formerly "China International Marine Containers Co., Ltd.", was a Sino-foreign joint venture set up by China Merchants Group, the East Asiatic Company (Denmark) and Ocean Containers Inc.(USA). In December 1992, as approved by "Shen Fu Ban Fu [1992] 1736" issued by the General Office of the People's Government of Shenzhen and "Shen Ren Yin Fu Zi (1992) 261" issued by Shenzhen Special Economic Zone Branch of People's Bank of China, the Company was restructured as an incorporated company set up by directional subscription and was renamed as "China International Marine Containers Co., Ltd." by the original corporate shareholders of the Company. On 31 December 1993 and 17 January 1994 respectively, the Company issued ordinary shares denominated in Renminbi for domestic investors (A Shares) and for foreign shares issued domestically (B Shares), and commenced trading on Shenzhen Stock Exchange. Pursuant to "Shen Fu Ban Fu [1993] 925" issued by the General Office of the People's Government of Shenzhen and "Shen Zheng Ban Fu [1994] 22" issued by Shenzhen Securities Administration Office. On 1 December 1995, as approved by the State Administration of Industry and Commerce, the Company changed its name to "China International Marine Containers (Group) Co., Ltd".

On 19 December 2012, the Company's B shares changed listing location and went public on the Main Board of the Stock Exchange of Hong Kong through the way of introduction. Henceforth, all the company's B shares converted to overseas listed foreign shares (H shares). Up to 31 December 2012, the share capital of the Company amounted to 2,662,396,051 shares. Please refer to Note V.40 for details of the share capital.

The principal activities of the Company and its subsidiaries (together referred to as the "Group") are the manufacturing of modern transportation facilities, facilities for energy, food, chemistry and rendering of relative services. Detailed activities are the manufacturing and repairing of containers and other relevant business; utilizing the Group's equipment to process and manufacture various parts, structure components and relevant machines; providing cutting, punching, moulding, riveting surface treatment (including sand/paint spraying, welding and assembly) and other processing services; developing, manufacturing and selling of various high-tech and high performance special vehicles and semi-trailers; leasing of containers; developing, production and sales of high-end fuel gas equipments such as pressure container and compressor; providing integrated services for natural gas distribution; production of static container and pot-type wharf equipments and providing EP+CS (engineering procurement and construction supervision) technical service for the storage and processing of LNG, LPG and other petrochemical gases. Apart from the above, the Group is also engaged in manufacturing of logistic equipment and related services, marine projects, railway trucks production and property development, etc.

CIMC Enric Holdings Limited, the subsidiary of the Group, is listed in the Main Board of the Stock Exchange of Hong Kong Limited. The principal activities of the Group are the design, development, manufacturing, engineering and sales of, and the provision of technical maintenance service for, a wide spectrum of transportation, storage and processing equipment that is widely used in energy, chemical and liquid food industries.

These financial statements have been approved for issue by the Company's Board of Directors on 21 March 2013.

# II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

## 1. Basis of preparation

The financial statements were prepared in accordance with the Basic Standard and 38 specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter collectively referred to as "the Accounting Standards for Business Enterprises" or "CAS") and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Rules on Financial Reporting (2010 revised) issued by the China Securities Regulatory Commission.

## 2. Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the year ended 31 December 2012 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Consolidated and the Company as of 31 December 2012 and of their financial performance, cash flows and other information for the year then ended.

## 3. Accounting year

The Company's accounting year starts on 1 January and ends on 31 December.

## 4. Recording currency

Functional currency is determined by the Company and its subsidiaries on the basis of the currency in which major income and costs are denominated and settled.

The functional currency of the Company and its subsidiaries domiciled in PRC are Renminbi. Hong Kong and the overseas subsidiaries use local currencies as their functional currencies. Foreign currencies are defined as currency other than functional currency.

Financial statements of the Company are presented in Renminbi. For subsidiaries using currencies other than Renminbi as their functional currencies, the Company translates the financial statements of these subsidiaries into Renminbi (see Note II.8).

Financial Statements Prepared in Accordance with China Accounting Standards

For the year ended 31 December 2012
(All amounts in RMB'000 unless otherwise stated)
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# II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

## 5. Accounting treatments for business combinations involving enterprises under and those not under common control

### (1) Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities obtained are measured at the carrying amounts as recorded by the enterprise being combined at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination (or the total face value of shares issued) is adjusted to capital premium in the capital reserve. If the balance of the capital premium is insufficient, any excess is adjusted to retained earnings. Any costs directly attributable to the combination shall be recognised in profit or loss for the current period when occurred. The combination date is the date on which one combining enterprise effectively obtains control of the other combining enterprises.

### (2) Business combinations involving enterprises not under common control

A business combination involving enterprises not under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties both before and after the business combination.

Where 1) the aggregate of the fair value at the acquisition date of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds 2) the acquirer's interest in the fair value at the acquisition date of the acquiree's identifiable net assets, the difference is recognised as goodwill (see Note II.18). Where 1) is less than 2), the difference is recognised in profit or loss for the current period. The costs of the issuance of equity or debt securities as a part of the consideration paid for the acquisition are included as a part of initial recognition amount of the equity or debt securities. Other acquisition-related costs arising from the business combination are recognised as expenses in the periods in which the costs are incurred. The difference between the fair value and the carrying amount of the assets transferred is recognised in profit or loss. The acquiree's identifiable asset, liabilities and contingent liabilities, if satisfying the recognition criteria, are recognised by the Group at their fair value at the acquisition date. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

## II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 6. Preparation of consolidated financial statements

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities. In assessing control, potential voting rights, such as warrants and convertible bonds, that are currently exercisable or convertible, are taken into account. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises under common control, the financial statements of the subsidiary are included in the consolidated financial statements as if the combination had occurred at the date that the ultimate controlling party first obtained control. The opening balances and the comparative figures of the consolidated financial statements are also restated. In the preparation of the consolidated financial statements, the subsidiary's assets and liabilities based on their carrying amounts are included in the consolidated balance sheet, and financial performance is included in the consolidated income statement, respectively, from the date that the ultimate parent company of the Company obtains the control of the subsidiary to be consolidated.

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises not under common control, the identifiable assets and liabilities of the acquired subsidiaries are included in the scope of consolidation from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

For a business combination not involving enterprises under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its fair value at the acquisition date. The difference between the fair value and the carrying amount is recognised as investment income for the current period; the amount recognised in other comprehensive income relating to the previously-held equity interest in the acquiree is reclassified as investment income for the current period.

Where the Company acquires a minority interest from a subsidiary's minority shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the amount by which the minority interests are adjusted and the amount of the consideration paid or received is adjusted to the capital reserve (capital surplus) in the consolidated balance sheet. If the credit balance of capital reserve (capital surplus) is insufficient, any excess is adjusted to retained earnings.

When the Group loses control of a subsidiary due to the disposal of a portion of an equity investment, the Group derecognises assets, liabilities, minority interests and other related items in owners' equity in relation to that subsidiary. The remaining equity investment is remeasured at its fair value at the date when control is lost. Any gains or losses therefore incurred are recognised as investment income for the current period when control is lost.

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# II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

## 6. Preparation of consolidated financial statements (Continued)

Minority interest is presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to minority shareholders is presented separately in the consolidated income statement below the net profit line item.

When the amount of loss for the current period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess is allocated against the minority interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

## 7. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## 8. Foreign currency transactions and translation of financial statements denominated in foreign currency

When the Group receives capital in foreign currencies from investors, the capital is translated to functional currency at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to functional currency at the rates that approximate the spot exchange rates at the dates of the transactions.

A spot exchange rate is an exchange rate quoted by the People's Bank of China. A rate that approximates the spot exchange rate is a rate determined under a systematic and rational method, normally the average exchange rate of the current period or the weighted average exchange rate.

Monetary items denominated in foreign currencies are translated to functional currency at the spot exchange rate at the balance sheet date. The resulting exchange differences, except for those arising from the principal and interest of specific foreign currency borrowings for the purpose of acquisition, construction or production of qualifying assets (see Note II.16), are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to functional currency using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the resulting exchange differences are recognised in profit or loss, except for the differences arising from the translation of available-for-sale financial assets, which are recognised as other comprehensive income in capital reserve. The effect of exchange rate changes on cash presented separately in the cash flow statement.

# II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

## 8. Foreign currency transactions and translation of financial statements denominated in foreign currency (Continued)

The assets and liabilities of foreign operation are translated to functional currency at the spot exchange rates at the balance sheet date. The equity items, excluding "Retained earnings", are translated to functional currency at the spot exchange rates at the transaction dates. The income and expenses of foreign operation are translated to functional currency at the rates that approximate the spot exchange rates at the transaction dates. The resulting translation differences are recognised in a separate component of equity. Upon disposal of a foreign operation, the cumulative amount of the translation differences recognised in equity which relates to that foreign operation is transferred to profit or loss in the period in which the disposal occurs. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash presented separately in the cash flow statement.

## 9. Financial instruments

Financial instruments include cash at bank and on hand, derivatives, investments in debt and equity securities other than long-term equity investments (see Note II.12), receivables, payables, loans, borrowings, debentures payable and share capital.

### (1) Recognition and measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

The Group classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs. Subsequent to initial recognition financial assets and liabilities are measured as follows:

– *Financial assets and financial liabilities at fair value through profit or loss (including financial assets or financial liabilities held for trading)*

  A financial asset or financial liability is classified as at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is a derivative, unless the derivative is a designated and effective hedging instrument, or a financial guarantee contract or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured.

  Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss. Interests and cash dividends received during the period in which such financial assets are held, as well as the gains or losses arising from disposal of these assets are recognised in profit or loss for the current period.

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For the year ended 31 December 2012
(All amounts in RMB'000 unless otherwise stated)
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## II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

## 9. Financial instruments (Continued)

### (1) Recognition and measurement of financial assets and financial liabilities (Continued)

– *Receivables*

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method.

– *Available-for-sale financial assets*

Available-for-sale financial assets include non-derivative financial assets that are designated upon initial recognition as available for sales and other financial assets which do not fall into any of the above categories. Available-for-sale financial assets are included in other current assets on the balance sheet if management intends to dispose of them within 12 months after the balance sheet date.

Available-for-sale financial assets are measured at fair value subsequent to initial recognition and changes therein, except for impairment losses and foreign exchange gains and losses from monetary financial assets, which are recognised directly in profit or loss, are recognised as other comprehensive income in capital reserve. When an investment is derecognised, the cumulative gain or loss is reclassified from equity to profit or loss. Interests on available-for-sale investments in debt instruments calculated using the effective interest method during the period in which such investments are held and cash dividends declared by the investee on available-for-sale investments in equity instruments are recognised as investment income, which is recognised in profit or loss for the period.

# II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

## 9. Financial instruments (Continued)

### (1) Recognition and measurement of financial assets and financial liabilities (Continued)

– *Other financial liabilities*

Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities.

Other financial liabilities include payables, borrowings, debentures payable, and the liabilities arising from financial guarantee contracts.

Payables, including accounts payable and other payables, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings and debentures payable are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Financial guarantees are contracts that require the Group (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Where the Group issues a financial guarantee, subsequent to initial recognition, the guarantee is measured at the higher of the amount initially recognised less accumulated amortisation and the amount of a provision determined in accordance with the principles of contingencies (see Note II.21).

### (2) Offsetting a financial asset against a financial liability

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, a financial asset and a financial liability are offset and the net amount presented in the balance sheet when both of the following conditions are satisfied:

– the Group has a legal right to set off the recognised amounts and the legal right is currently enforceable; and

– the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

Financial Statements Prepared in Accordance with China Accounting Standards

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(All amounts in RMB'000 unless otherwise stated)
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## II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

## 9. Financial instruments (Continued)

### (3) Determination of fair value

If there is an active market for a financial asset or financial liability, the quoted price in the active market is used to establish the fair value of the financial asset or financial liability.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, option pricing models, and etc. The Group calibrates the valuation technique and tests it for validity periodically.

### (4) Derecognition of financial assets and financial liabilities

A financial asset is derecognised if the Group's contractual rights to the cash flows from the financial asset expire; if the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or if the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred;
- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in equity.

  The Group derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged, cancelled or expires. The difference between the carrying amount of the financial liability or the derecognised part of the financial liability and the consideration paid is recognised in profit or loss.

# II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

## 9. Financial instruments (Continued)

### (5) Impairment of assets

The carrying amounts of financial assets (other than those at fair value through profit or loss) are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is recognised.

Objective evidences that a financial asset is impaired include but is not limited to evidence arising from the following events:

(a) significant financial difficulty of the issuer or obligor;

(b) a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;

(c) it becoming probable that the borrower will enter bankruptcy or other financial reorganisations;

(d) the disappearance of an active market for that financial asset because of financial difficulties of the issuer;

(e) significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;

(f) a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost. The Group assesses all available-for-sale financial assets on an individual basis at each balance sheet date. Impairment loss should be recognised if the fair value of an equity instrument has is than 50% (50% inclusive) of its initial investment cost or in the case that the fair value has been less than the initial investment cost for more than one year(one year inclusive). The Group will consider other relevant factors, such as the price volatility, to determine whether an impairment loss should be recognised for the equity instrument if the decline in the fair value of an equity instrument is more than 20% (20% inclusive) but less than 50% of its initial investment cost.

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## II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

## 9. Financial instruments (Continued)

### (5) Impairment of assets (Continued)

For the calculation method of impairment of receivables, refer to Note II.10, The impairment of other financial assets are measured as follows:

– *Available-for-sale financial assets*

Available-for-sale financial assets are assessed for impairment on an individual basis. When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that has been recognised directly in equity is reclassified to profit or loss even though the financial asset has not been derecognised.

If, after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. An impairment loss recognised for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

### (6) Equity instrument

An equity instrument is a contract that proves the ownership interest of the assets after deducting all liabilities in the Company.

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity.

Consideration and transaction costs paid by the Company for repurchasing self-issued equity instruments are deducted from shareholders' equity.

# II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

## 10. Receivables

Receivables comprise accounts receivable and other receivables. Accounts receivable arising from sale of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyers or service recipients.

Receivables are assessed for impairment both on an individual basis and on a collective group basis.

Where impairment is assessed on an individual basis, an impairment loss in respect of a receivable is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognised in profit or loss.

The assessment is made collectively where receivables share similar credit risk characteristics (including those having not been individually assessed as impaired), based on their historical loss experiences, and adjusted by the observable figures reflecting present economic conditions.

If, after an impairment loss has been recognised on receivables, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss will not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

### (1) Receivables that are individually significant and impairment provided on an individual basis:

| | |
|---|---|
| Criteria of provision for receivable that are individually significant and impairment provided on an individual basis. | Individually significant receivables are the receivables with the individual amount over RMB10 million (inclusive) or accounting to 5% or more of the total receivables. |
| Method of provision for receivable that are individually significant and impairment provided on an individual basis. | An impairment loss is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. |

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## II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 10. Receivables (Continued)

#### (2) Receivable that are individually insignificant but impairment provided on an individual basis:

| | |
|---|---|
| Criteria of provision for receivables that are individually insignificant but impairment provided on an individual basis. | Within the receivables whose amounts are individually insignificant, impairment is assessed on an individual basis for the overdue receivables unpaid after collection efforts or with unique characteristics. |
| Method of provision for receivable that are individually insignificant but impairment provided on an individual basis. | An impairment loss is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. |

#### (3) Receivables that are assessed for impairment on a collective group basis:

The assessment is made collectively where receivables share similar credit risk characteristics, including those having not been individually assessed as impaired.

| | |
|---|---|
| Determination method of the group based on credit risk characteristics | Accounts receivable are divided into six groups of containers, vehicles, energy and chemistry equipment, offshore engineering, other business, and due from related parties, land lease prepayments and operating deposits according to the industry and business nature of customers and the characteristics of the receivables. As to other groups like due from related parties, land lease prepayments operating deposits, and etc, if the credit risk is assessed low after grouping based on the assessment on credit risk and their historical loss experience, no impairment loss is recognised for those groups. |
| Group 1 | Containers |
| Group 2 | Trailers |
| Group 3 | Tank equipments |
| Group 4 | Other business |

Methods of provision for receivables assessed on a collective group basis (based on an ageing analysis, a percentage of the total balance and others).

| | |
|---|---|
| Containers | Provision is determined based on an ageing analysis. |
| Trailers | Provision is determined based on an ageing analysis. |
| Tank equipments | Provision is determined based on an ageing analysis. |
| Other business | Provision is determined based on an ageing analysis. |

# II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

## 10. Receivables (Continued)

### (3) Receivables that are assessed for impairment on a collective group basis: (Continued)

For the above groups, provision is made based on their respective ageing analysis follows:

| | Percentage of total accounts receivable (%) | | | |
|---|---|---|---|---|
| **Ageing** | **Group 1** | **Group 2** | **Group 3** | **Group 4** |
| Within 1 year (inclusive) | 5% | 1.5-5% | 5% | 5% |
| 1 to 2 years (inclusive) | 30% | 1.5-10% | 30% | 30% |
| 2 to 3 years (inclusive) | 100% | 1.5-30% | 100% | 100% |
| Over 3 years | 100% | 100% | 100% | 100% |

Note: Aforesaid ageing group, the provision of Group 2 is determined based on natural age, while others are determined based on the overdue age.

### (4) When the Group transfers the accounts receivable to the financial institutions without recourse, the difference between the proceeds received from the transaction and their carrying amounts and the related taxes is recognised in profit or loss for the current period.

## 11. Inventories

### (1) Classification

Inventories include raw materials, work in progress, semi-finished goods, finished goods and reusable materials. Reusable materials include low-value consumables, packaging materials and other materials, which can be used repeatedly but do not meet the definition of fixed assets.

### (2) Cost of inventories

Cost of inventories is calculated using the weighted average method.

### (3) The underlying factors in the determination of net realisable values of inventories and basis of provision for decline in value of inventories

Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition. Borrowing costs directly related to the production of qualifying inventories are also included in the cost of inventories (see Note II.16). In addition to the purchasing cost of raw materials, work in progress and finished goods include direct labour costs and an appropriate allocation of production overheads.

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## II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

## 11. Inventories (Continued)

### (3) The underlying factors in the determination of net realisable values of inventories and basis of provision for decline in value of inventories (Continued)

At the balance sheet date, inventories are carried at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the normal course of business less the estimated costs to completion and the estimated expenses and related taxes necessary to make the sale. The net realisable value of materials held for use in the production of inventories is measured based on the net realisable value of the finished goods in which they will be incorporated. The net realisable value of the quantity of inventory held to satisfy sales or service contracts is based on the contract price. If the quantities of inventories specified in sales contracts are less than the quantities held by the Group, the net realisable value of the excess portion of inventories shall be based on general selling prices.

Any excess of the cost over the net realisable value of each class of inventories is recognised in profit or loss as a provision for diminution in the value of inventories.

### (4) Inventory system

The Group maintains a perpetual inventory system.

### (5) Amortisation of reusable material including low-value consumables and packaging material

Reusable materials including low-value consumables and packaging materials are amortised in full when received for use. The amounts of the amortisation are included in the cost of the related assets or profit or loss.

## 12. Long-term equity investments

### (1) Investment cost

*(a) Long-term equity investments acquired through a business combination*

– The initial investment cost of a long-term equity investment obtained through a business combination involving entities under common control is the Company's share of the carrying amount of the subsidiary's equity at the combination date. The difference between the initial investment cost and the carrying amounts of the consideration given is adjusted to share premium in capital reserve. If the balance of the share premium is insufficient, any excess is adjusted to retained earnings.

# II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

## 12. Long-term equity investments (Continued)

### (1) Investment cost (Continued)

*(a) Long-term equity investments acquired through a business combination (Continued)*

– For a long-term equity investment obtained through a business combination not involving enterprises under common control, if it is achieved in stages, the initial cost comprises the carrying value of previously-held equity investment in the acquiree immediately before the acquisition date, and the additional investment cost at the acquisition date; if it is achieved otherwise, the initial investment cost comprises the aggregate of the fair value of assets transferred, liabilities incurred or assumed, and equity securities issued by the Company, in exchange for control of the acquiree.

*(b) Long-term equity investments acquired otherwise than through a business combination*

– An investment in a subsidiary acquired otherwise than through a business combination is initially recognised at actual payment cost if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities, or at the value stipulated in the investment contract or agreement if an investment is contributed by shareholders.

### (2) Subsequent measurement

*(a) Investments in subsidiaries*

In the Company's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method. Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income irrespective of whether these represent the net profit realised by the investee before or after the investment. The investments in subsidiaries are stated in the balance sheet at cost less impairment losses.

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in Note II. 6.

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## II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 12. Long-term equity investments (Continued)

### (2) Subsequent measurement (Continued)

*(b) Investment in jointly controlled enterprises and associates*

A jointly controlled enterprise is an enterprise which operates under joint control (see Note II.12(3)) in accordance with a contractual agreement between the Group and other parties.

An associate is an enterprise over which the Group has significant influence (see Note II.12(3)).

An investment in a jointly controlled enterprise or an associate is subsequently accounted for using the equity method, unless the investment is classified as held for sale (see Note II.28).

The Group makes the following accounting treatments when using the equity method:

– Where the initial investment cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the initial investment cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is charged to profit or loss.

– After the acquisition of the investment, the Group recognises its share of the investee's profit or loss after deducting the amortisation of the debit balance of equity investment difference, which was recognised by the Group before the first-time adoption of CAS, as investment income or losses, and adjusts the carrying amount of the investment accordingly. The debit balance of the equity investment difference is amortised using the straight-line method over the period of 10 years in accordance with previous accounting standards. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by that amount attributable to the Group.

# II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

## 12. Long-term equity investments (Continued)

### (2) Subsequent measurement (Continued)

*(b) Investment in jointly controlled enterprises and associates (Continued)*

– The Group recognises its share of the investee's net profits or losses after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair values of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates or jointly controlled enterprises are eliminated to the extent of the Group's interest in the associates or jointly controlled enterprises. Unrealised losses resulting from transactions between the Group and its associates or jointly controlled enterprises are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

– The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the associate or the jointly controlled enterprise is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. Where net profits are subsequently made by the associate or jointly controlled enterprise, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

– The Group adjusts the carrying amount of the long-term equity investment for changes in owners' equity of the investee other than those arising from net profits or losses, and recognises the corresponding adjustment in equity.

*(c) Other long-term equity investments*

Other long-term equity investments refer to investments where the Group does not have control, joint control or significant influence over the investees, and the investments are not quoted in an active market and their fair value cannot be reliably measured.

Such investments are initially recognised at the cost determined in accordance with the same principles as those for jointly controlled enterprises and associates, and then accounted for using the cost method. Cash dividends or profit distributions declared by subsidiaries and attributed to the Company shall be recognised as investment income irrespective of whether these represent the net profit realised by the investee before or after the investment, except those that have been declared but unpaid at the time of acquisition and therefore included in the price paid or the consideration.

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# II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

## 12. Long-term equity investments (Continued)

### (3) Basis for determining the existence of joint control or significant influence over an investee

Joint control is the contractual agreed sharing of control over an investee's economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control. The following evidences shall be considered when determining whether the Group can exercise joint control over an investee:

– no single venturer is in a position to control the operating activities unilaterally;

– operating decisions relating to the investee's economic activity require the unanimous consent of the parties sharing the control;

– if the parties sharing the control appoint one venturer as the operator or manager of the joint venture through the contractual arrangement, the operator must act within the financial and operating policies that have been agreed by the venturers in accordance with the contractual arrangement.

Significant influence is the power to participate in the financial and operating policy decisions of an investee but is not control or joint control over those policies. The following one or more evidences shall be considered when determining whether the Group can exercise significant influence over an investee:

– representation on the board of directors or equivalent governing body of the investee;

– participation in policy-making processes;

– material transactions between the investor and the investee;

– interchange of managerial personnel;

– provision of essential technical information

### (4) Method of impairment testing and measuring

For the method of impairment testing and measuring for subsidiaries, jointly controlled enterprises and associates, refer to Note II.20.

For other long-term equity investments, the carrying amount is required to be tested for impairment at the balance sheet date. If there is objective evidence that the investments may be impaired, the impairment shall be assessed on an individual basis. The impairment loss is measured as the amount by which the carrying amount of the investment exceeds the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed. The other long-term equity investments are stated at cost less impairment losses in the balance sheet.

## II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 13. Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are accounted for using the cost model and stated in the balance sheet at cost less accumulated depreciation, amortisation and impairment losses. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognized in profit or loss in the period in which they are incurred. An investment property is depreciated or amortised, less its estimated residual value, using the straight line method over its estimated useful life, unless the investment properties are classified as held for sale (see Note II.28). For the method of impairment testing and measuring, refer to Note II.20.

The useful lives, residual value rate and depreciation/amortisation rate of each class of investment properties are as follows:

| | Useful life | Residual value rate(%) | Depreciation/ Amortisation rate (%) |
|---|---|---|---|
| Land use rights | 29 – 50 years | – | 2 – 3.4% |
| Plant and buildings | 20 – 30 years | 10% | 3 – 4.5% |

When an investment property is transferred to owner-occupied properties, it is reclassified as fixed asset or intangible asset at the date of the transfer. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as investment properties at its carrying amount at the date of the transfer.

The investment property's estimated useful life, net residual value and depreciation (amortisation) method applied are reviewed and adjusted as appropriate at each year-end.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

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## II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 14. Fixed assets

#### (1) Recognition

Fixed assets represent the tangible assets held by the Group for use in the production of goods or supply of services, for rental to others or for operation and administrative purposes with useful lives over one year.

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets is measured in accordance with the policy set out in Note II.15.

Where parts of an item of fixed asset have different useful lives or provide benefits to the Group in different patterns thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

The subsequent costs including the cost of replacing part of an item of fixed assets are recognised in the carrying amount of the item if the to recognise fixed assets criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of fixed assets are recognised in profit or loss as incurred.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

# II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

## 14. Fixed assets (Continued)

### (2) Depreciation

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives, unless the fixed asset is classified as held for sale (see Note II.28). For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives. The estimated useful lives, residual values and depreciation rates of each class of fixed assets are as follows:

| Classes | Residual Period (years) | Depreciation value rate | Depreciation rate |
|---|---|---|---|
| Plants and buildings | 20 – 30 years | 10% | 3 – 4.5% |
| Machinery and equipment | 10 -12 years | 10% | 7.5 -9% |
| Office and other equipment | 3 – 5 years | 10% | 18% |
| Motor vehicles | 5 years | 10% | 18% |
| Dock, wharf | 50 years | 10% | 1.8% |
| Offshore engineering equipment | 15 – 30 years | 10% | 3 – 6% |

Useful lives, residual value and depreciation methods are reviewed at least at each year-end.

### (3) For the method of impairment testing and measuring, refer to Note II.20.

### (4) Basis for identification of fixed assets held under finance leases and related measurement

For criteria of recognition and method of measuring for fixed assets under a finance lease, refer to Note II 27(3).

### (5) Disposal

The carrying amount of a fixed asset shall be derecognized:

- on disposal; or
- when no future economic benefits are expected to be generated from its use or disposal.

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

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## II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 15. Construction in progress

Construction in progress is measured at actual cost. The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs (see Note II.16), and any other costs directly attributable to bringing the asset to working condition for its intended use.

A self-constructed asset is included in construction in progress before it is transferred to fixed asset when it is ready for its intended use. No depreciation is provided against construction in progress. Construction in progress is stated in the balance sheet at cost less impairment losses (see Note II.20).

### 16. Borrowing costs

Borrowing costs incurred directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset.

Except for the above, other borrowing costs are recognised as financial expenses in the income statement when incurred.

During the capitalisation period, the amount of interest (including amortisation of any discount or premium on borrowing) to be capitalised in each accounting period is determined as follows:

– Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of interest to be capitalised is the interest expense calculated using effective interest rates during the period less any interest income earned from depositing the borrowed funds or any investment income on the temporary investment of those funds before being used on the asset.

– Where funds are borrowed generally and used for the acquisition, construction or production of a qualifying asset, the amount of interest to be capitalised on such borrowings is determined by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditures on the asset over the above amounts of specific borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

The effective interest rate is determined as the rate that exactly discounts estimated future cash flow through the expected life of the borrowing or, when appropriate, a shorter period to the initially recognised amount of the borrowings.

During the capitalisation period, exchange differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency are capitalised as part of the cost of the qualifying asset. The exchange differences related to the principal and interest on foreign currency borrowings other than a specific-purpose borrowing are recognised as a financial expense in the period in which they are incurred.

# II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

## 16. Borrowing costs (Continued)

The capitalisation period is the period from the date of commencement of capitalisation of borrowing costs to the date of cessation of capitalisation, excluding any period over which capitalisation is suspended. Capitalisation of borrowing costs commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities of acquisition, construction or production that are necessary to prepare the asset for its intended use or sale are in progress, and ceases when the assets become ready for their intended use or sale. Capitalisation of borrowing costs is suspended when the acquisition, construction or production activities are interrupted abnormally and the interruption lasts over three months.

## 17. Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note II.20). For an intangible asset with finite useful life, its cost less residual value and impairment loss is amortised on the straight-line method or other more appropriate methods that can reflect the pattern in which the asset's economic benefits are expected to be realised over its estimated useful life, unless the intangible asset is classified as held for sale (see Note II.28).

The respective amortisation periods for such intangible assets are as follows:

| | Amortisation periods (years) |
|---|---|
| Land use rights | 20 - 50 |
| Maritime space use rights | 40 - 50 |
| Technological know-how and trademarks | 5 - 10 |
| Timber concession rights | 20 |
| Customer relationships | 3 - 8 |
| Customer contracts | 3 - 4 |

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group. At the balance sheet date, the Group does not have any intangible assets with indefinite useful lives.

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## II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 17. Intangible assets (Continued)

Expenditures on an internal research and development project are classified into expenditures on the research phase and expenditures on the development phase. Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products or processes before the start of commercial production or use.

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at end of the project.

Expenditure on the research phase is recognised in profit or loss in the period in which it is incurred. Expenditure on the development phase is capitalised only if all of the following conditions are satisfied:

– it is technically feasible to complete the intangible asset so that it will be available for use or sale;

– management intends to complete the intangible asset, and to use or sell it;

– it can be demonstrated how the intangible asset will generate economic benefits;

– there are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and the expenditure attributable to the intangible asset during its development phase can be reliably measured.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

### 18. Goodwill

Goodwill represents the excess of cost of acquisition over the acquirer's interest in the fair value of the identifiable net assets of the acquiree under the business combination involving entities not under common control.

Goodwill is not amortised and is stated at cost less accumulated impairment losses (see Note II.20). On disposal of an asset group or a set of asset groups, any attributable amount of purchased goodwill is written off and included in the calculation of the profit or loss on disposal.

## II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 19. Long-term prepaid expenses

Long-term prepaid expenses are amortised on a straight-line method within the beneficial period:

| Item | Amortisation period |
|---|---|
| Water and electricity capacity enlargement expenses | 5 to 10 years |
| Rental | 2 to 10 years |
| Others | 5 to 10 years |

### 20. Impairment of assets other than inventories, financial assets and other long-term investments

Fixed assets, construction in progress, intangible assets with finite useful lives, investment properties measured using the cost model and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying value of goodwill is allocated to the related asset groups or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset groups or groups of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

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## II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 21. Provisions and contingent liabilities

Provisions for product warranties, onerous contracts etc. are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

In terms of a possible obligation resulting from a past transaction or event, whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events or a present obligation resulting from a past transaction or event, where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow cannot be estimated reliably, the possible or present obligation is disclosed as a contingent liability.

### 22. Share-based payments

#### (1) Classification

Share-based payment transactions in the Group are classified as equity-settled share-based payments and cash-settled share-based payments.

#### (2) Method to determine the fair value of equity instruments

Fair value of stock option is estimated based on binomial lattice model. Contract term of the stock option is used as the input variable of this model. And the binomial lattice model includes estimation of early execution of the option. The following factors are taken into account when using the binomial lattice model: (1) exercise price of the option; (2) vesting period; (3) current price of basic stocks; (4) expected fluctuation of stocks; (5) expected dividends of stocks; (6) risk-free rate within the option term

# II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

## 22. Share-based payments (Continued)

### (3) Basis of the best estimate of the number of equity instruments expected to vest

At each balance sheet date during the vesting period, the Group makes the best estimation according to the latest information of the number of employees who are granted to vest and revises the number of equity instruments expected to vest. On vesting date, the estimate shall be equal to the number of equity instruments that ultimately vested.

### (4) Accounting treatment for share-based payment

– *Equity-settled share-based payments*

Where the Group uses shares or other equity instruments as consideration for services received from the employees, the payment is measured at the fair value of the equity instruments granted to the employees at the grant date. If the equity instruments granted to employees vest immediately, the fair value of the equity instruments granted is, on grant date, recognised as relevant cost or expenses with a corresponding increase in capital reserve. If the equity instruments granted to employees do not vest until the completion of services for a vesting period, or until the achievement of a specified performance condition, the Group, at each balance sheet date during the vesting period, makes the best estimation according to the latest information of the number of employees who are granted to vest and revises the number of equity instruments expected to vest. Based on the best estimation, the Group recognises the services received for the current period as related costs or expenses, with a corresponding increase in capital reserve, at an amount equal to the fair value of the equity instruments at the grant date.

– *Cash-settled share-based payments*

Where the Group receives services from employees by incurring a liability to deliver cash or other assets for amounts that are determined based on the price of shares or other equity instruments, the service received from employees is measured at the fair value of the liability incurred. If the rights under a cash-settled share-based payment do not vest until the completion of services for a vesting period, or until the achievement of a specified performance condition, the Group, at each balance sheet date during the vesting period, recognises the services received for the current period as related costs or expenses, with a corresponding increase in liability, at an amount equal to the fair value of the liability based on the best estimate of the outcome of vesting.

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## II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 23. Revenue recognition

Revenue is the gross inflow of economic benefit in the periods arising in the course of the Group's ordinary activities when the inflows result in increase in shareholders' equity, other than increase relating to contributions from shareholders. Revenue is recognised in profit or loss when it is probable that the economic benefits will flow to the Group, the revenue and costs can be measured reliably and the following respective conditions are met.

#### (1) Sale of goods

Revenue from sale of goods is recognised when all of the general conditions stated above and following conditions are satisfied:

– The significant risks and rewards of ownership of goods have been transferred to the buyer;

– The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Revenue from the sale of goods is measured at the fair value of the considerations received or receivable under the sales contract or agreement.

#### (2) Rendering of services

Revenue from rendering of services is measured at the fair value of the considerations received or receivable under the contract or agreement.

At the balance sheet date, where outcome of a transaction involving the rendering of services can be estimated reliably, revenue from the rendering of services is recognised by reference to the stage of completion of the transaction based on the progress of work performed.

Where outcome of rendering of services cannot be estimated reliably, if the costs incurred are expected to be recoverable, revenues are recognised to the extent that the costs incurred that are expected to be recoverable, and an equivalent amount is charged to profit or loss as service cost; if the costs incurred are not expected to be recoverable, the costs incurred are recognised in profit or loss and no service revenue is recognised.

# II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

## 23. Revenue recognition (Continued)

### (3) Revenue from construction contracts

Where the outcome of a construction contract can be estimated reliably, contract revenue and contract expenses associated with the construction contract are recognised at the balance sheet date using the percentage of completion method.

The stage of completion of a contract is determined based on completion of a physical proportion of the contract work.

When the outcome of a construction contract cannot be estimated reliably:

– If the contract costs can be recovered, revenue is recognised to the extent of contract costs incurred that can be recovered, and the contract costs are recognised as contract expenses when incurred;

– If the contract costs cannot be recovered, the contract costs are recognised as contract expenses immediately when incurred, and no contract revenue is recognized.

Construction contract revenue includes initial revenue stipulated by contract and increased amount generated by contract alteration.

Increased amount cannot be recognized as contract revenue unless the following contract alteration terms are all satisfied:

– Client accepts and confirms the increased amount generated by contract alteration;

– Increased amount can be reliably measured.

Contract anticipated loss is recognised when estimated total construction contract cost exceeds contract revenue. Provision should be made for contract anticipated loss and charged into profit and losses for the current period.

### (4) Transfer of asset use rights

Interest income is recognised on a time proportion basis with reference to the principal outstanding and the applicable effective interest rate.

Income from an operating lease is recognised on a straight-line basis over the period of the lease.

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## II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 24. Employee benefits

Employee benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, labour union funds, employee education funds and other expenditures incurred in exchange for service rendered by employees. Except for termination benefits, employee benefits are recognised as a liability in the period in which the associated services are rendered by employees, with a corresponding increase in the cost of relevant assets or expenses in the current period.

### (a) Social insurance and housing fund

Pursuant to the relevant laws and regulations of the PRC, employees of the Group participate in the social insurance system established and managed by government organisations. The Group makes social insurance contributions – including contributions to basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and etc. – as well as contributions to housing fund. Based on salaries of the employees, basic pensions insurance is provided for monthly according to stipulated proportions (10% to 22%) and not exceeding the stipulated upper limit, which is paid to local labour and social security institutions. The social insurance and housing fund contributions are recognised as part of the cost of assets or charged to profit or loss on an accrual basis. Except for the above contributions, the Group does not have any other obligations in this respect.

### (b) Termination benefits

When the Group terminates the employment relationship with employees before the employment contracts expire, or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision for the termination benefits provided is recognised in profit or loss when both of the following conditions have are satisfied:

– The Group has a formal plan for the termination of employment or has made an offer to employees for voluntary redundancy, which will be implemented shortly;

– The Group is not allowed to withdraw from termination plan or redundancy offer unilaterally.

# II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

## 25. Government grants

Government grants are transfers of monetary assets or non-monetary assets from the government to the Group at nil consideration except for the capital contribution from the government as an investor in the Group, including refund of taxes and financial subsidies, etc.. Special funds such as investment grants allocated by the government, if clearly defined in official documents as part of "capital reserve" are dealt with as capital contributions, and not regarded as government grants.

A government grant is recognised when the conditions attached to it can be complied with and the government grant can be received.

If a government grant in the form of transfer of monetary assets, the grant is measured at the amount received or receivable. For a government grant in the form of transfer of non-monetary assets, it is measured at fair value; if the fair value is not reliably determinable, the grant is measured at nominal amount.

A government grant related to an asset is recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. Government grants measured at nominal amounts are recognised immediately in profit or loss for the current period. For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred by the Group in the subsequent periods, the grant is recognised as deferred income, and included in profit or loss over the periods in which the related costs are recognised; where the grant is a compensation for related expenses or losses already incurred by the Group, the grant is recognised immediately in profit or loss for the current period.

## 26. Deferred tax assets and deferred tax liabilities

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carry forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or tax loss). No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill.

At the balance sheet date, the amount of deferred tax recognised is measured based on the expected manner of recovery or settlement of the carrying amount of the assets and liabilities, using tax rates that are expected to be applied in the period when the asset is recovered or the liability is settled in accordance with tax laws.

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## II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 26. Deferred tax assets and deferred tax liabilities (Continued)

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilised. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognized.

At the balance sheet date, deferred tax assets and liabilities are offset if all the following conditions are met:

– the taxable entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

– they relate to income taxes levied by the same tax authority on either the same taxable entity; or different taxable entities which either intend to settle the current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### 27. Operating and finance leases

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

#### (1) Operating lease charges

Rental payments under operating leases are recognised as costs or expenses on a straight-line basis over the lease term.

# II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

## 27. Operating and finance leases (Continued)

### (2) Assets leased out under operating leases

Fixed assets leased out under operating leases, except for investment properties (see Note II.13) are depreciated in accordance with the Group's depreciation policies described in Note II.14(2). Impairment losses are provided for in accordance with the accounting policy described in Note II.20. Other leased out assets under operating leases are amortised using the straight-line method. Income derived from operating leases is recognised in the income statement using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Otherwise, the costs are charged to profit or loss immediately.

### (3) Assets acquired under finance leases

When the Group acquires an asset under a finance lease, the asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, each determined at the inception of the lease. At the commencement of the lease term, the minimum lease payments are recorded as long-term payables. The difference between the value of the leased assets and the minimum lease payments is recognised as unrecognised finance charges. Initial direct costs that are attributable to a finance lease incurred by the Group are added to the amounts recognised for the leased asset. Depreciation and impairment losses are accounted for in accordance with the accounting policies described in Notes II.14(2) and II.20, respectively.

If there is a reasonable certainty that the Group will obtain ownership of a leased asset at the end of the lease term, the leased asset is depreciated over its estimated useful life. Otherwise, the leased asset is depreciated over the shorter of the lease term and its estimated useful life.

Unrecognised finance charge under finance lease is amortised using an effective interest method over the lease term. The amortisation is accounted for in accordance with principles of borrowing costs (see Note II.16).

At the balance sheet date, long-term payables arising from finance leases, net of the unrecognised finance charges, are presented as long-term payables or non-current liabilities due within one year, respectively, in the balance sheet.

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## II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

## 27. Operating and finance leases (Continued)

### (4) Assets leased out under finance leases

At the commencement of the lease term, the Group recognises the aggregate of the minimum lease receipts determined at the inception of a lease and the initial direct costs as finance lease receivable. The difference between the aggregate of the minimum lease receipts, the initial direct costs, and the aggregate of their present value is recognised as unearned finance income.

Unearned finance income is allocated to each accounting period during the lease term using the effective interest method. At the balance sheet date, finance lease receivables, net of unearned finance income, are presented as long-term receivables or non-current assets due within one year, respectively in the balance sheet.

## 28. Assets held for sale

A held-for-sale asset is classified as held for sale when the Group has made a decision and signed a non-cancellable agreement on the transfer of the asset with the transferee, and the transfer is expected to be completed within one year. Such non-current assets may be fixed assets, intangible assets, and investment properties subsequently measured using the cost model, long-term equity investment etc. but not include financial assets and deferred tax assets. Non-current assets held for sale are stated at the lower of carrying amount and net realisable value. Any excess of the carrying amount over the net realisable value is recognised as impairment loss. At balance sheet date, non-current assets held for sale are presented under Other current assets.

## 29. Hedge accounting

Hedge accounting is a method which recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item in the same accounting period(s).

Hedged items are the items that expose the Group to risks of changes in fair value or future cash flows and that are designated as being hedged. The Group's hedged item include a forecast transaction that is settled with a fixed amount of foreign currency and expose the Group to foreign currency risk.

A hedging instrument is a designated derivative whose changes in fair value or cash flows are expected to offset changes in the fair value or cash flows of the hedged item. For a hedge of foreign currency risk, a non-derivative financial asset or non-derivative financial liability may also be used as a hedging instrument.

The hedge is assessed by the Group for effectiveness on an ongoing basis and judged whether it has been highly effective throughout the accounting periods for which the hedging relationship was designated. A hedge is regarded as highly effective if both of the following conditions are satisfied:

# II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

## 29. Hedge accounting (Continued)

- at the inception and in subsequent periods, the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated;

- the actual results of offsetting are within a range of 80% to 125%.

### Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in shareholders' equity as a separate component. That effective portion is adjusted to the lesser of the following in absolute amounts:

- the cumulative gain or loss on the hedging instrument from inception of the hedge;

- The cumulative change in present value of the expected future cash flows on the hedged item from inception of the hedge.

The portion of the gain or loss on the hedging instrument that is determined to be an ineffective hedge is recognised in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is removed from shareholders' equity and recognised in profit or loss in the same period during which the financial asset or financial liability affects profit or loss. However, if the Group expects that all or a portion of a net loss recognised directly in shareholders' equity will not be recovered in future accounting periods, it reclassifies into profit or loss the amount that is not expected to be recovered.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is removed from equity and recognised in profit or loss in the same period during which the financial asset or financial liability affects profit or loss. However, if the Group expects that all or a portion of a net loss recognised directly in shareholders' equity will not be recovered in future accounting periods, it reclassifies into profit or loss the amount that is not expected to be recovered.

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is removed from shareholders' equity and recognised in profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

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## II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 29. Hedge accounting (Continued)

When a hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting, the Group will discontinue the hedge accounting treatments prospectively. In this case, the gain or loss on the hedging instrument that remains recognised directly in shareholders' equity from the period when the hedge was effective shall not be reclassified into profit or loss and is recognised in accordance with the above policy when the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the gain or loss on the hedging instrument that remains recognised directly in shareholders' equity from the period when the hedge was effective shall be reclassified into profit or loss immediately.

### 30. Dividend distribution

Cash dividend is recognised as a liability for the period in which the dividend is approved by the shareholders' meeting.

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the balance sheet date, are not recognised as a liability at the balance sheet date but disclosed in the notes separately.

### 31. Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties of the Group. Related parties of the Group and the Company include, but are not limited to:

(a) the Company's parent;

(b) the Company's subsidiaries;

(c) enterprises that are controlled by the Company's parent;

(d) investors that have joint control or exercise significant influence over the Group;

(e) enterprises or individuals if a party has control, joint control over both the enterprises or individuals and the Group;

(f) joint ventures of the Group, including subsidiaries of joint ventures;

(g) associates of the Group, including subsidiaries of associates;

(h) principal individual investors and close family members of such individuals;

(i) key management personnel of the Group and close family members of such individuals;

# II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

## 31. Related parties (Continued)

(j) key management personnel of the Company's parent and close family members of such individuals; and

(k) close family members of key management personnel of the Company's parent; and

(l) other enterprises that are controlled or jointly controlled by principal individual investors, key management personnel of the Group, and close family members of such individuals.

Besides the related parties stated above determined in accordance with the requirements of CAS, the following enterprises and individuals are considered as (but not restricted to) related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC:

(m) enterprises or persons that act in concert that hold 5% or more of the Company's shares;

(n) individuals and close family members of such individuals who directly or indirectly hold 5% or more of the Company's shares, supervisors for listed companies and their close family members;

(o) enterprises that satisfy any of the aforesaid conditions in (a), (c) and (m) during the past 12 months or will satisfy them within the next 12 months pursuant to a relevant agreement;

(p) individuals who satisfy any of the aforesaid conditions in (i), (j) and (n) during the past 12 months or will satisfy them within the next 12 months pursuant to a relevant agreement; and

(q) enterprises, other than the Company and subsidiaries controlled by the Company, which are controlled directly or indirectly by an individual defined in (i), (j), (n) or (p), or in which such an individual assumes the position of a director or senior executive.

## 32. Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that meets the following conditions:

– It engages in business activities from which it may earn revenues and incur expenses;

– Its financial performance are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance;

– The Group is able to obtain its financial information regarding financial position, financial performance and cash flows, etc.

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## II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 32. Segment reporting (Continued)

Two or more operating segments may be aggregated into a single operating segment if the segments have same or similar economic characteristics, and are similar in respect of the following aspects:

– the nature of each product and service;

– the nature of production processes;

– the type or class of customers for the products and services;

– the methods used to distribute the products or provide the services;

– the legal and regulatory impact on manufacturing of products and rendering of services.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

### 33. Critical accounting estimates and judgments

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Notes V.17, VII and XI.3 contain information about the assumptions and their risk factors relating to impairment of goodwill, share-based payments and fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

### (1) Impairment of receivables

As described in Note II.10, receivables that are measured at amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is recognised. Objective evidence of impairment includes observable data that comes to the attention of the Group about loss events such as a significant decline in the estimated future cash flow of an individual debtor or the portfolio of debtors, and significant changes in the financial condition that have an adverse effect on the debtor. If there has been a change in the factors used to determine the provision for impairment which indicates that the value of the receivables has recovered, the impairment loss recognised in prior years is reversed.

# II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

## 33. Critical accounting estimates and judgments (Continued)

### (2) Provision for diminution in value of inventories

As described in Note II.11, the net realisable value of inventories is under management's regular review, and as a result, provision for diminution in value of inventories is recognised for the excess of inventories' carrying amounts over their net realisable value. When making estimates of net realisable value, the Group takes into consideration the use of inventories held on hand and other information available to form the underlying assumptions, including the inventories' market prices and the Group's historical operating costs. The actual selling price, the costs of completion and the costs necessary to make the sale and relevant taxes may vary based on the changes in market conditions and product saleability, manufacturing technology and the actual use of the inventories, resulting in the changes in provision for diminution in value of inventories. The net profit or loss may then be affected in the period when the provision for diminution in value of inventories is adjusted.

### (3) Impairment of assets except inventories, financial assets and other long-term equity investment

As described in Note II.20, assets such as fixed assets, intangible assets and investment properties are reviewed at each balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is recognized.

The recoverable amount of an asset (asset group) is the greater of its fair value less costs to sell and its present value of expected future cash flows. Since a market price of the asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing value in use, significant judgements are exercised over the asset's production, selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the production, selling price and related operating expenses based on reasonable and supportable assumption.

### (4) Depreciation and amortisation of assets such as fixed assets, intangible assets and investment properties

As described in Note II.13, 14 and 17, investment properties, fixed assets and intangible assets are depreciated and amortised over their useful lives after taking into account residual value. The useful lives of the assets are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The useful lives of the assets are determined based on historical experiences of similar assets and the estimated technical changes. If there have been significant changes in the factors used to determine the depreciation or amortisation, the rate of depreciation or amortisation is revised prospectively.

### (5) Warranty provisions

As described in Note V.33, the Group makes provisions under the warranties it gives on the sale of its products based mainly on the Group's recent claim experience. Because it is possible that the recent claim experience may not be indicative of future claims that the Group will receive in respect of past sales, a considerable level of management's judgement is required and exercised to estimate the provision. Any increase or decrease in the provision will affect profit or loss in future years.

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## II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

## 33. Critical accounting estimates and judgments (Continued)

### (6) Construction contract

As described in Note II.23, contract revenue and contract profit are recognised based on the stage of completion of a contract which is determined with reference to the proportion of the physical construction work completed to the total estimated construction work. Where a contract is completed substantially and its contract revenue and contract expenses to completion can be reliably measured, the Group estimates contract revenue and contract expenses with reference to its recent construction experience and the nature of the construction contracts. For a contract that is not completed substantially, contract revenue that should be recognised based on its stage of completion, is not recognised and disclosed in the financial statements. Therefore, at the balance sheet date, actual total contract revenue and total contract cost may be higher or lower than the estimated total contract revenue and total contract cost and any change of estimated total contract revenue and total contract cost may have financial impact on future profit or loss.

### (7) Income taxes

The Group is subject to income taxes in numerous jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

## III. TAXATION

### 1. Main taxes categories and rates

| Types of tax | Taxable base | Tax rate |
|---|---|---|
| Value added tax (VAT)(a) | The output VAT calculated based on taxable income from sales of goods and rendering of service according to related tax laws, after subtracting the deductable input VAT of the period, is VAT payable | 6%, 11% and 17% |
| Business tax(a) | Taxable operating income | 3-5% |
| Urban maintenance and construction tax | Business tax payable and VAT payable | 7% |
| Income tax | Taxable income | Note1 |
| The Netherlands/Australia service tax rate | Calculated based on revenue arising from sales of goods or rendering of service, less deductible or refundable taxes for purchase of goods | 10-19% |

(a) Pursuant to "Circular on Printing and Issuing the Pilot Proposals for the Change from Business Tax to Value-Added Tax"(Cai Shui[2011]No.110), "Circular on the Launch of Pilot for the Chang from Business Tax to Value-Added Tax in Shanghai in the transportation industry and modern service industry (Cai Shui[2011]No.111) and "Circular on the Launch of Pilot for the Chang from Business Tax to Value-Added Tax in Beijing and other 7 regions in the transportation industry and some modern service industries" (Cai Shui[2012]No.71) issued by the Ministry of Finance and the State Administration of Taxation, incomes from transportation industry and some modern service industries (including logistics support service and tangible movable property leasing) of the subsidiaries registered in Shanghai, Beijing, Tianjin, Jiangsu, Anhui, Zhejiang (including Ningbo), Fujian (including Xiamen), Hubei, Guangdong (including Shenzhen) are applicable to VAT since 1 January 2012, with tax rate of 11%, 6% and 17%.

Note 1: The income tax rates applicable to the Company and significant subsidiaries for the year are as follows:

| | **2012** | 2011 |
|---|---|---|
| The Company | **25%** | 24% |
| Subsidiaries registered in China | **12.5-25%** | 12.5-25% |
| Subsidiaries registered in Hong Kong | **16.5%** | 16.5% |
| Subsidiaries registered in British Virgin Islands | **–** | – |
| Subsidiary registered in Suriname | **36%** | 36% |
| Subsidiary registered in Cambodia | **20%** | 20% |
| Subsidiary registered in US | **15-35%** | 15-35% |
| Subsidiary registered in Germany | **31.6%** | 31.6% |
| Subsidiary registered in Britain | **28%** | 28% |
| Subsidiary registered in Australia | **30%** | 30% |
| Subsidiary registered in the Netherlands | **25.5%** | 25.5% |
| Subsidiary registered in Belgium | **34%** | 34% |
| Subsidiary registered in Denmark | **25%** | 25% |
| Subsidiary registered in Finland | **26%** | 26% |
| Subsidiary registered in Poland | **19%** | 19% |
| Subsidiary registered in Thailand | **30%** | 30% |
| Subsidiary registered in Singapore | **17%** | 17% |

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# III. TAXATION (CONTINUED)

## 2. Preferential tax treatments

The Group's subsidiaries that are entitled to preferential tax treatments are as follows:

| | Name of enterprises | Local statutory tax rate | Preferential rate | Reasons |
|---|---|---|---|---|
| 1 | Shenzhen CIMC – Tianda Airport Support Co., Ltd. | 25% | 15% | Recognised as high-tech enterprises, in 2010 entitled to 15% preferential rate |
| 2 | Shanghai CIMC Yangshan Logistics Equipment Co., Ltd. | 25% | 12.5% | Entitled to tax holiday of "two-year exemption and three-year reduction", and 2012 is the fifth profit making year |
| 3 | Tianjin CIMC Special Vehicle Co., Ltd. | 25% | 12.5% | Entitled to tax holiday of "two-year exemption and three-year reduction", and 2012 is the fifth profit making year |
| 4 | CIMC SHAC (Xi'An) Special Vehicle Co., Ltd. | 25% | 12.5% | Entitled to tax holiday of "two-year exemption and three-year reduction", and 2012 is the fifth profit making year |
| 5 | Shenzhen CIMC Intelligent Technology Co., Ltd. | 25% | 15% | Recognised as high-tech enterprises, in 2011 entitled to 15% preferential rate |
| 6 | Inner Mongolia Hulunbuir CIMC Wood Co., Ltd. | 25% | 12.5% | Entitled to tax holiday of "two-year exemption and three-year reduction", and 2012 is the fifth profit making year |
| 7 | Tianjin CIMC Containers Co., Ltd. | 25% | 12.5% | Entitled to tax holiday of "two-year exemption and three-year reduction", and 2012 is the fifth profit making year |
| 8 | Shanghai CIMC Yangshan Container Service Co.,Ltd. | 25% | 12.5% | Entitled to tax holiday of "two-year exemption and three-year reduction", and 2012 is the fifth profit making year |
| 9 | Zhangjiagang CIMC Sanctum Cryogenic Equipment Co., Ltd. | 25% | 15% | Recognised as high-tech enterprises, in 2010 entitled to 15% preferential rate |
| 10 | Zhumadian CIMC Huajun Vehicle Co., Ltd. | 25% | 15% | Recognised as high-tech enterprises, in 2010 entitled to 15% preferential rate |
| 11 | Yangzhou Tonglee Reefer Container Co., Ltd. | 25% | 12.5% | Entitled to tax holiday of "two-year exemption and three-year reduction", and 2012 is the fifth profit making year |
| 12 | Yangzhou CIMC Tonghua Tank Equipment Co., Ltd. | 25% | 12.5% | Entitled to tax holiday of "two-year exemption and three-year reduction", and 2012 is the fifth profit making year |
| 13 | Enric (Bengbu) Compressor Co., Ltd. | 25% | 15% | Recognised as high-tech enterprises, in 2011 entitled to 15% preferential rate |

# III. TAXATION (CONTINUED)

## 2. Preferential tax treatments (Continued)

The Group's subsidiaries that are entitled to preferential tax treatments are as follows (Continued):

| | Name of enterprises | Local statutory tax rate | Preferential rate | Reasons |
|---|---|---|---|---|
| 14 | Shanghai CIMC Reefer Containers Co., Ltd. | 25% | 15% | Recognised as high-tech enterprises, in 2011 entitled to 15% preferential rate |
| 15 | Nantong CIMC Special Transportation Equipment Manufacture Co., Ltd. | 25% | 15% | Recognised as high-tech enterprises, in 2011 entitled to 15% preferential rate |
| 16 | Xinhui CIMC Special Transportation Equipment Co., Ltd. | 25% | 15% | Recognised as high-tech enterprises, in 2010 entitled to 15% preferential rate |
| 17 | Dalian CIMC Logistics Equipment Co., Ltd. | 25% | 15% | Recognised as high-tech enterprises, in 2011 entitled to 15% preferential rate |
| 18 | Shenzhen CIMC Special Vehicle Co., Ltd. | 25% | 15% | Recognised as high-tech enterprises, in 2011 entitled to 15% preferential rate |
| 19 | CIMC Vehicle (Shandong) Co. Ltd. | 25% | 15% | Recognised as high-tech enterprises, in 2010 entitled to 15% preferential rate |
| 20 | Qingdao CIMC Special Vehicle Co., Ltd. | 25% | 12.5% | Entitled to tax holiday of "two-year exemption and three-year reduction", and 2012 is the fifth profit making year |
| 21 | Luoyang CIMC Lingyu Automobile Co., Ltd. | 25% | 15% | Recognised as high-tech enterprises, in 2010 entitled to 15% preferential rate |
| 22 | Wuhu CIMC RuiJiang Automobile Co., Ltd. | 25% | 15% | Recognised as high-tech enterprises, in 2011 entitled to 15% preferential rate |
| 23 | CIMC Vehicle (Liaoning) Co., Ltd. | 25% | 12.5% | Entitled to tax holiday of "two-year exemption and three-year reduction", and 2012 is the fifth profit making year |
| 24 | Chongqing CIMC Logistics Equipments Co., Ltd. | 25% | 12.5% | Entitled to tax holiday of "two-year exemption and three-year reduction", and 2012 is the fifth profit making year |
| 25 | Yangzhou CIMC Tong Hua Special Vehicles Co., Ltd | 25% | 15% | Recognised as high-tech enterprises, in 2011 entitled to 15% preferential rate |
| 26 | Shijiazhuang Enric Gas Equipment Co., Ltd. | 25% | 15% | Recognised as high-tech enterprises, in 2011 entitled to 15% preferential rate |
| 27 | Enric (Lang fang)Energy Equipment Integration Co.,Ltd. | 25% | 15% | Recognised as high-tech enterprises, in 2010 entitled to 15% preferential rate |
| 28 | Jingmen Hongtu Special Aircraft Manufacturing Co., Ltd | 25% | 15% | Recognised as high-tech enterprises, in 2011 entitled to 15% preferential rate |
| 29 | Nantong CIMC Tank Equipment Co., Ltd | 25% | 15% | Recognised as high-tech enterprises, in 2011 entitled to 15% preferential rate |

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# III. TAXATION (CONTINUED)

## 2. Preferential tax treatments (Continued)

The Group's subsidiaries that entitled to preferential tax treatments are as follows (Continued):

Corporate income tax law of the PRC ("New Tax Law") became effective on 1 January 2008, and the statutory income tax rate will be 25% accordingly. According to the Notice for Transitional Preferential Income Tax Policies of Enterprise (Guo Fa [2007] No. 39) issued by the State Council, the income tax rate for the companies which were previously entitled to preferential tax rates will gradually transit to the statutory tax rate of 25% within 5 years after the effectiveness of the New Tax Law. The income tax rate for the enterprises which are entitled to preferential tax rate of 15% will be 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012; the income tax rate for the enterprises whose applicable tax rates was 24% and above or equal to 25% will be 25% starting from 2008.

Effective from 1 January 2008, the companies which are previously entitled to tax holidays of "two-year exemption and three-year reduction" and "one-year exemption and two-year reduction" will continue to enjoy the tax holidays until their expirations. The reduced income tax rates will be based on the applicable income tax rates in the transitional period. The applicable income tax rate will be the statutory tax rate after the expirations of tax holidays.

On 6 December 2007, State Council of People's Republic of China promulgated detailed implementation rules of the New Tax Law. According to the implementation rules, starting from 1 January 2008, a withholding tax is applied on dividends distributed by foreign-invested enterprises to Hong Kong and other overseas investors with a tax rate of 5% and 10%, respectively. Therefore, as at 31 December 2012, temporary difference caused by the Group's subsidiaries' undistributed profits amounted to RMB4,810,979,000 (2011: RMB3,665,929,000) and deferred tax liabilities amounting to RMB405,726,000 (2011: RMB313,946,000) were recognised by the Group accordingly.

# IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. Company status of significant subsidiaries

All subsidiaries of the Group were established or acquired through combination not under common control. There is no acquisition of subsidiaries through combination under common control.

In 2012, the number of companies included in the scope of consolidation added up to 330. Except for the subsidiaries listed as below, the number of other subsidiaries held by the Group was 175, with total paid-in capitals amounting to RMB77,783,510. Other subsidiaries mainly included those engaged in manufacturing or service provision with small scale of operation and paid-in capital below RMB20 million or USD3 million respectively. Other subsidiaries also included those investment holding companies registered in Hong Kong, British Virgin Islands or other overseas countries with no other operating activities.

In 2012, North Sea Rigs Holdings, a subsidiary of the Company, issued convertible bonds (see Note V.36).

# IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 1. Company status of significant subsidiaries (Continued)

### (1) Subsidiaries obtained through establishment or business combination

*(i) Domestic subsidiaries:*

| | Name | Entity type | Registration place | Registered capital | | Business scope | Actual investment and actual net amount of Investment of the company at the end of the year | | Shareholding percentage | Voting rights | Within consolidation scope | Amount of minority interest at the end of the year | Amount of loss for current period attributable to minority shareholders that allocated to minority interests |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Currency | Amount of original currency | | Currency | Amount of original currency | | | | | |
| 1 | Shenzhen Southern CIMC Containers Manufacture Co., Ltd. (SCIMC) | Corporation | Guangdong, China | USD | 16,600,000.00 | Manufacture, repair and sale of container, container stockpiling business | USD | 16,600,000.00 | 100.00% | 100.00% | Yes | – | – |
| 2 | Shenzhen Southern CIMC Eastern Logistics Equipment Manufacturing Co., Ltd. (SCIMCEL) | Corporation | Guangdong, China | USD | 16,600,000.00 | Manufacture and repair of container design and manufacture of new-style special road and port mechanical equipment | USD | 16,600,000.00 | 100.00% | 100.00% | Yes | – | – |
| 3 | Xinhui CIMC Container Co., Ltd.(XHCIMC) | Corporation | Guangdong, China | USD | 24,000,000.00 | Manufacture, repair and sale of containers | USD | 16,800,000.00 | 70.00% | 70.00% | Yes | 46,156 | – |
| 4 | Nantong CIMC Shunda Containers Co., Ltd. (NTCIMC) | Corporation | Jiangsu, China | USD | 7,700,000.00 | Manufacture, repair and sale of containers | USD | 5,467,000.00 | 71.00% | 71.00% | Yes | 31,037 | – |
| 5 | Tianjin CIMC Containers Co., Ltd. (TJCIMC) | Corporation | Tianjin, China | USD | 50,000,000.00 | Manufacture and sale of container as well as relevant technical advisory; container stockpiling business | USD | 50,000,000.00 | 100.00% | 100.00% | Yes | – | – |
| 6 | Dalian CIMC Containers Co., Ltd. (DLCIMC) | Corporation | Dalian, China | USD | 17,400,000.00 | Manufacture and sale of container as well as relevant technical advisory; container stockpiling business | USD | 17,400,000.00 | 100.00% | 100.00% | Yes | – | – |
| 7 | Ningbo CIMC Logistics Equipment Co., Ltd. (NBCIMC) | Corporation | Ningbo, China | USD | 15,000,000.00 | Manufacture and sale of container as well as relevant technical advisory; container stockpiling business | USD | 15,000,000.00 | 100.00% | 100.00% | Yes | – | – |

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## IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 1. Company status of significant subsidiaries (Continued)

### (1) Subsidiaries obtained through establishment or business combination (Continued)

*(i) Domestic subsidiaries (Continued):*

| | Name | Entity type | Registration place | Registered capital | | Business scope | Actual investment and actual net amount of Investment of the company at the end of the year | | Shareholding percentage | Voting rights | Within consolidation scope | Amount of minority interest at the end of the year | Amount of loss for current period attributable to minority shareholders that allocated to minority interests |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Currency | Amount of original currency | | Currency | Amount of original currency | | | | | |
| 8 | Taicang CIMC Containers Co., Ltd. (TCCIMC) | Corporation | Jiangsu, China | USD | 40,000,000.00 | Manufacture and repair of container | USD | 40,000,000.00 | 100.00% | 100.00% | Yes | – | – |
| 9 | Yangzhou Runyang Logistics Equipments Co., Ltd. (YZRYL) | Corporation | Jiangsu, China | USD | 20,000,000.00 | Manufacture, repair and sale of container | USD | 20,000,000.00 | 100.00% | 100.00% | Yes | – | – |
| 10 | Shanghai CIMC Yangshan Logistics Equipments Co., Ltd. (SHYSLE) | Corporation | Shanghai, China | USD | 20,000,000.00 | Manufacture and sale of container as well as relevant technical advisory | USD | 20,000,000.00 | 100.00% | 100.00% | Yes | – | – |
| 11 | Shanghai CIMC Reefer Containers Co., Ltd. (SCRC) | Corporation | Shanghai, China | USD | 31,000,000.00 | Manufacture and sale of refrigeration and heat preservation device of reefer container, refrigerator car and heat Preservation car | USD | 28,520,000.00 | 92.00% | 92.00% | Yes | 52,280 | – |
| 12 | Nantong CIMC Special Transportation Equipment Manufacture Co., Ltd. (NTCIMCS) | Corporation | Jiangsu, China | USD | 10,000,000.00 | Manufacture, sale and repair of various trough, tank as well as various special storing and transporting equipments and parts | USD | 7,100,000.00 | 71.00% | 71.00% | Yes | 23,839 | – |
| 13 | Xinhui CIMC Special Transportation Equipment Co., Ltd. (XHCIMCS) | Corporation | Guangdong, China | USD | 16,600,000.00 | Manufacture and sale of various container, semi-finished container product and relevant components and parts; providing leasing and maintenance service | USD | 16,600,000.00 | 100.00% | 100.00% | Yes | – | – |
| 14 | Nantong CIMC Tank Equipment Co., Ltd. (NTCIMCT) | Corporation | Jiangsu, China | USD | 25,000,000.00 | Manufacture and sale of various container, semi-finished container relevant components and parts | USD | 18,395,000.00 | 73.58% | 100.00% | Yes | Note 1 | – |

# IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 1. Company status of significant subsidiaries (Continued)

### (1) Subsidiaries obtained through establishment or business combination (Continued)

*(i) Domestic subsidiaries (Continued):*

| | Name | Entity type | Registration place | Registered capital | | Business scope | Actual investment and actual net amount of investment of the company at the end of the year | | Shareholding percentage | Voting rights | Within consolidation scope | Amount of minority interest at the end of the year | Amount of loss for current period attributable to minority shareholders that allocated to minority interests |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Currency | Amount of original currency | | Currency | Amount of original currency | | | | | |
| 15 | Dalian CIMC Railway Equipment Co., Ltd. (DLCIMCS) | Corporation | Liaoning, China | USD | 20,000,000.00 | Design, manufacture and sale of various railway freight equipment products such as railway container flat car, open wagon and hopper wagon | USD | 20,000,000.00 | 100.00% | 100.00% | Yes | – | – |
| 16 | Nantong CIMC Large-sized Tank Co., Ltd. | Corporation | Jiangsu, China | USD | 43,000,000.00 | Design, production and sale of tank relevant parts; undertaking tank-related general contracting projects | USD | 43,000,000.00 | 100.00% | 100.00% | Yes | – | – |
| 17 | Shenzhen CIMC Special Vehicle Co., Ltd. (CIMCSV) | Corporation | Guangdong, China | RMB | 200,000,000.00 | Development, production and sales of various special-use vehicles, as well as relevant components and parts | RMB | 160,000,000.00 | 80.00% | 100.00% | Yes | Note 6 | – |
| 18 | Qingdao CIMC Special Vehicle Co., Ltd. (QDSV) | Corporation | Shandong, China | RMB | 62,880,000.00 | Development, production and sales of various special-use vehicles, refitting vehicles, special vehicles, trailer series as well as relevant components and parts | RMB | 55,875,168.00 | 88.86% | 100.00% | Yes | Note 6 | – |
| 19 | Yangzhou CIMC Tonghua Tank Equipment Co., Ltd. (YZTHT) | Corporation | Jiangsu, China | USD | 17,500,000.00 | Development and production of various trailer, special-use vehicles and tank equipment as well as components and parts | USD | 14,000,000.00 | 80.00% | 100.00% | Yes | Note 6 | – |
| 20 | Shanghai CIMC Vehicle Logistics Equipments Co., Ltd. (SHL) | Corporation | Shanghai, China | RMB | 90,204,082.00 | Development, construction, operation leasing, sales of warehousing and auxiliary facilities; property | RMB | 72,163,265.60 | 80.00% | 100.00% | Yes | Note 6 | – |
| 21 | Beijing CIMC Vehicle Logistics Equipments Co., Ltd. (BJVL) | Corporation | Beijing, China | RMB | 20,000,000.00 | Construction and operation of auxiliary warehousing equipments management and relevant service | RMB | 16,000,000.00 | 80.00% | 100.00% | Yes | Note 6 | – |
| 22 | CIMC Vehicle (Liaoning) Co., Ltd. (LNVS) | Corporation | Liaoning, China | RMB | 40,000,000.00 | Development and production of various trailer, special-use vehicles as well as components and parts | RMB | 32,000,000.00 | 80.00% | 100.00% | Yes | Note 6 | – |

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## IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 1. Company status of significant subsidiaries (Continued)

### (1) Subsidiaries obtained through establishment or business combination (Continued)

*(i) Domestic subsidiaries (Continued):*

| | | | Registered capital | | | Actual investment and actual net amount of Investment of the company at the end of the year | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name | Entity type | Registration place | Currency | Amount of original currency | Business scope | Currency | Amount of original currency | Shareholding percentage | Voting rights | Within consolidation scope | Amount of minority interest at the end of the year | Amount of loss for current period attributable to minority shareholders that allocated to minority interests |
| 23 Tianjin CIMC Special Vehicles Co., Ltd. (TJXV) service | Corporation | Tianjin, China | RMB | 30,000,000.00 | Production and sales of box car, mechanical products, metal structure member; relevant advisory | RMB | 24,000,000.00 | 80.00% | 100.00% | Yes | Note 6 | – |
| 24 CIMC -SHAC (Xi'An) Special Vehicle Co., Ltd. (XASV) | Corporation | Xi'An, China | RMB | 50,000,000.00 | Development and production of various trailer, special vehicle and the components and parts; providing relevant technical service | RMB | 30,000,000.00 | 60.00% | 75.00% | Yes | Note 6 | – |
| 25 Gansu CIMC Huajun Vehicle Co., Ltd. (GSHJ) | Corporation | Gansu, China | RMB | 25,000,000.00 | Refitting of special vehicles, manufacture of trailer and fittings as well automobile fittings; sales of relevant materials | RMB | 20,000,000.00 | 80.00% | 100.00% | Yes | Note 6 | – |
| 26 Xinhui CIMC Composite Material Manufacture CO., LTD (XHCM) | Corporation | Guangdong, China | USD | 16,000,000.00 | Production, development, processing and sales of various composite plate products such as plastics, plastic alloy | USD | 12,800,000.00 | 80.00% | 100.00% | Yes | Note 6 | – |
| 27 Qingdao CIMC Eco-Equipment Co., Ltd. (QDHB) | Corporation | Shandong, China | RMB | 137,930,000.00 | Development, manufacture, sales and service for garbage treatment truck and the components and parts | RMB | 56,275,440.00 | 40.80% | 51.00% | Yes | Note 6 | – |
| 28 Shanghai CIMC Special Vehicle Co., Ltd. (SHCIMCV) | Corporation | Shanghai, China | RMB | 30,000,000.00 | Development and production of box trailer, box car as well as relevant mechanical products | RMB | 24,600,000.00 | 82.00% | 100.00% | Yes | Note 6 | – |
| 29 CIMC Financing and Leasing Co., Ltd. (CIMCVL) | Corporation | Guangdong, China | RMB | 70,000,000.00 | Finance lease business; disposal and maintenance for residual value of leased property; advisory and warranty for leasing transaction | RMB | 70,000,000.00 | 100.00% | 100.00% | Yes | – | – |

# IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 1. Company status of significant subsidiaries (Continued)

### (1) Subsidiaries obtained through establishment or business combination (Continued)

*(i) Domestic subsidiaries (Continued):*

| | Name | Entity type | Registration place | Registered capital | | Business scope | Actual investment and actual net amount of Investment of the company at the end of the year | | Shareholding percentage | Voting rights | Within consolidation scope | Amount of minority interest at the end of the year | Amount of loss for current period attributable to minority shareholders that allocated to minority interests |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Currency | Amount of original currency | | Currency | Amount of original currency | | | | | |
| 30 | Qingdao Refrigeration Transport Equipment Co., Ltd. (QDRV) | Corporation | Shandong, China | USD | 25,000,000.00 | Manufacture and sales of various refrigeration, heat preservation and other transport equipments and spare parts | USD | 20,000,000.00 | 80.00% | 100.00% | Yes | Note 6 | – |
| 31 | Nantong CIMC Tank Equipment Co., Ltd. (NTCY) | Corporation | Jiangsu, China | USD | 10,000,000.00 | Manufacture and repair of large-sized tank, production of various pressurization tank car, special pressurization trough, tank and parts | USD | 8,500,000.00 | 85.00% | 100.00% | Yes | – | – |
| 32 | Shenzhen CIMC – Tianda Airport Support Ltd. (TAS) | Corporation | Guangdong, China | USD | 13,500,000.00 | Production and operation of various airport-purpose electromechanical equipment products | USD | 9,450,000.00 | 70.00% | 70.00% | Yes | 108,846 | – |
| 33 | Xinhui CIMC Wood Co., Ltd. (XHCIMCW) | Corporation | Guangdong, China | USD | 15,500,000.00 | Production of container-purpose wood floor and relevant products of various specifications; providing relevant technical advisory service | USD | 15,500,000.00 | 100.00% | 100.00% | Yes | – | – |
| 34 | Inner Mongolia Holonbuir CIMC Wood Co., Ltd. (NMGW) | Corporation | Inner Mongolia, China | USD | 12,000,000.00 | Production and sales of various container wood floors and wood products for transport equipments | USD | 12,000,000.00 | 100.00% | 100.00% | Yes | – | – |
| 35 | Jiaxing CIMC Wood Co., Ltd. (JXW) | Corporation | Zhejiang, China | USD | 5,000,000.00 | Production and sales of container wood floors, wood products for transport equipments and other wood products | USD | 5,000,000.00 | 100.00% | 100.00% | Yes | – | – |
| 36 | Xuzhou CIMC Wood Co., Ltd. (XZW) | Corporation | Jiangsu, China | RMB | 50,000,000.00 | Production and sales of container wood floor; purchasing and sales of timber | RMB | 50,000,000.00 | 100.00% | 100.00% | Yes | – | – |

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## IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 1. Company status of significant subsidiaries (Continued)

### (1) Subsidiaries obtained through establishment or business combination (Continued)

*(i) Domestic subsidiaries (Continued):*

| | Name | Entity type | Registration place | Registered capital | | Business scope | Actual investment and actual net amount of Investment of the company at the end of the year | | Shareholding percentage | Voting rights | Within consolidation scope | Amount of minority interest at the end of the year | Amount of loss for current period attributable to minority shareholders that allocated to minority interests |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Currency | Amount of original currency | | Currency | Amount of original currency | | | | | |
| 37 | Shenzhen Southern CIMC Containers Service Co., Ltd. (SCIMCL) | Corporation | Guangdong, China | USD | 5,000,000.00 | Engaged in container transshipment, stockpiling, devanning, vanning, maintenance | USD | 5,000,000.00 | 100.00% | 100.00% | Yes | – | – |
| 38 | Ningbo CIMC Container Service Co., Ltd. (NBCIMCL) | Corporation | Ningbo, China | RMB | 30,000,000.00 | Goods traffic; goods package, sorting,examination and logistics advisory service | RMB | 30,000,000.00 | 100.00% | 100.00% | Yes | – | – |
| 39 | Shanghai CIMC Yangshan Container Service Co., Ltd. (SHYLE) | Corporation | Shanghai, China | USD | 7,000,000.00 | Container transshipment, stockpiling, devanning, vanning, and warehousing; container maintenance, try-off and technical service | USD | 5,600,000.00 | 80.00% | 80.00% | Yes | 3,860 | – |
| 40 | CIMC Shenfa Development Co., Ltd. (CIMCSD) | Corporation | Shanghai, China | RMB | 204,122,966.00 | Investment, construction and operation for infrastructure; real estate development and operation | RMB | 204,122,966.00 | 100.00% | 100.00% | Yes | – | – |
| 41 | CIMC Vehicle (Xinjiang) Co., Ltd. (SJ4S) | Corporation | Xinjiang, China | RMB | 80,000,000.00 | Production and sales of mechanical equipments as well as relevant technical development | RMB | 64,000,000.00 | 80.00% | 100.00% | Yes | Note 6 | – |
| 42 | CIMC Vehicle (Group) Co., Ltd. (HI) | Corporation | Guangdong, China | USD | 168,000,000.00 | Development, production and sales of various high-tech and high-performance special vehicle and trailer series | USD | 134,400,000.00 | 80.00% | 80.00% | Yes | Note 6 | – |
| 43 | Qingdao CIMC Special Reefer Co., Ltd. (QDCSR) | Corporation | Shandong, China | USD | 11,500,000.00 | Manufacture and sale of various container, semi-finished container product and relevant components and parts | USD | 11,500,000.00 | 100.00% | 100.00% | Yes | – | – |

# IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 1. Company status of significant subsidiaries (Continued)

### (1) Subsidiaries obtained through establishment or business combination (Continued)

*(i) Domestic subsidiaries (Continued):*

| | Name | Entity type | Registration place | Registered capital | | Business scope | Actual investment and actual net amount of Investment of the company at the end of the year | | Shareholding percentage | Voting rights | Within consolidation scope | Amount of minority interest at the end of the year | Amount of loss for current period attributable to minority shareholders that allocated to minority interests |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Currency | Amount of original currency | | Currency | Amount of original currency | | | | | |
| 44 | Tianjin CIMC Logistics Equipments Co., Ltd. (TJCIMCLE) | Corporation | Tianjin, China | USD | 5,000,000.00 | Design, manufacture, sale, maintenance and relevant technical advisory for logistics equipments and relevant components and parts | USD | 5,000,000.00 | 100.00% | 100.00% | Yes | – | – |
| 45 | Dalian CIMC Logistics Equipment Co., Ltd. (DLL) | Corporation | Dalian, China | USD | 14,000,000.00 | Design, manufacture, sale, maintenance and relevant technical advisory for international trade, entrepot trade, logistics equipment and pressure vessel | USD | 14,000,000.00 | 100.00% | 100.00% | Yes | – | – |
| 46 | Chongqing CIMC Logistics Equipments Co., Ltd. (CQLE) | Corporation | Chongqing, China | USD | 8,000,000.00 | Design, manufacture, lease, maintenance of container, special container, other logistic equipment and relevant components and parts | USD | 8,000,000.00 | 100.00% | 100.00% | Yes | – | – |
| 47 | Dalian CIMC Heavy Logistics Equipments Co., Ltd. (DLZH) | Corporation | Liaoning, China | USD | 33,700,000.00 | International trade, entrepot trade, design, manufacture, sale, and relevant technical advisory of pressure vessel; manufacture and installation, other service of relevant components and parts of pressure vessel | USD | 33,700,000.00 | 100.00% | 100.00% | Yes | – | – |
| 48 | Shenzhen CIMC Intelligent Technology Co., Ltd. (CIMC Tech) | Corporation | Guangdong, China | RMB | 20,000,000.00 | Design, development, sale, surrogate of electron production, software and system | RMB | 20,000,000.00 | 100.00% | 100.00% | Yes | – | – |
| 49 | CIMC Taicang refrigeration equipment logistics Co., Ltd. (TCCRC) | Corporation | Jiangsu, China | RMB | 450,000,000.00 | Research and development, production and sale of reefer container and special container | RMB | 450,000,000.00 | 100.00% | 100.00% | Yes | – | – |

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# IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 1. Company status of significant subsidiaries (Continued)

### (1) Subsidiaries obtained through establishment or business combination (Continued)

*(i) Domestic subsidiaries (Continued):*

| | Name | Entity type | Registration place | Registered capital: Currency | Registered capital: Amount of original currency | Business scope | Actual investment and actual net amount of Investment of the company at the end of the year: Currency | Actual investment...: Amount of original currency | Shareholding percentage | Voting rights | Within consolidation scope | Amount of minority interest at the end of the year | Amount of loss for current period attributable to minority shareholders that allocated to minority interests |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 50 | Hunan CIMC Bamboo Industry Development Co., Ltd. (HNW) | Corporation | Hunan, China | RMB | 28,000,000.00 | Manufacturing and sale of bamboo and wood product | RMB | 28,000,000.00 | 100.00% | 100.00% | Yes | – | – |
| 51 | CIMC Jidong (Qinhuangdao) Vehicles Manufacture Co., Ltd (QHDV) | Corporation | Hebei, China | RMB | 70,000,000.00 | Sale of car and car components and parts | RMB | 42,000,000.00 | 60.00% | 75.00% | Yes | Note 6 | – |
| 52 | CIMC Energy Chemical Engineering technology Co., Ltd. | Corporation | Guangdong, China | RMB | 5,000,000.00 | Design and development projects for energy, chemical food related equipment; contractor techniques transfer | RMB | 5,000,000.00 | 100.00% | 100.00% | Yes | – | – |
| 53 | CIMC Management and Training (Shenzhen) Co., Ltd. | Corporation | Guangdong, China | RMB | 50,000,000.00 | Design of marketing activities scheme organization of academic and commercial conference and exhibition | RMB | 50,000,000.00 | 100.00% | 100.00% | Yes | – | – |
| 54 | Yangzhou Lijun Industry and Trade Co., Ltd. ("Yangzhou Lijun") | Corporation | Jiangsu, China | RMB | 70,000,000.00 | Production and sales of mechanical equipments and relevant components and parts; technical advisory and other service | RMB | 70,000,000.00 | 100.00% | 100.00% | Yes | – | – |
| 55 | Yangzhou Taili Special Equipment Co., Ltd. ("Yangzhou Taili") | Corporation | Jiangsu, China | RMB | 70,000,000.00 | Design, manufacturing and maintenance of containers, board square cabin and relevant components and parts; relevant advisory and service | RMB | 70,000,000.00 | 100.00% | 100.00% | Yes | – | – |
| 56 | Yantai CIMC Marine Engineering Academe Co., Ltd. ("MEA") | Corporation | Shandong, China | RMB | 150,000,000.00 | Research and development of marine operation platform and other marine engineering service | RMB | 150,000,000.00 | 100.00% | 100.00% | Yes | – | – |
| 57 | Shanghai Lifan Container Service Co., Ltd. ("Shanghai Lifan") | Corporation | Shanghai, China | RMB | 1,000,000.00 | Refitting and maintenance of containers; providing containers information system management and advisory service | RMB | 420,000.00 | 42.00% | 60.00% | Yes | 575 | – |

# IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 1. Company status of significant subsidiaries (Continued)

### (1) Subsidiaries obtained through establishment or business combination (Continued)

*(i) Domestic subsidiaries (Continued):*

| | Name | Entity type | Registration place | Registered capital: Currency | Registered capital: Amount of original currency | Business scope | Actual investment and actual net amount of Investment of the company at the end of the year: Currency | Actual investment and actual net amount of Investment of the company at the end of the year: Amount of original currency | Shareholding percentage | Voting rights | Within consolidation scope | Amount of minority interest at the end of the year | Amount of loss for current period attributable to minority shareholders that allocated to minority interests |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 58 | CIMC Wood Development Co., Ltd. ("CIMCWD") | Corporation | Guangdong, China | RMB | 150,000,000.00 | Development, production and sales of wood products for various modern transportation equipment | RMB | 150,000,000.00 | 100.00% | 100.00% | Yes | – | – |
| 59 | Shenzhen CIMC Skyspace Real Estate Development Co., Ltd. (CIMC Tianyu) | Corporation | Shenzhen, China | RMB | 254,634,066.00 | Real estate development | RMB | 229,170,659.40 | 90.00% | 90.00% | Yes | Note 2 | – |
| 60 | Yangzhou CIMC grand space Real Estate Development Co., Ltd (CIMC Haoyu) Note IV. 1(4) | Corporation | Jiangsu, China | RMB | 25,000,000.00 | Real Estate Development, sales and leasing | RMB | 23,500,000.00 | 94.00% | 94.00% | Yes | Note 2 | – |
| 61 | Jiangmen CIMC skyspace Real Estate Co.,Ltd. ("Jiangmen Dichan") Note IV. 1(4) | Corporation | Guangdong, China | RMB | 30,000,000.00 | Real estate development, projects sale of decoration and building materials | RMB | 27,000,000.00 | 90.00% | 90.00% | Yes | Note 2 | – |
| 62 | Ningbo Runxin Container Co., Ltd | Corporation | Ningbo China | RMB | 5,000,000.00 | Cleaning and repair of containers, stockpiling, vanning and devanning service | RMB | 3,000,000.00 | 60.00% | 60.00% | Yes | (306) | – |
| 63 | Chengdu CIMC Vehicle Co., Ltd. ("CD Vehicle") | Corporation | Sichuan China | RMB | 60,000,000.00 | Development, production and sale of various special-use vehicles, as well as Warehouse equipment | RMB | 48,000,000.00 | 80.00% | 80.00% | Yes | Note 6 | – |
| 64 | CIMC Finance Company ("Finance Company") | Corporation | Guangdong China | RMB | 500,000,000.00 | Providing financial service | RMB | 500,000,000.00 | 100.00% | 100.00% | Yes | – | – |
| 65 | Shenzhen CIMC Investment Holding company ("SZ Investment Holding") | Corporation | Shenzhen China | RMB | 75,000,000.00 | Investment, sale and leasing of containers and container property | RMB | 75,000,000.00 | 100.00% | 100.00% | Yes | – | – |

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## IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 1. Company status of significant subsidiaries (Continued)

### (1) Subsidiaries obtained through establishment or business combination (Continued)

*(i) Domestic subsidiaries (Continued):*

| | Name | Entity type | Registration place | Registered capital | | Business scope | Actual investment and actual net amount of Investment of the company at the end of the year | | Shareholding percentage | Voting rights | Within consolidation scope | Amount of minority interest at the end of the year | Amount of loss for current period attributable to minority shareholders that allocated to minority interests |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Currency | Amount of original currency | | Currency | Amount of original currency | | | | | |
| 66 | Zhumadian CIMC Huajun Vehicle Trading Co., Ltd. ("HJQM") | Corporation | Henan China | RMB | 10,000,000.00 | Sales and repair of various vehicles, as well as relevant components and parts | RMB | 8,000,000.00 | 80.00% | 80.00% | Yes | Note 6 | – |
| 67 | Zhumadian CIMC Huajun Casting Co. Ltd. (HJCAST) | Corporation | Henan China | RMB | 297,762,000.00 | Casting manufacturing for Vehicle and coal mining machinery | RMB | 166,746,720.00 | 56.00% | 70.00% | Yes | Note 6 | – |
| 68 | Ocean Engineering Design & Research Institute of CIMC (SHOE) | Corporation | Shanghai China | RMB | 50,000,000.00 | Design and research of marine operation platform and other ocean engineering | RMB | 50,000,000.00 | 100.00% | 100.00% | Yes | – | – |
| 69 | Shenzhen CIMC Investment Co., Ltd (SZ Investment) | Corporation | Shenzhen China | RMB | 60,000,000.00 | Equity investment investment management and related investment business | RMB | 60,000,000.00 | 100.00% | 100.00% | Yes | – | – |
| 70 | Shenzhen Sky Capital Co., Ltd. (SESKYC) | Corporation | Shenzhen China | RMB | 90,000,000.00 | Equity investment investment management and related investment business | RMB | 90,000,000.00 | 100.00% | 100.00% | Yes | – | – |
| 71 | Ningbo MRO Trading Co.,Ltd. (MRO) | Corporation | Ningbo China | RMB | 10,000,000.00 | Production and sales of gas mask and other plastic productions | RMB | 10,000,000.00 | 100.00% | 100.00% | Yes | – | – |
| 72 | Shenzhen CIMC Container Holding Co., Ltd. (Container Holding) | Corporation | Shenzhen China | RMB | 1,000,000,000.00 | Equity investment investment management and related investment business | RMB | 1,000,000,000.00 | 100.00% | 100.00% | Yes | – | – |
| 73 | Chengdu CIMC Logistics Equipments Co., Ltd. | Corporation | Chengdu China | RMB | 7,500,000.00 | Chemical liquid tank truck and semi-trailer | RMB | 6,000,000.00 | 80.00% | 100.00% | Yes | Note 6 | – |
| 74 | Shanxi CIMC Vehicle Industry Garden | Corporation | Shanxi China | RMB | 80,000,000.00 | Production and sales of vehicle | RMB | 64,000,000.00 | 80.00% | 100.00% | Yes | Note 6 | – |

# IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 1. Company status of significant subsidiaries (Continued)

### (1) Subsidiaries obtained through establishment or business combination (Continued)

*(ii) Overseas subsidiaries:*

| | Name | Registration place | Registered capital: Currency | Registered capital: Amount of original currency | Business scope | Actual investment and actual net amount of Investment of the company at the end of the year: Currency | Actual investment and actual net amount of Investment of the company at the end of the year: Amount of original currency | Shareholding percentage | Voting rights | Within consolidation scope | Amount of minority interest at the end of the year | Amount of loss for current period attributable to minority shareholders that allocated to minority interests |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 75 | CIMC Holdings (B.V.I.) Limited (CIMC BVI) | British Virgin Islands | USD | 34,001.00 | Investment | USD | 34,001.00 | 100.00% | 100.00% | Yes | – | – |
| 76 | CIMC Tank Equipment Investment Holdings Co., Ltd. | Hong Kong | HKD | 4,680,000.00 | Investment | HKD | 4,680,000.00 | 100.00% | 100.00% | Yes | – | – |
| 77 | CIMC-SMM Vehicle (Thailand) CO., LTD. (Thailand V) | Thailand | Baht | 260,000,000.00 | Production and operation of various special vehicles | Baht | 213,200,000.00 | 82.00% | 82.00% | Yes | 11,858 | – |
| 78 | CIMC Vehicle Investment Holding Co., Ltd. (CIMC Vehicle) | Hong Kong | USD | 50,000.00 | Investment | USD | 40,000.00 | 80.00% | 100.00% | Yes | Note 6 | – |
| 79 | CIMC Europe BVBA ("BVBA") | Belgium | EUR | 18,550.00 | Investment | EUR | 18,550.00 | 100.00% | 100.00% | Yes | – | – |
| 80 | China International Marine Containers (Hong Kong) Limited ("CIMC Hong Kong") | Hong Kong | HKD | 2,000,000.00 | Investment | HKD | 2,000,000.00 | 100.00% | 100.00% | Yes | Note 7 | – |
| 81 | CIMC Burg B.V. ("BV") | Holland | EUR | 60,000,000.00 | Investment | EUR | 60,000,000.00 | 100.00% | 100.00% | Yes | Note 3 | Note 3 |
| 82 | Tacoba Forestry Consultant Forestry N.V ("Tacoba") | Suriname | SF | 3,000,000.00 | Sale of wood | SF | 3,000,000.00 | 100.00% | 100.00% | Yes | – | – |
| 83 | Charm Wise Limited ("Charm Wise") | Hong Kong | USD | 1.00 | Investment | USD | 1.00 | 100.00% | 100.00% | Yes | – | – |
| 84 | Gold Terrain Assets Limited ("GTA") | British Virgin Islands | USD | 1.00 | Investment | USD | 1.00 | 100.00% | 100.00% | Yes | – | – |
| 85 | Full Medal Holdings Ltd. ("Full Medal") | British Virgin Islands | USD | 50,000.00 | Investment | USD | 36,790.00 | 73.58% | 100.00% | Yes | Note 1 | – |
| 86 | Charm Ray Holdings Limited ("Charm Ray") | Hong Kong | HKD | 1.00 | Investment | HKD | 0.74 | 73.58% | 100.00% | Yes | Note 1 | |
| 87 | Charm Beat Enterprises Limited ("Charm Beat") | British Virgin Islands | USD | 1.00 | Investment | USD | 1.00 | 100.00% | 100.00% | Yes | – | – |

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# IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 1. Company status of significant subsidiaries (Continued)

### (1) Subsidiaries obtained through establishment or business combination (Continued)

*(ii) Overseas subsidiaries (Continued):*

| | | Registered capital | | | Actual investment and actual net amount of Investment of the company at the end of the year | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Name | Registration place | Currency | Amount of original currency | Business scope | Currency | Amount of original currency | Shareholding percentage | Voting rights | Within consolidation scope | Amount of minority interest at the end of the year | Amount of loss for current period attributable to minority shareholders that allocated to minority interests |
| 88 Sharp Vision Holdings Limited ("Sharp Vision") | Hong Kong | HKD | 1.00 | Investment | HKD | 1.00 | 100.00% | 100.00% | Yes | – | – |
| 89 Sound Winner Holdings Limited ("Sound Winner") | British Virgin Islands | USD | 10,000.00 | Investment | USD | 7,358.00 | 73.58% | 100.00% | Yes | Note 1 | – |
| 90 Grow Rapid Limited ("Grow Rapid") | Hong Kong | HKD | 1.00 | Investment | HKD | 1.00 | 100.00% | 100.00% | Yes | – | – |
| 91 Powerlead Holding Ltd. ("Powerlead") | British Virgin Islands | USD | 10.00 | Investment | USD | 10.00 | 100.00% | 100.00% | Yes | – | – |
| 92 Cooperatie Vela U.A. | Holland | EUR | 18,000.00 | Investment | EUR | 13,244.40 | 73.58% | 100.00% | Yes | Note 1 | – |
| 93 Vela Holding B.V. | Holland | EUR | 18,000.00 | Investment | EUR | 13,244.40 | 73.58% | 100.00% | Yes | Note 1 | – |
| 94 CIMC Financial Leasing (HK) Ltd. ("Financial Leasing") | Hong Kong | HKD | 500,000.00 | Finance Lease | HKD | 500,000.00 | 100.00% | 100.00% | Yes | – | – |
| 95 CIMC Offshore Holdings Limited ("CIMC Offshore") | Hong Kong | HKD | 342,860,173.00 | Investment | HKD | 342,860,173.00 | 100.00% | 100.00% | Yes | Note 5 | Note 5 |
| 96 Cooperatie CIMC U.A ("COOP") | Holland | ERU | 25,500,000.00 | Investment | EUR | 25,500,000.00 | 100.00% | 100.00% | Yes | – | – |
| 97 North Sea Rigs Holdings ("NSR") | British Virgin Islands | USD | 1.00 | Finance leasing project company | USD | 1.00 | 100.00% | 100.00% | Yes | – | – |

# IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 1. Company status of significant subsidiaries (Continued)

### (2) The Group does not have subsidiaries obtained through combination under common control

### (3) Subsidiaries acquired through combinations not under common control

*(i) Domestic subsidiaries:*

| | Name | Entity type | Registration place | Registered capital | | Business scope | Actual investment and actual net amount of Investment of the company at the end of the year | | Shareholding percentage | Voting rights | Within consolidation scope | Amount of minority interest at the end of the year | Amount of loss for current period attributable to minority shareholders that allocated to minority interests |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Currency | Amount of original currency | | Currency | Amount of original currency | | | | | |
| 1 | Luoyang CIMC Lingyu Automobile CO., LTD. (LYV) | Corporation | Henan, China | RMB | 60,000,000.00 | Production and sales of passenger car, tank car; machining; operation of import and export business | RMB | 36,000,000.00 | 60.00% | 75.00% | Yes | Note 6 | – |
| 2 | Wuhu CIMC RuiJiang Automobile CO LTD (WHVS) | Corporation | Anhui, China | RMB | 100,000,000.00 | Development, production and sales of various special vehicles, ordinary mechanical products and metal structure parts | RMB | 60,000,000.00 | 60.00% | 75.00% | Yes | Note 6 | – |
| 3 | Liangshan Dongyue CIMC Vehicle Co., Ltd. (LSDYV) | Corporation | Shandong, China | RMB | 90,000,000.00 | Production and sales of mixing truck, special vehicle and components and parts | RMB | 54,000,000.00 | 60.00% | 75.00% | Yes | Note 6 | – |
| 4 | Qingdao CIMC Container Manufacture Co., Ltd (QDCC) | Corporation | Shandong, China | USD | 27,840,000.00 | Manufacture and repair of container, processing and manufacture of various mechanical parts, structures and equipment | USD | 27,840,000.00 | 100.00% | 100.00% | Yes | – | – |
| 5 | Qingdao CIMC Reefer Container Manufacture Co., Ltd. (QDCRC) | Corporation | Shandong, China | USD | 39,060,000.00 | Manufacture and sale of refrigeration and heat preservation device of reefer container, refrigerator car and heat preservation car; providing relevant technical advisory and maintenance service | USD | 39,060,000.00 | 100.00% | 100.00% | Yes | – | – |

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## IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 1. Company status of significant subsidiaries (Continued)

### (3) Subsidiaries acquired through combinations not under common control (Continued)

*(i) Domestic subsidiaries: (Continued)*

| | | | | Registered capital | | | Actual investment and actual net amount of Investment of the company at the end of the year | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Name | Entity type | Registration place | Currency | Amount of original currency | Business scope | Currency | Amount of original currency | Shareholding percentage | Voting rights | Within consolidation scope | Amount of minority interest at the end of the year | Amount of loss for current period attributable to minority shareholders that allocated to minority interests |
| 6 | Tianjin CIMC North Ocean Container Co., Ltd. (TJCIMC) | Corporation | Tianjin, China | USD | 15,469,300.00 | Manufacture and sale of container as well as vehicle, ship, equipment and steel structure specially used for container; warehousing and after sales service for container | USD | 15,469,300.00 | 100.00% | 100.00% | Yes | – | – |
| 7 | Shanghai CIMC Baowell Industries Co. Ltd (SBWI) | Corporation | Shanghai, China | USD | 28,500,000.00 | Manufacture and sale of container as well as relevant technical advisory | USD | 27,000,900.00 | 94.74% | 100.00% | Yes | 10,522 | – |
| 8 | CIMC Vehicle (Shandong) Co. Ltd. (KGR) | Corporation | Shandong, China | RMB | 18,930,100.00 | Development and manufacture of refrigerator car, tank car, trailer, box car, special vehicles and various series products | RMB | 13,177,246.61 | 69.61% | 87.01% | Yes | Note 6 | – |
| 9 | Zhangzhou CIMC Container Co., Ltd. (ZZCIMC) | Corporation | Fujian, China | USD | 23,000,000.00 | Manufacture and sale of container as well as relevant technical advisory | USD | 23,000,000.00 | 100.00% | 100.00% | Yes | – | – |
| 10 | Yangzhou CIMC Tong Hua Special Vehicles Co., Ltd. (YZTH) | Corporation | Jiangsu, China | RMB | 294,234,000.00 | Development, production and sales of various special-use vehicles, refitting vehicles, special vehicles, trailer series as well as relevant components and parts | RMB | 235,387,200.00 | 80.00% | 100.00% | Yes | Note 6 | – |
| 11 | Zhumadian CIMC Huajun Vehicle Co. Ltd. (HJCIMC) | Corporation | Henan, China | RMB | 85,340,000.00 | Refitting of special vehicles, sales of trailer and fittings; sales of vehicle-related materials | RMB | 68,272,000.00 | 80.00% | 100.00% | Yes | Note 6 | – |

# IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 1. Company status of significant subsidiaries (Continued)

### (3) Subsidiaries acquired through combinations not under common control (Continued)

*(i) Domestic subsidiaries: (Continued)*

| | Name | Entity type | Registration place | Registered capital | | Business scope | Actual investment and actual net amount of Investment of the company at the end of the year | | Shareholding percentage | Voting rights | Within consolidation scope | Amount of minority interest at the end of the year | Amount of loss for current period attributable to minority shareholders that allocated to minority interests |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Currency | Amount of original currency | | Currency | Amount of original currency | | | | | |
| 12 | Zhangjiagang CIMC Sanctum Cryogenic Equipment Machinery Co., Ltd. (SDY) Note IV.1(4) | Corporation | Jiangsu, China | RMB | 144,862,042.01 | Development, manufacture and installation of deep freezing unit, petrochemical mechanical equipment, tank container, pressure vessel | RMB | 106,589,490.51 | 73.58% | 100.00% | Yes | Note 1 | – |
| 13 | Donghwa Container Transportation Service Co., Ltd. (DHCTS) | Corporation | Shanghai, China | USD | 4,500,000.00 | Container cargo devanning, vanning; canvass for cargo; allotment and customs declaration; container maintenance and stockpiling; supply of components and parts | USD | 3,150,000.00 | 70.00% | 70.00% | Yes | 25,213 | – |
| 14 | Yangzhou Tonglee Reefer Container Co., Ltd. (TLC) | Corporation | Jiangsu, China | USD | 24,500,000.00 | Manufacture and sale of reefer container and special container; providing relevant technical advisory and maintenance service | USD | 24,500,000.00 | 100.00% | 100.00% | Yes | – | – |
| 15 | Qingdao Kooll Logistics Co., Ltd (QDHFL) | Corporation | Shandong, China | RMB | 20,000,000.00 | Container warehousing, stockpiling, devanning, vanning, load and unload, cleaning, maintenance; goods processing | RMB | 16,000,000.00 | 80.00% | 80.00% | Yes | 1,850 | – |
| 16 | Enric (Bengbu) Compressor Co.,Ltd. (Enric Bengbu) Note IV.1(4) | Corporation | Anhui, China | HKD | 60,808,385.00 | Manufacturing base of NG compressor and related products | HKD | 44,742,809.68 | 73.58% | 100.00% | Yes | Note 1 | – |
| 17 | Shijiazhuang Enric Gas Equipment Co., Ltd. ("Shijiazhuang Enric") Note IV.1(4) | Corporation | Hebei, China | USD | 7,000,000.00 | Manufacturing pressure vessel | USD | 5,150,600.00 | 73.58% | 100.00% | Yes | Note 1 | – |

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# IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 1. Company status of significant subsidiaries (Continued)

### (3) Subsidiaries acquired through combinations not under common control (Continued)

*(i) Domestic subsidiaries: (Continued)*

| | Name | Entity type | Registration place | Registered capital: Currency | Registered capital: Amount of original currency | Business scope | Actual investment and actual net amount of Investment of the company at the end of the year: Currency | Actual investment and actual net amount of Investment of the company at the end of the year: Amount of original currency | Shareholding percentage | Voting rights | Within consolidation scope | Amount of minority interest at the end of the year | Amount of loss for current period attributable to minority shareholders that allocated to minority interests |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 18 | Enric (Lang fang) Energy Equipment integration Co., Ltd. (Langfang Enric) Note IV.1(4) | Corporation | Hebei, China | HKD | 50,000,000.00 | Manufacturing and exploiting Energy Equipment integration | HKD | 36,790,000.00 | 73.58% | 100.00% | Yes | Note 1 | – |
| 19 | Enric (Beijing) Energy Technology Co., Ltd (Beijing Enric) Note IV.1(4) | Corporation | Beijing, China | HKD | 40,000,000.00 | Manufacturing and exploiting Energy Equipment integration | HKD | 29,432,000.00 | 73.58% | 100.00% | Yes | Note 1 | – |
| 20 | CIMC Enric (Jingmen) Energy Equipment Co., Ltd. Note IV.1(4) | Corporation | Hubei, China | HKD | 50,000,000.00 | Sales of chemical and gas machineries and equipments as well as after sales services; research and development of energy conservation techniques | HKD | 36,790,000.00 | 73.58% | 100.00% | Yes | Note 1 | – |
| 21 | Jingmen Hongtu Special Aircraft manufacturing Co., Ltd Note IV.1(4) | Corporation | Hubei, China | RMB | 20,000,000.00 | Development and sales of flight vehicle manufacturing techniques, design, production and sales of specialized motor vehicles, tanks and pressure vessel | RMB | 11,772,000.00 | 58.86% | 80.00% | Yes | Note 1 | – |
| 22 | Ningguo CIMC Wood Co., Ltd. ("NGCIMCW") | Corporation | Anhui China | USD | 1,300,,000.00 | Construction of offshore project and supplement | USD | 780,000.00 | 60.00% | 60.00% | Yes | 4,769 | – |
| 23 | Yantai CIMC Raffles offshore Ltd (YCRO) | Corporation | Shandong China | RMB | 1,042,690,000.00 | Construction of dock; Designation, production of ship; production of equipment of pressure and offshore oil platform | RMB | 923,614,802.00 | 88.58% | 88.58% | Yes | Note 5 | Note 5 |

# IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 1. Company status of significant subsidiaries (Continued)

### (3) Subsidiaries acquired through combinations not under common control (Continued)

*(i) Domestic subsidiaries: (Continued)*

| | Name | Entity type | Registration place | Registered capital: Currency | Registered capital: Amount of original currency | Business scope | Actual investment and actual net amount of Investment of the company at the end of the year: Currency | Actual investment and actual net amount of Investment of the company at the end of the year: Amount of original currency | Shareholding percentage | Voting rights | Within consolidation scope | Amount of minority interest at the end of the year | Amount of loss for current period attributable to minority shareholders that allocated to minority interests |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 24 | Yantai CIMC Raffles ship Co., Ltd ("YCRS") | Corporation | Shandong China | RMB | 125,980,000.00 | Construction of ship as well as component; Sales of container and offshore oil platform, channel and steel production | RMB | 111,593,084.00 | 88.58% | 88.58% | Yes | Note 5 | Note 5 |
| 25 | Haiyang CIMC Raffles offshore Ltd. ("HCRO") | Corporation | Shandong China | RMB | 200,000,000.00 | Construction of dock; Designation, production of ship; production of equipment of pressure and offshore oil platform | RMB | 177,160,000.00 | 88.58% | 88.58% | Yes | Note5 | Note 5 |
| 26 | Longkou CIMC Raffles offshore engineering Co., Ltd ("LCRO") | Corporation | Shandong China | RMB | 290,000,000.00 | Construction of offshore project and supplement | RMB | 256,882,000.00 | 88.58% | 88.58% | Yes | Note 5 | Note 5 |
| 27 | Shandong Master Special Vehicle Manufacturing Co., Ltd ("SDMV") | Corporation | Shandong China | RMB | 22,000,000.00 | Manufacture and sales of mixing truck, special vehicle and components and parts | RMB | 13,200,000.00 | 60.00% | 60.00% | Yes | Note 6 | – |
| 28 | Xinfa Airport Equipment Ltd. ("Xinfa Airport") | Corporation | Shandong China | RMB | 10,000,000.00 | Manufacture and sales of airport shuttle buses | RMB | 7,000,000.00 | 70.00% | 70.00% | Yes | 8,175 | – |
| 29 | Yangjiang East Furi Real Estate Co.,Ltd ("YJFR") | Corporation | Guangdong China | RMB | 36,000,000.00 | Real estate development and operation planning and consulting, sale of construction materials and inner house decoration | RMB | 19,440,000.00 | 54.00% | 54.00% | Yes | Note 2 | – |
| 30 | Nanjing Yangzi Petrochemical Design & Engineering Co., Ltd. ("YPDI") | Corporation | Jiangsu China | RMB | 30,000,000.00 | Project relating to petrochemical industry | RMB | 22,074,000.00 | 73.58% | 100.00% | Yes | Note 1 | – |

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## IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 1. Company status of significant subsidiaries (Continued)

### (3) Subsidiaries acquired through combinations not under common control (Continued)

*(ii) Overseas subsidiaries:*

| | Name | Registration place | Registered capital | | Business scope | Actual investment and actual net amount of Investment of the company at the end of the year | | Shareholding percentage | Voting rights | Within consolidation scope | Amount of minority interest at the end of the year | Amount of loss for current period attributable to minority shareholders that allocated to minority interests |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Currency | Amount of original currency | | Currency | Amount of original currency | | | | | |
| 31 | CIMC Rolling Stock Australia Pty Ltd. (CIMC Aus) | Australia | AUD | 50,000.00 | Sales of vehicles | AUD | 50,000.00 | 100.00% | 100.00% | Yes | – | – |
| 32 | Enric Energy Equipment Holdings Limited (Enric) | Cayman Islands | HKD | 120,000,000.00 | Investment holding | HKD | 88,296,000.00 | 73.58% | 100.00% | Yes | Note 1 | – |
| 33 | Burg Industries B.V. | Holland | EUR | 3,403,351.62 | Investment | EUR | 3,403,351.62 | 100.00% | 100.00% | Yes | Note 3 | Note 3 |
| 34 | Holvrieka Holding B.V. | Holland | EUR | 12,000,000.00 | Investment | EUR | 8,829,600.00 | 73.58% | 100.00% | Yes | Note 1 | – |
| 35 | Holvrieka B.V. | Holland | EUR | 136,200.00 | Sales of tank equipment | EUR | 100,215.96 | 73.58% | 100.00% | Yes | Note 1 | – |
| 36 | Holvrieka Nirota B.V. | Holland | EUR | 680,670.32 | Production, assembly and sale of tank equipment | EUR | 500,837.22 | 73.58% | 100.00% | Yes | Note 1 | – |
| 37 | Noordkoel B.V. | Holland | EUR | 500,000.00 | Sales of tank equipment | EUR | 367,900.00 | 73.58% | 100.00% | Yes | Note 1 | – |
| 38 | Beheermaatschappij Burg B.V. | Holland | EUR | 453,780.22 | Investment | EUR | 453,780.22 | 100.00% | 100.00% | Yes | Note 3 | Note 3 |
| 39 | Burg Carrosserie B.V. | Holland | EUR | 90,756.04 | Production of road transport vehicle | EUR | 90,756.04 | 100.00% | 100.00% | Yes | Note 3 | Note 3 |
| 40 | Exploitatiemaatschappij Intraprogres B.V | Holland | EUR | 79,411.54 | Trade, financing and leasing of road transport vehicle | EUR | 79,411.54 | 100.00% | 100.00% | Yes | Note 3 | Note 3 |
| 41 | Hobur Twente B.V. | Holland | EUR | 226,890.11 | Production and sale of oil and components and parts | EUR | 226,890.11 | 100.00% | 100.00% | Yes | Note 3 | Note 3 |
| 42 | Burg Service B.V. | Holland | EUR | 250,000.00 | Assembly and repair of road transport vehicle and tank equipment | EUR | 250,000.00 | 100.00% | 100.00% | Yes | Note 3 | Note 3 |
| 43 | LAG Trailers N.V. | Belgium | BEF | 30,000,000.00 | Manufacturing trailer | BEF | 30,000,000.00 | 100.00% | 100.00% | Yes | Note 3 | Note 3 |
| 44 | Holvrieka N.V. | Belgium | BEF | 40,000,000.00 | Manufacturing tank equipment | BEF | 29,432,000.00 | 73.58% | 100.00% | Yes | Note 1 | – |
| 45 | Immoburg N.V. | Belgium | BEF | 10,000,000.00 | Manufacturing road transport vehicle | BEF | 10,000,000.00 | 100.00% | 100.00% | Yes | Note 3 | Note 3 |
| 46 | Holvrieka Danmark A/S | Denmark | DKr | 1,000,000.00 | Manufacturing tank equipment | DKr | 735,800.00 | 73.58% | 100.00% | Yes | Note 1 | – |
| 47 | Direct Chassis LLC ("DCEC") | USA | USD | 10,000,000.00 | Manufacturing and sales of special vehicles | USD | 6,000,000.00 | 60.00% | 100.00% | Yes | 20,210 | – |
| 48 | CIMC TGE Gas investment SA ("TGESA") | Luxemburg | EUR | 50,000.00 | Investment holding | EUR | 30,000.00 | 60.00% | 60.00% | Yes | Note 4 | Note 4 |

# IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 1. Company status of significant subsidiaries (Continued)

### (3) Subsidiaries acquired through combinations not under common control (Continued)

*(ii) Overseas subsidiaries: (Continued)*

| | | | Registered capital | | | Actual investment and actual net amount of Investment of the company at the end of the year | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Name | Registration place | Currency | Amount of original currency | Business scope | Currency | Amount of original currency | Shareholding percentage | Voting rights | Within consolidation scope | Amount of minority interest at the end of the year | Amount of loss for current period attributable to minority shareholders that allocated to minority interests |
| 49 | TGE Gas Engineering GmbH ("TGE Gas") | Germany | EUR | 1,000,000.00 | Provide EP+CS(Design, Purchase and Construction Supervision) or other technical project services in LNG,LPG and storage and disposal of other | EUR | 600,000.00 | 60.00% | 100.00% | Yes | Note 4 | Note 4 |
| 50 | CIMC Raffles Offshore (Singapore) Limited ("Raffles") | Singapore | USD | 624,541,970.96 | Production of various ship for offshore oil and gas, including jack-up drilling platforms, semi-submersible drilling Platforms, FPSOs,FSOs | USD | 553,219,277.88 | 88.58% | 88.58% | Yes | Note 5 | Note 5 |
| 51 | CIMC Raffles Investments Limited | Hongkong China | HKD | 2.00 | Investment | HKD | 1.77 | 88.58% | 88.58% | Yes | Note 5 | Note 5 |
| 52 | CIMC Raffles Leasing Pte Ltd. | Singapore | SGD | 2.00 | Leasing of marine ship | SGD | 1.77 | 88.58% | 88.58% | Yes | Note 5 | Note 5 |
| 53 | Caspian Driller Pte. Ltd. | Singapore | USD | 30,000,000.00 | Leasing of marine ship | USD | 26,574,000.00 | 88.58% | 88.58% | Yes | Note 5 | Note 5 |
| 54 | Technodyne International Limited ("Technodyne") | Singapore | GBP | 1.00 | Research and development of Energy equipment | GBP | 0.60 | 60% | 60% | Yes | Note 4 | Note 4 |
| 55 | Gadidae AB. | Sweden | SEK | 1000.00 | Investment holding | SEK | 885.80 | 88.58% | 88.58% | Yes | Note 5 | Note 5 |
| 56 | Perfect Victor Investments Limited ("Perefect Victor') | Hongkong China | USD | 1.00 | Investment holding | USD | 1.00 | 100.00% | 100.00% | Yes | – | – |
| 57 | Ziemann International GmbH ("Ziemann Group") | Germany | EUR | 16,000,000.00 | Design, production and sales of beer fermentation machine, and relevant services | EUR | 11,772,800.00 | 73.58% | 100.00% | Yes | Note 1 | – |

Note 1 Enric and its subsidiaries' minority interests amounted to RMB1,092,363,000.
Note 2 CIMC Tianyu and its subsidiaries' minority interests amounted to RMB76,345,000.
Note 3 RMB46,687,000 of loss attributed to minority shareholders was allocated to Burg and its subsidiaries' minority interests.
Note 4 TGE and its subsidiaries' minority interests amounted to RMB76,687,000, against which RMB144,000 of loss attributed to minority shareholders was allocated.
Note 5 CIMC Offshore, Raffles and its subsidiaries' minority interests amounted to RMB100,397,000, against which RMB405,453,000 of loss attributed to minority shareholders was allocated.
Note 6 HI and its subsidiaries' minority interests amounted to RMB925,206,000.
Note 7 As at 31 December 2012, the cumulated dividends declared by CIMC Hong Kong to the Company was HKD3,839,980,000 (RMB3,113,648,000). The company had no plan to receive the dividends in foreseeable future, therefor, it comprise net investment to CIMC Hong Kong.

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# IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 1. Company status of significant subsidiaries (Continued)

### (4) Subsidiaries with inconsistent shareholding percentage and voting rights

*(i)* *Enric*

As at 31 December 2012, the Company held 190,703,000 number of ordinary shares in Enric through its wholly owned subsidiary-Charm Wise, 636,632,645 number of ordinary shares and 495,000,000 number of preference shares in Enric through its wholly owned subsidiary-CIMC Hong Kong, and 75,055,792 number of ordinary shares in Enric through its 80% owned subsidiary-CIMC Vehicle. The ordinary shares held by the Company in Enric took 65.21% of Enric's outstanding ordinary shares. Accompanying with the convertible preferential shares, the Company's shareholding in Enric changed to 73.58% after considering the impact of minority interests in CIMC Vehicle. Enric's issued convertible preferential shares enjoy the same rights for dividend distribution as ordinary shares rather than voting rights. Therefore, the Company's shareholding percentage in Enric was 73.58% while the voting right was 65.21%.

*(ii)* Except for the subsidiary mentioned above in (i), the Company's voting rights in its indirect-owned subsidiaries which are held by the Company's non-wholly owned subsidiaries were presented according to the voting rights in its subsidiaries.

## 2. There are no entities set up for special purpose or operating entities controlled through entrusted operation and lease.

## 3. Changes in the scope of consolidation for the consolidated financial statements

Newly purchased (see Note IV.6) and established subsidiaries during the year changed the scope of the consolidated financial statements.

## 4. Subsidiaries newly included in and excluded from the scope of consolidation for the current year

### (1) Subsidiaries newly included in the scope of consolidation

| | Net asset as at 31 December 2012 | Net profit/ (loss) for 2012 |
|---|---|---|
| YPDI – Acquired through business combination(i) | **64,245** | **9,653** |
| Ziemann Group-Acquired through business combination (i) | **16,000** | **14,022** |
| YJFR.-Acquired through business combination(i) | **36,623** | **3,838** |
| Xinfa Airport Equipment Ltd.-Acquired through business combination | **27,250** | **2,914** |
| Others(ii) | **1,261,515** | **(70,434)** |

# IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 4. Subsidiaries newly included in and excluded from the scope of consolidation for the current year (Continued)

### (1) Subsidiaries newly included in the scope of consolidation (Continued)

*(i)* The companies above were acquired in business combination involving enterprises not under common control. The net profit for the current period is the net profit earned from the acquisition date to 31 December 2012 (Note IV 6).

*(ii)* Other subsidiaries newly included in the scope of consolidation mainly comprised of Container holding and other 41 subsidiaries.

### (2) There was no significant subsidiary, special purpose entity, or operating entity that having control through being entrusted to manage or leasing that excluded from the scope of consolidation for the current year.

## 5. There was no acquisition through combination under common control for the current year (2011: Nil).

## 6. The Group's acquisition through combination not under common control for the current year

### (1) YPDI

| | Amount of goodwill | Calculation of goodwill |
|---|---|---|
| YPDI | 86,558 | Goodwill is recognised at the excess of the combination cost over the acquirer's interests in the fair value of the acquiree's identifiable net assets acquired during the acquisition. The calculation is as follows. |

On 1 January 2012, the Company's subsidiary, CIMC Enric, acquired 100% of the equity interests in YPDI.

YPDI is principally engaged in consultancy, planning, design, service, procurement and contracting for petrochemical projects; pressure vessels and pressure piping design; computer software development and utilization. The combination will enhance the Group's capacity in providing engineering services and expand the Group's segment in energy, chemistry and food equipment to upstream clients.

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## IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. The Group's acquisition through combination not under common control for the current year (Continued)

#### (1) YPDI (Continued)

*(i)* Details of the costs of combination and goodwill recognised are as follows:

| | |
|---|---|
| Costs of combination - | |
| Cash paid | 110,474 |
| Advance to suppliers | 33,000 |
| Payables | 21,526 |
| Total cost of combination | 165,000 |
| Less: share of the fair value of identifiable net assets obtained | (78,442) |
| Goodwill | 86,558 |

*(ii)* The assets and liabilities of YPDI at the acquisition date, and the cash flows relating to the acquisition are as follows:

| | Acquisition date Fair value | Acquisition date Carrying amount | 31 December 2011 Carrying amount |
|---|---|---|---|
| Cash at bank and on hand | 54,287 | 54,287 | 54,287 |
| Accounts receivable and other receivables | 43,471 | 51,260 | 51,260 |
| Inventories | 12,409 | 17 | 17 |
| Fixed assets | 17,477 | 15,852 | 15,852 |
| Intangible assets | 31,800 | 4,088 | 4,088 |
| Long-term prepaid expenses | 2,463 | – | – |
| Payables | (59,499) | (57,704) | (57,704) |
| Taxes payable | (16,016) | (16,016) | (16,016) |
| Deferred tax liabilities | (7,950) | – | – |
| Net assets obtained | 78,442 | 51,784 | 51,784 |
| Consideration settled in cash | 110,474 | | |
| Less: cash and cash equivalents in the subsidiary acquired | (54,287) | | |
| Net cash outflow on acquisition of the subsidiary | 56,187 | | |

As at the date of acquisition, the fair values of cash at bank and on hand, accounts receivables and other receivables, payables and taxes payable were their carrying amounts. The fair values of inventories and fixed assets were close to their carrying amounts. The fair values of identifiable intangible assets were defined by valuation, and deferred tax liabilities were recognized accordingly.

# IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 6. The Group's acquisition through combination not under common control for the current year (Continued)

### (1) YPDI (Continued)

*(ii)* The assets and liabilities of YPDI at the acquisition date, and the cash flows relating to the acquisition are as follows: (Continued)

The revenue, net profit and cash flows of YPDI for the period from the acquisition date to 31 December 2012 are as follows:

| | |
|---|---|
| Revenue | 226,636 |
| Net profit | 14,022 |
| Cash flows from operating activities | 3,527 |
| Net cash flows | (10,568) |

### (2) Ziemann Group

| | Amount of negative goodwill | Calculation of negative goodwill |
|---|---|---|
| Ziemann Group | 25,016 | Negative goodwill is recognised at the excess of the combination cost over the acquirer's interests in the fair value of the acquiree's identifiable net assets acquired during the acquisition. The calculation is as follows. |

On 17 August 2012, Enric, a subsidiary of the Company, acquired certain assets and equity interests of Ziemann Group for an aggregate consideration of EUR25,600,000 (equivalent to approximately RMB208,590,000) and equity interests through its subsidiary in Europe, by entering into an assets purchase agreement with the administrators in bankruptcy of Ziemann Group.

Ziemann Group was one of the world's leading turnkey solution providers in brewing with long business history and provided comprehensive equipment and services to breweries, with sales offices in the United States of America, Thailand, Australia and South Africa and customers covered substantially all of the world's largest brewers. Ziemann Group is principally located in Germany. The acquisition is expected to enhance the Group's competitive advantages in the liquid food equipment business.

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# IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 6. The Group's acquisition through combination not under common control for the current year (Continued)

### (2) Ziemann Group (Continued)

*(i)* Details of the costs of combination and profit recognised are as follows:

| | |
|---|---|
| Share of the fair value of identifiable net assets obtained | 233,606 |
| Less: Costs of combination-cash paid | (208,590) |
| Profit from combination | 25,016 |

*(ii)* The assets and liabilities of Ziemann Group at the acquisition date, and the cash flows relating to the acquisition are as follows:

| | Acquisition date Fair value | Acquisition date Carrying amount | 31 December 2011 Carrying amount |
|---|---|---|---|
| Accounts receivable | 69,568 | 69,568 | 69,568 |
| Other receivables | 154,923 | 154,923 | 154,923 |
| Inventories | 24,198 | 24,198 | 24,198 |
| Fixed assets | 132,473 | 132,473 | 132,473 |
| Intangible assets | 57,822 | 57,822 | 57,822 |
| Payables | (189,937) | (189,937) | (189,937) |
| Deferred tax liabilities | (15,441) | (15,441) | (15,441) |
| Net assets obtained | 233,606 | 233,606 | 233,606 |
| Consideration settled in cash | 208,590 | | |
| Less: cash and cash equivalents in the subsidiary acquired | – | | |
| Net cash outflow on acquisition of the subsidiary | 208,590 | | |

The fair value of the above assets acquired is provisional, and the Group is in the process of making final assessment on it. According to the Accounting Standards for Business Enterprises, there is one year for the Group to finalise the revaluation and make relevant adjustment to financial statements.

The revenue, net profit and cash flows of Ziemann Group for the period from the acquisition date to 31 December 2012 are immaterial to the Group.

# IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 6. The Group's acquisition through combination not under common control for the current year (Continued)

### (3) YJFR and Xinfa airport

In 2012, the Group acquired 60% of equity interests in the third stage of real estate project of YJFR at the consideration of RMB36,000,000. The project is still under development. According to valuation result, no goodwill was recognized. Besides, based on relevant acquisition agreement, the Group need to provide additional loan amounted to RMB330 million to YJFR, and need to pay special dividends to its original shareholders amounted to 40% of the additional loans in future repayment periods in case of certain conditions are met.

In 2012, the Group acquired 70% of equity interests in Xinfa Airport Equipment Ltd at the consideration of RMB18,900,000 to expand the Group's airport facilities business.

The consideration paid in the above two business combination, and the revenue, net profit and cash flows of the above two projects for the period from the acquisition date to 31 December 2012 are immaterial to the Group.

## 7. There is no loss of control of subsidiaries by disposal of equity interest for the current year.

## 8. There is no reverse acquisition of the Group for the current year.

## 9. There is no consolidation by merger of the Group for the current year.

## 10. Significant acquisition of minority interests for the current year

In 2012, CIMC Hong Kong, a wholly own subsidiary of the Group acquired total interests of 38.24% equity interests of CIMC Offshore for the consideration of USD113,724,000, equivalent to RMB716,561,000 from Leung Kee Holding Ltd.("Leung Kee"), Bright Touch and Yantai Shipyard, minority shareholders of CIMC Offshore. After the transaction, CIMC Hong Kong increased its equity interests in CIMC Offshore from 61.67% to 100%. CIMC Offshore is the holding company of the Group's offshore engineering business.

In 2012, CIMC Europe BVBA, a wholly owned subsidiary of the Group, acquired 20% equity interests in CIMC Burg B.V. for the consideration of ERU8,738,000, equivalent to RMB72,679,000 from CIMB Burg B.V.'s minority shareholders. After the transaction, CIMC Europe BABA increased its equity interests in CIMC Burg B.V. from 80% to 100%.

The difference between the additional share of identified net assets adjusted and the consideration paid was about RMB168,657,000, which was recognised to capital surplus.

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## IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 11. Significant disposal of subsidiary's equity interests without loss of control for current year

In 2012, CIMC Vehicle, the Company's 80% owned subsidiary, disposed 103,500,000 number of Enric's ordinary shares at the price of HKD4.8 per share, representing approximately 4.42% equity interests, and received total proceeds of HKD496,000,000 (RMB:406,283,000). The difference between the proceeds from disposal and the share of the subsidiary's identifiable net assets was amounted to RMB178,916,000, which was recognized in capital surplus.

### 12. Exchange rates applied to financial statement items of foreign operations

| | Average exchange rate | | Benchmark rate on reporting date | |
|---|---|---|---|---|
| | **2012** | 2011 | **31 December 2012** | 31 December 2011 |
| USD | **6.3091** | 6.4503 | **6.2854** | 6.3009 |
| EUR | **8.1235** | 9.0377 | **8.3195** | 8.1625 |
| HKD | **0.8135** | 0.8287 | **0.8108** | 0.8107 |
| JPY | **0.0785** | 0.0810 | **0.0730** | 0.0811 |

The shareholders' equity items other than "undistributed profits", income and expense items, and the cash flows items are translated at the spot exchange rates on the dates of the transactions.

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. Cash at bank and on hand

| | **31 December 2012** | | | | 31 December 2011 | | |
|---|---|---|---|---|---|---|---|
| | **Amount in foreign currency '000** | **Exchange rate** | **Amount in RMB '000** | | Amount in foreign currency '000 | Exchange rate | Amount in RMB '000 |
| Cash on hand | | | | | | | |
| RMB | **1,119** | **1.0000** | **1,119** | RMB | 1,187 | 1.0000 | 1,187 |
| USD | **21** | **6.2854** | **134** | USD | 51 | 6.3009 | 321 |
| HKD | **17** | **0.8108** | **14** | HKD | 320 | 0.8107 | 259 |
| JPY | **753** | **0.0730** | **55** | JPY | 197 | 0.0811 | 16 |
| AUD | **–** | **6.5359** | **–** | AUD | 1 | 6.4093 | 6 |
| EUR | **29** | **8.3195** | **240** | EUR | 76 | 8.1625 | 620 |
| Others | | | **18** | Others | | | 6 |
| Sub-total | | | **1,580** | | | | 2,415 |
| Bank deposits | | | | | | | |
| RMB | **1,777,496** | **1.0000** | **1,777,496** | RMB | 3,352,210 | 1.0000 | 3,352,210 |
| USD | **282,272** | **6.2854** | **1,774,192** | USD | 393,243 | 6.3009 | 2,477,785 |
| HKD | **82,389** | **0.8108** | **66,801** | HKD | 295,813 | 0.8107 | 239,816 |
| JPY | **530,164** | **0.0730** | **38,702** | JPY | 141,873 | 0.0811 | 11,506 |
| AUD | **17,779** | **6.5359** | **116,200** | AUD | 21,299 | 6.4093 | 136,512 |
| EUR | **65,527** | **8.3195** | **545,150** | EUR | 44,062 | 8.1625 | 359,656 |
| Others | | | **74,079** | Others | | | 77,279 |
| Sub-total | | | **4,392,620** | | | | 6,654,764 |
| Other cash balances | | | | | | | |
| RMB | **599,864** | **1.0000** | **599,864** | RMB | 1,118,610 | 1.0000 | 1,118,610 |
| USD | **36,180** | **6.2854** | **227,402** | USD | 1,958 | 6.3009 | 12,337 |
| HKD | **90** | **0.8108** | **73** | HKD | – | 0.8107 | – |
| Sub-total | | | **827,339** | | | | 1,130,947 |
| Total | | | **5,221,539** | | | | 7,788,126 |

As at 31 December 2012, restricted cash at bank and on hand of the Group amounted to RMB824,027,000 (31 December 2011: RMB1,224,873,000). Refer to Note V.22 for details.

As at 31 December 2012, Finance Company, the subsidiary of the Group, had deposit with the People's Bank of China totalling of RMB559,009,000 (31 December 2011: RMB457,341,000). Finance Company is a finance institution authorised by the People's Bank of China.

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2. Financial assets held for trading

### (1) Classification of financial assets held for trading

| | | Note | **31 December 2012** | 31 December 2011 |
|---|---|---|---|---|
| 1. | Investments in equity instrument held for trading | | | |
| | – Listed companies | (3) | **389,557** | 143,692 |
| 2. | Derivative financial assets | | | |
| | – Forward contract | (4) | **12,684** | 32,691 |
| 3. | Hedging instrument | | **2,851** | 9,751 |
| Total | | | **405,092** | 186,134 |

(2) As at 31 December 2012, there is no material restriction on sales or realisation of the investment in financial assets held for trading.

(3) The equity instruments held for trading are securities listed on the Stock Exchange of Hong Kong Limited, the Shenzhen Stock Exchange, the Shanghai Stock Exchange and the Singapore Exchange Limited, of which the fair value is determined at the closing price on the last trading day of the year of the above stock exchanges.

### (4) Derivative financial assets held for trading

As at 31 December 2012, the Group had certain open forward contracts (mainly unsettled forward contracts) denominated in U.S. dollars. The nominal value of these contracts amounted to USD435 million. The Group had other unsettled forward contracts of Japanese Yuan, Euro, Norwegian Krone and Australian Dollar. The nominal value of these amounted to JPY 450 million, EUR 22.56 million and AUD 8.3 million respectively. Pursuant to these forward contracts, the Group is required to buy/sell foreign currencies, such as USD, Euro, Japanese Yuan, and etc. of contracted nominal value at agreed rates in exchange of RMB at the contract settlement dates. These forwards contracts will be settled on a net basis by comparing the market rates at the settlement dates and the agreed rates. The settlement dates of the aforesaid forwards contracts range from 5 January 2013 to 5 July 2014.

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 3. Notes receivable

### (1) Classification of Notes receivable

| | **31 December 2012** | 31 December 2011 |
|---|---|---|
| Bank acceptance notes | **776,309** | 924,183 |
| Trade acceptance notes | **1,800** | 106,345 |
| Total | **778,109** | 1,030,528 |

All of the above bills receivable are due within one year.

No amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of bills receivable.

### (2) As at 31 December 2012, the Group had no pledged notes receivable (31 December 2011: Nil).

### (3) As at 31 December 2012, there were no amount transferred to accounts receivable from acceptance bills due to failure of performance by the issuers (31 December 2011: Nil).

### (4) At 31 December 2012, the five largest amounts of outstanding notes receivable endorsed by the Group are:

| Issuer | Issuance date | Maturity date | Amount | Notes |
|---|---|---|---|---|
| Henan SHAC Automobile Sales Co., Ltd. | 11 October 2012 | 11 April 2013 | 10,000 | Bank acceptance notes |
| HanDe Axle Co., Ltd. | 15 August 2012 | 15 February 2013 | 7,000 | Bank acceptance notes |
| Guangdong Yuegang Tire Co., Ltd. | 23 July 2012 | 23 January 2013 | 5,421 | Bank acceptance notes |
| Saic-iveco Hongyan Commercial Vehicle Co., Ltd. | 30 July 2012 | 30 January 2013 | 5,000 | Bank acceptance notes |
| Xinjiang Jinbaisheng Trading Co., Ltd. | 26 September 2012 | 26 March 2013 | 5,000 | Bank acceptance notes |
| Total | | | 32,421 | |

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. Accounts receivable

#### (1) Accounts receivables are analysed by customer categories as follows:

| | **31 December 2012** | 31 December 2011 |
|---|---|---|
| Containers group | **2,711,559** | 3,418,813 |
| Trailers group | **1,827,664** | 1,754,595 |
| Energy, chemistry and equipment group | **2,215,151** | 1,497,937 |
| Offshore business group | **1,022,797** | 1,152,280 |
| Airport facilities group | **413,934** | 246,873 |
| Others | **416,849** | 359,836 |
| Sub-total | **8,607,954** | 8,430,334 |
| Less: provision for bad debts | **(369,921)** | (319,550) |
| Total | **8,238,033** | 8,110,784 |

#### (2) The ageing of accounts receivable is analysed as follows:

| | **31 December 2012** | 31 December 2011 |
|---|---|---|
| Within 1 year (inclusive) | **7,524,749** | 7,732,052 |
| 1 to 2 years (inclusive) | **814,730** | 433,462 |
| 2 to 3 years (inclusive) | **162,123** | 169,828 |
| Over 3 years | **106,352** | 94,992 |
| Sub-total | **8,607,954** | 8,430,334 |
| Less: provision for bad debts | **(369,921)** | (319,550) |
| Total | **8,238,033** | 8,110,784 |

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 4. Accounts receivable (Continued)

### (3) Accounts receivables are analysed by categories as follows:

| | | 31 December 2012 | | | | 31 December 2011 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Ending balance | | Provision for bad debts | | Ending balance | | Provision for bad debts | |
| | | Amount | % of total balance | Amount | Ratio | Amount | % of total balance | Amount | Ratio |
| With amounts that are individually significant and that the related provision for bad debts is provided on the individual basis | (4) | **1,431,696** | **16.63%** | **169,086** | **11.81%** | 1,107,112 | 13.13% | 174,011 | 15.72% |
| With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis | (5) | **45,659** | **0.53%** | **16,089** | **35.24%** | 49,777 | 0.59% | 20,547 | 41.28% |
| That the related provision for bad debts is provided on the grouping basis* | | | | | | | | | |
| Containers group | (6) | **2,435,399** | **28.30%** | **1,319** | **0.05%** | 3,405,170 | 40.40% | 3,723 | 0.11% |
| Trailers group | (6) | **1,689,304** | **19.62%** | **94,664** | **5.60%** | 1,665,282 | 19.75% | 58,587 | 3.52% |
| Energy, chemistry and equipment group | (6) | **2,087,691** | **24.25%** | **61,903** | **2.97%** | 1,395,742 | 16.56% | 49,374 | 3.54% |
| Offshore business group | (6) | **126,296** | **1.47%** | **10** | **0.01%** | 247,266 | 2.93% | – | – |
| Airport facilities group | (6) | **386,219** | **4.49%** | **22,377** | **5.79%** | 234,755 | 2.78% | 12,735 | 5.42% |
| Others | (6) | **405,690** | **4.71%** | **4,473** | **1.10%** | 325,230 | 3.86% | 573 | 0.18% |
| Group sub-total | | **7,130,599** | **82.84%** | **184,746** | **2.59%** | 7,273,445 | 86.28% | 124,992 | 1.72% |
| Total | | **8,607,954** | **100.00%** | **369,921** | **4.30%** | 8,430,334 | 100.00% | 319,550 | 3.79% |

Note*: This category includes accounts receivable individually tested but not impaired.

As at 31 December 2012, the Group did not hold any collateral for accounts receivable that were made impairment aforesaid.

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 4. Accounts receivable (Continued)

### (3) Accounts receivables are analysed by categories as follows (Continued):

Individually significant items represent accounts receivable with an individual amount over RMB10,000,000 (inclusive) or the book value of which account for 5% (inclusive) of the total accounts receivable in individual financial statements included in the consolidated financial statement.

Accounts receivable denominated in foreign currencies are as follows:

| | **31 December 2012** | | | 31 December 2011 | | |
|---|---|---|---|---|---|---|
| | **Amount in foreign currency '000** | **Exchange rate** | **Amount in RMB '000** | Amount in foreign currency '000 | Exchange rate | Amount in RMB '000 |
| RMB | **3,230,211** | **1.0000** | **3,230,211** | 2,588,052 | 1.0000 | 2,588,052 |
| USD | **697,967** | **6.2854** | **4,386,969** | 797,360 | 6.3009 | 5,024,086 |
| HKD | **21,384** | **0.8108** | **17,339** | 2,099 | 0.8107 | 1,702 |
| JPY | **520,829** | **0.0730** | **38,046** | 155,654 | 0.0811 | 12,624 |
| AUD | **25,099** | **8.3195** | **208,809** | 41,157 | 6.4093 | 263,789 |
| EUR | **103,649** | **6.5359** | **677,446** | 54,309 | 8.1625 | 443,299 |
| Others | | | **49,134** | | | 96,782 |
| Total | | | **8,607,954** | | | 8,430,334 |

### (4) As at 31 December 2012, accounts receivable with amounts that are individually significant and that the related provision for bad debts is provided on the individual basis are analysed as follows:

| | **Ending balance** | **Provision for bad debts** | **Ratio** | **Reason** |
|---|---|---|---|---|
| Containers group | 266,089 | 2,279 | 0.86% | Provision is made based on the estimated recoverable amount according to assessment of credit risk and historical data |
| Trailers group | 105,154 | 27,695 | 26.34% | |
| Energy, chemistry and equipment group | 127,460 | 12,970 | 10.18% | |
| Offshore business group | 894,375 | 106,851 | 11.95% | |
| Airport facilities group | 27,715 | 8,388 | 30.27% | |
| Others | 10,903 | 10,903 | 100% | |
| Total | 1,431,696 | 169,086 | 11.81% | |

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 4. Accounts receivable (Continued)

(5) As at 31 December 2012, accounts receivable with amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis are analysed as follows:

| | Ending balance | Provision for bad debts | Ratio | Reason |
|---|---|---|---|---|
| Containers group | 10,071 | 3,608 | 35.83% | Provision is made based on the estimated recoverable amount according to assessment of credit risk and historical data |
| Trailers group | 33,207 | 10,100 | 30.41% | |
| Offshore business group | 2,125 | 2,125 | 100% | |
| Others | 256 | 256 | 100% | |
| Total | 45,659 | 16,089 | 35.24% | |

(6) Accounts receivable that the related provision for bad debts is provided on grouping basis using the ageing analysis method are analysed as follows:

| | **31 December 2012** | | | 31 December 2011 | | |
|---|---|---|---|---|---|---|
| | **Ending balance** | | **Provision** | Ending balance | | Provision |
| | **Amount** | **% of total balance** | **for bad debts** | Amount | % of total balance | for bad debts |
| Within 1 year | **6,719,921** | **78.08%** | **86,718** | 6,896,549 | 81.81% | 34,096 |
| 1 to 2 years | **261,199** | **3.03%** | **18,576** | 247,577 | 2.94% | 13,569 |
| 2 to 3 years | **98,503** | **1.14%** | **29,011** | 69,382 | 0.82% | 17,390 |
| Over 3 years | **50,976** | **0.59%** | **50,441** | 59,937 | 0.71% | 59,937 |
| Total | **7,130,599** | **82.84%** | **184,746** | 7,273,445 | 86.28% | 124,992 |

The ageing is counted starting from the date the account receivable is recognised.

(7) The recovery of provision in current year

There were no accounts receivable that the related provision for bad debts had been provided in full amount or in large proportion in previous years but are collected or reversed in full amount or in large proportion in current year (2011: Nil).

(8) Accounts receivable that are written off in current year

There were no material accounts receivable that are written off in current year (2011: Nil).

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# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 4. Accounts receivable (Continued)

### (9) As at 31 December 2012, the five largest accounts receivable are analysed as follows:

| Company Name | Relationship with the Group | Amount | Ageing | % of total balance |
|---|---|---|---|---|
| 1. Soratu Drilling LLC | None | 531,363 | 1 to 2 years | 6.17% |
| 2. TAL International Container Corporation | None | 482,848 | Within 1 year | 5.61% |
| 3. Sea Containers Ltd. | None | 385,030 | Within 1 year | 4.47% |
| 4. Baerfield Drilling LLC | None | 363,012 | Within 1 year | 4.22% |
| 5. Triton Container International Ltd. | None | 253,374 | Within 1 year | 2.94% |
| Total | | 2,015,627 | | 23.41% |

The total amount of the Group's five largest accounts receivable at 31 December 2011 was RMB2,747,975,000, accounting for 32.60% of the total accounts receivable.

### (10) Accounts receivable from shareholders holding more than 5% (including 5%) of the voting rights of the Company are analysed as follows:

As at 31 December 2012, no amount due from shareholders holding more than 5% (including 5%) of the voting rights of the Company is included in the above balance of accounts receivable (31 December 2011:Nil).

### (11) Accounts receivable from related parties are analysed as follows:

As at 31 December 2012, the Group's accounts receivable due from related parties amount to RMB218,419,000 (31 December 2011: RMB109,096,000), accounting for 2.54% of the total accounts receivable (31 December 2011: 1.30%).

| | | 31 December 2012 | | | 31 December 2011 | | |
|---|---|---|---|---|---|---|---|
| Company name | Relationship with the Group | Amount | % of total balance | Provision for bad debts | Amount | % of total balance | Provision for bad debts |
| Shanxi Heavy Duty Automobile Co., Ltd.("SXHDA") | Minority shareholders of subsidiaries | 83,971 | 0.98% | – | 9,059 | 0.11% | – |
| Marine Subsea & Consafe | Associate | 78,574 | 0.91% | – | – | – | – |
| Sumitomo Corporation Group ("Sumitomo") | Minority shareholders of subsidiaries | 35,285 | 0.41% | – | 9,181 | 0.11% | – |
| Xiamen Hongji Container Development Co., Ltd. ("XMHJ") | Associate | – | – | – | 86,595 | 1.03% | – |
| Other related parties | | 20,589 | 0.24% | – | 4,261 | 0.05% | – |
| Total | | 218,419 | 2.54% | – | 109,096 | 1.30% | – |

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 4. Accounts receivable (Continued)

### (12) Accounts receivable derecognized due to transfer of financial assets are analysed as follows:

Accounts receivable with a carrying amount of RMB412,241,000 (2011: RMB166,790,000) are derecognised due to transfer of financial assets in current year, with no losses occurred (2011: Nil). The accounts receivable are transferred to financial institutions without recourse.

### (13) Amount of assets and liabilities recognised due to the continuing involvement of securitised accounts receivable

There were no securitised accounts receivable during the year (2011: Nil).

As at 31 December 2012, there were no restricted accounts receivable (31 December 2011: RMB471,026,000). Refer to Note V.22.

## 5. Other receivables

### (1) Other receivables are analysed by categories as follows:

| | **31 December 2012** | 31 December 2011 |
|---|---|---|
| Receivables arising from financing to related parities | **638,940** | 459,841 |
| Loans | **504,369** | 562,343 |
| Drawback tax receivable | **280,829** | 312,888 |
| Deposit | **138,289** | 105,533 |
| Prepayment for land and equipment | **109,776** | 86,475 |
| Receivable from transfer of equity investment | **70,650** | 386,385 |
| Fixed term and secured principle investment | **–** | 415,000 |
| Capital increment amount due from subsidiaries | **–** | 122,438 |
| Others | **512,520** | 379,193 |
| Sub-total | **2,255,373** | 2,830,096 |
| Less: provision for bad debts | **(140,938)** | (120,431) |
| Total | **2,114,435** | 2,709,665 |

### (2) The ageing of other receivables is analysed as follows:

| | **31 December 2012** | 31 December 2011 |
|---|---|---|
| Within 1 year (Inclusive) | **1,083,476** | 1,584,992 |
| 1 to 2 years (Inclusive) | **224,138** | 484,326 |
| 2 to 3 years (Inclusive) | **317,585** | 513,136 |
| Over 3 years | **630,174** | 247,642 |
| Sub-total | **2,255,373** | 2,830,096 |
| Less: provision for bad debts | **(140,938)** | (120,431) |
| Total | **2,114,435** | 2,709,665 |

The ageing is counted starting from the date the other receivable is recognized.

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5. Other receivables (Continued)

### (3) Other receivables are analysed by categories as follows:

| | | 31 December 2012 | | | | 31 December 2011 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Note | Ending balance | | Provision for bad debts | | Ending balance | | Provision for bad debts | |
| | | Amount | % of total balance | Amount | Ratio | Amount | % of total balance | Amount | Ratio |
| Other receivables with amounts that are individually significant | (4) | **1,368,956** | **60.70%** | **71,145** | **5.20%** | 1,953,906 | 69.04% | 71,176 | 3.64% |
| Other receivables with amounts that are not individually significant | (5) | **886,417** | **39.30%** | **69,793** | **7.87%** | 876,190 | 30.96% | 49,255 | 5.62% |
| Total | | **2,255,373** | **100.00%** | **140,938** | **6.25%** | 2,830,096 | 100.00% | 120,431 | 4.26% |

The Group did not hold any collateral for other receivables that were made impairment aforesaid.

Individually significant items represent other receivables with an individual amount over RMB10,000,000 (inclusive) or the book value of which account for 5% (inclusive) of the total other receivables in individual financial statements included in the consolidated financial statement.

### (4) As at 31 December 2012, other receivables with amounts that are individually significant and that the related provision for bad debts is provided on the individual basis are analysed as follows:

| | Ending balance | Provision for bad debts | Ratio | Reason |
|---|---|---|---|---|
| Amounts due from associates | 634,987 | – | – | Note 1 |
| Receivables arising from transfer of equity investment | 70,650 | – | – | Note 1 |
| Receivables arising from purchase of land use right | 71,652 | – | – | Note 1 |
| Receivables arising from financing to third parties | 433,632 | 12,571 | 2.90% | Note 1 |
| Others | 158,035 | 58,574 | 37.06% | Note 1 |
| Total | 1,368,956 | 71,145 | 5.20% | |

Note 1: The provision for bad debts is individually assessed based on the recoverability.

### (5) As at 31 December 2012, other receivables with amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis are analysed as follows:

The Group assessed impairment of other receivables with amounts that are not individually significant and made provision of impairment of RMB69,793,000 as at 31 December 2012.

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 5. Other receivables (Continued)

### (6) The recovery of provision in current year

There were no other receivables that the related provision for bad debts had been provided in full amount or in large proportions in previous years but are collected or reversed in full amount or in large proportions in current year (2011: Nil).

### (7) Other receivables that are written off in current year

There were no material other receivables that are written off in current year (2011: Nil).

### (8) As at 31 December 2012, the five largest other receivables are analysed as follows:

| Company Name | Relationship with the Group | Amount | Aging | % of total balance |
|---|---|---|---|---|
| Schahin Holding S.A (i) | None | 415,632 | 1 to 3 years | 18.43% |
| Marine Subsea & Consafe (ii) | Associate | 287,505 | Over 3 years | 12.75% |
| Shanghai Fengyang Real Estate Development Co., Ltd ("Shanghai Fengyang") | Associate | 177,482 | Within 1 year and over 3 years | 7.87% |
| C&C Trucks Co., Ltd ("C&C Trucks") | Associate | 171,166 | Within 1 year | 7.59% |
| China Merchants Property Development Co., Ltd ("SZMPD") | Significant shareholders of subsidiaries | 70,650 | Over 3 years | 3.13% |
| Total | | 1,122,435 | | 49.77% |

The Group's five largest other receivables as at 31 December 2011 amounted to RMB1,478,275,000, accounting for 52.23% of the total other receivables.

*(i)* Raffles entered into loan agreements with Schahin Holding S.A. and its other 6 related parties ("Schahin"), whereby the total amount borrowed by Schahin is USD66,126,000 (RMB415,632,000) as at 31 December 2012. The repayment is expected to be settled in cash. As a result, the amount was recorded as other receivables. The Group has made provision of RMB12,571,000 for the amount above as at 31 December 2012.

*(ii)* Raffles completed its acquisition of Gadidae AB (formerly known as Consafe MSV AB) on 31 January 2011. Since December 2007, Gadidae AB had been making loans to its associate, Marine Subsea & Consafe ("MSC"), which amounted to USD35,625,000 (RMB223,916,000) as at 31 December 2011. Raffles recognised interest income according to loan agreement and recorded expenses paid on behalf of MSC with total amount of USD10,116,000 (RMB63,589,000) from 2007 to 31 January 2011.

### (9) Other receivables from shareholders holding more than 5% (including 5%) of the voting rights of the Company are analysed as follows:

As at 31 December 2012, no amount due from shareholders holding more than 5% (including 5%) of the voting rights of the Company is included in the above balance of other receivables (31 December 2011:Nil).

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5. Other receivables (Continued)

#### (10) As at 31 December 2012, other receivables from related parties are analysed as follows:

| Company Name | Relationship with the Group | 31 December 2012 Amount | Nature | % of total balance | Provision for bad debts | 31 December 2011 Amount | % of total balance | Provision for bad debts |
|---|---|---|---|---|---|---|---|---|
| Marine Subsea & Consafe | Associate | **287,505** | **Funding** | **12.75%** | **–** | 288,217 | 10.18% | – |
| Shanghai Fengyang | Associate | **177,482** | **Funding** | **7.87%** | **–** | 167,672 | 5.92% | – |
| C&C Trucks | Associate | **171,166** | **Funding** | **7.59%** | **–** | 10,790 | 0.38% | – |
| SZMPD | Significant shareholder of the Group | **70,650** | **Receivables from sales of a subsidiary** | **3.13%** | **–** | 70,650 | 2.50% | – |
| Leung Kee | Minority shareholders of subsidiary | **–** | **–** | **–** | **–** | 315,735 | 11.16% | – |
| PGM | Minority shareholders of subsidiary | **–** | **–** | **–** | **–122,438** | 4.33% | – | |
| Others | | **6,821** | | **0.30%** | **–** | 4,613 | 0.16% | – |
| Total | | **713,624** | | **31.64%** | **–** | 980,115 | 34.63% | – |

The Group's other receivables due from related parties as at 31 December 2011 amounted to RMB980,115,000, accounting for 34.63% of total other receivables.

#### (11) Other receivables denominated in foreign currencies are as follows:

| | 31 December 2012 Amount in foreign currency | Exchange rate | Amount in RMB | 31 December 2011 Amount in foreign currency | Exchange rate | Amount in RMB |
|---|---|---|---|---|---|---|
| RMB | **1,639,933** | **1.0000** | **1,639,933** | 1,957,234 | 1.0000 | 1,941,516 |
| USD | **64,078** | **6.2854** | **402,752** | 57,149 | 6.3009 | 360,091 |
| HKD | **49,403** | **0.8108** | **40,057** | 561,062 | 0.8107 | 332,415 |
| EUR | **14,933** | **8.3195** | **124,236** | 8,769 | 8.1625 | 194,019 |
| Others | | | **48,395** | | | 2,055 |
| Total | | | **2,255,373** | | | 2,830,096 |

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 6. Advance to suppliers

### (1) Advance to suppliers are analysed by categories as follows:

| | **31 December 2012** | 31 December 2011 |
|---|---|---|
| Raw material (including equipments for ship under construction) | **1,153,826** | 1,433,583 |
| Cost of ship under construction | **134,775** | 506,620 |
| Others | **107,283** | 87,033 |
| Sub-total | **1,395,884** | 2,027,236 |
| Less: provision for bad debts | **(182,842)** | (96,740) |
| Total | **1,213,042** | 1,930,496 |

### (2) The ageing of advance to suppliers is analysed below:

| | **31 December 2012** | | 31 December 2011 | |
|---|---|---|---|---|
| | **Amount** | **% of total balance** | Amount | % of total balance |
| Within 1 year (inclusive) | **954,528** | **68.38%** | 1,577,538 | 77.82% |
| 1 to 2 years (inclusive) | **239,605** | **17.17%** | 114,381 | 5.64% |
| 2 to 3 years (inclusive) | **21,228** | **1.52%** | 36,279 | 1.79% |
| Over 3 years | **180,523** | **12.93%** | 299,038 | 14.75% |
| Sub-total | **1,395,884** | **100.00%** | 2,027,236 | 100.00% |
| Less: provision for bad debts | **(182,842)** | **13.10%** | (96,740) | 4.77% |
| Total | **1,213,042** | **86.90%** | 1,930,496 | 95.23% |

The ageing is counted starting from the date of recognition of advance to suppliers.

Advance to suppliers aged over 1 year included steel purchase prepayment made to a supplier in total of RMB91,336,000 in 2008. The supplier has not delivered the steels within due date for its own reasons. As at 31 December 2012, the Group had made full bad debts provision of RMB87,640,000 for unsettled balances.(31 December 2011: RMB87,640,000).

Other than the advance to suppliers mentioned above, the remaining advance to suppliers aged over 1 year mainly represented equipment purchase advance to suppliers for offshore engineering projects. The advance to suppliers are not settled because the construction period of the offshore engineering project usually last more than 1 year.

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. Advance to suppliers (Continued)

#### (3) As at 31 December 2012, the five largest advance to suppliers are analysed as follows:

| Company name | Relationship with the Group | Amount | % of total balance | Date of making advance | Reason for being unsettled |
|---|---|---|---|---|---|
| Tian Jin Yinze sheet metal Co., Ltd. | None | 87,640 | 6.28% | 2008 | Materials not yet received within due date |
| EMER INTERNATIONAL LTD | None | 26,105 | 1.87% | 2011 | Equipments not yet received within due date |
| FRIEDE & GOLDMAN MARKETING BV | None | 23,343 | 1.67% | 2011 | Projects not yet completed within due date |
| Shanxi Huangqiang Steel Co., Ltd. | None | 21,157 | 1.52% | 2012 | Materials not yet received within due date |
| Chengdu Lanshi Industry and Commercial Co., Ltd | None | 20,913 | 1.50% | 2012 | Goods not yet received within due date |
| Total | | 179,158 | 12.84% | | |

#### (4) Advance to shareholders holding more than 5% (including 5%) of the voting rights of the Company are analysed as follows:

As at 31 December 2012, no amount advance to shareholders holding more than 5% (including 5%) of the voting rights of the Company is included in the above balance of advance to suppliers (31 December 2011: Nil).

#### (5) Advance to related parties are analysed as follows:

| Company Name | Relationship with the Group | 31 December 2012 Amount | 31 December 2012 % of total balance | 31 December 2012 Provision for bad debts | 31 December 2011 Amount | 31 December 2011 % of total balance | 31 December 2011 Provision for bad debts |
|---|---|---|---|---|---|---|---|
| Xiamen Haitou | Associate | **351** | **0.03%** | **–** | – | – | – |
| SXHDA | Minority shareholders of subsidiaries | **134** | **0.01%** | **–** | – | – | – |
| Total | 485 | **0.04%** | **–** | **–** | – | – | |

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 6. Advance to suppliers (Continued)

### (6) Advance to suppliers denominated in foreign currencies are as follows:

| | 31 December 2012 | | | 31 December 2011 | | |
|---|---|---|---|---|---|---|
| | Amount in foreign currency | Exchange rate | Amount in RMB | Amount in foreign currency | Exchange rate | Amount in RMB |
| RMB | 579,645 | 1.0000 | 579,645 | 510,110 | 1.0000 | 510,110 |
| USD | 118,729 | 6.2854 | 746,253 | 228,160 | 6.3009 | 1,437,615 |
| EUR | 5,634 | 8.3195 | 46,872 | 5,935 | 8.1625 | 48,445 |
| GBP | 2,021 | 10.1626 | 20,536 | 2,186 | 9.7116 | 21,225 |
| HKD | 2,684 | 0.8108 | 2,176 | 11,626 | 0.8107 | 9,425 |
| AUD | 62 | 6.5359 | 402 | 65 | 6.4093 | 416 |
| Total | | | 1,395,884 | | | 2,027,236 |

## 7. Inventories

### (1) Inventories are summarised by categories as follows:

| | 31 December 2012 | | | 31 December 2011 | | |
|---|---|---|---|---|---|---|
| | Ending balance | Provision for decline in the value of inventories | Carrying amount | Ending balance | Provision for decline in the value of inventories | Carrying amount |
| Raw materials | 4,260,175 | (146,690) | 4,113,485 | 4,816,337 | (221,791) | 4,594,546 |
| Work in progress | 2,094,286 | (12,369) | 2,081,917 | 1,698,356 | (23,079) | 1,675,277 |
| Finished goods | 3,540,952 | (70,542) | 3,470,410 | 3,156,015 | (68,790) | 3,087,225 |
| Consignment stocks | 203,874 | (592) | 203,282 | 320,254 | (158) | 320,096 |
| Spare parts | 70,811 | – | 70,811 | 57,526 | – | 57,526 |
| Low-valued consumables | 44,353 | – | 44,353 | 37,097 | – | 37,097 |
| Materials in transit | 63,803 | – | 63,803 | 10,920 | – | 10,920 |
| Completed properties held for sale | 139,254 | – | 139,254 | 38,072 | – | 38,072 |
| Properties under development | 1,838,319 | – | 1,838,319 | 591,783 | – | 591,783 |
| Ship under construction | 5,914,418 | (148,698) | 5,765,720 | 5,078,579 | (102,237) | 4,976,342 |
| Offshore engineering equipment | 243,372 | – | 243,372 | 79,468 | – | 79,468 |
| Total | 18,413,617 | (378,891) | 18,034,726 | 15,884,407 | (416,055) | 15,468,352 |

The Group's closing balances of inventories included capitalised borrowing cost amounting to RMB427,156,000 (31 December 2011: RMB164,010,000). The interest rate per annum at which the borrowing costs were capitalised was 5.58% (2011:5.73%).

As at 31 December 2012, the Group had no inventories with restricted ownership (31 December 2011: RMB7,671,000).

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 7. Inventories (Continued)

#### (2) Inventories movement for the year is as follows:

| | Beginning balance | Increase in current year | Decrease in current year | Ending balance |
|---|---|---|---|---|
| Raw materials | 4,816,337 | 43,281,076 | (43,837,238) | 4,260,175 |
| Work in progress | 1,698,356 | 39,232,404 | (38,836,474) | 2,094,286 |
| Finished goods | 3,156,015 | 43,026,400 | (42,641,463) | 3,540,952 |
| Consignment stocks | 320,254 | 3,399,664 | (3,516,044) | 203,874 |
| Spare parts | 57,526 | 294,351 | (281,066) | 70,811 |
| Low-valued consumables | 37,097 | 195,470 | (188,214) | 44,353 |
| Materials in transit | 10,920 | 87,910 | (35,027) | 63,803 |
| Completed properties held for sale | 38,072 | 185,677 | (84,495) | 139,254 |
| Properties under development | 591,783 | 1,433,069 | (186,533) | 1,838,319 |
| Ship under construction | 5,078,579 | 1,686,085 | (850,246) | 5,914,418 |
| Offshore engineering equipment | 79,468 | 164,721 | (817) | 243,372 |
| Total | 15,884,407 | 132,986,827 | (130,457,617) | 18,413,617 |

#### (3) Provision for decline in the value of inventories are as follows:

| Category | Beginning balance | Increase in current year | Decrease in current year | | Exchange differences arising from translating foreign operations | Ending balance |
|---|---|---|---|---|---|---|
| | | | Reversal | Write-off | | |
| Raw materials | 221,791 | 63,667 | (66,138) | (72,516) | (114) | 146,690 |
| Work in progress | 23,079 | 10,778 | (15,838) | (5,650) | – | 12,369 |
| Finished goods | 68,790 | 72,673 | (37,786) | (31,775) | (1,360) | 70,542 |
| Consignment stocks | 158 | 592 | – | (158) | – | 592 |
| Ship under construction | 102,237 | 46,890 | – | – | (429) | 148,698 |
| Total | 416,055 | 194,600 | (119,762) | (110,099) | (1,903) | 378,891 |

(a) The provision for decline in value of the Group's inventories during the year was recognised mainly for certain products with price dropped and the slow-moving or waste materials.

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 7. Inventories (Continued)

### (3) Provision for decline in the value of inventories are as follows (Continued):

(b) Written back of provision for decline in value of the Group's inventories during the year is as follows:

| Category | Basis for provision | Reason for reversal/write-off | % of total balance |
|---|---|---|---|
| Raw materials | Carrying amount is lower than the net realisable value | Increase in net realisable value resulted from using or selling of inventories | 1.55% |
| Work in progress | Carrying amount is lower than the net realisable value | Increase in net realisable value resulted from using or selling of inventories | 0.76% |
| Finished goods | Carrying amount is lower than the net realisable value | Increase in net realisable value resulted from using or selling of inventories | 1.07% |
| Consignment stocks | Carrying amount is lower than the net realisable value | Increase in net realisable value resulted from using or selling of inventories | – |
| Ship under construction | Carrying amount is lower than the net realisable value | Increase in net realisable value resulted from using or selling of inventories | – |

## 8. Current portion of non-current assets

| | **31 December 2012** | 31 December 2011 |
|---|---|---|
| Finance leases | **1,631,762** | 2,714,904 |
| Less: unrealised financing income | **(282,772)** | (226,342) |
| Sales of goods by instalments | **345,354** | 168,709 |
| Others | **3,049** | 2,478 |
| Sub-total | **1,697,393** | 2,659,749 |
| Less: provision for impairment | **(61,061)** | (24,462) |
| Total | **1,636,332** | 2,635,287 |

## 9. Other current assets

| | **31 December 2012** | 31 December 2011 |
|---|---|---|
| Tax deductible/withheld | **690,087** | 857,885 |
| Other | **384** | 7,748 |
| Total | **690,471** | 865,633 |

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 10. Available-for-sale financial assets

| | **31 December 2012** | 31 December 2011 |
|---|---|---|
| Available-for-sale equity instruments[(1)] | **609,751** | 571,954 |
| Including: market value of listed securities | **609,751** | 571,954 |

(1) During the year, available-for-sale financial assets held by the Group and the Company included shares of China Merchants Bank, China Merchants Securities Co., Ltd and Otto Energy Limited with a carrying value of RMB158,483,000, RMB442,873,000 and USD1,336,000 (RMB8,395,000) respectively.

### 11. Long-term receivables

| Item | **31 December 2012** | 31 December 2011 |
|---|---|---|
| Finance Leases | **3,111,214** | 2,319,220 |
| Less: Unrealised financing income | **(529,883)** | (431,044) |
| Net finance leases | **2,581,331** | 1,888,156 |
| Sales of goods by instalments | **30,296** | 455,835 |
| Others | **45,745** | 9,240 |
| Sub-total | **2,657,372** | 2,351,231 |
| Less: provision for impairment | **(116,798)** | (41,996) |
| Total | **2,540,574** | 2,311,235 |

The total future minimum lease receipts under finance leases after the balance sheet date, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date), are receivable as follows:

| Minimum lease receipts | **31 December 2012** | 31 December 2011 |
|---|---|---|
| Within 1 year (inclusive) | **1,631,762** | 2,725,141 |
| 1 and 2 years (inclusive) | **1,014,213** | 878,900 |
| 2 and 3 years (inclusive) | **564,213** | 450,400 |
| Over 3 years | **1,532,788** | 979,633 |
| Less: unrealised finance income | **(812,655)** | (657,386) |
| Total | **3,930,321** | 4,376,688 |

Long-term receivables with a carrying amount of RMB1,502,989,000 was derecognised due to transferring of financial assets in current year(2011: RMB1,461,931,000 was derecognised due to transferring of financial assets, with a gain of RMB164,468,000).

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 11. Long-term receivables (Continued)

| | Amount | Gain or loss due to derecognition |
|---|---|---|
| Derecognition of long-term receivables under finance leases due to sold-out | 1,502,989 | 251,453 |

## 12. Long-term equity investments

### (1) Long-term equity investments are analysed by categories as follows:

| | **31 December 2012** | 31 December 2011 |
|---|---|---|
| Joint ventures, unlisted | **39,354** | 33,282 |
| Associates | | |
| – listed companies | **247,619** | 167,161 |
| – unlisted companies | **1,237,173** | 1,367,511 |
| Other long-term equity investments, unlisted | **392,683** | 392,300 |
| Sub-total | **1,916,829** | 1,960,254 |
| Less: provision for impairment | **(3,067)** | (3,067) |
| Total | **1,913,762** | 1,957,187 |

The listed associates are Pteris Global Ltd listed on Singapore Exchange Limited, and TSC Offshore Group Limited ("TSC") listed on the Stock Exchange of Hong Kong Limited.

The fair value of the listed associates mentioned above is as follows:

| | **31 December 2012** | 31 December 2011 |
|---|---|---|
| TSC | **170,115** | 95,238 |
| Pteris Global Ltd | **46,672** | – |
| Total | **216,787** | 95,238 |

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. Long-term equity investments (Continued)

#### (2) An analysis of long-term equity investments movement of the year is as follows:

| | | | Current year movement | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Investee | Investment cost | 31 December 2011 | Increase/ Decrease in investment | Share of net profit using the equity method | Cash dividend declared | Other changes in equity | **31 December 2012** | Share holding (%) | Voting rights (%) | Explanation of disparity between percentages of share holding and voting rights | Provision for impairment | Impairment provided in the current year |
| Equity method | | | | | | | | | | | | |
| – Joint ventures | | | | | | | | | | | | |
| Ruiji Logistics (Wuhu) Co., Ltd ("WHRJL") | 9,884 | 10,811 | – | 106 | – | (405) | **10,512** | 50.00% | 50.00% | N/A | – | – |
| GXNFWL | 15,000 | 19,869 | – | 2,615 | – | (163) | **22,321** | 50.00% | 50.00% | N/A | – | – |
| Supercool (Shanghai) Refrigeration Equipment Co. Ltd ("SCSCRC") | 8,002 | 2,602 | 5,400 | (1,481) | - | – | **6,521** | 50.00% | 50.00% | N/A | – | – |
| Sub-total | 32,886 | 33,282 | 5,400 | 1,240 | – | (568) | **39,354** | | | | | |
| Equity method – Associates | | | | | | | | | | | | |
| Pteris Global Ltd | 84,501 | – | 84,501 | (5,719) | – | – | **78,782** | 14.99% | 14.99% | N/A | – | – |
| KYH Steel Holding Ltd ("KYH") | 27,625 | 121,770 | – | 7,599 | (2,590) | (1) | **126,778** | 31.83% | 31.83% | N/A | – | – |
| TJCIMCZL | 21,403 | 43,045 | – | 724 | – | 40 | **43,809** | 36.00% | 36.00% | N/A | – | – |
| DLJLL | 16,844 | 38,814 | – | 307 | – | 35 | **39,156** | 30.00% | 30.00% | N/A | – | – |
| Xiamen Haitou | 11,479 | 16,812 | – | 3,348 | (4,889) | 14 | **15,285** | 45.00% | 45.00% | N/A | – | – |
| TJZL | 302,144 | 479,597 | – | 14,481 | (11,454) | 435 | **483,059** | 38.22% | 38.22% | N/A | – | – |
| NBBL | 3,579 | 3,496 | – | 718 | (1,050) | – | **3,164** | 21.00% | 21.00% | N/A | – | – |
| XYW | 2,916 | 2,780 | – | (1) | – | – | **2,779** | 20.00% | 20.00% | N/A | – | – |
| Shanghai Fengyang | 12,000 | 134,411 | – | 9,149 | – | – | **143,560** | 40.00% | 40.00% | N/A | – | – |
| TRSTransportkoeling | 12,030 | 11,871 | – | 1,728 | – | (135) | **13,464** | 32.00% | 32.00% | N/A | – | – |
| EurotankOy | 6,946 | 7,912 | – | 1,107 | (615) | 584 | **8,988** | 40.00% | 40.00% | N/A | – | – |
| XMHLC | 6,153 | 5,287 | – | 335 | – | 5,622 | **49.00%** | 49.00% | N/A | – | – | |
| C&C Trucks | 540,000 | 454,988 | – | (128,471) | – | 326,517 | **45.00%** | 45.00% | N/A | – | – | |
| TSC | 167,591 | 167,161 | – | 1,676 | – | – | **168,837** | 14.60% | 14.60% | N/A | – | – |
| XMHJ | 4,900 | 6,875 | – | 4,657 | (2,987) | – | **8,545** | 49.00% | 49.00% | N/A | – | – |
| HBIO | 9,000 | 18,616 | (9,000) | 9,376 | (18,995) | 3 | **-** | – | – | N/A | – | – |
| Vostok-Raffles Joint Stock Company | 16,474 | 15,752 | (15,752) | – | – | – | **-** | – | – | N/A | – | – |
| SJKJ | 6,072 | 5,483 | – | 1,326 | – | – | **6,809** | 30.00% | 30.00% | N/A | – | – |
| Shanghai Shenyi Special Vehicle Parts Co., Ltd | 9,947 | – | 9,947 | (311) | – | – | **9,636** | 25.00% | 25.00% | N/A | – | – |
| Marine Subsea & Consafe | 2 | 2 | – | – | – | – | **2** | 40.00% | 40.00% | N/A | 2 | – |
| Sub-total | 1,261,606 | 1,534,672 | 69,696 | (77,971) | (42,580) | 975 | **1,484,792** | | | | 2 | – |

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 12. Long-term equity investments (Continued)

### (2) An analysis of long-term equity investments movement of the year is as follows (Continued):

| Investee | Investment cost | 31 December 2011 | Current year movement | **31 December 2012** | Share holding (%) | Voting rights (%) | Explanation of disparity between percentages of share holding and voting rights | Provision for impairment | Impairment provided in the current year | Cash dividend declared |
|---|---|---|---|---|---|---|---|---|---|---|
| Cost method – Other long term equity investments | | | | | | | | | | |
| BOCM Schroder Stolt Fund Management | 8,125 | 8,125 | - | **8,125** | 5.00% | 5.00% | N/A | – | – | 5,000 |
| Donghua Container | 270 | 270 | – | **270** | 5.00% | 5.00% | N/A | – | – | 50 |
| China Railway United Logistics | 380,780 | 380,780 | – | **380,780** | 10.00% | 10.00% | N/A | – | – | – |
| Guangdong Samsung | 1,365 | 1,365 | – | **1,365** | 0.09% | 0.09% | N/A | 1,365 | – | – |
| Beihai Yinjian | 1,700 | 1,700 | – | **1,700** | 1.01% | 1.01% | N/A | 1,700 | – | – |
| Wuhan Special Vehicle Magazine Co., Ltd | 383 | | 383 | **383** | 14.00% | 14.00% | N/A | – | – | 74 |
| Jinmen General Aviation Company Limited | 60 | 60 | - | **60** | 39.00% | 39.00% | N/A | – | – | – |
| Sub-total | 392,683 | 392,300 | 383 | **392,683** | | | | 3,065 | – | 5,124 |
| Total | 1,687,175 | 1,960,254 | (43,425) | **1,916,829** | | | | 3,067 | – | 5,124 |

As at 31 December 2012, except for Marine Subsea & Consafe, there is no need for the Group to made provision for long-term equity investments in joint ventures and associates based on the provision testing result that compared the estimated recoverable amount and book value of long-term equity investments in joint ventures and associates.

Mr. Yu Yuquan, the Group's secretary of the Board, was assigned as non-executive director of TSC on 15 March 2011. Therefore, the Group had significant influence over TSC and investment in TSC is measured for using the equity method.

Mr. Yu Yuquan, the Group's secretary of the Board, was assigned as non-executive director of Pteris Global Ltd on 24 September 2012. Therefore, the Group had significant influence over Pteris Global Ltd and investment in Pteris Global Ltd is measured using the equity method.

The Group's stake in Jinmen General Aviation Company Limited is higher than 20%, however, the Group has not appointed any director or key management in Jinmen General Aviation Company Limited or influence its financial or operational activity through other method. Therefore, the Group consider it don't have significant influence over Jinmen General Aviation Company Limited and investment in Jinmen General Aviation Company Limited is measured using the cost method.

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. Long-term equity investments (Continued)

#### (3) Information for major joint ventures and associates is as follows:

| Investee | Total assets at year end | Total liabilities at year end | Net assets at year end | Revenue for the year | Net profit/ (loss) for the year |
|---|---|---|---|---|---|
| 1. Joint ventures | | | | | |
| WHRJL | 48,058 | 26,238 | 21,820 | 60,525 | 212 |
| GXNFWL | 72,112 | 27,249 | 44,863 | 53,518 | 5,229 |
| SCSCRC | 15,158 | 2,118 | 13,040 | 6,711 | (2,962) |
| 2. Associates | | | | | |
| KYH | 1,271,411 | 833,710 | 437,701 | 2,048,783 | 23,873 |
| TJCIMCZL | 128,732 | 7,183 | 121,549 | 34,630 | 2,011 |
| DLJLL | 253,999 | 141,516 | 112,483 | 60,353 | 1,024 |
| Xiamen Haitou | 63,249 | 14,959 | 48,290 | 74,303 | 7,441 |
| TJZL | 2,066,049 | 1,155,286 | 910,763 | 4,916,073 | 37,889 |
| NBBL | 20,783 | 4,249 | 16,534 | 48,070 | 3,420 |
| XYW | 27,493 | 7,454 | 20,039 | – | 3 |
| Shanghai Fengyang | 1,020,509 | 662,695 | 357,814 | 65,044 | 22,872 |
| XMHLC | 17,444 | 5,969 | 11,475 | 16,592 | 684 |
| C&C Trucks | 3,075,245 | 2,338,269 | 736,976 | 672,028 | (285,491) |
| TSC | 1,755,685 | 640,486 | 1,115,199 | 831,810 | 11,477 |
| XMHJ | 398,034 | 373,075 | 24,959 | 82,849 | 9,504 |
| SJKJ | 24,323 | 1,630 | 22,693 | 83,143 | 4,419 |
| Shanghai Shenyi Special Vehicle Parts Co., Ltd | 45,718 | 13,077 | 32,641 | 17,721 | (1,243) |
| Pteris Global Ltd | 663,606 | 330,757 | 332,849 | 332,400 | (38,152) |

#### (4) There is no restriction on the ability of the invested enterprises to transfer funds to the Group.

#### (5) Provision for impairment of long-term equity investments

| | 31 December 2011 | Increase in current year | Decrease in current year | **31 December 2012** |
|---|---|---|---|---|
| Other long-term equity investments | 3,067 | – | – | **3,067** |

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 13. Investment properties

| | Buildings | Land use rights | Total |
|---|---|---|---|
| Cost: | | | |
| Beginning balance | 74,078 | 64,051 | 138,129 |
| Transferred in current year | 31,190 | 30,766 | 61,956 |
| Additions in current year | 14,692 | – | 14,692 |
| Disposal in current year | (4,010) | – | (4,010) |
| Ending balance | 115,950 | 94,817 | 210,767 |
| Accumulated depreciation/amortisation | | | |
| Beginning balance | 1,665 | 9,481 | 11,146 |
| Transferred in current year | 7,618 | 3,611 | 11,229 |
| Depreciation/amortisation charged in current year | 3,649 | 1,276 | 4,925 |
| Decrease in current year | (201) | – | (201) |
| Ending balance | 12,731 | 14,368 | 27,099 |
| Carrying amount | | | |
| At the end of the year | 103,219 | 80,449 | 183,668 |
| At the beginning of the year | 72,413 | 54,570 | 126,983 |

In the current year, RMB4,925,000 of depreciation and amortisation is charged for the investment properties. There was no provision for impairment for investment properties in 2012.

The land use rights by locations and the approved land use periods are analysed as follows:

| | **31 December 2012** | 31 December 2011 |
|---|---|---|
| Outside Hong Kong | | |
| – 10 to 50 years | **80,449** | 54,570 |

In 2012, the investment properties generated RMB28,320,000 (2011: RMB23,953,000) of lease income, and incurred RMB5,256,000 (2011: RMB3,767,000) of direct expenditures.

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 14. Fixed assets

#### (1) Fixed assets by categories

| | Buildings | Machinery and equipment | Office & other equipment | Motor vehicles | Offshore engineering special equipment | Dock & Port | Total |
|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | |
| Beginning balance | 6,149,370 | 6,695,230 | 748,229 | 799,473 | 599,471 | 944,564 | 15,936,337 |
| Additions due to business combination | 119,763 | 26,221 | 22,681 | 5,626 | – | – | 174,291 |
| Additions in current year | 248,857 | 175,641 | 28,594 | 20,616 | 974 | 5,347 | 480,029 |
| Transfers from construction in progress | 487,525 | 458,324 | 75,507 | 47,696 | 659 | 312,874 | 1,382,585 |
| Decrease in current year | (291,388) | (270,361) | (45,333) | (40,806) | (2,913) | (1,129) | (651,930) |
| Exchange differences arising from translating foreign operations | 9,342 | 5,309 | 2,579 | 1,608 | (1,474) | (3,526) | 13,838 |
| Ending balance | 6,723,469 | 7,090,364 | 832,257 | 834,213 | 596,717 | 1,258,130 | 17,335,150 |
| Accumulated depreciation | | | | | | | |
| Beginning balance | 1,513,300 | 2,413,059 | 450,178 | 294,391 | 73,901 | 95,952 | 4,840,781 |
| Additions due to business combination | 10,358 | 3,529 | 7,499 | 1,895 | – | – | 23,281 |
| Depreciation charged in current year | 219,978 | 463,793 | 65,668 | 42,534 | 33,138 | 22,609 | 847,720 |
| Decrease in current year | (195,417) | (128,755) | (27,679) | (32,586) | (1,146) | (11) | (385,594) |
| Exchange differences arising from translating foreign operations | 5,893 | 3,105 | 1,711 | 1,412 | (302) | (322) | 11,497 |
| Ending balance | 1,554,112 | 2,754,731 | 497,377 | 307,646 | 105,591 | 118,228 | 5,337,685 |
| Provision for impairment | | | | | | | |
| Beginning balance | 145,459 | 64,124 | 526 | 12 | – | – | 210,121 |
| Impairment provided in current year | 176,009 | 14,587 | – | – | – | – | 190,596 |
| Written off on disposal | (3,398) | (13,186) | – | – | – | – | (16,584) |
| Exchange differences arising from translating foreign operations | 4,559 | 26 | – | – | – | – | 4,585 |
| Ending balance | 322,629 | 65,551 | 526 | 12 | – | – | 388,718 |
| Carrying amount | | | | | | | |
| At the end of the year | 4,846,728 | 4,270,082 | 334,354 | 526,555 | 491,126 | 1,139,902 | 11,608,747 |
| At the beginning of the year | 4,490,611 | 4,218,047 | 297,525 | 505,070 | 525,570 | 848,612 | 10,885,435 |

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 14. Fixed assets (Continued)

### (1) Fixed assets by categories (Continued)

As at 31 December 2012, restricted fixed assets of the Group amounted to RMB10,897,000. Refer to Note V.22 for details.

In 2012, depreciation charged to fixed assets amounts to RMB847,720,000 (2011: RMB817,698,000), of which RMB666,010,00 (2011: RMB635,334,000) has been charged in cost of sales, RMB8,487,000 (2011: RMB11,593,000) in selling and distribution expenses, and RMB173,223,000 (2011: RMB170,771,000) in general and administrative expenses.

Considering the impact on real estate market caused by European debt crisis, the Group performed impairment test for the buildings of subsidiaries of trailers business located in European. Based on the result of the test, the Group made RMB129,650,000 of provision for impairment for the aforesaid fixed assets. The costs of fixed assets transferred from construction in progress amount to RMB1,382,585,000 (2011: RMB1,554,086,000).

### (2) As at 31 December 2012, the Group had no temporarily idle fixed assets.

### (3) Fixed assets held under finance leases

| | 31 December 2012 | | | 31 December 2011 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated depreciation | Carrying amount | Cost | Accumulated depreciation | Carrying amount |
| Machinery and equipment | **39,411** | **(10,257)** | **29,154** | 314,463 | (34,139) | 280,324 |
| Motor vehicles | – | – | – | 1,293 | (1,077) | 216 |
| Offshore engineering special equipment | – | – | – | 214,737 | (34,842) | 179,895 |

### (4) Fixed assets leased out under operating leases

| | Carrying amount |
|---|---|
| Buildings | 40,561 |
| Machinery and equipment | 39,846 |
| Offshore engineering special equipment | 200,330 |
| Total | 280,737 |

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 14. Fixed assets (Continued)

### (5) Held-for-sale fixed assets at year end

As at 31 December 2012, there were no held-for-sale fixed assets (31 December 2011: Nil).

### (6) Fixed assets with pending certificates of ownership

| | Carrying amount | Reasons for not yet obtaining certificates of title | Estimated date that certificate of title will be obtained |
|---|---|---|---|
| Factory | 1,056,694 | Put to use, certificate being in the progress | By the end of 2013 |
| Office building | 175,378 | Put to use, certificate being in the progress | By the end of 2013 |
| Workshop | 96,530 | Incomplete procedure, certificate being in the progress | By the end of 2013 |
| Dormitory and Canteen | 61,660 | Put to use, certificate being in the process | By the end of 2013 |
| Warehouse | 52,855 | Lack of reporting materials, under preparation | By the end of 2013 |
| Others | 22,404 | Certificate being in the progress | By the end of 2013 |
| Total | 1,465,521 | | |

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 15. Construction in progress

### (1) Construction in progress

| | 31 December 2012 | | | 31 December 2011 | | |
|---|---|---|---|---|---|---|
| | **Ending balance** | **Provision for impairment** | **Carrying amount** | Ending balance | Provision for impairment | Carrying amount |
| Nantong CIMC Special Transportation Equipment Third Workshop Project | **822** | **–** | **822** | 5,874 | – | 5,874 |
| Dalian Heavy Logistics Production Line equipment | **19,762** | **–** | **19,762** | 13,962 | – | 13,962 |
| XHCIMCS Production Line and Power Facilities Reconstruction Project | **2,494** | **–** | **2,494** | 7,129 | – | 7,129 |
| Enric Heavy Pressure Vessel Workshop | **–** | **–** | **–** | 22,452 | – | 22,452 |
| Xinhui Wood Factory 5th and 6th Project | **–** | **–** | **–** | 1,678 | – | 1,678 |
| Enric 3rd Phase Project | **–** | **–** | **–** | 1,651 | – | 1,651 |
| Eastern Logistic 3rd Phase Project | **25,599** | **–** | **25,599** | 291,621 | – | 291,621 |
| Raffles harbor basin project | **–** | **–** | **–** | 119,218 | – | 119,218 |
| Raffles Dredging Offshore Project | **7,339** | **–** | **7,339** | 38,588 | – | 38,588 |
| Raffles No1 and No 2 slideway project | **–** | **–** | **–** | 59,168 | – | 59,168 |
| Raffles sea route project | **45,303** | **–** | **45,303** | 30,920 | – | 30,920 |
| Raffles Jack-up Drilling Platform | **1,175,418** | **–** | **1,175,418** | 810,879 | – | 810,879 |
| Raffles Canteen Project | **–** | **–** | **–** | 11,979 | – | 11,979 |
| Raffles-painting workshop | **18,251** | **–** | **18,251** | 555 | – | 555 |
| Raffles Terry project | **96,989** | **–** | **96,989** | – | – | – |
| MEA 1st stage R&D Project | **236,705** | **–** | **236,705** | 76,793 | – | 76,793 |
| TAS New Plant Project | **42,425** | **–** | **42,425** | 21,758 | – | 21,758 |
| Shijiazhuang Enric 2nd Phase Project | **–** | **–** | **–** | 68,327 | – | 68,327 |
| TCCIMC new factory project | **114,961** | **–** | **114,961** | 699 | – | 699 |
| DLL special production line | **17,485** | **–** | **17,485** | 897 | – | 897 |
| Yangshan Logistic Diluent recovery project | **15,622** | **–** | **15,622** | – | – | – |
| Tianjin CIMC 48 m/min plate automatic production line | **15,274** | **–** | **15,274** | – | – | – |
| Tianjin CIMC automatic processing workshop project | **12,712** | **–** | **12,712** | 245 | – | 245 |
| TCCIMC LFYD-00 continuous roof forming production line | **11,760** | **–** | **11,760** | 6,720 | – | 6,720 |
| Dalian Railway steel equipment warehouse | **10,296** | **–** | **10,296** | – | – | – |
| Ningbo CIMC No 4 costing line | **10,019** | **–** | **10,019** | 76 | – | 76 |
| Shandong Vehicle Zhangqiu project | **2,928** | **(1,876)** | **1,052** | 4,463 | – | 4,463 |
| Others | **399,705** | **–** | **399,705** | 302,678 | – | 302,678 |
| Total | **2,281,869** | **(1,876)** | **2,279,993** | 1,898,330 | – | 1,898,330 |

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 15. Construction in progress (Continued)

### (1) Construction in progress (Continued)

The carrying amounts of construction in progress at the end of the year included capitalised borrowing cost of RMB78,991,000 (2011: RMB41,780,000). The interest rate adopted for determining capitalised at borrowing cost for the current year was 5.04% (2011: 5.36%).

As at 31 December 2012, amounting RMB1,184,650,000 construction in progress of the Group are with restrictions in ownership (31 December 2011: Nil). Refer to Note V.22 for details.

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 15. Construction in progress (Continued)

### (2) Movement of significant projects of construction in progress in current year

| | Budgeted amount | 31 December 2011 | Increase in current year | Transfer to fixed assets | Other decreases | 31 December 2012 | Proportion of expenditures incurred to budgeted amount | Progress of construction | Cumulative capitalised borrowing costs | Including: borrowing costs capitalised in current year | Capitalisation rate | Source of funds | Exchange differences arising from translating foreign operations |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Nantong CIMC Special Transportation Equipment Third Workshop Project | 103,938 | 5,874 | 5,715 | (10,767) | – | **822** | 89.16% | 99.30% | – | – | 0.00% | Self-funding | – |
| Dalian Heavy Logistics Production Line equipment | 143,392 | 13,962 | 9,250 | (3,450) | – | **19,762** | 48.00% | 48.00% | – | – | 0.00% | Self-funding | – |
| XHCIMCS Production Line and Power Facilities Reconstruction Project | 19,802 | 7,129 | 66 | (4,701) | – | **2,494** | 119.15% | 96.00% | – | – | 0.00% | Self-funding | – |
| Enric Heavy Pressure Vessel Workshop | 25,570 | 22,452 | 11,888 | (34,340) | – | **-** | 134.29% | 100.00% | – | – | 0.00% | Self-funding | – |
| Xinhui Wood Factory 5th and 6th Project | 32,831 | 1,678 | 2,135 | (3,813) | – | **-** | 100.00% | 100.00% | – | – | 0.00% | Self-funding | – |
| Enric 3rd Phase Project | 28,132 | 1,651 | – | (1,651) | – | **-** | 100.00% | 100.00% | – | – | 0.00% | Self-funding | – |
| Eastern Logistic 3rd Phase Project | 469,365 | 291,621 | 57,470 | (323,492) | – | **25,599** | 94.77% | 94.77% | – | – | 0.00% | Self-funding | – |
| Raffles harbor basin project | 163,859 | 119,218 | 18,030 | (137,248) | – | **-** | 100.00% | 100.00% | – | – | 0.00% | Self-funding | – |
| Raffles Dredging Offshore Project | 62,445 | 38,588 | 23,967 | (55,216) | – | **7,339** | 100.00% | 99.00% | – | – | 0.00% | Self-funding | – |
| Raffles No1 and No 2 slideway project | 119,822 | 59,168 | 56,321 | (115,489) | – | **-** | 100.00% | 100.00% | – | – | 0.00% | Self-funding | – |
| Raffles sea route project | 73,737 | 30,920 | 14,383 | – | – | **45,303** | 61.40% | 99.00% | – | – | 0.00% | Self-funding | – |
| Raffles Jack-up Drilling Platform | 1,214,370 | 810,879 | 362,772 | – | – | **1,175,418** | 96.79% | 96.04% | 70,562 | 36,346 | 4.88% | Self-funding and bank loan | 1,767 |
| Raffles Canteen Project | 15,190 | 11,979 | 1,286 | (13,265) | – | **-** | 100.00% | 100.00% | – | – | 0.00% | Self-funding | – |
| Raffles-painting workshop | 20,000 | 555 | 17,696 | – | – | **18,251** | 91.25% | 91.25% | – | – | 0.00% | Self-funding | – |
| Raffles Terry project | 110,000 | – | 96,989 | – | – | **96,989** | 88.17% | 88.17% | – | – | 0.00% | Self-funding | – |
| MEA 1st stage R&D Project | 398,000 | 76,793 | 159,912 | – | – | **236,705** | 73.60% | 73.60% | 7,325 | 7,325 | 5.75% | Self-funding and bank loan | – |
| TAS New Plant Project | 224,072 | 21,758 | 20,667 | – | – | **42,425** | 18.93% | 40.00% | 994 | 994 | 6.15% | bank loan | – |
| Shijiazhuang Enric 2nd Phase Project | 75,000 | 68,327 | 23,311 | (91,638) | – | **-** | 110.42% | 100.00% | – | – | 0.00% | Self-funding | – |
| TCCIMC new factory project | 583,097 | 699 | 114,262 | – | – | **114,961** | 30.16% | 60.00% | – | – | 0.00% | Self-funding | – |
| DLL special production line | 35,728 | 897 | 16,588 | – | – | **17,485** | 48.94% | 60.00% | 110 | 110 | 6.30% | Self-funding and bank loan | – |
| Yangshan Logistic Diluent recovery project | 20,000 | – | 15,622 | – | – | **15,622** | 78.00% | 80.00% | – | – | 0.00% | Self-funding | – |
| Tianjin CIMC 48 m/min plate automatic production line | 20,000 | – | 15,274 | – | – | **15,274** | 76.37% | 75.00% | – | – | 0.00% | Self-funding | – |
| Tianjin CIMC automatic processing workshop project | 18,730 | 245 | 12,467 | – | – | **12,712** | 67.87% | 70.00% | – | – | 0.00% | Self-funding | – |
| TCCIMC LFYD-00 continuous roof forming production line | 16,800 | 6,720 | 5,040 | – | – | **11,760** | 70.00% | 70.00% | – | – | 0.00% | Self-funding | – |
| Dalian Railway steel equipment warehouse | 12,870 | – | 10,296 | – | – | **10,296** | 80.00% | 85.00% | – | – | 0.00% | Self-funding | – |
| Ningbo CIMC No 4號 costing line | 11,600 | 76 | 9,943 | – | – | **10,019** | 86.38% | 70.00% | – | – | 0.00% | Self-funding | – |
| Others | | 307,141 | 683,007 | (587,515) | (1,876) | **400,757** | | | - | – | 0.00% | – | – |
| Total | | 1,898,330 | 1,764,357 | (1,382,585) | (1,876) | **2,279,993** | | | 78,991 | 44,775 | | | 1,767 |

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 15. Construction in progress (Continued)

#### (3) Provision for impairment of construction in progress

As at 31 December 2012, the Group made RMB1,876,000 of provision for impairment for construction in progress (31 December 2011: Nil).

### 16. Intangible assets

#### (1) Intangible assets by categories

| | Land use rights | Technical know-how and trade marks | Timber concession rights | Customer relationships | Customer contracts | Maritime use rights | Total |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| Beginning balance | 2,978,886 | 877,511 | 226,641 | 103,970 | 136,574 | 80,084 | 4,403,666 |
| Additions due to business combination | 2,737 | 86,885 | – | – | – | – | 89,622 |
| Increase in current year | 304,841 | 64,717 | – | – | – | 197 | 369,755 |
| Decrease in current year | (140,702) | (11,585) | – | – | – | – | (152,287) |
| Exchange differences arising from translating foreign operations | (969) | 458 | 37 | 1,534 | (1,539) | (158) | (637) |
| Ending balance | 3,144,793 | 1,017,986 | 226,678 | 105,504 | 135,035 | 80,123 | 4,710,119 |
| Accumulated amortisation | | | | | | | |
| Beginning balance | 327,979 | 501,418 | 94,535 | 64,637 | 81,814 | 8,845 | 1,079,228 |
| Amortisation charged in current year | 85,056 | 130,023 | 5,249 | 12,975 | 1,003 | 3,299 | 237,605 |
| Decrease in current year | (30,890) | (2,397) | – | – | – | – | (33,287) |
| Exchange differences arising from translating foreign operations | (91) | 1,097 | 16 | 667 | (1,075) | (23) | 591 |
| Ending balance | 382,054 | 630,141 | 99,800 | 78,279 | 81,742 | 12,121 | 1,284,137 |
| Provision for impairment | | | | | | | |
| Beginning balance | – | – | 99,952 | – | 52,264 | – | 152,216 |
| Exchange differences arising from translating foreign operations | – | – | 16 | – | – | – | 16 |
| Ending balance | – | – | 99,968 | – | 52,264 | – | 152,232 |
| Carrying amount | | | | | | | |
| At the end of the year | 2,762,739 | 387,845 | 26,910 | 27,225 | 1,029 | 68,002 | 3,273,750 |
| At the beginning of the year | 2,650,907 | 376,093 | 32,154 | 39,333 | 2,496 | 71,239 | 3,172,222 |

In 2012, amortisation expenses of intangible assets amount to RMB237,605,000 (2011: RMB252,935,000) in total, of which RMB237,605,000 (2011: RMB252,935,000) is recognised in profit or loss for the current period.

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 16. Intangible assets (Continued)

(2) Land use rights by locations and approved land use periods are analysed as follows:

| | **31 December 2012** | 31 December 2011 |
|---|---|---|
| Outside Hong Kong<br>– 10 to 50 years | **2,762,739** | 2,650,907 |

(3) Intangible assets with pending certificates of ownership

| | **Carrying amount** | **Reasons for not yet obtaining certificates of title** | **Estimated date that certificate of title will be obtained** |
|---|---|---|---|
| Nantong Tank Land (2008) No. 0301018 | 70,713 | Certificate being in the progress | By the end of 2013 |
| Tianda Baoan land | 58,916 | Certificate being in the progress | By the end of 2013 |
| Qingdao CIMC phase II land | 55,817 | Certificate being in the progress | By the end of 2013 |
| Nantong Tank Land (2009) No. 0301030 | 51,214 | Certificate being in the progress | By the end of 2014 |
| Wuhu Vehicle Phase III land | 9,594 | Certificate being in the progress | By the end of June 2013 |
| Raffles Yantai Zhifu land | 8,212 | Certificate being in the progress | By the end of 2014 |
| Qingdao CIMC Reefer land | 2,418 | Certificate being in the progress | By the end of 2013 |
| Total | 256,884 | | |

(4) As at 31 December 2012, there were no intangible assets of the Group with restriction in ownership (31 December 2011: RMB127,844,000).

(5) As at 31 December 2012, there were no intangible assets with indefinite useful lives (31 December 2011: Nil).

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 17. Goodwill

| Name of investee or goodwill items | Note | Beginning balance | Increase in current year | Decrease in current year | Exchange differences arising from translating foreign operations | Ending balance |
|---|---|---|---|---|---|---|
| Enric | (1) | 607,004 | – | (34,303) | – | 572,701 |
| TGE SA | (2) | 175,964 | – | – | 2,847 | 178,811 |
| Technodyne | | 27,430 | – | – | – | 27,430 |
| Gadidae AB | | 12,254 | – | – | – | 12,254 |
| YPDI | (3) | – | 86,558 | – | – | 86,558 |
| Others | | 408,684 | 4,272 | – | 284 | 413,240 |
| Sub-total | | 1,231,336 | 90,830 | (34,303) | 3,131 | 1,290,994 |
| Less: provision for impairment | | | | | | |
| Gadidae AB | | 12,254 | – | – | – | 12,254 |
| Others | | 11,578 | – | – | – | 11,578 |
| Sub-total | | 23,832 | – | – | – | 23,832 |
| Total | | 1,207,504 | 90,830 | (34,303) | 3,131 | 1,267,162 |

(1) The Group paid RMB1,094,076,000 as acquisition cost for acquiring 41.55% equity interest in Enric in 2007. The excess of acquisition cost over the Group's interest in the fair value of Enric's identifiable assets and liabilities was recognised as goodwill attributable to Enric. As at 31 December 2012, goodwill attributable to Enric amounted to RMB572,701,000 (2011: RMB607,004,000).

The recoverable amount of Enric is determined based on the present value of expected future cash flows. The present value of expected future cash flows was calculated based on the most recent ten-year financial budgets approved by management of the Group and a discounting rate of 10.5%. The cash flows beyond the ten-year budget period were assumed to keep stable. There was no impairment considered necessary for the goodwill based on the calculations. As key assumptions on which management has made the future cash projections are subject to change, management believes that any adverse change in the key assumptions would cause the carrying amount exceeding its recoverable amount.

The calculation of present value of expected future cash flows of Enric was based on key assumptions of 22% of gross profit ratio and 10% of operating sales growth, which was determined by management on the basis of past performance before the budget period.

Goodwill derecognised in 2012 arose from disposal of 4.42% of the equity interests in Enric (Note IV 11).

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 17. Goodwill (Continued)

(2) The Group paid RMB243,096,000 as acquisition cost for the 60% equity interests in TGE SA in 2008. The excess of acquisition cost over the Group's interest in the fair value of TGE SA's identifiable assets and liabilities was recognised as goodwill attributable to TGE SA. As at 31 December 2012, goodwill attributable to TGE SA amounted to RMB178,811,000 (2011: RMB175,964,000).

The recoverable amount of TGE SA is determined based on the present value of expected future cash flows. The present value of expected future cash flows was calculated based on the most recent ten-year financial budgets approved by management of the Group and a discounting rate of 10.5%. The cash flows beyond the ten-year budget period were assumed to keep stable. There was no impairment considered necessary for the goodwill based on the calculations. As key assumptions on which management has made the future cash projections are subject to change, management believes that any adverse change in the key assumptions would cause the carrying amount exceeding its recoverable amount.

The calculation of present value of expected future cash flows of TGE SA was based on key assumptions of 12% of gross profit ratio and 3%-5% of operating sales growth, which was determined by management on the basis of past performance before the budget period.

(3) The details of goodwill arise from acquisition of YPDI, refer to IV. 6(1).

(4) Impairment test for asset group including goodwill

The goodwill allocated to the asset groups and groups of asset groups are summarised by operating segments as follows:

| | **31 December 2012** | 31 December 2011 |
|---|---|---|
| Container asset group | **127,524** | 127,524 |
| Trailers asset group | **77,752** | 77,752 |
| Energy & chemistry asset group | **926,119** | 868,869 |
| Asset groups with insignificant allocation percentage of goodwill group | **135,767** | 133,359 |
| Total | **1,267,162** | 1,207,504 |

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 18. Long-term prepaid expenses

| | Beginning balance | Additions in current year | Amortisation in current year | Exchange differences arising from translating foreign operations | Ending balance |
|---|---|---|---|---|---|
| Yard facilities expenses | – | 14,409 | (1,849) | – | 12,560 |
| Rental | 6,811 | 904 | (4,187) | – | 3,528 |
| Project insurance | – | 3,980 | (666) | (13) | 3,301 |
| Improvements to fixed assets held under operating leases | 1,018 | 2,324 | (759) | – | 2,583 |
| Water and electricity capacity enlargement expenses | 1,572 | 47 | (533) | – | 1,086 |
| Others | 25,491 | 11,139 | (11,734) | (7) | 24,889 |
| Sub-total | 34,892 | 32,803 | (19,728) | (20) | 47,947 |
| Less: provision for impairment | – | – | – | – | – |
| Total | 34,892 | 32,803 | (19,728) | (20) | 47,947 |

### 19. Deferred tax assets and deferred tax liabilities

(1) The offsetting balances of deferred tax assets and liabilities offset and corresponding deductible or taxable temporary differences

| | **31 December 2012** | | 31 December 2011 | |
|---|---|---|---|---|
| | **Deductible/ (taxable) temporary differences** | **Deferred tax assets/ (liabilities)** | Deductible/ (taxable) temporary differences | Deferred tax assets/ (liabilities) |
| Deferred tax assets: | | | | |
| Provision for asset impairment | **700,105** | **154,652** | 917,376 | 183,799 |
| Provisions | **694,234** | **142,764** | 498,649 | 97,469 |
| Employee benefits payable | **1,409,704** | **332,487** | 1,314,557 | 309,184 |
| Accrued expenses | **283,662** | **61,695** | 495,601 | 96,826 |
| Deductible losses | **473,485** | **105,516** | 651,188 | 123,537 |
| Movement for fair value of financial assets held for trading/hedging instruments | **109,688** | **27,407** | 96,958 | 24,156 |
| Others | **119,897** | **28,584** | 146,182 | 16,156 |
| Sub-total | **3,790,775** | **853,105** | 4,120,511 | 851,127 |
| Offsetting amount | **(542,826)** | **(135,308)** | (599,278) | (147,029) |
| **Offsetted balances** | **3,247,949** | **717,797** | 3,521,233 | 704,098 |

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 19. Deferred tax assets and deferred tax liabilities (Continued)

### (1) The offsetting balances of deferred tax assets and liabilities offset and corresponding deductible or taxable temporary differences (Continued)

| | 31 December 2012 | | 31 December 2011 | |
|---|---|---|---|---|
| | **Deductible/ (taxable) temporary differences** | **Deferred tax assets/ (liabilities)** | Deductible/ (taxable) temporary differences | Deferred tax assets/ (liabilities) |
| Deferred tax liabilities: | | | | |
| Movement for fair value of financial assets held for trading/hedging instruments | **(24,104)** | **(5,500)** | (26,046) | (5,763) |
| Available-for-sale financial assets | **(541,024)** | **(130,138)** | (499,820) | (120,437) |
| Movement for fair value of hedging instrument | **(5,885)** | **(883)** | (12,784) | (3,196) |
| Revaluation gain through combination | **(745,851)** | **(185,228)** | (537,605) | (163,771) |
| Estimated dividend income earned for non-resident foreign enterprises | **(4,810,979)** | **(405,726)** | (3,665,929) | (313,946) |
| Others | **(201,698)** | **(58,227)** | (463,670) | (121,416) |
| Sub-total | **(6,329,541)** | **(785,702)** | (5,205,854) | (728,529) |
| Offsetting amount | **542,826** | **135,308** | 599,278 | 147,029 |
| **Offsetted balances** | **(5,786,715)** | **(650,394)** | (4,606,576) | (581,500) |

### (2) Unrecognised deferred tax assets

| | **31 December 2012** | 31 December 2011 |
|---|---|---|
| Deductible losses | **714,548** | 330,324 |
| Impairment losses of timber Concession rights | **22,119** | 22,119 |
| Others | **66,658** | 66,658 |
| Total | **803,325** | 419,101 |

### (3) Deductible losses that are not recognised as deferred tax assets will expire in the following years:

| | **31 December 2012** | 31 December 2011 | Note |
|---|---|---|---|
| 2012 | **–** | 5,975 | |
| 2013 | **102,868** | 115,400 | |
| 2014 | **270,604** | 283,136 | |
| 2015 | **459,040** | 471,572 | |
| 2016 | **1,961,589** | 1,974,121 | |
| Over 5 years | **2,051,057** | 594,234 | Note 1 |
| Total | **4,845,158** | 3,444,438 | |

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 19. Deferred tax assets and deferred tax liabilities (Continued)

### (3) Deductible losses that are not recognised as deferred tax assets will expire in the following years: (Continued)

Note 1: By the end of 2011 and 2012, unrecognised deferred tax assets aged over 5 years (inclusive) arising from deductible tax losses resulted from foreign subsidiaries' operating losses. Deductible tax losses generated from Hong Kong, the United States of America, the United Kingdom of Great Britain and Australia can be offset with future profit indefinitely; deductible tax losses generated from the Netherlands can be offset in the subsequent nine years.

At 31 December 2012, temporary differences relating to undistributed profits of Enric and its subsidiaries amounted to RMB684,749,000 (2011: RMB340,037,000). Deferred tax liabilities of RMB64,316,000 (2011: RMB20,865,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as Enric controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits available for appropriation to Enric will not be distributed in the foreseeable future.

Rather than that, the Group had no unrecognised deferred tax liabilities.

## 20. Other non-current assets

| | **31 December 2012** | 31 December 2011 |
|---|---|---|
| Prepayment for construction | **61,881** | – |
| Prepayment for buildings | **41,999** | – |
| Prepayment for machinery | **39,853** | – |
| Prepayment for land use right | **38,785** | 764,849 |
| Prepayment for equity | **17,420** | – |
| Others | **3,102** | – |
| Total | **203,040** | 764,849 |

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 21. Provision for asset impairment

| | Beginning balance | Increase in current year | Decrease in current year | | Exchange differences arising from translating foreign operations | Ending balance |
|---|---|---|---|---|---|---|
| | | | Reversal | Write-off | | |
| Provision for bad debts | | | | | | |
| Including: provision for bad debts of accounts receivable | 319,550 | 105,004 | (61,641) | (1,916) | 8,924 | 369,921 |
| Provision for bad debts of other receivables | 120,432 | 39,635 | (18,782) | (316) | (31) | 140,938 |
| Provision for bad debts of advances to suppliers | 96,740 | 93,115 | – | (6,670) | (343) | 182,842 |
| Provision for bad debts of current portion of non-current assets | 24,462 | 38,944 | (2,345) | – | – | 61,061 |
| Provision for bad debts of long-term receivables | 41,996 | 75,831 | – | (1,029) | – | 116,798 |
| Provision for decline in value of inventories | 416,055 | 194,600 | (119,762) | (110,099) | (1,903) | 378,891 |
| Provision for impairment of long-term equity investments | 3,067 | – | – | – | – | 3,067 |
| Provision for impairment of fixed assets | 210,121 | 190,596 | – | (16,584) | 4,585 | 388,718 |
| Provision for impairment of construction in progress | – | 1,876 | – | – | – | 1,876 |
| Provision for impairment of intangible assets | 152,216 | – | – | – | 16 | 152,232 |
| Provision for impairment of goodwill | 23,832 | – | – | – | – | 23,832 |
| Total | 1,408,471 | 739,601 | (202,530) | (136,614) | 11,248 | 1,820,176 |

Please refer to the respective notes of the assets for reasons of the provisions.

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 22. Restricted assets

As at 31 December 2012, assets with restrictions in their ownership are as follows:

| | Note | Beginning balance | Increase in current year | Decrease in current year | Exchange differences arising from translating foreign operations | Ending balance |
|---|---|---|---|---|---|---|
| Assets guaranteed | | | | | | |
| – Cash at bank and on hand | V.1 | 1,224,873 | 2,952,091 | (3,343,752) | (9,185) | 824,027 |
| – Accounts receivable | V.4 | 471,026 | – | (471,026) | – | – |
| – Inventories | V.7 | 7,671 | – | (7,671) | – | – |
| – Fix assets | V.14 | 87,439 | 10,897 | (87,486) | 47 | 10,897 |
| – Construction in progress | V.15 | – | 1,189,134 | – | (4,484) | 1,184,650 |
| – Intangible assets | V.16 | 127,844 | – | (127,994) | 150 | – |
| Total | | 1,918,853 | 4,152,122 | (4,037,929) | (13,472) | 2,019,574 |

The above fixed assets and intangible assets were secured for bank loans. Refer to Note V.23, Note V.34 and Note V.35 for short-term and long-term secured loans analysis. The restricted cash at bank and on hand were guarantee deposit and deposit with the People's Bank of China by Finance Company.

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 23. Short-term borrowings

### (1) Classification of short-term borrowings

| | Note | 31 December 2012 | 31 December 2011 |
|---|---|---|---|
| **Guaranteed** | (a) | | |
| RMB | | **495,156** | 2,760,263 |
| USD | | **2,541,196** | 2,401,895 |
| JPY | | **–** | 1,733 |
| HKD | | **117,583** | – |
| EUR | | **213,180** | – |
| SGD | | **–** | 376 |
| Sub-total | | **3,367,115** | 5,164,267 |
| **Pledged** | (b) | | |
| RMB | | **–** | – |
| USD | | **608,602** | – |
| Sub-total | | **608,602** | – |
| **Unsecured** | | | |
| RMB | | **249,801** | 572,336 |
| USD | | **1,116,460** | 1,386,579 |
| EUR | | **90,466** | 203,957 |
| HKD | | **–** | 682,994 |
| GBP | | **5,870** | – |
| AUD | | **93** | 20,779 |
| Sub-total | | **1,462,690** | 2,866,645 |
| Total | | **5,438,407** | 8,030,912 |

(a) As at 31 December 2012, guarantee borrowings of the Group included bank loans amounting to RMB2,656,969,000 guaranteed by the Company for its subsidiaries, RMB243,160,000 guaranteed by Enric for its subsidiaries and RMB466,986,000 guaranteed by Raffles for its subsidiaries.

(b) As at 31 December 2012, Raffles, the subsidiary of the Company, used YCRO's construction contract of H195 drilling platform project, lease contract of H195 drilling platform project signed with Dragon Oil, operation agreement of H195 drilling platform project signed with Momentum Engineering, it's stake in Caspian Driller Pte Ltd and guarantee slip from China Export&Credit Insurance Corporation (effective from the 6th withdrawal) as pledge to borrow loan from China Development Bank amounting to USD96,829,000.

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# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 23. Short-term borrowings (Continued)

### (1) Classification of short-term borrowings (Continued)

(c) As at 31 December 2012, no amount due to shareholders who hold 5% or more of the voting rights of the Company or due to related parties is included in the above balance of short-term borrowings.

(d) As at 31 December 2012, the weighted average interest rate of short-term borrowings is 3.89% annually (31 December 2011: 4.25%).

### (2) Short-term borrowings that are due but not repaid

As at 31 December 2012, the Group had no past due and un-repaid short-term borrowings.

## 24. Financial liabilities held for trading

| | Note | **31 December 2012** | 31 December 2011 |
|---|---|---|---|
| **Current** | | | |
| Derivative financial liabilities | | | |
| – foreign future contracts | V.2(4) | **3,869** | 4,816 |
| – swap contract for interest rate | (i) | **8,987** | 8,138 |
| – foreign exchange option | | **–** | 18,153 |
| Sub-total | | **12,856** | 31,107 |
| **Non-current** | | | |
| Derivative financial liabilities | | | |
| – foreign future contracts | V.2(4) | **298** | – |
| – swap contract for interest rate | (i) | **81,944** | 74,836 |
| Sub-total | | **82,242** | 74,836 |
| Total | | **95,098** | 105,943 |

(i) As at 31 December 2012, the Company had 2 unsettled interest rate swap contracts denominated in U.S. dollars. The nominal value of these contracts amounted to USD160,000,000. The maturity dates of these interest rate swap contracts range from 31 December 2013 to 29 December 2018. As at 31 December 2012, the company recognised on the foresaid contracts in their fair values of RMB90,931,000 as financial liabilities held for trading. Transaction costs on realisation have not been considered when calculating the fair values.

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 25. Notes payable

| | **31 December 2012** | 31 December 2011 |
|---|---|---|
| Bank acceptance notes | **778,922** | 1,184,861 |
| Trade acceptance notes | **210,788** | 2,110,365 |
| Total | **989,710** | 3,295,226 |

The above notes payable are due within one year.

## 26. Accounts payable

### (1) The Group's accounts payable is as follows:

| | **31 December 2012** | 31 December 2011 |
|---|---|---|
| Raw materials suppliers | **7,059,420** | 7,328,966 |

The ageing of accounts payable is analysed as follows:

| | **31 December 2012** | 31 December 2011 |
|---|---|---|
| Within 1 year | **6,714,327** | 7,142,825 |
| 1 to 2 years | **220,521** | 105,879 |
| 2 to 3 years | **51,445** | 40,107 |
| Over 3 years | **73,127** | 40,155 |
| Total | **7,059,420** | 7,328,966 |

As at 31 December 2012, accounts payable over 1 year with a carrying amount of RMB345,093,000 (31 December 2011: RMB186,141,000) are mainly payables related to offshore engineering business. The payable are not settled because the construction period of the offshore engineering project usually last more than 1 year.

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 26. Accounts payable (Continued)

#### (1) The Group's accounts payable is as follows: (Continued)

Accounts payable denominated in foreign currencies are as follows:

| Currency | 31 December 2012 | | | 31 December 2011 | | |
|---|---|---|---|---|---|---|
| | **Amount in foreign currency '000** | **Exchange rate** | **Amount in RMB '000** | Amount in foreign currency '000 | Exchange rate | Amount in RMB '000 |
| RMB | **5,871,059** | **1.0000** | **5,871,059** | 5,870,263 | 1.0000 | 5,870,263 |
| USD | **123,291** | **6.2854** | **774,925** | 151,009 | 6.3009 | 951,496 |
| HKD | **1,681** | **0.8108** | **1,363** | 19,969 | 0.8107 | 16,189 |
| JPY | **61,095** | **0.0730** | **4,463** | 7,082 | 0.0811 | 574 |
| EUR | **25,258** | **8.3195** | **210,134** | 43,272 | 8.1625 | 353,209 |
| AUD | **13,352** | **6.5359** | **87,265** | 18,870 | 6.4093 | 120,946 |
| Others | | | **110,211** | | | 16,289 |
| Total | | | **7,059,420** | | | 7,328,966 |

#### (2) Accounts payable to shareholders holding more than 5% (including 5%) of the voting rights of the Company or accounts payable are as follows:

| Company name | Relationship with the Group | 31 December 2012 | | 31 December 2011 | |
|---|---|---|---|---|---|
| | | **Amount** | **% of total balance** | Amount | % of total balance |
| TSC | Associate company | **85,050** | **1.20%** | – | – |
| C&C Trucks | Associate company | **12,682** | **0.18%** | 45 | 0.00% |
| Other related parties | | **20,024** | **0.28%** | 2,289 | 0.03% |
| Total | | **117,756** | **1.66%** | 2,334 | 0.03% |

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 27. Advances from customers

### (1) The Group's advances from customers are as follows:

| | **31 December 2012** | 31 December 2011 |
|---|---|---|
| Advances for goods | **1,905,725** | 1,310,878 |
| Advances for construction | **211,174** | 955,546 |
| Advances for property | **380,573** | 396,318 |
| Others | **225,010** | – |
| Others | **2,722,482** | 2,662,742 |

As at 31 December 2012, no amount due to shareholders who hold 5% or more of the voting rights of the Company is included in the balance of advances from customers(As at 31 December 2011: Nil).

Advances from customers denominated in foreign currencies are as follows:

| | **31 December 2012** | | | 31 December 2011 | | |
|---|---|---|---|---|---|---|
| **Currency** | **Amount in foreign currency '000** | **Exchange rate** | **Amount in RMB '000** | Amount in foreign currency '000 | Exchange rate | Amount in RMB '000 |
| RMB | **1,595,505** | **1.0000** | **1,595,505** | 1,277,994 | 1.0000 | 1,277,994 |
| USD | **116,344** | **6.2854** | **731,262** | 168,508 | 6.3009 | 1,061,752 |
| EUR | **3,536** | **8.3195** | **29,416** | 2,942 | 8.1625 | 24,010 |
| HKD | **35,226** | **0.8108** | **28,562** | 28,757 | 0.8107 | 23,313 |
| AUD | **47,326** | **6.5359** | **309,323** | 39,393 | 6.4093 | 252,481 |
| Others | | | **28,414** | | | 23,192 |
| Total | | | **2,722,482** | | | 2,662,742 |

As at 31 December 2012, there was no significant advances from customers aged over one year.

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 28. Employee benefits payable

| | Beginning balance | Increase in current year | Decrease in current year | Exchange differences arising from translating foreign operations | Ending balance |
|---|---|---|---|---|---|
| Wages and salaries, bonuses, allowances and subsidies | 1,441,683 | 3,641,908 | (3,736,009) | 189 | 1,347,771 |
| Senior management bonus | 372,004 | 57,500 | (21,692) | – | 407,812 |
| Termination benefits | 3,946 | 4,961 | (2,487) | 128 | 6,548 |
| Cash-settled share-based payments | 492 | – | – | – | 492 |
| Housing funds | 4,630 | 79,912 | (79,510) | (2) | 5,030 |
| Labor union funds and employee education funds | 30,626 | 48,500 | (22,501) | (11) | 56,614 |
| Staff welfare and others | 159,227 | 967,826 | (932,272) | 515 | 195,296 |
| Total | 2,012,608 | 4,800,607 | (4,794,471) | 819 | 2,019,563 |

Please refer to Note VII for cash-settled shared-based payments.

As at 31 December 2012, no defaulted payables are included in the balance of employee benefits payable.

Salaries, bonus and allowances payables represent salaries accrued for current month and bonus accrued for subsidiaries in accordance with the result of annual performance and the performance assessment plan of the Group. According to the requirement of the performance assessment plan, annual accrued bonus would be paid over three years based on the percentage determined by the management; therefore, there was a balance of such accrued bonus at the end of the year.

Senior management bonus is determined on the assessment of certain key performance index. The above bonus is proposed by Chief Executive Officer of the Group and the payment is subject to review and approval by board chairman and vice board chairman of the Group. The balance of senior management bonus payable was unpaid balance accrued in prior years.

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 29. Taxes payable

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Value-added-tax payable | **50,891** | 52,069 |
| Business tax payable | **17,236** | 17,697 |
| Enterprise income tax payable | **515,363** | 663,749 |
| Withholding individual income tax | **14,519** | 68,833 |
| City maintenance and construction tax payable | **52,892** | 38,936 |
| Educational surcharge payable | **42,204** | 27,740 |
| Others | **54,425** | 47,094 |
| Total | **747,530** | 916,118 |

## 30. Interest payable

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Interest of long-term borrowings with periodic payments of interest and return of principal at maturity | **10,501** | 12,224 |
| Interest of short-term borrowings | **9,570** | 17,810 |
| Interest of corporate debentures | **176,670** | 122,033 |
| Others | **6,547** | – |
| Total | **203,288** | 152,067 |

## 31. Dividends payable

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Minority shareholders of subsidiaries | **38,747** | 116,253 |

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 32. Other payables

#### (1) The analysis of the Group's other payables is as follows:

| | Note | **31 December 2012** | 31 December 2011 |
|---|---|---|---|
| Advance received | | **969,977** | 899,441 |
| Transportation expenses | | **734,772** | 280,289 |
| Accruals | | **612,202** | 656,916 |
| Advance received for shipbuilding | (4) | **423,004** | 424,051 |
| Current account with subsidiary's minority | | **350,125** | 46,698 |
| Quality guarantees | | **319,940** | 305,596 |
| Equipment or land use rights | | **195,375** | 160,047 |
| Professional and training fees | | **67,198** | 19,221 |
| Housing maintenance fees | | **21,590** | 34,933 |
| Royalties | | **20,355** | 1,614 |
| Insurances | | **16,504** | 19,662 |
| Others | | **561,555** | 545,369 |
| Total | | **4,292,597** | 3,393,837 |

Other payables denominated in foreign currencies are as follows:

| | **31 December 2012** | | | 31 December 2011 | | |
|---|---|---|---|---|---|---|
| | **Amount in foreign currency '000** | **Exchange rate** | **Amount in RMB '000** | Amount in foreign currency '000 | Exchange rate | Amount in RMB '000 |
| RMB | **1,984,086** | **1.0000** | **1,984,086** | 1,404,982 | 1.0000 | 1,404,982 |
| USD | **266,970** | **6.2854** | **1,678,011** | 252,612 | 6.3009 | 1,591,679 |
| HKD | **107,342** | **0.8108** | **87,033** | 330,546 | 0.8107 | 267,974 |
| JPY | **2,931** | **0.0730** | **214** | 126,276 | 0.0811 | 10,241 |
| EUR | **58,147** | **8.3195** | **483,750** | 10,770 | 8.1625 | 87,908 |
| AUD | **5,116** | **6.5359** | **33,441** | 4,602 | 6.4093 | 29,496 |
| Other | | | **26,062** | | | 1,557 |
| Total | | | **4,292,597** | | | 3,393,837 |

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 32. Other payables (Continued)

(2) As at 31 December 2012, no amount due to shareholders who hold 5% or more of the voting rights of the Company is included in the balance of other payables. Other payables to related parties:

| Company name | Relationship with the Group | 31 December 2012 | 31 December 2011 |
|---|---|---|---|
| Marine Subsea & Consafe | Associate | **423,004** | 424,051 |
| Shunde Furi Real Estate Investment Co., Ltd | Minority shareholder of subsidiary | **253,513** | – |
| Gasfin Investment S.A | Minority shareholder of subsidiary | **45,660** | 38,698 |
| Shunde Binuo Sunshine Real Estate Co., Ltd | Minority shareholder of subsidiary | **43,850** | – |
| TSC | Associate | **13,384** | – |
| HBIO | Associate | **2,454** | 58,305 |
| Other related parties | | **8,465** | 8,000 |
| Total | | **790,330** | 529,054 |

(3) Significant other payables aged over one year:

As at 31 December 2012, significant other payables aged over one year represented quality guarantee, vehicle mortgage guarantee and various deposits.

(4) Raffles and Gadidae AB entered into a shipbuilding contract, which was terminated afterwards, for the construction and sale of a submersible drilling rig from Raffles to Gadidae AB in 2007. Subsequently Gadidae AB and MSC entered into a contract which Gadidae AB would sell this vessel to MSC. Gadidae AB received USD67,300,000, equivalent to RMB423,004,000, progress billing from MSC in 2007.

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 33. Provisions

| | Note | Beginning balance | Increase in current year | Payment in current year | Reversal in current year | Exchange differences arising from translating foreign operations | Ending balance |
|---|---|---|---|---|---|---|---|
| Product warranties | (1) | 663,834 | 246,413 | (89,049) | (159,556) | (30) | 661,612 |
| Guarantees for third parties | (2) | 18,057 | – | – | (13,838) | – | 4,219 |
| Others | (3) | 54,288 | 50,913 | (5,950) | (11,791) | 201 | 87,661 |
| Total | | 736,179 | 297,326 | (94,999) | (185,185) | 171 | 753,492 |

(1) The Group provides after-sales repair warranty to the customers, ranging from two to seven years for containers, one year for trailers, one to seven years for tank equipments, one to two years for airport ground facilities and one year for offshore business after delivery of vessels. The Group will provide repair and maintenance services in accordance with sales contracts during the warranty period in the event of any non-accidental breakdown or quality problems. The balance of "Provisions – Warranties for product quality" represents the Group's estimated obligation for such warranties of products sold out during the year and in the previous fiscal years.

(2) The amount represents the possible loss for a bank guarantee letter issued by the Company's subsidiary – TAS.

(3) HI provide guarantees in respect of banking facilities granted to customers who drew down loans under banking facilities to settle outstanding payables arising from purchase of trailers from the Group. HI would provide provision for the possible loss considering the credit quality.

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 34. Current portion of non-current liabilities

(1) The analysis of the Group's current portion of non-current liabilities by categories is as follows:

| | Note | **31 December 2012** | 31 December 2011 |
|---|---|---|---|
| Current portion of long-term borrowings | | | |
| – Unsecured | (2) | **1,257,100** | 1,094,352 |
| – Impawn | | **–** | 649,072 |
| – Guaranteed | | **–** | 750,000 |
| Sub-total | | **1,257,100** | 2,493,424 |
| Current portion of long-term payables | | **4,840** | 66,894 |
| Total | | **1,261,940** | 2,560,318 |

There were no overdue borrowings with extended maturity included in current portion of long-term borrowings.

### (2) Current portion of long-term borrowings

(a) Current portion of long-term borrowings denominated in foreign currencies are as follows:

| | **31 December 2012** | | | 31 December 2011 | | |
|---|---|---|---|---|---|---|
| | **Amount in foreign currency '000** | **Exchange rate** | **Amount in RMB '000** | Amount in foreign currency '000 | Exchange rate | Amount in RMB '000 |
| Bank borrowings | | | | | | |
| – RMB | **–** | **1.0000** | **–** | 895,000 | 1.0000 | 895,000 |
| – USD | **200,000** | **6.2855** | **1,257,100** | 248,500 | 6.3009 | 1,565,774 |
| – EUR | **–** | **8.3195** | **–** | 4,000 | 8.1625 | 32,650 |
| | | | **1,257,100** | | | 2,493,424 |

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# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 34. Current portion of non-current liabilities (Continued)

### (2) Current portion of long-term borrowings (Continued)

(b) As at 31 December 2012, the three largest current portion of long-term borrowings:

| | Starting date | Ending date | Currency | Interest rate (%) | 31 December 2012 Amount in foreign currency '000 | 31 December 2012 Amount in RMB '000 | 31 December 2011 Amount in foreign currency '000 | 31 December 2011 Amount in RMB '000 |
|---|---|---|---|---|---|---|---|---|
| China Development Bank | 12/12/2007 | 12/06/2013 | USD | 6-month LIBOR+90BP | **110,000** | **691,389** | 110,000 | 691,389 |
| China Development Bank | 12/12/2007 | 12/12/2013 | USD | 6-month LIBOR+90BP | **40,000** | **251,414** | 40,000 | 251,414 |
| ING Bank N.V. | 20/05//2010 | 21/05/2013 | USD | Floating, LIBOR USD+1.85% | **50,000** | **314,297** | 50,000 | 314,297 |
| | | | | | | **1,257,100** | | 1,257,100 |

### (3) Current portion of long-term payables

As at 31 December 2012, current portion of long-term payables included net financial leasing payable of RMB4,731,000, which is total amount of RMB4,886,000 minus unrecognised financing expenses of RMB155,000 and payables to compensate employee occupation disease of RMB109,000.

As at 31 December 2011, current portion of long-term payables included net financial leasing payable of RMB66,894,000, which is total amount of RMB73,234,000 minus unrecognised financing expenses of RMB6,340,000.

The Group had no financial leasing guaranteed by independent third parties.

## 35. Long-term borrowings

### (1) The analysis of the Group's long-term loans is as follows:

| | Note | 31 December 2012 | 31 December 2011 |
|---|---|---|---|
| **Bank borrowings** | | | |
| – Unsecured | | **4,596,695** | 4,424,142 |
| – Impawn | | **–** | 344,500 |
| – Guaranteed | (a) | **2,497,470** | 1,371,698 |
| – Pledged | (b) | **547,620** | 432,245 |
| Total | | **7,641,785** | 6,572,585 |

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 35. Long-term borrowings (Continued)

### (1) The analysis of the Group's long-term loans is as follows: (Continued)

Long-term borrowings denominated in foreign currencies are as follows:

| | 31 December 2012 | | | | 31 December 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | Interest rate | Amount in foreign currency '000 | Exchange rate | Amount in RMB '000 | Interest rate | Amount in foreign currency '000 | Exchange rate | Amount in RMB '000 |
| – RMB | 4.76% for the 1st quarter and will be reviewed every quarter to PBOC's Benchmark Rate+10% | 3,520,454 | 1.0000 | 3,520,454 | PBOC's Benchmark Rate+10%~PBOC's Benchmark Rate-5% | 3,642.400 | 1.0000 | 3,642,400 |
| – USD | 1-month LIBOR+190BP~3 month LIBOR+315BP | 587,100 | 6.2855 | 3,681,507 | LIBOR+55BP~ 4.88% | 383,206 | 6.3009 | 2,414,544 |
| – HKD | HIBO+2.2%~3-month LIBOR+230BP | 584,604 | 0.8108 | 438,647 | HKIBOR+1.7%~2.3% | 634,451 | 0.8107 | 514,350 |
| – AUD | 8.63 | 180 | 6.5359 | 1,177 | – | 201 | 6.4093 | 1,291 |
| | | | | 7,641,785 | | | | 6,572,585 |

(a) As at 31 December 2012, the Group's long-term guarantee borrowings included bank borrowings amounting to RMB2,043,369,000, guaranteed by the Company for its subsidiaries; RMB137,082,000 guaranteed by Enric for its subsidiaries.

(b) As at 31 December 2012, the Group's long-term pledged borrowings were borrowed by CIMC US Leasing amounted to USD87,124,000 (equivalent to RMB547,620,000), which was pledged by trailers bought by CIMC USA Leasing and guaranteed by CIMC Hong Kong.

(c) No amount due to the shareholders who hold 5% or more of the voting rights of the Company or due to related parties is included in the above balance of long-term borrowings.

(d) As at 31 December 2012, the weighted average interest rate of long-term borrowings is 3.24% annually (31 December 2011: 3.50%).

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 35. Long-term borrowings (Continued)

#### (2) As at 31 December 2012, the five largest long-term borrowings

| | | | | | 31 December 2012 | | 31 December 2011 | |
|---|---|---|---|---|---|---|---|---|
| | Starting date | Ending date | Currency | Interest rate (%) | Amount in foreign currency '000 | Amount in RMB '000 | Amount in foreign currency '000 | Amount in RMB '000 |
| Syndicated loan | 13/03/2012 | 23/03/2015 | USD | 1-month LIBOR+190BP | **225,100** | **1,414,834** | – | – |
| Syndicated loan | 04/01/2012 | 23/03/2015 | USD | 3-month LIBOR+230BP | **100,000** | **628,536** | 100,000 | 630,090 |
| The Export-Import Bank of China | 01/02/2011 | 01/02/2014 | RMB | 4% | **500,000** | **500,000** | 500,000 | 500,000 |
| ING Bank N.V. Hong Kong Branch | 15/04/2011 | 11/03/2014 | USD | 3-month LIBOR+1.7% | **65,000** | **408,548** | 65,000 | 409,559 |
| China Development bank | 20/01/2011 | 20/01/2014 | RMB | 4% | **400,000** | **400,000** | 400,000 | 400,000 |
| Total | | | | | | **3,351,918** | | 1,939,649 |

As at 31 December 2012, there were no overdue long-term borrowings of which the durations are extended (As at 31 December 2011: Nil).

### 36. Debentures payable

| | Beginning balance | Increase in current year | Decrease in current year | Ending balance |
|---|---|---|---|---|
| Medium-term notes | 3,988,438 | 2,002,395 | – | 5,990,833 |
| Convertible bonds | – | 471,402 | – | 471,402 |
| Total | 3,988,438 | 2,473,797 | – | 6,462,235 |

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 36. Debentures payable (Continued)

### (1) Related information is as follows:

| Debenture name | Par value | Issuance date | Maturity | Issuance amount | Balance of interest payable at the beginning of the year | Interest accrued in current year | Balance of interest payable at the end of the year | Ending balance |
|---|---|---|---|---|---|---|---|---|
| Medium-term notes -11CIMC MTN1 | 4,000,000 | 23 May 2011 | 5 years | 4,000,000 | (11,562) | 2,395 | (9,167) | 3,990,833 |
| Medium-term notes -12CIMC MTN1 | 2,000,000 | 24 May 2012 | 3 years | 2,000,000 | – | – | – | 2,000,000 |
| Convertible bonds | 471,402 | 10 December 2012 | 3 years | 471,402 | – | – | – | 471,402 |
| Total | | | | | | | | 6,462,235 |

The company issued medium-term notes (MTN) on 20 May 2011 with a ceiling of RMB6 billion to institutional investors in the national inter-bank bond market. The first phase of MTN with a total amount of RMB4 billion, a term of five years from 23 May 2011 to 22 May 2016, par value of RMB100 per note and fixed interest rate of 5.23% per annum was successfully issued publicly. Interest is to be paid on 23rd May each year in the arrears until redemption and par value is to be paid on 23 May 2016. The notes are unsecured and targets institutional investors in the national inter-bank market.

The company issued the second phase of MTN on 22 May 2012 with a total amount of RMB2 billion, a term of three years from 24 May 2012 to 23 May 2015, par value of RMB100 per note and fixed interest rate of 4.43% per annum. Interest is to be paid on 24th May each year in the arrears until redemption and par value is to be paid on 24 May 2015. The notes are unsecured and targets institutional investors in the national inter-bank market.

China Merchants Bank Co., Ltd. is the lead underwriter. Book building and centralised placing were adopted for this issue. The MTN recorded as debenture was subsequently measured at amortized cost using the effective interest.

NSR, a subsidiary of the financial leasing, issued three-year convertible bonds ("CB") to third party investor on 10 December, 2012. The par value and the amount was USD75,000,000 with fixed interest rate of 5%. If NSR's offshore drilling platform project have completed and found the eligible leasee, the CB would directly converted to the Category B shares of NSR. In addition, during the life of the CB, the bond holder has the rights to convert the CB to Category B shares of NSR. At the CB maturity date, if the holder have chosen not convert, the NSR should buy-back all the CB and ensure the redemption price could enable the holder obtain 15% internal rate of return.

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 36. Debentures payable (Continued)

According to the agreement, when the CB have converted to Category B shares of NSR, NSR should buy-back25%, 25% and 50% of the Category B shares at the end of 3, 4, and 5 years after the issuance of CB, respectively. The redemption price would depend on the offshore drilling plateform's lease or sales price, but should make sure the original CB holder obtain not less than 15% internal rate of return.

### 37. Long-term payables

| | **31 December 2012** | 31 December 2011 |
|---|---|---|
| Financial Leasing payables | **23,056** | 86,846 |
| Payable to minority shareholders | **120,789** | – |
| Others | **1,258** | – |
| Total | **145,103** | 86,846 |

### (1) As at 31 December 2012, the three largest long-term payables

| Lender | Expiration date | Initial amount | Interest rate (%) | Interest accrued | Ending balance | Conditions |
|---|---|---|---|---|---|---|
| Minority shareholders of subsidiaries | – | – | – | – | 120,789 | – |
| Bank of America | from 20 December 2011 to 20 September 2018 | 17,397 | 3.1272% | 544 | 11,914 | – |
| Bank of America | From 4 November 2011 to 4 September 2018 | 16,270 | 3.1508% | 513 | 11,142 | – |
| Total | | | | | 143,845 | |

As at 31 December 2012, balance of the long-term payables of the Group included balance amounting to RMB23,056,000 denominated in USD (31 December 2011: RMB33,667,000).

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 37. Long-term payables (Continued)

### (2) Details of payable for finance leases

As at 31 December 2012, the total future minimum lease payments under finance leases, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date), were as follows:

| minimum lease payments | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Within 1 year (inclusive) | **4,886** | 73,234 |
| Over 1 year but within 2 years (inclusive) | **4,886** | 54,925 |
| Over 2 years but within 3 years (inclusive) | **4,886** | – |
| Over 3 years | **14,040** | 33,667 |
| Sub-total | **28,698** | 161,826 |
| Less: unrecognised finance expenses | **(911)** | (8,086) |
| Carrying amounts | **27,787** | 153,740 |

Please refer to Note V.34 for net financial leasing payable due within one year minus unrecognised financing expenses.

The Group had no financial leasing guaranteed by third party in the year.

As at 31 December 2012, no amount due to the shareholders who hold 5% or more of the voting rights of the Company or due to related parties is included in the above balance of long-term payables.

## 38. Payables for specific projects

| | Beginning balance | Increase in current year | Decrease in current year | Exchange differences arising from translating foreign operations | Ending balance |
|---|---|---|---|---|---|
| Project funds | 8,940 | 6,057 | (10,195) | – | 4,802 |

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# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 39. Other non-current liabilities

| | Note | **31 December 2012** | 31 December 2011 |
|---|---|---|---|
| Deferred income | (1) | **348,630** | 198,564 |

### (1) Deferred income

| | **31 December 2012** | 31 December 2011 |
|---|---|---|
| Government grants related to assets | | |
| TAS industrial base project | **30,000** | 15,000 |
| Enric relocation compensation | **143,715** | 37,667 |
| Enric new factory government grants | **94,273** | 82,585 |
| TCCIMC land compensation | **23,523** | 24,090 |
| MEA special funds to support industrial innovation | **9,199** | – |
| Shandong R&D fund | **7,871** | 5,394 |
| Others | **7,843** | 6,197 |
| Government grants related to income | | |
| Enric major technology application fund | **6,000** | 8,940 |
| Others | **26,206** | 18,691 |
| Total | **348,630** | 198,564 |

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 40. Share capital

| | 31 December 2011 '000 | Decrease in current year '000 | Change of shares subject to selling restriction '000 | **31 December 2012 '000** |
|---|---|---|---|---|
| **Shares subject to trading restriction** | | | | |
| – Held by domestic natural person | 373 | – | (2) | **371** |
| **Shares not subject to trading restriction** | | | | |
| – RMB-denominated ordinary shares | 1,231,544 | – | – | **1,231,544** |
| – Foreign shares listed domestically | 1,430,479 | (1,430,479) | – | **–** |
| – Foreign shares listed overseas | – | 1,430,479 | 2 | **1,430,481** |
| Total | 2,662,396 | – | – | **2,662,396** |

| | 31 December 2010 '000 | Decrease in current year '000 | Change of shares subject to selling restriction '000 | 31 December 2011 '000 |
|---|---|---|---|---|
| **Shares subject to trading restriction** | | | | |
| – Held by domestic natural person | 620 | – | (247) | 373 |
| **Shares not subject to trading restriction** | | | | |
| – RMB-denominated ordinary shares | 1,231,297 | – | 247 | 1,231,544 |
| – Foreign shares listed domestically | 1,430,479 | – | – | 1,430,479 |
| Total | 2,662,396 | – | – | 2,662,396 |

The par value of the aforesaid shares was RMB1.00 per share.

On 19 December 2012, the Company's B shares changed listing location and went publication on the main market of the Stock Exchange of Hong Kong through the way of introduction. Henceforth, all the company's B shares converted to overseas listed foreign shares (H shares).

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 41. Capital surplus

| | 31 December 2011 | Increase in current year | Decrease in current year | **31 December 2012** |
|---|---|---|---|---|
| Share premium | 201,222 | – | – | **201,222** |
| Other capital surplus: | | | | |
| – Property revaluation reserve | 43,754 | – | – | **43,754** |
| – Exchange reserve on foreign currency capital | 692 | – | – | **692** |
| – Donated non-cash assets reserve | 257 | – | – | **257** |
| – Change in fair value of available-for-sale financial assets | 503,276 | 37,748 | – | **541,024** |
| – Effective portion of changes in fair value of cash flow hedges | 12,784 | – | (6,899) | **5,885** |
| – Deferred tax effect | (122,756) | – | (8,265) | **(131,021)** |
| – Equity settled share-based payment | 196,954 | 115,423 | – | **312,377** |
| – Capital contribution resulted from share option exercised in subsidiary | – | 1,880 | – | **1,880** |
| – Capital surplus due to minority shareholders' contribution | 79,024 | 22,352 | – | **101,376** |
| – Decrease in minority interests resulted from disposal of subsidiary (not loss the controlling rights on the subsidiary) | – | 178,916 | – | **178,916** |
| – Capital surplus due to corporate restructuring | – | – | (42,696) | **(42,696)** |
| – Capital surplus due to acquiring minority shareholders' equity | 247,114 | – | (168,657) | **78,457** |
| – Capital surplus due to minority shareholders' contributor | (58,964) | – | – | **(58,964)** |
| – Effect of functional currency change | (406,795) | – | – | **(406,795)** |
| Others | 102,699 | 1,630 | (211) | **104,118** |
| Total | 799,261 | 357,949 | (226,728) | **930,482** |

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 41. Capital surplus (Continued)

| | 31 December 2010 | Increase in current year | Decrease in current year | Effect of functional currency change | 31 December 2011 |
|---|---|---|---|---|---|
| Share premium | 201,222 | – | – | – | 201,222 |
| Other capital surplus | | | | | |
| – Property revaluation reserve | 54,979 | – | – | (11,225) | 43,754 |
| – Exchange reserve on foreign currency capital | 866 | – | – | (174) | 692 |
| – Donated non-cash assets reserve | 324 | – | – | (67) | 257 |
| – Change in fair value of available-for-sale financial assets | 727,466 | – | (195,700) | (28,490) | 503,276 |
| – Effective portion of changes in fair value of cash flow hedges | 14,070 | – | (745) | (541) | 12,784 |
| – Deferred tax effect | (176,272) | 46,922 | – | 6,594 | (122,756) |
| – Equity settled share-based payment | 82,432 | 117,805 | – | (3,283) | 196,954 |
| – Capital surplus due to minority shareholders' contribution | 88,251 | – | – | (9,227) | 79,024 |
| – Capital surplus due to acquiring minority shareholders' equity | 256,078 | – | – | (8,964) | 247,114 |
| – Capital surplus due to minority shareholders' contributor | – | – | (58,964) | – | (58,964) |
| Others | 100,004 | 2,695 | – | (406,795) | (304,096) |
| Total | 1,349,420 | 167,422 | (255,409) | (462,172) | 799,261 |

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 42. Surplus reserve

| | 31 December 2011 | Increase in current year | Decrease in current year | **31 December 2012** |
|---|---|---|---|---|
| Statutory surplus reserve | 1,163,068 | 106,676 | – | **1,269,744** |
| Discretionary surplus reserve | 1,790,092 | – | – | **1,790,092** |
| Total | 2,953,160 | 106,676 | – | **3,059,836** |

| | 31 December 2010 | Increase in current year | Decrease in current year | Effect of functional currency change | 31 December 2011 |
|---|---|---|---|---|---|
| Statutory surplus reserve | 1,331,198 | 92,110 | – | (260,240) | 1,163,068 |
| Discretionary surplus reserve | 2,246,390 | – | – | (456,298) | 1,790,092 |
| Total | 3,577,588 | 92,110 | – | (716,538) | 2,953,160 |

In accordance with the Company Law and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the paid in capital after approval from the appropriate authorities.

The Company appropriates for the discretionary surplus reserve after the shareholders' meeting approves the proposal from the Board of Directors. The discretionary surplus reserve can be used to make up for the loss or increase the paid in capital after approval from the appropriate authorities.

### 43. Undistributed profits

| | Note | **2012** | 2011 |
|---|---|---|---|
| Undistributed profits at the beginning of the year | | **12,785,092** | 10,689,335 |
| Add: net profit attributable to the Company for the current period | | **1,939,081** | 3,690,926 |
| Less: appropriation for surplus reserve | | **(106,676)** | (92,110) |
| Less: ordinary share dividends payable | (1) | **(1,224,702)** | (931,839) |
| Less: decrease in undistributed profits resulted from acquiring minority interests | | **–** | (19,843) |
| Less: decrease in undistributed profits resulted from functional currency change | | **–** | (551,377) |
| Undistributed profits at the end of the year | | **13,392,795** | 12,785,092 |

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 43. Undistributed profits (Continued)

### (1) Dividends of ordinary shares declared during the year

| | **2012** | 2011 |
|---|---|---|
| Dividends proposed but not declared | **–** | – |
| Total proposed dividends in the year | **1,224,702** | 931,839 |

In accordance with the resolution at the Board of Shareholders' meeting, dated on 22 March 2012, the Company proposed a cash dividend in the amount of RMB0.46 per share to the shareholders(2011: RMB0.35 per share), amounting to RMB1,224,702,000 calculated by issued shares(2011: RMB931,839,000).

### (2) Undistributed profits at the end of the year

As at 31 December 2012, the net profit attributable to the Company included an appropriation of RMB781,057,000 to surplus reserve made by the subsidiaries (31 December 2011: RMB674,381,000).

## 44. Revenue and cost of sales

### (1)

| | **2012** | 2011 |
|---|---|---|
| Revenue from main operations | **52,944,160** | 62,799,402 |
| Revenue from other operations | **1,389,897** | 1,325,651 |
| Cost of sales from main operations | **44,122,978** | 51,709,269 |
| Cost of sales from other operations | **478,279** | 515,462 |

There was no individual construction contract whose revenue amounted to more than 10% of the total operating income.

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 44. Revenue and cost of sales (Continued)

#### (2) Revenue and cost of sales from main operations by industries and by products

| | 2012 | | 2011 | |
|---|---|---|---|---|
| Industry | Revenue from main operations | Cost of sales from main operations | Revenue from main operations | Cost of sales from main operations |
| Containers | 24,536,883 | 20,542,280 | 34,531,285 | 27,861,725 |
| Trailers | 13,391,366 | 11,737,514 | 16,492,375 | 14,229,990 |
| Energy and chemistry equipment | 8,922,887 | 7,191,674 | 8,087,583 | 6,683,434 |
| Offshore business | 1,794,133 | 1,676,172 | 540,920 | 918,822 |
| Logistics | 1,611,957 | 1,287,661 | 1,638,049 | 1,339,942 |
| Airport facilities | 682,234 | 510,526 | 544,289 | 350,893 |
| Others | 2,004,700 | 1,177,151 | 964,901 | 324,463 |
| Total | 52,944,160 | 44,122,978 | 62,799,402 | 51,709,269 |

#### (3) Revenue and cost of sales from main operations by locations

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | Revenue from main operations | Cost of sales from main operations | Revenue from main operations | Cost of sales from main operations |
| P.R China | 46,976,604 | 39,360,607 | 57,619,027 | 47,211,361 |
| America | 1,697,876 | 1,520,158 | 1,762,144 | 1,620,224 |
| Europe | 2,804,330 | 2,342,730 | 2,153,273 | 1,881,668 |
| Asia | 245,806 | 195,773 | 192,147 | 168,113 |
| Others | 1,219,544 | 703,710 | 1,072,811 | 827,903 |
| Total | 52,944,160 | 44,122,978 | 62,799,402 | 51,709,269 |

The revenue and cost of sales from main operations by locations is determined on the location at which the services were provided or the goods were delivered.

#### (4) Revenue and cost of sales from other operations

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | Revenue from other operations | Cost of sales from other operations | Revenue from other operations | Cost of sales from other operations |
| Rendering of services | 902,984 | 52,772 | 540,982 | 199,264 |
| Sale of raw materials | 486,913 | 425,507 | 784,669 | 316,198 |
| Total | 1,389,897 | 478,279 | 1,325,651 | 515,462 |

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 44. Revenue and cost of sales (Continued)

### (5) Revenue from the five largest customers of the Group in 2012

| Customer | Revenue | % of total revenue |
|---|---|---|
| A.P. Moller-Maersk A/S | 3,826,682 | 7.04% |
| Tal International Container Corporation | 2,608,181 | 4.80% |
| Triton Container Interinternational Ltd | 2,394,055 | 4.41% |
| Cronos Containers Ltd. | 1,445,578 | 2.66% |
| Textainer Equipment Management Ltd | 1,160,074 | 2.14% |
| Total | 11,434,570 | 21.05% |

In 2011, revenue from the five largest customers of the Group with an amount of RMB11,604,108,000, accounted for 18.10% of the total revenue of the Group.

## 45. Taxes and surcharges

| | **2012** | 2011 | Tax base |
|---|---|---|---|
| Business tax | **145,171** | 89,765 | 3% – 5% of revenue |
| City maintenance and construction tax | **133,928** | 114,746 | 7% of VAT and business tax paid |
| Educational surcharge | **99,820** | 84,051 | 3% – 5% of VAT and business tax paid |
| Land appreciation tax | **106,536** | 14,009 | Appreciation amount in transferring property and applicable tax rate |
| Others | **20,585** | 42,152 | |
| Total | **506,040** | 344,723 | |

## 46. Selling and distribution expenses

| | **2012** | 2011 |
|---|---|---|
| Transportation and distribution expenses | **764,296** | 944,824 |
| External sales commission | **47,332** | 83,486 |
| Employ benefit | **235,374** | 213,927 |
| Warranty | **133,239** | 164,388 |
| Others | **585,456** | 461,275 |
| Total | **1,765,697** | 1,867,900 |

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 47. General and administrative expenses

| | 2012 | 2011 |
|---|---|---|
| Low-value consumables and materials consumed | **93,251** | 87,845 |
| Rental | **59,487** | 66,302 |
| Depreciation | **173,223** | 170,771 |
| Employ Benefit | **1,416,372** | 1,283,015 |
| Taxes and surcharges | **144,233** | 140,576 |
| Agency fee | **277,488** | 141,716 |
| Audit fees | **5,630** | 6,350 |
| Technology development costs | **357,628** | 359,597 |
| Amortisation | **210,082** | 233,689 |
| Performance bonus and president bonus | **221,293** | 487,499 |
| Share-based payment expenses | **118,279** | 122,642 |
| Office expenditure, entertainment fee and others | **643,738** | 667,219 |
| Total | **3,720,704** | 3,767,221 |

### 48. Financial expenses-net

| | 2012 | 2011 |
|---|---|---|
| Interest expenses | **907,869** | 903,749 |
| Including: Bank borrowings | **561,866** | 722,344 |
| Finance leasing | **71,196** | 43,532 |
| Debentures payable | **266,232** | 123,389 |
| Other liabilities | **8,575** | 14,484 |
| Less: borrowing costs capitalised | **(161,821)** | (240,988) |
| Less: interest income | **(295,015)** | (217,942) |
| Exchange (gains)/losses | **(322)** | 208,872 |
| Others | **73,846** | 130,008 |
| Total | **524,557** | 783,699 |

Interest expenses are analysed by the repayment terms of bank and other borrowings as follows:

| | 31 December 2012 | | 31 December 2011 | |
|---|---|---|---|---|
| | **Bank borrowings** | **Other borrowings** | Bank borrowings | Other borrowings |
| Wholly repayable within five years | **561,866** | **–** | 722,344 | – |

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 49. Profit/(losses) from changes in fair value

| | **2012** | 2011 |
|---|---|---|
| **Financial assets held for trading** | | |
| – Changes in fair value during the year | | |
| 1. Profit/(losses) from changes in fair value of equity instrument held for trading | **21,152** | (33,905) |
| 2. Losses from changes in fair value of derivative financial instrument | **(12,562)** | (86,378) |
| – Profit/(losses) for derecognized financial assets held for trading | **46,571** | (32,453) |
| Sub-total | **55,161** | (152,736) |
| **Financial liabilities held for trading** | | |
| – Changes in fair value during the year | | |
| 1. Profit from changes in fair value of derivative financial instrument | **3,400** | 52,159 |
| Total | **58,561** | (100,577) |

## 50. Investment (losses)/income

### (1) Investment (losses)/income by categories

| | **2012** | 2011 |
|---|---|---|
| Income earned during the holding period of financial assets held for trading | **6,661** | – |
| (Loss)/income from disposal of financial assets held for trading | **(40,140)** | 32,453 |
| Income earned during the holding period of available-for-sale financial assets | **11,138** | 13,030 |
| Income from long-term equity investment under cost method | **5,124** | 10,100 |
| (Loss)/income from long-term equity investment under equity method | **(76,731)** | 44,120 |
| Income from disposal of long-term equity investment | **3** | 13,286 |
| Others | **(3,906)** | (4,296) |
| Total | **(97,851)** | 108,693 |

Investment losses from listed investments and non-listed investments in 2012 amount to RMB26,384,000 and RMB71,467,000 respectively (2011: RMB45,483,000 and RMB63,210,000 respectively).

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 50. Investment (losses)/income (Continued)

(2) In investment income from long-term equity investment under cost method, investees that contributed investment income for more than 5% of the Group's total profit, or the top five investees that contributed most to the Group's investment income are set out as follows:

| Investee | 2012 | 2011 | Reason for current year fluctuation |
|---|---|---|---|
| BOCM Schroder Stolt Fund Management | **5,000** | 10,000 | Cash dividend was distributed during the year |
| Wuhan Automobile magazine Co., Ltd | **74** | – | Cash dividend was distributed during the year |
| Stolt Donghua Container Co., Ltd | **50** | 100 | Cash dividend was distributed during the year |
| Total | **5,124** | 10,100 | |

(3) In investment income from long-term equity investment under equity method, investees that contributed investment income for more than 5% of the Group's total profit, or the top five investees that contributed most investment income to the Group's total profit are set out as follows:

| Investee | 2012 | 2011 | Reason for current year fluctuation |
|---|---|---|---|
| C&C Trucks | **(128,471)** | (50,103) | Changes in profit and loss of the investee |
| TJZL | **14,481** | 23,385 | Changes in profit and loss of the investee |
| HBIO | **9,376** | (262) | Changes in profit and loss of the investee |
| Shanghai Fengyang | **9,149** | 50,098 | Changes in profit and loss of the investee |
| KYH | **7,599** | 7,610 | Changes in profit and loss of the investee |
| Total | **5,124** | 10,100 | |

There was no significant restriction on the remittance of investment income to the investor.

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 51. Asset impairment losses

| | 2012 | 2011 |
|---|---|---|
| Accounts receivable | **43,363** | 98,052 |
| Advance to suppliers | **93,115** | 37 |
| Other receivables | **20,853** | 22,254 |
| Inventories | **74,838** | 184,212 |
| Current portion of non-current assets | **36,599** | 5,148 |
| Long-term receivables | **75,831** | 27,597 |
| Long-term equity investments | **–** | 2 |
| Fixed assets | **190,596** | 7,782 |
| Intangible assets | **–** | 52,264 |
| Construction in progress | **1,876** | – |
| Goodwill | **–** | 12,254 |
| Total | **537,071** | 409,602 |

## 52. Non-operating income

### (1) Non-operating income by categories

| | Note | 2012 | 2011 | Amount recognised in non-recurring profit or loss in 2012 |
|---|---|---|---|---|
| Gains on disposal of fixed assets | | **14,451** | 9,150 | 14,451 |
| Gains on disposal of intangible assets | | **70,250** | 18,646 | 70,250 |
| Compensation income | | **26,229** | 14,757 | 26,229 |
| Penalty income | | **3,712** | 4,265 | 3,712 |
| Gains on fixed assets surplus | | **4,079** | 254 | 4,079 |
| Gains on merger and acquisition of associate companies | | **54,750** | – | 54,750 |
| Government grants | (2) | **133,270** | 267,349 | 133,270 |
| Others | | **53,624** | 55,772 | 53,624 |
| Total | | **360,365** | 370,193 | 360,365 |

### (2) Details of government grants

| | 2012 | 2011 |
|---|---|---|
| Financial subsidies | **129,025** | 265,819 |
| Tax refund | **3,008** | 1,530 |
| Others | **1,237** | – |
| Total | **133,270** | 267,349 |

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 53. Non-operating expenses

| | 2012 | 2011 | Amount recognised in non-recurring profit or loss in 2012 |
|---|---|---|---|
| Losses on disposal of fixed assets | **47,034** | 28,082 | **47,034** |
| Losses on disposal of intangible assets | **535** | – | **535** |
| Donations | **2,787** | 1,911 | **2,787** |
| Penalty expenses | **8,997** | 1,939 | **8,997** |
| Compensation expenses | **1,599** | 1,827 | **1,599** |
| Others | **31,474** | 49,021 | **31,474** |
| Total | **92,426** | 82,780 | **92,426** |

### 54. Income tax expenses

| | 2012 | 2011 |
|---|---|---|
| Current income tax calculated based on tax law and related regulations | **1,042,387** | 1,477,811 |
| Deferred income tax | **(65,437)** | (114,043) |
| Total | **976,950** | 1,363,768 |

Reconciliation between income tax expenses and accounting profits is as follows:

| | 2012 | 2011 |
|---|---|---|
| Total profit | **2,907,380** | 5,022,706 |
| Income tax expenses calculated at applicable tax rates | **654,121** | 1,255,677 |
| Effect of tax incentive | **(193,007)** | (281,600) |
| Expenses not deductible for tax purposes | **93,940** | 61,881 |
| Income not subject to tax | **(40,841)** | (25,814) |
| Utilisation of previously unrecognised tax losses | **(14,099)** | (52,029) |
| Tax effect of unrecognised tax losses | **398,323** | 215,727 |
| Deductible temporary differences for which no deferred tax asset was recognised | **–** | 88,809 |
| Effect of tax rate change on deferred tax | **(18,466)** | 12,144 |
| Tax refund for income tax annual filing | **5,199** | (35,098) |
| Domestic purchased equipment tax refund | **–** | (2,662) |
| Income tax accruals for profit of foreign holding companies in current year | **91,780** | 126,733 |
| Income tax expenses | **976,950** | 1,363,768 |

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 55. Earnings per share

### (1) Basic earnings per share

Basic earnings per share is calculated by dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

| | **2012** | 2011 |
|---|---|---|
| Consolidated profit attributable to ordinary shareholders of the Company | **1,939,081** | 3,690,926 |
| Weighted average number of ordinary shares outstanding ('000) | **2,662,396** | 2,662,396 |
| Basic earnings per share | **0.73** | 1.39 |

### (2) Diluted earnings per share

Diluted earnings per share is calculated by dividing net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding.

| | **2012** | 2011 |
|---|---|---|
| Consolidated profit attributable to ordinary shareholders of the Company | **1,939,081** | 3,690,926 |
| Weighted average number of ordinary shares outstanding (diluted) ('000) | **2,671,467** | 2,684,722 |
| Diluted earnings per share | **0.73** | 1.37 |

Note: The subsidiaries' share option program is not immaterial to the Company's diluted earning per share.

*(a) Calculation of weighted average number of ordinary shares outstanding (diluted)*

| | **2012** | 2011 |
|---|---|---|
| Issued ordinary shares at 1 January ('000) | **2,662,396** | 2,662,396 |
| Effect of share options ('000) | **9,071** | 22,326 |
| Weighted average number of ordinary shares at 31 December (diluted) ('000) | **2,671,467** | 2,684,722 |

The board of directors the Company was authorised to grant 60,000,000 shares (2.25% of the total issued shares 2,662,396,051 of the Company) to the senior management and other staff. According to the share options plan in Note VII.2, the exercisable share options during the year were 13,500,000 shares. Please refer to Note VII for the details of share options.

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 56. Other comprehensive income

| | **2012** | 2011 |
|---|---|---|
| 1. Gain/(loss) arising from available-for-sale financial assets | **37,748** | (195,700) |
| Less: income tax relating to available-for-sale financial assets | **9,300** | (45,517) |
| Sub-total | **28,448** | (150,183) |
| 2. (Loss)/gain on cash flow hedges financial instrument | **(6,899)** | 3,162 |
| Less: income tax relating to cash flow hedges financial instrument | **(1,035)** | (119) |
| Net amount of reclassifications from other comprehensive income to profit or loss | **–** | 2,621 |
| Sub-total | **(5,864)** | 660 |
| 3. Exchange differences arising from translating foreign operations | **34,422** | (339,575) |
| 4. Others | **1,822** | 2,695 |
| Total | **58,828** | (486,403) |

### 57. Notes to the consolidated cash flow statement

### (1) Cash received relating to other operating activities

| | **2012** | 2011 |
|---|---|---|
| Cash received from government grants related to assets | **148,457** | 20,556 |
| Cash received from government grants related to income | **123,008** | 265,819 |
| Cash received from penalty income | **150,066** | 4,265 |
| Cash received from compensation income | **29,941** | 14,757 |
| Others | **300,581** | 58,338 |
| Total | **752,053** | 363,735 |

### (2) Cash paid relating to other operating activities

| | **2012** | 2011 |
|---|---|---|
| Cash paid for transportation and distribution expenses | **764,296** | 944,824 |
| Cash paid for rental, insurance and other selling and distribution expenses | **59,487** | 447,602 |
| Cash paid for technical development costs | **357,628** | 359,597 |
| Cash paid for warranty | **157,151** | 54,071 |
| Cash paid for external sales commission | **47,332** | 83,486 |
| Cash paid for entertainment fee | **644,718** | 109,777 |
| Cash paid for travelling, office expenditure and other expenses in ordinary operation | **821,149** | 1,289,257 |
| Total | **2,851,761** | 3,288,614 |

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 57. Notes to the consolidated cash flow statement (Continued)

### (3) Cash received relating to other investing activities

| | **2012** | 2011 |
|---|---|---|
| Cash received from interest income | **278,719** | 220,654 |

### (4) Cash received relating to other financing activities

| | **2012** | 2011 |
|---|---|---|
| Cash received from disposal of subsidiary's equity | **397,719** | – |
| Cash received from share option exercised in subsidiary | **18,786** | – |
| Total | **416,505** | – |

### (5) Cash paid relating to other financing activities

| | **2012** | 2011 |
|---|---|---|
| Cash paid for from acquiring minority interests | **794,545** | – |
| Others | **63,790** | 62,702 |
| Total | **858,335** | 62,702 |

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# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 58. Information to cash flow statement

### (1) Supplementary information to the consolidated cash flow statement

*(a) Reconciliation from net profit to cash flows from operating activities*

| | **2012** | 2011 |
|---|---|---|
| Net profit | **1,930,430** | 3,658,938 |
| Add: Provisions for asset impairment | **537,071** | 409,602 |
| Depreciation of fixed assets | **847,720** | 817,698 |
| Amortisation of intangible assets | **237,605** | 252,935 |
| Amortisation of investment properties and long-term prepaid expenses | **24,653** | 25,147 |
| (Gains)/losses on disposal of fixed assets, intangible assets and other long-term assets | **(37,132)** | 286 |
| Gains on merger and acquisition of associate companies | **(54,750)** | – |
| (Profit)/losses on change in fair value | **(58,561)** | 100,577 |
| Financial expenses | **451,033** | 444,819 |
| Investment losses/(income) | **97,851** | (108,693) |
| Share-based payment expenses | **118,279** | 122,642 |
| Increase in deferred tax assets | **(21,072)** | (173,074) |
| (Decrease)/increase in deferred tax liabilities | **(35,697)** | 19,705 |
| Increase in inventories | **(1,875,133)** | (2,223,824) |
| Decrease/(increase) in operating receivables | **2,418,332** | (2,333,121) |
| (Decrease)/increase in operating payables | **(2,339,129)** | 1,544,272 |
| Exchange differences arising from translating foreign operations | **1,419** | (303,472) |
| Net cash flows from operating activities | **2,242,919** | 2,254,437 |

The Group did not have significant investing and financing activities that do not involve cash receipts and payments in 2012.

*(b) Net (decrease)/increase in cash and cash equivalents*

| | **2012** | 2011 |
|---|---|---|
| Cash and cash equivalents at the end of the year | **4,397,512** | 6,563,253 |
| Less: cash and cash equivalents at the beginning of the year | **6,563,253** | 3,797,415 |
| Net (decrease)/increase in cash and cash equivalents | **(2,165,741)** | 2,765,838 |

# V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 58. Information to cash flow statement (Continued)

### (2) Information on acquisition of subsidiaries and other business units during the year

| | 2012 | 2011 |
|---|---|---|
| Information on acquisition of subsidiaries and other business units: | | |
| 1. Consideration for acquisition | **428,490** | 92,409 |
| 2. Cash and cash equivalents paid for acquisition | **406,964** | 92,409 |
| Less: Cash and cash equivalents held by subsidiaries and other business units | **77,418** | 2,591 |
| Less: Cash and cash equivalents already paid | **33,000** | – |
| 3. Net cash paid for the acquisition | **296,546** | 89,818 |
| 4. Non-cash assets and liabilities held by the acquired subsidiaries and other business units | | |
| Current assets | **910,828** | 312,006 |
| Non-current assets | **243,997** | 8,796 |
| Current liabilities | **(604,838)** | (263,258) |
| Non-current liabilities | **(225,380)** | (2,217) |
| Minority interest | **(39,347)** | – |

### (3) Cash and cash equivalents

| | 2012 | 2011 |
|---|---|---|
| Cash | | |
| Including: cash on hand | **1,580** | 2,415 |
| Cash at bank that can be readily drawn on demand | **4,392,620** | 6,197,423 |
| Other monetary fund that can be readily drawn on demand | **3,312** | 363,415 |
| Cash and cash equivalents at the end of the year | **4,397,512** | 6,563,253 |

Note: Aforesaid "Cash at bank and on hand" excluded restricted cash and short-term investment.

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## VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### 1. The company does not have immediate holding company.

### 2. For the information on the subsidiaries of the company, refer to Note IV.1.

### 3. For the information about the joint ventures and associates of the Company, refer to Note V.12(3).

### 4. Information of other related parties

| Organisation name | Relationship with the Group | Code of organisation |
|---|---|---|
| Florens Container Services Ltd. | Subsidiary of significant shareholder | N/A |
| Florens Container Corporation S.A. | Subsidiary of significant shareholder | N/A |
| Florens Maritime Limited | Subsidiary of significant shareholder | N/A |
| Shenzhen China Merchants Real Estate Co., Ltd | Subsidiary of significant shareholder | 61884513-6 |
| Shenzhen CIMC Skyspace Real Estate Development | Minority shareholder of subsidiary | 71526714-7 |
| Gasfin Investment S.A | Minority shareholder of subsidiary | N/A |
| WHRJI | Minority shareholder of subsidiary | 78858986-8 |
| COSCO Container Industries Limited | Significant shareholder | N/A |
| China Merdant International Ltd. | Significant shareholder | N/A |
| Bright Touch | Minority shareholder of subsidiary | N/A |
| Yantai Shipyard | Minority shareholder of subsidiary | N/A |
| Qingdao Global International Airline Services Ltd. | Minority shareholder of subsidiary | 74722427-2 |
| SXHDA | Minority shareholder of subsidiary | 74127207-0 |
| Sumitomo | Minority shareholder of subsidiary | N/A |
| Shunde Furi Real Estate Investment Co., Ltd | Minority shareholder of subsidiary | 66332839-X |
| Shunde Binuo Sunshine Real Estate Co., Ltd | Minority shareholder of subsidiary | 77309806-2 |
| Yangjiang East Property management Co., Ltd | Minority shareholder of subsidiary | 67308571-5 |

Note: Significant shareholders represent shareholders holding more than 5% (inclusive) of the Company's shares.

# VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

## 5. Related party transactions

The following transactions with related parties were conducted under normal commercial terms or relevant agreements and followed the approval procedure of normal non-related party transactions.

### (1) Purchase of goods and receiving of services

The Group

| | | 2012 | | 2011 | |
|---|---|---|---|---|---|
| **Name** | **Nature of the transaction** | **Amount** | **% of the total amount of similar transactions** | Amount | % of the total amount of similar transactions |
| Sumitomo | Purchase of goods | **37,670** | **0.03%** | – | – |
| SXHDA | Purchase of goods | **34,342** | **0.03%** | – | – |
| WHRJL | Purchase of goods | **29,040** | **0.02%** | – | – |
| TSC | Purchase of goods | **15,616** | **0.01%** | – | – |
| C&C Trucks | Purchase of goods | **–** | **–** | 11,671 | 0.03% |
| Other related parties | Purchase of goods | **5,335** | **0.00%** | 1,319 | 0.00% |
| Sub-total | Purchase of goods | **122,003** | **0.09%** | 12,990 | 0.03% |
| Other related parties | Receiving of services | **6,421** | **1.34%** | 3,745 | 0.73% |

The Company

Receiving of services of the company refer to VI.5(5).

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# VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

## 5. Related party transactions (Continued)

### (2) Sale of goods and rendering of services

The Group

| Name | Nature of the transaction | 2012 Amount | 2012 % of the total amount of similar transactions | 2011 Amount | 2011 % of the total amount of similar transactions |
|---|---|---|---|---|---|
| Florens Maritime Limited | Sale of goods | **967,059** | **1.83%** | 386,369 | 0.75% |
| SXHDA | Sale of goods | **583,138** | **1.10%** | 635,282 | 1.25% |
| Florens Container Corporation S.A. | Sale of goods | **446,665** | **0.84%** | 567,258 | 1.12% |
| Sumitomo | Sale of goods | **244,933** | **0.46%** | 55,533 | 0.11% |
| XMHJ | Sale of goods | **46,988** | **0.09%** | 145,877 | 0.29% |
| C&C Trucks | Sale of goods | **38,041** | **0.07%** | 860 | 0.00% |
| COSCO Container Industries Limited | Sale of goods | **30,344** | **0.06%** | 583,093 | 1.15% |
| GXNFWL | Sale of goods | **20,867** | **0.04%** | 23,745 | 0.05% |
| Xiamen Haitou | Sale of goods | **14,938** | **0.03%** | 10,891 | 0.02% |
| Other related parties | Sale of goods | **1,285** | **0.00%** | – | – |
| Sub-total | Sale of goods | **2,394,258** | **4.52%** | 2,408,908 | 4.74% |
| Other related parties | Rendering of services | **8,566** | **0.62%** | – | – |

### (3) Leases

The Group as a lessor

| Name of lessor | Name of lessee | Category of the leased asset | Starting date | Ending date | Basis for pricing lease income | Lease income recognised for the current year |
|---|---|---|---|---|---|---|
| CIMC Vehicle (Jiangmen) Co. Ltd. | Senju (江門) Technology Material Co. Ltd. | Factory, land, facilities and equipments | 3 September 2010 | 3 March 2013 | Lease contract | 4,480 |

# VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

## 5. Related party transactions (Continued)

### (4) Financing

The Group

| Name | Amount | Starting date | Ending date | Interest income earned/interest expense recognised in 2012 | Note |
|---|---|---|---|---|---|
| Financing received | | | | | |
| Gasfin | 45,660 | 19 September 2008 | Not fixed repayment date | **1,307** | Shareholder loans |
| Financing provided | | | | | |
| Shanghai Fengyang | 177,482 | 25 December 2007 | Not fixed repayment date | **9,810** | Shareholder loans |
| XYW | 3,953 | 20 June 2006 | Not fixed repayment date | **–** | Shareholder loans |
| Marine Subsea & Consafe | 287,505 | 1 December 2007 | Not fixed repayment date | **–** | Shareholder loans |
| C&C Trucks | 170,000 | 25 September 2012, 15 October 2012 and 23 November 2012 | 25 September 2013, 15 October 2013 and 22 November 2013 | **1,635** | Shareholder loans |

The Company

| Name | Amount | Starting date | Ending date | Interest income earned/interest expense recognised in 2012 | Note |
|---|---|---|---|---|---|
| Financing provided | | | | | |
| Shanghai Fengyang | 177,482 | 25 December 2007 | Not fixed repayment date | **9,810** | Shareholder loans |

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# VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

## 5. Related party transactions (Continued)

### (5) Other related party transactions

*(i)* The Company adopted a new share options scheme since 28 September 2010 (see Note VII). Details of share options granted to key management personnel are as follows:

| Name | Position | Number of granted share options (in '000) |
|---|---|---|
| Mai Boliang | President, Chairman | 3,800 |
| Zhao Qingsheng | Vice Chairman | 1,500 |
| Li Ruiting | Vice Chairman | 1,300 |
| Wu Fapei | Vice Chairman | 1,000 |
| Li Yinhui | Vice Chairman | 1,000 |
| Yu Ya | Vice Chairman | 1,000 |
| Liu Xuebin | Vice Chairman | 1,500 |
| Jin Jianliong | General Manager of Finance Department | 1,000 |
| Zeng Beihua | General Manager of Treasury Department | 1,000 |
| Yu Yuqun | Secretary of the Board | 1,000 |
| Total | | 14,100 |

Some key management personnel were not only granted the above share options of the Company but also were granted share options of Enric, the subsidiary of the Company. Details are as follows:

| Name | Position | Number of granted share options (in '000) |
|---|---|---|
| Zhao Qingsheng | Vice Chairman | 1,450 |
| Wu Fapei | Vice Chairman | 500 |
| Jin Jianliong | General Manager of Finance Department | 1,100 |
| Yu Yuqun | Secretary of the Board | 1,100 |
| Total | | 4,150 |

For detailed information for fair value of the granted share options aforesaid, please refer to Note VII.

# VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

## 5. Related party transactions (Continued)

### (5) Other related party transactions (Continued)

*(ii) Directors' and key management personnel's emoluments*

Directors' and key management personnel's emoluments for the year ended 31 December 2012 are as follows:

| Name | Remuneration | Salary and allowance | Pension | Bonus | Sign-off bonus | Termination benefits | Others | Total |
|---|---|---|---|---|---|---|---|---|
| Directors | | | | | | | | |
| Li Jianhong | – | – | – | – | – | – | – | – |
| Xu Minjie | – | – | – | – | – | – | – | – |
| Wang Hong | – | – | – | – | – | – | – | – |
| Wang Xingru | – | – | – | – | – | – | – | – |
| Mai Boliang | – | 1,946 | 17 | 7,983 | – | – | 33 | 9,979 |
| Ding Huiping | 120 | – | – | – | – | – | – | 120 |
| Xu Jing'an | 120 | – | – | – | – | – | – | 120 |
| Jin Qingjun | 120 | – | – | – | – | – | – | 120 |
| Sub-total | 360 | 1,946 | 17 | 7,983 | – | – | 33 | 10,339 |
| Supervisors | | | | | | | | |
| Lui Sai Kit Eddie | – | – | – | – | – | – | – | – |
| Wong Sin Yue Cynthia | – | – | – | – | – | – | – | – |
| Feng Wanguang | – | 649 | – | 1,696 | – | – | – | 2,345 |
| Sub-total | – | 649 | – | 1,696 | – | – | – | 2,345 |
| Other key management personnel | | | | | | | | |
| Zhao Qingsheng | – | 908 | 14 | 3,193 | – | – | 27 | 4,142 |
| Wu Fapei | – | 682 | 17 | 1,560 | – | – | 33 | 2,292 |
| Li Yinhui | – | 677 | 16 | 1,210 | – | – | 33 | 1,936 |
| Liu Xuebin | – | 869 | 17 | 2,650 | – | – | 33 | 3,569 |
| Zhang Baoqing | – | 720 | 16 | 2,733 | – | – | 33 | 3,502 |
| Yu Ya | – | 791 | 16 | 1,560 | – | – | 33 | 2,400 |
| Jin Jianlong | – | 587 | 17 | 1,060 | – | – | 33 | 1,697 |
| Zeng Beihua | – | 599 | – | 1,200 | – | – | – | 1,799 |
| Yu Yuqun | – | 599 | 17 | 1,300 | – | – | 33 | 1,949 |
| Sub-total | – | 6,432 | 130 | 16,466 | – | – | 258 | 23,286 |
| Total | – | 9,027 | 147 | 26,145 | – | – | 291 | 35,970 |

The five individuals whose emoluments are the highest are included aforesaid in 2012.

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## VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

## 5. Related party transactions (Continued)

### (5) Other related party transactions (Continued)

*(ii) Directors' and key management personnel's emoluments (Continued)*

Directors' and key management personnel's emoluments for the year ended 31 December 2011 are as follows:

| Name | Remuneration | Salary and allowance | Pension | Bonus | Sign-off bonus | Termination benefits | Others | Total |
|---|---|---|---|---|---|---|---|---|
| Directors | | | | | | | | |
| Li Jianhong | – | – | – | – | – | – | – | – |
| Xu Minjie | – | – | – | – | – | – | – | – |
| Wang Hong | – | – | – | – | – | – | – | – |
| Wang Xingru | – | – | – | – | – | – | – | – |
| Mai Boliang | – | 1,300 | 16 | 8,277 | – | – | 19 | 9,612 |
| Ding Huiping | 120 | – | – | – | – | – | – | 120 |
| Xu Jing'an | 120 | – | – | – | – | – | – | 120 |
| Jin Qingjun | 120 | – | – | – | – | – | – | 120 |
| Sub-total | 360 | 1,300 | 16 | 8,277 | – | – | 19 | 9,972 |
| Supervisors | | | | | | | | |
| Lui Sai Kit Eddie | – | – | – | – | – | – | – | – |
| Wong Sin Yue Cynthia | – | – | – | – | – | – | – | – |
| Feng Wanguang | – | 390 | – | 1,233 | – | – | – | 1,623 |
| Sub-total | – | 390 | – | 1,233 | – | – | – | 1,623 |
| Other key management personnel | | | | | | | | |
| Zhao Qingsheng | – | 520 | 16 | 2,411 | – | – | 19 | 2,966 |
| Wu Fapei | – | 364 | 16 | 1,501 | – | – | 19 | 1,900 |
| Li Yinhui | – | 364 | 15 | 1,462 | – | – | 19 | 1,860 |
| Liu Xuebin | – | 1,091 | 16 | 2,292 | – | – | 19 | 3,418 |
| Zhang Baoqing | – | 404 | 15 | 1,501 | – | – | 19 | 1,939 |
| Yu Ya | – | 364 | 16 | 1,224 | – | – | 19 | 1,623 |
| Jin Jianlong | – | 376 | – | 1,355 | – | – | – | 1,731 |
| Zeng Beihua | – | 376 | 16 | 1,575 | – | – | 19 | 1,986 |
| Yu Yuqun | – | 3,859 | 110 | 13,321 | – | – | 133 | 17,423 |
| Sub-total | 360 | 5,549 | 126 | 22,831 | – | – | 152 | 29,018 |

The five individuals whose emoluments are the highest are included aforesaid in 2011.

# VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

## 5. Related party transactions (Continued)

### (5) Other related party transactions (Continued)

*(ii) Directors' and key management personnel's emoluments (Continued)*

| | Number of individuals | |
|---|---|---|
| | **2012** | 2011 |
| Emolument bands: | | |
| RMB0-1,000,000 | **9** | 9 |
| RMB1,000,000-1,500,000 | **–** | – |
| RMB1,500,000-2,000,000 | **11** | 10 |

## 6. Receivables from and payables to related parties

Details of accounts receivable please refer to Note V.4.
Details of other receivables please refer to Note V.5.
Details of advance to suppliers please refer to Note V.6.
Details of accounts payable please refer to Note V.26.
Details of other payables please refer to Note V.32.

## 7. Commitments in relation to related parties

As at 31 December 2012, there are no commitments in relation to related parties contracted for but not yet necessary to be recognised on the balance sheet by the Group.

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## VII. SHARE-BASED PAYMENTS

### 1. Information about share-based payments

| | |
|---|---|
| Total equity instruments granted during the year | – |
| Total equity instruments exercised during the year | – |
| Total equity instruments forfeited during the year | – |
| The exercise price of outstanding share options at the end of the year and residual life of the share options contracts | 1. Equity-settled share options granted by Enric in 2009 and 2011: HKD4 and HKD2.48 per share respectively, the residual life of contract is 6.83 and 8.82 years respectively;<br>2. As at 31 December 2012, equity-settled share options granted by Raffles all expired or forfeited, no outstanding equity-settled share options;<br>3. Equity-settled share options granted by the Company in 2010 and 2011: RMB11.58 and RMB17.11 per share respectively (after adjustment), the residual life of contracts is both 7.74 years. |
| The price of other outstanding equity instruments at the end of the year and residual life of relevant contracts | – |

Expenses recognised for the year arising from share-based payments are as follows:

| | **2012** | 2011 |
|---|---|---|
| Equity-settled share-based payment | **118,279** | 122,138 |
| Cash-settled share-based payment | **–** | 504 |
| | **118,279** | 122,642 |

## VII. SHARE-BASED PAYMENTS (CONTINUED)

### 2. Information on equity-settled share-based payment

### (1) Information on equity-settled share-based payment of Enric

Enric, a subsidiary of the Company, carried out a share options plan (the "Plan I"), which was approved by the shareholders' meeting on 11 November 2009. According to the Plan, the key management personnel and other employees in Enric were granted share options of Enric at nil consideration to subscribe for shares of Enric. The options are 50% exercisable after one year from the date of grant and are then 100% exercisable after two years from the date of grant. Each option gives the holder the right to subscribe for one ordinary share in Enric. The total number of share options granted was 43,750,000, with the exercise price of HKD4 per share.

Enric carried out another share options plan (the "Plan II"), which was approved by the shareholders' meeting on 28 October 2011. According to Plan II, the board of directors of the Company was authorised to grant share options to the key management personnel and other employees of Enric at nil consideration to subscribe for shares of Enric. The options are 40% exercisable after one year from the date of grant and, 70% exercisable after 2 years from the date of grant, and then 100% exercisable after 3 years from the date of grant. Each option gives the holder the right to subscribe for one ordinary share in Enric. The total number of share options granted was 38,200,000, with exercise price of HKD2.48 per share.

Movement of share options of Enric:

| | **2012 '000** | 2011 '000 |
|---|---|---|
| Beginning balance | **78,700** | 41,375 |
| Granted in current period | **–** | 38,200 |
| Exercised in current period | **(5,774)** | – |
| Cancelled in current period | **(1,280)** | (350) |
| Forfeited in current period | **(100)** | (525) |
| Ending balance | **71,546** | 78,700 |

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## VII. SHARE-BASED PAYMENTS (CONTINUED)

### (2) Information on equity-settled share-based payment of the Company

A share options scheme (the "Scheme") was approved in the shareholders' meeting of the Company held on 28 September 2010. According to the Scheme, the board of directors of the Company was authorised to grant share potions to the key management personnel and other employees to subscribe for shares of the Company. The effective period of the Scheme is ten years from the first grant date of share options. The options are exercisable in two periods. The options are 25% exercisable from the first transaction date after 24 months since the grant date to the last transaction date after 48 months since grant date. The remaining 75% are exercisable from the first transaction date after 48 months since grant date to the last transaction date of the Scheme. Each option gives the holder the right to subscribe for one ordinary share in the Company. In addition, the holder must simultaneously satisfactory all the condition as follows:

(a) The holder should pass the previous year's evaluation.

(b) The increase of net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss should not be lower than the 6% and the average return on net assets after deducting non-recurring profit or loss should not be lower than 10% for the previous year of the exercise date.

(c) During the waiting period, the net profit attributable to ordinary shareholders of the Company and the net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss should not be lower than the average figures of the three fiscal years before the grant day or negative.

The total number of share options granted was 60,000,000, 54,000,000 among which were for the initial grant with exercise price of RMB12.39 per share while the remaining 6,000,000 options were for reservation.

The Company distributed a cash dividend of RMB0.35 per share and of RMB0.46 per share on 31 May 2011 and on 21 June 2012 respectively to ordinary shareholders. In accordance with the Scheme, upon the implementation of the annual dividend distribution plan for 2011 and 2012, the Board of Directors would adjust the exercise price of the aforementioned 54,000,000 share options granted on 29 September 2010. The adjusted exercise price is RMB11.58 per share.

# VII. SHARE-BASED PAYMENTS (CONTINUED)

## 2. Information on equity-settled share-based payment (Continued)

### (2) Information on equity-settled share-based payment of the Company (Continued)

According to the resolution approved by the Shareholders' General Meeting on 22 September 2011, the aforementioned 6,000,000 share options for reservation in the Scheme on 28 September 2010 were granted with exercise price of RMB17.57 per share. Upon the implementation of annual dividend distribution plan for 2011, the adjusted price is RMB17.11.

Movement of share options of the Company:

| | **2012 '000** | 2011 '000 |
|---|---|---|
| Beginning balance | **60,000** | 54,000 |
| Granted in current period | **–** | 6,000 |
| Forfeited in current year | **(320)** | – |
| Exercised in current period | **–** | – |
| Ending balance | **59,680** | 60,000 |

### (3) Information on equity-settled share-based payment of Raffles

Before Raffles was acquired by the Company, Raffles carried out a share option plan approved by the shareholders' meeting on 21 June 2006. According to the share options plan, the board of directors was authorised to grant share options to the key management personnel and other employees to subscribe for shares of Raffles. Each eligible participant purchased the share options at the cost of SGD1. The numbers of options were 6,355,003 and 1,154,003 granted in 2007 and 2008 respectively by the board of directors, with the exercise prices of from USD1.64 to USD1.65, from NOK10.50 to NOK26.00, and from USD1.64 to USD1.65. The longest effective period of the share options plan was ten years from the first grant date of share options. As at 31 December 2012, the aforesaid share options were fully forfeited or cancelled.

Movement of share options of Raffles:

| | **2012 '000** | 2011 '000 |
|---|---|---|
| Beginning balance | **2,017** | 6,239 |
| Granted in current period | **–** | – |
| Exercised in current period | **–** | – |
| Cancelled in current period | **(1,479)** | (3,165) |
| Forfeited in current period | **(538)** | (1,057) |
| Ending balance | **–** | 2,017 |

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## VII. SHARE-BASED PAYMENTS (CONTINUED)

### 2. Information on equity-settled share-based payment (Continued)

### (4) Fair value of share options and data input in the valuation model is as follows

Fair value of share option is estimated based on binomial lattice model. Contract term of the share option is used as the input variable of this model. And the binomial lattice model includes estimation of early execution of the option.

The followings are data of fair value of share options and factors taken into account when using the binomial lattice model:

*(a) Enric*

| | **2012** | 2011 |
|---|---|---|
| Fair value of share options | – | HKD0.96 to HKD1.08 |
| Current share price | – | HKD2.48 |
| Exercise price | – | HKD2.48 |
| Expected fluctuation of stocks | – | 55.98% |
| Vesting period | – | 10 years |
| Expected dividends | – | 2.67% |
| Risk-free rate | – | 1.566% |

*(b) The Company*

| | **2012** | 2011 |
|---|---|---|
| Fair value of share options | – | RMB6.06 and RMB8.57 |
| Current share price | – | RMB16.84 |
| Exercise price | – | RMB17.57 |
| Expected fluctuation of stocks | – | 45% |
| Vesting period | – | 10 years |
| Expected dividends | – | 0.00% |
| Risk-free rate | – | 3.87% and 3.95% |

# VII. SHARE-BASED PAYMENTS (CONTINUED)

## 2. Information on equity-settled share-based payment (Continued)

### (5) Basis of the best estimate of the number of equity instruments expected to vest is as follows:

At each balance sheet date during the vesting period, the Company makes the best estimation according to the latest information of the number of employees who are granted to vest and revises the number of equity instruments expected to vest. On vesting date, the estimate shall be equal to the number of equity instruments that ultimately vested.

There was no significant difference of estimation between current year and last year.

| | |
|---|---|
| As at 31 December 2012, accumulated amount recognised in capital reserve for equity-settled share-based payments | – |
| | |
| Total expenses recognised for equity-settled share-based payments for current year | |
| Including: | |
| – attributable to the Company | 107,036 |
| – attributable to Enric | 11,243 |
| – attributable to Raffles | – |
| | 118,279 |

The number of options exercised of Enric is 5,774,000 (2011: Nil).

## 3. Information on cash-settled share-based payment

According to the approved Share Appreciation Rights Scheme (draft) Revised ("Scheme") during the board meeting of Raffles held on 27 September 2011, a subsidiary of the Group, Raffles adopted Share Appreciation Rights ("SARs") which is to grant the relevant incentive recipients the right to receive incentive amount in cash from Raffles upon the satisfaction of relevant financial performance of Raffles. Incentive amount is the excess of fair market price of A share of the Company on a particular date over the exercise price.

The scope of incentive recipients of this scheme: the appointed senior management who is non-Chinese nationality of Raffles and its subsidiaries or associates as well as person(s) who made special contribution to the company in the discretion of the board. Accordingly, there are 4 incentive recipients in the scope with total 760,000 SARs granted.

The Scheme is conditional, which sets stipulations for appraisal result of incentive recipients' performance, misconduct activity and financial performance standards of the Group to fulfil.

The SARs are exercisable in 2 installments periods after 2 years from the rights grant date upon the satisfaction of exercisable conditions.

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## VII. SHARE-BASED PAYMENTS (CONTINUED)

### 3. Information on cash-settled share-based payment (Continued)

(1) The SARs are up to 25% exercisable from the first transaction date after 24 months since grant date to the last transaction date after 48 months since grant date.

(2) The remaining SARs up to 75% are exercisable from the first transaction date after 48 months since grant date to the last transaction date of the Scheme.

Raffles will write off the unexercised SARs after each exercise period expires if the SARs being requested for exercise by the grantee satisfying exercise conditions is less than the number of effective SARs during each period.

Raffles will write off unexercised SARs, which was granted but invalid due to un-satisfaction of the exercise condition during the exercise period, after each period expires.

The amount of accrued liabilities to cash-settled share-based payment amounted to RMB491,000 as at 31 December 2012 and the expenses recognised for cash-settle share-based payment was nil for 2012.

The movement of cash-settled share options:

| | 2012 | 2011 |
|---|---|---|
| Beginning balance | **760,000** | 760,000 |
| Granted in current period | **–** | – |
| Exercised in current period | **–** | – |
| Cancelled in current period | **(360,000)** | – |
| Forfeited in current period | **–** | – |
| Ending balance | **400,000** | 760,000 |

# VIII. CONTINGENCIES

## 1. Contingent liabilities

CIMC Raffles (a subsidiary of the Company) and its subsidiaries entered into vessel construction contracts and vessel leasing contracts with relevant purchasers, which involve terms of compensation for delivery postponement and termination terms.

While the actual amount of compensation for delivery postponement to be assumed in future is subject to the date of actual delivery of vessels, the maximum amount of the compensation for delivery postponement from contracted delivery date to future estimated actual delivery date that CIMC Raffles and its subsidiaries may need to assume a total of approximately USD19,820,000 (equivalent to RMB124,579,000).

## 2. Guarantees provided for external parties

CIMC Vehicle Group, a subsidiary of the Group, signed contracts with China Construction Bank, Bank of China, China Merchants Bank and China Everbright Bank, pursuant to which relevant banks provided guarantees in respect of banking facilities granted to the distributors and customers of CIMC Vehicle Group and its subsidiaries arising from purchase of vehicle products. As at 31 December 2012, as approved by the Board of the Company, the aggregate amount of credit facilities in respect of which CIMC Vehicle Group and its subsidiaries provided guarantees to the distributors and customers was RMB637,605,000 (31 December 2011: RMB963,600,000).

Jiangmen Dichan, a subsidiary of the Group, provided guarantees to purchasers of commodity homes by way of secured loans. The amount of guarantees provided by the Group was RMB300,000,000.

## 3. Notes payable issued but not accounted for, outstanding credit issued but undue and outstanding performance guarantees

The Group does not recognize bills payable or letter of credit issued as deposits. Corresponding inventories, advance to suppliers and notes payable are recognized at the earlier of the date of delivery of goods and the maturity date of the bills issued.

As at 31 December 2012, the Group had bills issued but not accounted for and outstanding letters of credit totalling RMB717,454,000 (31 December 2011: RMB710,862,000).

As at 31 December 2012, CIMC Raffles had outstanding balance of performance guarantees issued by relevant banks totalling USD560,394,000 (equivalent to RMB3,522,355,000), all of which were issued for vessel purchasers. (31 December 2011: RMB3,120,658,000).

As at 31 December 2012, TAS had outstanding balance of guarantees issued by relevant banks totalling RMB300,599,000, of which balance of performance guarantees, bid guarantees, quality guarantees and guarantees provided to suppliers was RMB127,124,000, RMB19,124,000, RMB21,665,000 and RMB132,686,000, respectively. (total balance as at 31 December 2011: RMB207,006,000).

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## VIII. CONTINGENCIES (CONTINUED)

### 4. Significant pending litigations

The semi-submersible oil drilling platforms named SS Pantanal and SS Amazonia built by CIMC Raffles and its subsidiaries for subsidiaries of Schahin Group in Brazil, were delivered in November 2010 and April 2011, respectively. CIMC Raffles and its subsidiaries also provided advances for Schahin Holdings SA and its six connected parties for the construction of drilling platforms. Since Schahin Holdings SA and its other connected parties did not pay the amount in accordance with relevant contracts, CIMC Raffles and its subsidiaries lodged a law suit and arbitration application against Schahin Holdings SA and its connected parties in December 2011 and May 2012, respectively, the aggregate amount of which amounted to approximately USD208 million (equivalent to approximately RMB1.3 billion). As at 31 December 2012, the arbitration in relation to the advances was settled and CIMC Raffles was granted USD69 million. As at the date of these financial statements, Schahin Holdings SA and its six connected parties have raised a counterclaim. Based on the current progress of the legal proceedings, the Company was in an optimistic view regarding the litigation results. In the course of the proceedings, the Company will take positive legal measures to ensure that shareholders' interests are not compromised.

# IX. COMMITMENTS

## 1. Significant commitments

### (1) Capital commitments

| | 2012 | 2011 |
|---|---|---|
| Significant fixed assets purchase contracts entered into under performance or preparation of performance | **406,690** | 316,805 |
| Investment contracts entered into but not performed or performed partially | **17,420** | 401,516 |
| Significant contracts entered into for Ships to be manufactured for sales or lease | **1,804,449** | 1,602,307 |
| External investment approved by the Board of Directors | **35,017** | 546,888 |
| Total | **2,263,576** | 2,867,516 |

Capital commitments authorised by the management but are not yet contracted for

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Buildings, machinery and equipment | **468** | 6,578 |
| Intangible assets | **34,549** | 540,310 |
| | **35,017** | 546,888 |

The Group's share of the joint ventures' own commitments for capital expenditure are as follows:

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Buildings, machinery and equipment | **280** | 222 |

### (2) Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarised as follows:

| | 2012 | 2011 |
|---|---|---|
| Within 1 year (inclusive) | **73,628** | 73,225 |
| Over 1 year but within 2 years (inclusive) | **58,491** | 35,470 |
| Over 2 years but within 3 years (inclusive) | **52,967** | 27,849 |
| Over 3 years | **127,181** | 121,050 |
| Total | **312,267** | 257,594 |

Operating lease recognized as expenses in 2012 is RMB90,560,000 (2011: RMB47,578,000).

## 2. Information on equity-settled share-based payment

### (1) Fulfilment of commitments for the previous period

The Group has fulfilled the capital and operating lease commitments as at 31 December 2011.

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## X. EVENTS AFTER THE BALANCE SHEET DATE

### 1. Dividend distribution after the balance sheet date

| | |
|---|---|
| Dividend proposed (1) | 612,351,000 |

### (1) Dividend for ordinary shares proposed after balance sheet date

Board of directors proposed to distribute cash dividend of RMB0.23 per share (2011: RMB0.46 per share) to ordinary shareholders of the company on 21 March 2013, totally RMB612,351,000 (2011: RMB1,224,702,000). The proposal is pending for approval of the Shareholders Meeting. The cash dividend proposed after the balance sheet date had not been recognized as a liability at the balance sheet date.

### 2. Acquisition of subsidiaries

On 6 March, 2013, the Group entered into an equity interests acquisition contract with Zhenhua Logistic Group Co., Ltd ("Zhenhua Group")'s shareholder to acquire a total of 36.78% equity interests of Zhenhua Group for the consideration of RMB408,666,000. Before the transaction, the Group already hold 38.22% equity interests of Zhenhua Group. After the transaction, the Group would increase its equity interest in Zhenhua to 75% and Zhenhua Group would become the Group's subsidiary. Up to the report day, the transaction is yet to be approved by Ministry of Transport of the People's Republic of China and Ministry of Commerce of the People's Republic of China.

# XI. OTHER SIGNIFICANT MATTERS

## 1. Leases

Please refer to Notes V.11 and V.37 for reference of the Group's receivables and payables related to finance lease.

## 2. Segment reporting

In accordance with the Group's internal organisation structure, management requirement and internal reporting process, eight reportable segments are identified by the Group including containers, trailers, energy, chemistry and food equipment, offshore business, airport facilities, logistic equipments and services, railway trucks manufactory and property development. Each reportable segment is an independent business segment providing different products and services. Independent management is applied to individual business segment as different technical and market strategy are adopted. The Group reviews the financial information of individual segment regularly to determine resources allocation and performance assessment.

### (1) Segment profits, losses, assets and liabilities

In order to assess the segment performance and resources allocation, the Group's management review segment revenue, expenses, assets and liabilities of each segment regularly. The preparation basis of such information is detailed as follows:

Segment assets include tangible assets, intangible assets, other long-term assets and accounts receivable, etc, but exclude deferred tax assets and other un-allocated headquarter assets. Segment liabilities include payables, bank loans, provision, special payables and other liabilities, while deferred tax liabilities are exclude.

Segment profit represents revenue (including external operating income and inter-segment operating income), offsetting segment expenses, depreciation and amortisation, impairment losses, interest expenses and income attributable to individual segment. Transactions conducted among segments are under normal non-related party transaction commercial terms.

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# XI. OTHER SIGNIFICANT MATTERS (CONTINUED)

## 2. Segment reporting (Continued)

### (1) Segment profits, losses, assets and liabilities (Continued)

Information to be disclosed on each of the Group's reportable segment (including management's periodically reviewed information and disclosure required by accounting standard) that the Group uses in measuring segments' profit/(losses), assets and liabilities is set out as follows:

| Item | Containers 2012 | Trailers 2012 | Energy, chemistry and food equipment 2012 | Offshore business 2012 | Airport facilities 2012 | Others 2012 | Elimination between segments 2012 | Unallocated items 2012 | Total 2012 |
|---|---|---|---|---|---|---|---|---|---|
| External transaction | 24,797,342 | 13,789,685 | 9,257,212 | 1,829,410 | 757,001 | 3,903,407 | – | – | 54,334,057 |
| Inter segment transaction | 42,737 | 340,795 | 376,495 | – | – | 265,043 | (1,025,070) | – | – |
| Investment income/(losses) in joint ventures and associates | (1) | 198,006 | – | 3,656 | – | 36,105 | (322,626) | 8,129 | (76,731) |
| Impairment loss for the year | (25,197) | 228,451 | 11,571 | 192,228 | 17,269 | 112,749 | – | – | 537,071 |
| Depreciation and amortization expenses | 310,344 | 290,027 | 238,683 | 166,469 | 4,497 | 99,958 | – | – | 1,109,978 |
| Interest income | 49,795 | 12,115 | 19,853 | 91,431 | 380 | 96,366 | – | 25,075 | 295,015 |
| Interest expenses | 13,947 | 100,074 | 31,031 | 99,072 | 91 | 97,788 | – | 404,045 | 746,048 |
| Segment operating profit/(losses) | 2,348,464 | 172,137 | 802,409 | (516,652) | 79,018 | 959,276 | (322,626) | (614,646) | 2,907,380 |
| Income tax expenses | 541,588 | 34,924 | 157,033 | 10,123 | 10,203 | 223,079 | – | – | 976,950 |
| Net profit/(losses) | 1,806,876 | 137,213 | 645,376 | (526,775) | 68,815 | 736,197 | (322,626) | (614,646) | 1,930,430 |
| Segment total assets | 17,327,722 | 10,817,255 | 9,547,063 | 15,834,077 | 860,208 | 16,781,369 | (23,251,400) | 15,076,086 | 62,992,380 |
| Segment total liabilities | 9,964,903 | 6,292,008 | 5,874,589 | 14,438,946 | 482,075 | 9,358,375 | (17,525,691) | 11,990,018 | 40,875,223 |
| Supplementary information: | | | | | | | | | |
| – Segment expenditures/(income) other than depreciation and amortization | (8,658) | 228,858 | 15,832 | 124,312 | 17,276 | 104,903 | – | (75,378) | 407,145 |
| – Long-term equity investment of joint ventures and associates | 2,779 | 38,898 | – | – | – | 848,193 | – | 634,276 | 1,524,146 |
| – Segment expenditures raising from additions of non-current assets | 1,118,397 | 585,388 | 655,435 | 1,074,694 | 22,619 | 247,887 | – | – | 3,704,420 |

# XI. OTHER SIGNIFICANT MATTERS (CONTINUED)

## 2. Segment reporting (Continued)

### (1) Segment profits, losses, assets and liabilities (Continued)

| Item | Containers 2011 | Trailers 2011 | Energy, chemistry and food equipment 2011 | Offshore business 2011 | Airport facilities 2011 | Others 2011 | Elimination between segments 2011 | Unallocated items 2011 | Total 2011 |
|---|---|---|---|---|---|---|---|---|---|
| External transaction | 35,039,953 | 16,724,683 | 8,283,673 | 576,576 | 571,030 | 2,929,138 | – | – | 64,125,053 |
| Inter segment transaction | 31,597 | 473,993 | 244,800 | – | – | 415,459 | (1,165,849) | – | – |
| Investment income/(losses) in joint ventures and associates | 31,975 | (49,745) | – | (262) | – | 55,341 | – | 6,811 | 44,120 |
| Impairment loss for the year | 152,478 | 4,492 | 9,260 | 206,936 | 7,782 | 28,654 | – | – | 409,602 |
| Depreciation and amortization expenses | 341,017 | 252,195 | 288,143 | 146,325 | 3,556 | 64,544 | – | – | 1,095,780 |
| Interest income | 44,632 | 14,107 | 19,061 | 8,779 | 273 | 107,860 | – | 23,230 | 217,942 |
| Interest expenses | 30,955 | 84,680 | 21,917 | 154,440 | 16 | 79,425 | – | 291,328 | 662,761 |
| Segment operating profit/(losses) | 4,719,961 | 691,488 | 613,504 | (1,174,147) | 55,493 | 1,127,478 | – | (1,011,071) | 5,022,706 |
| Income tax expenses | 1,090,818 | 178,714 | 120,283 | (57,762) | 11,846 | 33,740 | – | (13,871) | 1,363,768 |
| Net profit/(losses) | 3,629,143 | 512,774 | 493,221 | (1,116,385) | 43,647 | 1,093,738 | – | (997,200) | 3,658,938 |
| Segment total assets | 13,662,205 | 10,982,265 | 9,087,139 | 15,184,945 | 563,804 | 11,465,921 | – | 3,415,435 | 64,361,714 |
| Segment total liabilities | 5,901,562 | 3,675,676 | 3,745,818 | 11,497,409 | 263,767 | 6,604,023 | – | 11,059,787 | 42,748,042 |
| Supplementary information: | | | | | | | | | |
| – Segment expenditures/(income) other than depreciation and amortization | 142,333 | 5,463 | 6,881 | 13,233 | 14,029 | 26,491 | – | 84,079 | 292,509 |
| – Long-term equity investment of joint ventures and associates | 622,096 | 480,254 | – | 201,528 | – | 134,411 | – | 129,665 | 1,567,954 |
| – Segment expenditures raising from additions of non-current assets | 1,401,736 | 488,759 | 803,762 | 1,146,280 | 26,753 | 26,753 | – | – | 4,127,315 |

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## XI. OTHER SIGNIFICANT MATTERS (CONTINUED)

### 2. Segment reporting (Continued)

#### (2) Geographic information

The following table sets out information about the geographical information of the Group's revenue from external customers and the Group's non-current assets (excluding financial assets and deferred tax assets, same for the below). The geographical locations of customers are based on the location at which the services were provided or the goods were delivered. The geographical locations of the specified non-current assets are based on the physical location of the assets (for fixed assets), or the location of the business to which they are allocated (for intangible assets and goodwill), or the location of operations of the associates and joint ventures.

*Geographic information*

| | **Revenue from external customers** | | **Total non-current assets** | |
|---|---|---|---|---|
| | **2012** | 2011 | **31 December 2012** | 31 December 2011 |
| P.R.China | **23,202,710** | 22,450,481 | **18,099,106** | 18,496,639 |
| Asia (exclusive of China) | **3,661,789** | 5,606,815 | **47,508** | 36,863 |
| America | **13,651,754** | 15,778,210 | **313,853** | 325,886 |
| Europe | **11,266,791** | 18,057,672 | **1,018,737** | 1,143,609 |
| Others | **2,551,013** | 2,231,875 | **49,731** | 44,405 |
| Total | **54,334,057** | 64,125,053 | **19,528,935** | 20,047,402 |

### 3. Risk analysis, sensitivity analysis, and fair values of financial instruments

The Group has exposure to the following risks from its use of financial instruments in the normal course of the Group's operations, which mainly include:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign exchange risk

This note presents information about the Group's exposure to each of the above risks and their sources, the Group's objectives, policies and processes for measuring and managing risks and etc.

The Group aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Group's financial performance. Based on such objectives, the Group's risk management policies are established to identify and analyses the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The internal audit department of the Group undertakes both regular and ad-hoc reviews of risk management controls and procedures.

# XI. OTHER SIGNIFICANT MATTERS (CONTINUED)

## 3. Risk analysis, sensitivity analysis, and fair values of financial instruments (Continued)

### (1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is primarily attributable to cash at bank, receivables, debt investments and derivative financial instruments entered into for hedging purposes and etc. Exposure to these credit risks are monitored by management on an ongoing basis.

The cash at bank of the Group is mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

In respect of receivables, the risk management committee of the Group has established a credit policy under which individual credit evaluations are performed on all customers to determine the credit limit and terms applicable to the customers. These evaluations focus on the external ratings of the customers and their bank credit records where available and previous payment records (if available). Receivables are due within from 30 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers, but earnest or prepayment money is requested sometimes due to the customer's situation.

Most of the Group's and the Company's customers have been transacting with the Group or the Company for a long time, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to some factors, such as ageing and maturity date. This Group has made the provision for the significant overdue receivables at 31 December 2012.

Guideline from the Group basis to the assets of associates and jointly controlled, profit forecast of development project provide fund to associates and jointly controlled entity and continue to monitor the project progress and its operating to ensure the recoverability of the fund.

In addition, the debtors of the Group those are neither past due nor impaired mainly due to a wide range of customers for whom there was no recent history of default.

The Group's exposure to credit risk is influenced mainly by the individual characteristics and industries of each customer rather than country or area in which the customers operate and therefore significant concentrations of credit risk arise primarily when the Group has significant exposure to individual customers. At the balance sheet date, the Group and the Company had a certain concentration of credit risk, as 20.05% (2011: 25.40%) of the total accounts receivable and other receivables were due from the five largest customers of the Group.

Investments are normally made only in liquid securities quoted on a recognised stock exchange, except where entered into for long-term strategic purposes. Transactions involving derivative financial instruments are made with counterparties of sound credit standing and with whom the Group has a signed netting ISDA agreement (International Swap Derivative Association). Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet. Except for the financial guarantees given by the Group as set out in Note VIII, the Group and the Company do not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in Note VIII.

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# XI. OTHER SIGNIFICANT MATTERS (CONTINUED)

## 3. Risk analysis, sensitivity analysis, and fair values of financial instruments (Continued)

### (2) Liquidity risk

Liquidity risk is the risk that an enterprise may encounter deficiency of funds in meeting obligations associated with financial liabilities. The Company is responsible for the cash management, including short term investment of cash surpluses and the raising of loans to cover expected cash demands, for individual subsidiaries subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash, readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the balance sheet date of the Group's financial assets and financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or if floating, based on prevailing interest rates at 31 December) and the earliest date the Group can be required to pay:

| | 31 December 2012 Contractual undiscounted cash flow | | | | | |
|---|---|---|---|---|---|---|
| | Within 1 year or on demand | 1 to 2 years | 2 to 5 years | Over 5 years | Total | Balance sheet carrying amount |
| **Financial assets** | | | | | | |
| Cash at bank and on hand | 5,221,539 | – | – | – | 5,221,539 | 5,221,539 |
| Accounts receivable and other receivables | 10,352,468 | – | – | – | 10,352,468 | 10,352,468 |
| Current portion of non-current assets | 1,636,332 | – | – | – | 1,636,332 | 1,636,332 |
| Long-term receivables | 343,833 | 1,034,424 | 1,366,884 | 812,274 | 3,557,415 | 2,540,574 |
| Sub-total | 17,554,172 | 1,034,424 | 1,366,884 | 812,274 | 20,767,754 | 19,750,913 |
| **Financial liabilities** | | | | | | |
| Short-term borrowings | 5,438,407 | – | – | – | 5,438,407 | 5,438,407 |
| Debentures payable | 321,370 | 321,370 | 7,320,592 | – | 7,963,332 | 6,462,235 |
| Accounts payable and other payables | 11,352,017 | – | – | – | 11,352,017 | 11,352,017 |
| Current portion of non-current liabilities | 1,261,940 | – | – | – | 1,261,940 | 1,261,940 |
| Long-term borrowings | 2,457,709 | 4,511,907 | 1,835,149 | 197,743 | 9,002,508 | 7,641,785 |
| Long-term payables | 4,886 | 4,886 | 18,926 | 143,142 | 171,840 | 145,103 |
| Sub-total | 20,836,329 | 4,838,163 | 9,174,667 | 340,885 | 35,190,044 | 32,301,487 |
| Net total | (3,282,157) | (3,803,739) | (7,807,783) | 471,389 | (14,422,290) | (12,550,574) |

## XI. OTHER SIGNIFICANT MATTERS (CONTINUED)

### 3. Risk analysis, sensitivity analysis, and fair values of financial instruments (Continued)

#### (2) Liquidity risk (Continued)

| | 31 December 2011 Contractual undiscounted cash flow | | | | | |
|---|---|---|---|---|---|---|
| | Within 1 year or on demand | 1 to 2 years | 2 to 5 years | Over 5 years | Total | Balance sheet carrying amount |
| **Financial assets** | | | | | | |
| Cash at bank and on hand | 7,788,126 | – | – | – | 7,788,126 | 7,788,126 |
| Accounts receivable and other receivables | 10,820,449 | – | – | – | 10,820,449 | 10,820,449 |
| Current portion of non-current assets | 2,635,287 | – | – | – | 2,635,287 | 2,635,287 |
| Long-term receivables | 366,823 | 1,330,588 | 889,346 | 631,378 | 3,218,135 | 2,311,235 |
| Sub-total | 21,610,685 | 1,330,588 | 889,346 | 631,378 | 24,461,997 | 23,555,097 |
| **Financial liabilities** | | | | | | |
| Short-term borrowings | 8,030,912 | – | – | – | 8,030,912 | 8,030,912 |
| Debentures payable | 209,200 | 209,200 | 4,627,600 | – | 5,046,000 | 3,988,438 |
| Accounts payable and other payables | 10,722,803 | – | – | – | 10,722,803 | 10,722,803 |
| Current portion of non-current liabilities | 2,560,318 | – | – | – | 2,560,318 | 2,560,318 |
| Long-term borrowings | 62,834 | 1,295,764 | 5,147,355 | 453,339 | 6,959,292 | 6,572,585 |
| Long-term payables | 73,234 | 54,925 | – | 33,667 | 161,826 | 86,846 |
| Sub-total | 21,659,301 | 1,559,889 | 9,774,955 | 487,006 | 33,481,151 | 31,961,902 |
| Net total | (48,616) | (229,301) | (8,885,609) | 144,372 | (9,019,154) | (8,406,805) |

Bank and other borrowings are analysed by repayment terms as follows:

| | **31 December 2012** | | 31 December 2011 | |
|---|---|---|---|---|
| | **Bank borrowings** | **Other borrowings** | Bank borrowings | Other borrowings |
| Wholly repayable within five years | **13,789,671** | **–** | 14,376,887 | – |

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## XI. OTHER SIGNIFICANT MATTERS (CONTINUED)

### 3. Risk analysis, sensitivity analysis, and fair values of financial instruments (Continued)

#### (3) Interest rate risk

The Group determines the appropriate weightings of the fixed and floating rate interest-bearing instruments based on the current market conditions and performs regular reviews and monitoring to achieve an appropriate mix of fixed and floating rate exposure.

*(a)* As at 31 December, the Group held the following interest-bearing financial instruments:

| | **31 December 2012** | | 31 December 2011 | |
|---|---|---|---|---|
| | **Interest rate (%)** | **Amount** | Interest rate (%) | Amount |
| Fixed rates interest-bearing financial instruments | | | | |
| **Financial assets** | | | | |
| – Long-term receivables | **2.58%-17.53%** | **2,540,574** | 4.20%-19.89% | 2,311,235 |
| – Current portion of non-current assets | **2.58%-17.53%** | **1,636,332** | 4.20%-19.89% | 2,635,287 |
| **Financial liabilities** | | | | |
| – Short-term borrowings | **0.94%-7.02%** | **3,929,032** | 3.28%-7.20% | 2,980,294 |
| – Debentures payable | **4.43%-5.23%** | **6,462,235** | 5.23% | 3,988,438 |
| – Long-term borrowings | **3.00%-8.63%** | **11,548** | – | – |
| Total | | **(6,225,909)** | | (2,022,210) |

| | **31 December 2012** | | 31 December 2011 | |
|---|---|---|---|---|
| | **Interest rate (%)** | **Amount** | Interest rate (%) | Amount |
| Floating rates interest-bearing financial instruments | | | | |
| **Financial assets** | | | | |
| – Cash at bank and on hand | **0.35%-3.75%** | **5,221,539** | 0.50%-4.40% | 7,788,126 |
| **Financial liabilities** | | | | |
| – Current portion of long-term borrowings | **Note V.34** | **1,257,100** | Note V.34 | 2,493,424 |
| – Long-term borrowings | **Note V.35** | **7,630,237** | Note V.35 | 6,572,585 |
| – Short-term borrowing | **3-month LIBOR+1.8% ~ PBOC's Benchmark Rate+10%** | **1,509,375** | LIBOR+0.33%-PBOC's Benchmark Rate+10% | 5,050,618 |
| – Long-term payables | **Note V.37** | **23,056** | Note V.37 | 86,846 |
| – Current portion of long-term payables | **Note V.34** | **4,731** | Note V.34 | 66,894 |
| Total | | **(5,202,960)** | | (6,482,241) |

# XI. OTHER SIGNIFICANT MATTERS (CONTINUED)

## 3. Risk analysis, sensitivity analysis, and fair values of financial instruments (Continued)

### (3) Interest rate risk (Continued)

(b) *Sensitivity analysis*

As at 31 December 2012, it is estimated that a general increase/decrease of 25 basis points (31 December 2011: 75 basis points) in interest rates, with all other variables held constant, would increase/decrease the Group's net profit by RMB9,756,000 (2011: RMB36,463,000), and equity by RMB9,756,000 (2011: RMB36,463,000).

The sensitivity analysis above indicates the instantaneous change in the net profit and equity that would arise assuming that the change in interest rate had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the net profit and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis was performed on the same basis for the previous year.

### (4) Foreign exchange risk

The major currency received by the Group is USD and the major currency paid out is RMB. In order to avoid the risks resulting from the fluctuation of the exchange rate of RMB, in respect of accounts receivable and payables denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

(a) Besides the exposure to currency risk arising from financial assets and financial liabilities disclosed in Note V.2 and V.24, the Group's exposure as at 31 December to currency risk arising from recognised assets or liabilities denominated in foreign currencies is follows. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the balance sheet date. Differences resulting from the translation of the financial statements denominated in foreign currency are excluded.

| | **31 December 2012** | | | | 31 December 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | **USD** | **EUR** | **HKD** | **JPY** | USD | EUR | HKD | JPY |
| Cash at bank and on hand | **2,001,728** | **545,391** | **66,888** | **38,757** | 2,490,443 | 360,276 | 240,075 | 11,522 |
| Receivables | **4,789,721** | **801,682** | **57,396** | **38,046** | 5,024,086 | 443,299 | 1,702 | 12,624 |
| Short-term borrowings | **(4,266,258)** | **(303,646)** | **(117,583)** | **–** | (3,788,474) | (203,957) | (682,994) | (1,733) |
| Long-term receivables | **1,108,073** | **8,728** | **–** | **–** | 420,167 | 1,838 | – | – |
| Long-term borrowings | **(3,681,507)** | **–** | **(438,647)** | **–** | (2,414,544) | – | (514,350) | – |
| Long-term payables | **(23,056)** | **–** | **–** | **–** | (33,667) | – | – | – |
| Payables | **(2,452,936)** | **(693,884)** | **(88,396)** | **(4,677)** | (951,496) | (353,209) | (16,189) | (574) |
| Provisions | **(416,856)** | **(13,708)** | **(275)** | **–** | (446,176) | (5,873) | – | – |
| Current portion of non-current liabilities | **(1,257,100)** | **–** | **–** | **–** | (1,565,774) | (32,650) | – | – |
| Gross balance sheet exposure | **(4,198,191)** | **344,563** | **(520,617)** | **72,126** | (1,265,435) | 209,724 | (971,756) | 21,839 |

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## XI. OTHER SIGNIFICANT MATTERS (CONTINUED)

### 3. Risk analysis, sensitivity analysis, and fair values of financial instruments (Continued)

### (4) Foreign exchange risk (Continued)

*(b)* The following are the exchange rates for RMB against foreign currencies applied by the Group and the Company:

| | Average exchange rate | | Benchmark exchange rate | |
|---|---|---|---|---|
| | **2012** | 2011 | **31 December 2012** | 31 December 2011 |
| USD | **6.3091** | 6.4503 | **6.2854** | 6.3009 |
| EUR | **8.1235** | 9.0377 | **8.3195** | 8.1625 |
| HKD | **0.8135** | 0.8287 | **0.8108** | 0.8107 |
| JPY | **0.0785** | 0.0810 | **0.0730** | 0.0811 |

*(c)* *Sensitivity analysis*

Assuming all other risk variables remained constant, 1.00%, 2.54%, 0.85% and 10.00% strengthening of the RMB against the USD, EUR, HK dollar and Japanese Yen respectively at 31 December 2012 (2.33%, 2.00%, 2.40% and 1.00% strengthening of the RMB against the USD, EUR, HK dollar, and Japanese Yen respectively at 31 December 2011) would have increased (decreased) equity and net profit by the amount shown below; whose effect is in RMB and translated using the spot rate at the balance sheet date:

| | Equity | Net profit |
|---|---|---|
| 31 December 2012 | | |
| USD | **31,486** | **31,486** |
| EUR | **(6,564)** | **(6,564)** |
| HKD | **3,319** | **3,319** |
| JPY | **(5,409)** | **(5,409)** |
| Total | **22,832** | **22,832** |
| 31 December 2011 | | |
| USD | 28,868 | 28,868 |
| EUR | (3,118) | (3,118) |
| HKD | 17,492 | 17,492 |
| JPY | (164) | (164) |
| Total | 43,078 | 43,078 |

1.00%, 2.54%, 0.85% and 10.00% weakening of the RMB against USD, EUR, HK dollar and Japanese Yen respectively at 31 December 2012 (2.33%, 2.00%, 2.40% and 1.00% weakening of the RMB against the USD, EUR, HK dollar, and Japanese Yen respectively at 31 December 2011) would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

# XI. OTHER SIGNIFICANT MATTERS (CONTINUED)

## 3. Risk analysis, sensitivity analysis, and fair values of financial instruments (Continued)

### (4) Foreign exchange risk (Continued)

*(c) Sensitivity analysis (Continued)*

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date, the analysis excludes differences that would result from the translation of the financial statements denominated in foreign currency. The analysis is performed on the same basis for the previous year.

The above sensitive analysis does not include exposure to currency risk arising from foreign future contracts, Japanese Yen exchange option and swap contact for interest rate disclosed in Notes V.2 and V.24 about financial assets and financial liabilities, but the change in exchange rate may have effect on shareholders' equity and net profit.

### (5) Other price risks

Other price risks are stock price risk. As at 31 December 2012, the Group held 41,978,000 tradable shares of China Merchants Securities, 11,526,000 tradable shares of China Merchants Bank and 3,623,000 tradable shares of Citic Securities.

As at 31 December 2012, it is estimated that a general increase/decrease of composite index of Shanghai A-share 5% (31 December 2011: 21.69%), with all other variables held constant, would increase/decrease the Group's shareholders' equity by RMB37,472,000 (31 December 2011: RMB93,043,000).

The sensitivity analysis above arise assuming that the change in composite index of Shanghai A-share occurred at the balance sheet date is reasonable and had been applied to re-measure those investments in securities held by the Group. The sensitivity analysis is also based on another assumption, namely, the fair value of the investments in securities held by the Group is relevant to composite index of stock market, and available-for-sales securities investment has same risk factor as trading securities investment, and all other variables held constant. 20% change in composite index of Shanghai A-share is a reasonable expectation of the Group for the period from the balance date to the next balance sheet date.

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# XI. OTHER SIGNIFICANT MATTERS (CONTINUED)

## 3. Risk analysis, sensitivity analysis, and fair values of financial instruments (Continued)

### (6) Fair value

*(a) Financial instruments measured at fair value*

The following table presents the carrying value of financial instruments measured at fair value as at 31 December 2012 across the three levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

As at 31 December 2012

| Assets | Note | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| Financial assets held for trading | | – | – | – | – |
| Investments in equity instrument held for trading | V.2 | **389,557** | – | – | **389,557** |
| Derivative financial assets | V.2 | – | **12,684** | – | **12,684** |
| Hedging instrument | V.2 | – | **2,851** | – | **2,851** |
| Sub-total | | **389,557** | **15,535** | – | **405,092** |
| Available-for-sale financial assets | V.10 | **609,751** | – | – | **609,751** |
| Total | | **999,308** | **15,535** | – | **1,014,843** |

| Liabilities | Note | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| Financial liabilities held for trading | | – | – | – | – |
| Derivative financial liabilities | V.24 | – | **(95,098)** | – | **(95,098)** |
| Total | | – | **(95,098)** | – | **(95,098)** |

# XI. OTHER SIGNIFICANT MATTERS (CONTINUED)

## 3. Risk analysis, sensitivity analysis, and fair values of financial instruments (Continued)

### (6) Fair value (Continued)

*(a) Financial instruments measured at fair value (Continued)*

As at 31 December 2011

| Assets | Note | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| Financial assets held for trading | | | | | |
| Investments in equity instrument held for trading | V.2 | 143,692 | – | – | 143,692 |
| Derivative financial assets | V.2 | – | 32,691 | – | 32,691 |
| Hedging instrument | V.2 | – | 9,751 | – | 9,751 |
| Sub-total | | 143,692 | 42,442 | – | 186,134 |
| Available-for-sale financial assets | V.10 | 571,954 | – | – | 571,954 |
| Total | | 715,646 | 42,442 | – | 758,088 |

| Liabilities | Note | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| Financial liabilities held for trading | | | | | |
| Derivative financial liabilities | V.24 | – | (105,943) | – | (105,943) |
| Total | | – | (105,943) | – | (105,943) |

During the year ended 31 December 2012, there were no significant transfers between instruments in Level 1 and Level 2.

During the year ended 31 December 2012, there were no changes in valuation technique of fair value.

*(b) Fair value of other financial instruments (financial instruments not measured at fair value)*

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2012.

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# XI. OTHER SIGNIFICANT MATTERS (CONTINUED)

## 3. Risk analysis, sensitivity analysis, and fair values of financial instruments (Continued)

### (7) Estimation and assumption of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial assets and liabilities held for trading, available-for-sale financial assets, and items set out in Note XI.3.(6) that measured at fair value on the balance sheet date.

*(a) Equity investments*

Fair value is based on quoted market prices at the balance sheet date for financial assets and liabilities held for trading (excluding derivatives), and available-for-sale financial assets if there is an active market.

*(b) Receivables*

The fair value is estimated as the present value of the future cash flows, discounted at the market interest rates at the balance sheet date.

*(c) Borrowings, debentures payable, long-term payables and other non-derivatives financial liabilities*

The fair value is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

*(d) Derivatives*

The fair value of forward exchange contracts is either based on their listed market prices or by discounting the contractual forward price and deducting the current spot rate. The fair value of interest rate swaps is based on broker quotes. The quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar interest rate instrument at the measurement date.

*(e) Financial guarantees*

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that the lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

## XI. OTHER SIGNIFICANT MATTERS (CONTINUED)

## 3. Risk analysis, sensitivity analysis, and fair values of financial instruments (Continued)

### (7) Estimation and assumption of fair values (Continued)

*(f) Interest rates used for determining fair value*

The interest rates used to discount estimated cash flows are based on same term loans' rates announced by People's Bank of China at the balance sheet date plus an adequate credit spread and are as follows:

| | **Interest rates used in 2012** | Interest rates used in 2011 |
|---|---|---|
| Borrowings | **1.75%-5.99%** | 1.03%-6.10% |
| Receivables | **5.60%-6.55%** | 6.10%-7.05% |

## 4. Assets and liabilities measured at fair value

| | **Beginning balance** | **Gains or losses arising from changes in fair value in current year** | **Cumulative amount of changes in fair value recognised directly in equity** | **Impairment loss in current year** | **Ending balance** |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| 1. Financial assets at fair value through profit or loss | 143,692 | 67,723 | – | – | 389,557 |
| 2. Derivative financial instrument | 32,691 | (12,562) | – | – | 12,684 |
| 3. Hedging Instrument | 9,751 | – | 5,885 | – | 2,851 |
| 4. Available-for-sale financial assets | 571,954 | – | 541,024 | – | 609,751 |
| Sub-total | 758,088 | 55,161 | 546,909 | – | 1,014,843 |
| **Financial liabilities** | (105,943) | 3,400 | – | – | (95,098) |

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# XI. OTHER SIGNIFICANT MATTERS (CONTINUED)

## 5. Financial assets and liabilities in foreign currencies

| | Beginning balance | Gains or losses arising from changes in fair value in current year | Cumulative amount of changes in fair value recognised directly in equity | Impairment loss in current year | Ending balance |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| 1. Financial assets at fair value through profit or loss (excluding derivative financial assets) | 143,692 | 53,781 | – | – | 211,702 |
| 2. Derivative financial instrument | 32,691 | (12,562) | – | – | 12,684 |
| 3. Hedging Instrument | 9,751 | – | 5,885 | – | 2,851 |
| 4. Available-for-sale financial assets | 7,910,913 | – | – | (93,221) | 7,926,223 |
| Sub-total | 7,799 | – | 547 | – | 8,396 |
| **Financial liabilities** | 8,104,846 | 41,219 | 6,432 | (93,221) | 8,161,856 |
| **Financial assets** | (13,495,209) | 3,400 | – | – | (14,813,884) |

Notes: (1) Derivative financial instrument in foreign currency includes foreign currency future contract.

(2) Borrowings and receivables in foreign currency includes accounts receivable, other receivables, advance to suppliers and long-term receivables denominated in foreign currencies.

(3) Financial liabilities include foreign currency borrowings, accounts payable, other payables, advances from customers, long-term payables, interest rate swap contracts and stock option contracts.

# XII. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS

## 1. Cash at bank and on hand

| | 31 December 2012 | | | 31 December 2011 | | |
|---|---|---|---|---|---|---|
| | Amount in foreign currency '000 | Exchange rate | Amount in RMB '000 | Amount in foreign currency '000 | Exchange rate | Amount in RMB '000 |
| Bank deposits | | | | | | |
| RMB | **424,020** | **1.0000** | **424,020** | 98,805 | 1.0000 | 98,805 |
| USD | **1,242** | **6.2854** | **7,810** | 15,909 | 6.3009 | 100,239 |
| HKD | **10** | **0.8108** | **8** | 58 | 0.8107 | 47 |
| JPY | **12,504** | **0.0730** | **913** | 141,750 | 0.0811 | 11,496 |
| EUR | **35** | **8.3195** | **293** | 35 | 8.1625 | 288 |
| Sub-total | | | **433,044** | | | 210,875 |
| Other cash balances | | | | | | |
| RMB | **11,972** | **1.0000** | **11,972** | 217,099 | 1.0000 | 217,099 |
| USD | **377** | **6.2854** | **2,371** | 377 | 6.3009 | 2,376 |
| Sub-total | | | **14,343** | | | 219,475 |
| Total | | | **447,387** | | | 430,350 |

As at 31 December 2012, restricted cash at bank and on hand of the Company amounted to RMB2,474,000 (31 December 2011: RMB2,476,000).

## 2. Financial assets held for trading

### (1) Classification of financial assets held for trading

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Investments in equity instrument held for trading | | |
| – Listed companies | **177,450** | – |
| – Unlisted companies | **–** | – |
| | **177,450** | – |
| Including: market value of the listed investments | **177,450** | – |

Both the investments in debentures held for trading and the investments in equity instruments held for trading are securities listed on the Shanghai Stock Exchange, of which the fair value is determined at the closing price of the Shanghai Stock Exchange on the last trading day of the year.

### (2) As at 31 December 2012, There is no restriction on sale of the financial assets held for trading.

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## XII. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 3. Dividends receivable

| | **31 December 2012** | 31 December 2011 |
|---|---|---|
| CIMC Hong Kong | **3,108,609** | 3,113,070 |
| SCIMC | **592,706** | 722,920 |
| HI | **216,836** | 246,836 |
| SHYSLE | **110,628** | 21,115 |
| Finance Company | **37,932** | – |
| SCIMCEL | **–** | 551,157 |
| XHCIMC | **–** | 3,595 |
| TJCIMC | **–** | 20,237 |
| TJCIMCN | **–** | 44,762 |
| QDCC | **–** | 24,967 |
| DLCIMC | **–** | 55,361 |
| NBCIMC | **–** | 37,168 |
| SBWI | **–** | 49,826 |
| TCCIMC | **–** | 21,202 |
| ZZCIMC | **–** | 57,125 |
| SCRC | **–** | 54,186 |
| QDCRC | **–** | 918 |
| XHCIMCS | **–** | 228,775 |
| QDCSR | **–** | 27,461 |
| TJCIMCLE | **–** | 16,540 |
| DLL | **–** | 104,674 |
| SZSCIMCL | **–** | 1,360 |
| Total | **4,066,711** | 5,403,255 |

# XII. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

## 4. Other receivables

### (1) Other receivables are analysed by categories as follows:

| | **31 December 2012** | 31 December 2011 |
|---|---|---|
| Amounts due from associates | **10,862,091** | 6,776,661 |
| Deposits | **184** | 444 |
| Others | **2,601** | 26,550 |
| Sub-total | **10,864,876** | 6,803,655 |
| Less: provision for bad debts | **(4,773)** | (4,876) |
| Total | **10,860,103** | 6,798,779 |

### (2) The ageing of other receivables is analysed as follows:

| | **31 December 2012** | 31 December 2011 |
|---|---|---|
| Within 1 year (Inclusive) | **10,693,925** | 6,652,704 |
| 1 to 2 years (Inclusive) | **20,000** | 2,000 |
| 2 to 3 years (Inclusive) | **2,000** | – |
| Over 3 years | **148,951** | 148,951 |
| Sub-total | **10,864,876** | 6,803,655 |
| Less: provision for bad debts | **(4,773)** | (4,876) |
| Total | **10,860,103** | 6,798,779 |

The ageing is counted starting from the date the other receivable is recognized.

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## XII. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 4. Other receivables (Continued)

### (3) Other receivables are analysed by categories as follows:

| | Note | 31 December 2012 | | | | 31 December 2011 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Ending balance | | Provision for bad debts | | Ending balance | | Provision for bad debts | |
| | | Amount | % of total balance | Amount | % of total balance | Amount | % of total balance | Amount | % of total balance |
| Other receivables with amounts that are individually significant | (4) | 10,698,979 | 98.47% | – | – | 6,776,307 | 99.60% | – | – |
| Other receivables with amounts that are not individually significant | (5) | 165,897 | 1.53% | 4,773 | 2.88% | 27,348 | 0.40% | 4,876 | 17.83% |
| Total | | 10,864,876 | 100% | 4,773 | 0.04% | 6,803,655 | 100.00% | 4,876 | 0.07% |

There were no collaterals that the Company held for other receivables that were made impairment aforesaid.

Individually significant items represent other receivables with an individual amount over RMB10,000,000 (inclusive) or the book value of which account for 5% (inclusive) of the total other receivables in individual financial statements included in the consolidated financial statement.

### (4) As at 31 December 2012, other receivables with amounts that are individually significant and that the related provision for bad debts is provided on the individual basis

As at 31 December 2012, the Company has no other receivables with amounts that are individually significant and that the related provision for bad debts is provided on the individual basis (31 December 2011: Nil).

### (5) As at 31 December 2012, other receivables with amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis

As at 31 December 2012, the Company has no other receivables with amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis(31 December 2011: Nil).

# XII. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

## 4. Other receivables (Continued)

### (6) Other receivables that the related provision for bad debts is provided on grouping basis using the ageing analysis method are analysed as follows:

| | **31 December 2012** | | | | 31 December 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Ending balance** | | **Provision for bad debts** | | Ending balance | | Provision for bad debts | |
| | **Amount** | **% of total balance** | **Amount** | **Ratio** | Amount | % of total balance | Amount | Ratio |
| Within 1 year | **161,124** | **1.48%** | **–** | **–** | – | – | – | – |
| 1 to 2 years | **–** | **–** | **–** | **–** | 2,000 | 0.03% | 100 | 5.00% |
| 2 to 3 years | **2,000** | **0.02%** | **2,000** | **100%** | – | – | – | – |
| 3 to 4 years | **2,773** | **0.03%** | **2,773** | **100%** | 25,348 | 0.37% | 4,776 | 18.84% |
| 4 to 5 years | **–** | **–** | **–** | **–** | – | – | – | – |
| Over 5 years | **–** | **–** | **–** | **–** | – | – | – | – |
| Total | **165,897** | **1.53%** | **4,773** | **2.88%** | 27,348 | 0.40% | 4,876 | 17.83% |

### (7) The recovery of provision in current year

There were no other receivables that the related provision for bad debts had been provided in full amount or in large proportion in previous years but are collected or reversed in full amount or in large proportion in current year (2011: Nil).

### (8) Other receivables that are written off in current year

There were no material other receivables that are written off in current year (2011: Nil).

### (9) As at 31 December 2012, the five largest other receivables are analysed as follows:

| | Relationship with the Company | Amount | Aging | % of total balance |
|---|---|---|---|---|
| Total amounts due from subsidiaries | Subsidiaries | 10,659,688 | Within 1 year | 98.11% |
| Shanghai Fengyang | Associate | 177,482 | Within 1 year and over 3 years | 1.63% |
| Yantai Hi-tech Industrial Park Finance Bureau | Nil | 20,000 | 1 to 2 years | 0.18% |
| Xietong Ltd. | Nil | 2,000 | 2 to 3 years | 0.02% |
| Xilu golf club | Nil | 525 | Within 1 year | 0.00% |
| Total | | 10,859,695 | | 99.94% |

The Company's five largest other receivables as at 31 December 2011 amounted to RMB6,799,167,000, accounting for 99.92% of the total other receivables.

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## XII. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 4. Other receivables (Continued)

#### (10) Other receivables from shareholders holding more than 5% (including 5%) of the voting rights of the Company are analysed as follows:

As at 31 December 2012, no amount due from shareholders holding more than 5% (including 5%) of the voting rights of the Company is included in the above balance of other receivables (31 December 2011:Nil).

#### (11) Other receivables from related parties

| | **Relationship with the Company** | **Amount** | **% of total balance** |
|---|---|---|---|
| Associates | Associates | 177,482 | 1.63% |
| Subsidiaries | Subsidiaries | 10,659,688 | 98.11% |
| Total | | 10,837,170 | 99.74% |

#### (12) Other receivables derecognized due to transfer of financial assets

There were no other receivables derecognized due to transfer of financial assets of the Company (2011: Nil).

#### (13) Amount of assets and liabilities recognised due to the continuing involvement of securitised other receivables

There were no securitised other receivables during the year (2011: Nil).

### 5. Available-for-sale financial assets

| | **31 December 2012** | 31 December 2011 |
|---|---|---|
| Available-for-sale equity instruments | **601,356** | 564,155 |

Detailed analysis for the Company's available-for-sale financial assets, refer to Note V.10.

# XII. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

## 6. Long-term equity investments

### (1) Long-term equity investments are analysed by categories as follows:

| | **31 December 2012** | 31 December 2011 |
|---|---|---|
| Subsidiaries | | |
| – listed companies | **–** | – |
| – Unlisted companies | **5,896,195** | 3,949,644 |
| Joint ventures, unlisted | **6,521** | 2,602 |
| Associates, unlisted | **540,000** | – |
| Other long-term equity investments, unlisted | **391,970** | 391,970 |
| Sub-total | **6,834,686** | 4,344,216 |
| Less: provision for impairment | **(3,065)** | (3,065) |
| Total | **6,831,621** | 4,341,151 |

There is no restriction on sale of the long-term equity investments held by the Company.

### (2) An analysis of long-term equity investments movement of the year is as follows:

| Investee | Investment cost | 31 December 2011 | Current year movement | 31 December 2012 | Share holding (%) | Voting rights (%) | Explanation of disparity between percentages of share holding and voting rights | Provision for impairment | Impairment provided in the current year | Cash dividend declared |
|---|---|---|---|---|---|---|---|---|---|---|
| Cost method – Investment in subsidiaries | | | | | | | | | | |
| SCIMC | 82,042 | 82,042 | – | 82,042 | 100.00% | 100.00% | – | – | – | – |
| SCIMCEL | 82,042 | 82,042 | – | 82,042 | 100.00% | 100.00% | – | – | – | – |
| XHCIMC | 36,500 | 36,500 | – | 36,500 | 100.00% | 100.00% | – | – | – | 121,753 |
| CIMC Yuandong | 114,249 | 114,249 | – | 114,249 | 100.00% | 100.00% | – | – | – | – |
| TJCIMC | 77,703 | 75,421 | – | 75,421 | 100.00% | 100.00% | – | – | – | 626 |
| TJCIMCN | 239,960 | 239,960 | – | 239,960 | 100.00% | 100.00% | – | – | – | 192,370 |
| QDCC | 60,225 | 60,225 | – | 60,225 | 100.00% | 100.00% | – | – | – | 76,303 |
| DLCIMC | 48,764 | 48,764 | – | 48,764 | 100.00% | 100.00% | – | – | – | – |
| NBCIMC | 24,711 | 24,711 | – | 24,711 | 100.00% | 100.00% | – | – | – | 55,720 |
| SBWI | 66,558 | 66,558 | – | 66,558 | 94.75% | 100.00% | – | – | – | 55,399 |
| TCCIMC | 131,654 | 131,654 | – | 131,654 | 100.00% | 100.00% | – | – | – | 148,277 |
| ZZCIMC | 100,597 | 100,597 | – | 100,597 | 100.00% | 100.00% | – | – | – | 101,168 |
| SHYSLE | 78,955 | 78,955 | – | 78,955 | 100.00% | 100.00% | – | – | – | 110,628 |
| CQVL | 39,499 | 39,499 | – | 39,499 | 100.00% | 100.00% | – | – | – | – |
| SCRC | 200,892 | 200,892 | – | 200,892 | 92.00% | 100.00% | – | – | – | 204,936 |
| QDCRC | 54,225 | 54,225 | – | 54,225 | 100.00% | 100.00% | – | – | – | 49,359 |
| XHCIMCS | 82,026 | 82,026 | – | 82,026 | 100.00% | 100.00% | – | – | – | 211,224 |
| DLL | 46,284 | 46,284 | – | 46,284 | 100.00% | 100.00% | – | – | – | 25,299 |
| QDCSR | 12,743 | 12,743 | – | 12,743 | 100.00% | 100.00% | – | – | – | 19,120 |
| TJCIMCLE | 39,127 | 16,459 | 22,668 | 39,127 | 100.00% | 100.00% | – | – | – | 6,364 |
| CIMC Hong Kong | 1,690 | 1,690 | – | 1,690 | 100.00% | 100.00% | – | – | – | – |
| CIMC USA Inc. | 171,397 | 171,397 | 343 | 171,740 | 100.00% | 100.00% | – | – | – | – |

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## XII. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 6. Long-term equity investments (Continued)

#### (2) An analysis of long-term equity investments movement of the year is as follows (Continued):

| Investee | Investment cost | 31 December 2011 | Current year movement | 31 December 2012 | Share holding (%) | Voting rights (%) | Explanation of disparity between percentages of share holding and voting rights | Provision for impairment | Impairment provided in the current year | Cash dividend declared |
|---|---|---|---|---|---|---|---|---|---|---|
| CIMCSD | 162,686 | 162,686 | – | 162,686 | 100.00% | 100.00% | – | – | – | – |
| HI | 606,912 | 496,863 | 110,049 | 606,912 | 80.00% | 80.00% | – | – | – | – |
| CIMC Tech | 13,726 | 13,726 | – | 13,726 | 100.00% | 100.00% | – | – | – | – |
| TCCRC | 311,792 | 59,792 | 252,000 | 311,792 | 100.00% | 100.00% | – | – | – | – |
| CIMCWD | 108,544 | 108,544 | – | 108,544 | 100.00% | 100.00% | – | – | – | – |
| CIMC Management and Training (Shenzhen) | 48,102 | 48,102 | – | 48,102 | 100.00% | 100.00% | – | – | – | – |
| DLZH | 111,083 | 111,083 | – | 111,083 | 100.00% | 100.00% | – | – | – | – |
| MEA | 111,703 | 111,703 | – | 111,703 | 100.00% | 100.00% | – | – | – | – |
| SZW | 3,472 | 3,472 | – | 3,472 | 100.00% | 100.00% | – | – | – | – |
| TLC | 81,548 | 81,548 | – | 81,548 | 100.00% | 100.00% | – | – | – | – |
| SZSCIMCL | 21,717 | 21,717 | 50,000 | 71,717 | 100.00% | 100.00% | – | – | – | 4,759 |
| SZ investment | 72,401 | 72,401 | – | 72,401 | 100.00% | 100.00% | – | – | – | – |
| Finance Company | 482,590 | 482,590 | – | 482,590 | 100.00% | 100.00% | – | – | – | 37,931 |
| CIMC Vehicle Finance and Leasing Co., Ltd. | 422,363 | 185,700 | 236,663 | 422,363 | 100.00% | 100.00% | – | – | – | 43,658 |
| QDSV | 26,912 | 26,912 | – | 26,912 | 80.00% | 100.00% | – | – | – | – |
| SHGYTY | 40,000 | 40,000 | – | 40,000 | 100.00% | 100.00% | – | – | – | – |
| CIMCI | 60,000 | 60,000 | – | 60,000 | 100.00% | 100.00% | – | – | – | – |
| SZSKYC | 90,000 | 90,000 | – | 90,000 | 100.00% | 100.00% | – | – | – | – |
| DLCIMCS | 69,806 | – | 69,806 | 69,806 | 100.00% | 100.00% | – | – | – | – |
| Container holding | 1,000,000 | – | 1,000,000 | 1,000,000 | 100.00% | 100.00% | – | – | – | – |
| Cooperatie CIMC U.A | 205,022 | – | 205,022 | 205,022 | 99.00% | 99.00% | – | – | – | – |
| Tianjin Kangde Logistics Equipment Co,. Ltd | 3,630 | 5,912 | – | 5,912 | 100.00% | 100.00% | – | – | – | – |
| Sub-total | 5,845,852 | 3,949,644 | 1,946,551 | 5,896,195 | | | | – | – | 1,464,894 |

# XII. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

## 6. Long-term equity investments (Continued)

### (2) An analysis of long-term equity investments movement of the year is as follows (Continued):

| Investee | Investment cost | 31 December 2011 | Current year movement | 31 December 2012 | Share holding (%) | Voting rights (%) | Explanation of disparity between percentages of share holding and voting rights | Provision for impairment | Impairment provided in the current year | Cash dividend declared |
|---|---|---|---|---|---|---|---|---|---|---|
| Equity method – Associates | | | | | | | | | | |
| SCSCRC | 9,000 | 2,602 | 3,919 | 6,521 | 50.00% | 50.00% | | – | – | – |
| C&C Trucks | 540,000 | – | 540,000 | 540,000 | 45.00% | 45.00% | | – | – | – |
| Sub-total | 549,000 | 2,602 | 543,919 | 546,521 | | | | – | – | – |
| Cost method – Other long-term equity investment | | | | | | | | | | |
| China Railway United Logistics | 380,780 | 380,780 | – | 380,780 | 10.00% | 10.00% | | – | – | – |
| Beihai Yinjian | 1,700 | 1,700 | – | 1,700 | 1.01% | 1.01% | | (1,700) | – | – |
| Guangdong Samsung | 1,365 | 1,365 | – | 1,365 | 0.09% | 0.09% | | (1,365) | – | – |
| BOCM Schroder Stolt Fund Management | 8,125 | 8,125 | – | 8,125 | 5.00% | 5.00% | | – | – | 5,000 |
| Sub-total | 391,970 | 391,970 | – | 391,970 | | | | (3,065) | – | 5,000 |
| Total | 6,786,822 | 4,344,216 | 2,490,470 | 6,834,686 | | | | (3,065) | – | 1,469,894 |

Information for the Company's subsidiaries please refer to Note IV.

### (3) Provision for impairment of long-term equity investments

| | 31 December 2011 | Increase in current year | Decrease in current year | 31 December 2012 |
|---|---|---|---|---|
| Other long-term equity investments | 3,065 | – | – | 3,065 |

## 7. Short-term borrowings

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| **Unsecured** | | |
| RMB | **465,703** | 363,009 |

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## XII. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 8. Financial liabilities held for trading

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| **Current portion** | | |
| Derivative financial liabilities | | |
| – Interest swap contract | **8,987** | 3,137 |
| – Foreign exchange option contracts | **–** | 18,153 |
| Sub-total | **8,987** | 21,290 |
| **Non-current portion** | | |
| – Swap contract for interest rate | **81,944** | 74,836 |
| Sub-total | **81,944** | 74,836 |
| Total | **90,931** | 96,126 |

### 9. Employee benefits payable

| | Beginning balance | Increase in current year | Decrease in current year | Ending balance |
|---|---|---|---|---|
| Wages and salaries, bonuses, allowances and subsidies | 300,000 | 57,072 | (107,072) | 250,000 |
| Senior management bonus | 372,004 | 57,500 | (21,692) | 407,812 |
| Staff welfare and others | (164) | 21,978 | (21,740) | 74 |
| Total | 671,840 | 136,550 | (150,504) | 657,886 |

### 10. Taxes payable

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Enterprise income tax payable | **33,144** | 1,867 |
| Withholding individual income tax | **2,466** | 58,191 |
| Business tax payable | **6,752** | 2,868 |
| Others | **1,131** | 726 |
| Total | **43,493** | 63,652 |

# XII. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

## 11. Interest payable

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Interest of long-term borrowings with periodic payments of interest and return of principal at maturity | **10,500** | 10,348 |
| Interest of short-term borrowings | **521** | 725 |
| Interest of corporate debentures | **176,670** | 122,033 |
| Total | **187,691** | 133,106 |

## 12. Other payables

### (1) The analysis of the Company's other payables is as follows:

| Item | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Amounts due to subsidiaries | **3,470,041** | 22,775 |
| Quality guarantees | **687** | 438 |
| Advance received | **30,000** | 30,000 |
| Professional and training fees | **56,866** | – |
| Accruals | **7,265** | 4,699 |
| Others | **10,088** | 14,821 |
| Total | **3,574,947** | 72,733 |

Other payables denominated in foreign currencies are as follows:

| | 31 December 2012 | | | 31 December 2011 | | |
|---|---|---|---|---|---|---|
| Currency | Amount in foreign currency '000 | Exchange rate | Amount in RMB '000 | Amount in foreign currency '000 | Exchange rate | Amount in RMB '000 |
| RMB | **3,570,165** | **1.0000** | **3,570,165** | 67,765 | 1.0000 | 67,765 |
| USD | **753** | **6.2854** | **4,732** | 753 | 6.3009 | 4,744 |
| HKD | **61** | **0.8108** | **50** | 277 | 0.8107 | 224 |
| Total | | | **3,574,947** | | | 72,733 |

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## XII. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 12. Other payables (Continued)

(2) As at 31 December 2012, no amount due to shareholders who hold 5% or more of the voting rights of the Company is included in the balance of other payables.

Other payables to related parties:

| Company name | Relationship with the Company | 31 December 2012 | 31 December 2011 |
|---|---|---|---|
| Subsidiaries | Subsidiaries | **3,470,041** | 22,775 |

(3) Significant other payables aged over one year:

As at 31 December 2012, significant other payables aged over one year represented quality guarantee, vehicle mortgage guarantee and various deposits.

### 13. Current portion of non-current liabilities

(1) The analysis of the Company's current portion of non-current liabilities by categories is as follows:

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Current portion of long-term borrowings<br>– Unsecured | **1,257,100** | 1,094,352 |

(2) Current portion of long-term borrowings denominated in foreign currencies are as follows:

| | 31 December 2012 | | | | 31 December 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | Interest rate | Amount in foreign currency '000 | Exchange rate | Amount in RMB '000 | Interest rate | Amount in foreign currency '000 | Exchange rate | Amount in RMB '000 |
| **Bank borrowings** | | | | | | | | |
| – USD | LIBOR+90BP&USD LIBOR+1.85% | 200,000 | 6.2855 | 1,257,100 | LIBOR+55~90BP | 168,500 | 6.3009 | 1,061,702 |
| – EUR | | | | – | EUR IBOR+65BP | 4,000 | 8.1625 | 32,650 |
| Total | | | | 1,257,100 | | | | 1,094,352 |

As at 31 December 2012, there were no overdue long-term borrowings of which the durations are extended (As at 31 December 2011: Nil).

# XII. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

## 13. Current portion of non-current liabilities (Continued)

### (2) Current portion of long-term borrowings denominated in foreign currencies are as follows (Continued):

(a) The analysis of the Company's current portion of non-current liabilities is as follows:

| | | | | | **31 December 2012** | | 31 December 2011 | |
|---|---|---|---|---|---|---|---|---|
| **Lender** | **Starting date** | **Ending date** | **Currency** | **Interest rate (%)** | **Amount in foreign currency '000** | **Amount in RMB '000** | Amount in foreign currency '000 | Amount in RMB '000 |
| China Development Bank | 12/12/2007 | 21/06/2013 | USD | 6-month LIBOR+90BP | **110,000** | **691,405** | 60,000 | 378,054 |
| China Development Bank | 12/12/2007 | 12/12/2013 | USD | 6-month LIBOR+90BP | **40,000** | **251,420** | 60,000 | 378,054 |
| ING Bank N.V. | 20/05/2010 | 21/05/2013 | USD | Floating, USD LIBOR+1.85% | **50,000** | **314,275** | – | – |
| Bank of China | 19/10/2009 | 19/10/2012 | USD | 3-month LIBOR+55BP | **–** | **–** | 48,500 | 305,594 |
| China Development Bank | 18/06/2007 | 18/06/2012 | EUR | EURIBOR+65BP | **–** | **–** | 4,000 | 32,650 |
| Total | | | | | | **1,257,100** | | 1,094,352 |

(b) As at 31 December 2012, there were no overdue long-term borrowings of which the durations are extended (As at 31 December 2011: Nil).

## 14. Long-term borrowings

### (1) The analysis of the Company's long-term loans is as follows:

| | **31 December 2012** | 31 December 2011 |
|---|---|---|
| Bank borrowings<br>– Unsecured | **3,875,845** | 4,223,180 |

As at 31 December 2012, the Company has no long-term borrowings not wholly repayable within five years.

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## XII. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 14. Long-term borrowings (Continued)

#### (2) Long-term borrowings denominated in foreign currencies are as follows:

| | 31 December 2012 | | | | 31 December 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | Interest rate | Amount in foreign currency '000 | Exchange rate | Amount in RMB '000 | Interest rate | Amount in foreign currency '000 | Exchange rate | Amount in RMB '000 |
| **Bank borrowings** | | | | | | | | |
| – RMB | **4.20%~5.95%** | **3,505,000** | **1.0000** | **3,505,000** | 3.51%~4.23% | 2,963,000 | 1.0000 | 2,963,000 |
| – USD | **3-month LIBOR+315BP** | **59,000** | **6.2855** | **370,845** | LIBOR+55~185BP | 200,000 | 6.3009 | 1,260,180 |
| Total | | | | **3,875,845** | | | | 4,223,180 |

#### (3) As at 31 December 2012, the five largest long-term borrowings:

| Lender | Starting date | Ending date | Currency | Interest rate (%) | 31 December 2012 Amount in foreign currency '000 | 31 December 2012 Amount in RMB '000 | 31 December 2011 Amount in foreign currency '000 | 31 December 2011 Amount in RMB '000 |
|---|---|---|---|---|---|---|---|---|
| China Development Bank | 01/02/2011 | 01/02/2014 | RMB | 4.76% for the 1st quarter and will be reviewed every quarter | **500,000** | **500,000** | 500,000 | 500,000 |
| China Development Bank | 20/01/2011 | 07/01/2014 | RMB | Same as above | **400,000** | **400,000** | 400,000 | 400,000 |
| China Development Bank | 15/06/2011 | 15/06/2014 | RMB | Same as above | **400,000** | **400,000** | 400,000 | 400,000 |
| HSBC | 18/06/2012 | 18/06/2014 | USD | 3-month LIBOR+315BP | **59,000** | **370,845** | – | – |
| China Development Bank | 10/08/2011 | 10/08/2014 | RMB | 5.48% for the 1st quarter and will be reviewed every quarter | **300,000** | **300,000** | 300,000 | 300,000 |
| China Development Bank | 25/07/2011 | 18/07/2014 | RMB | Same as above | **300,000** | **300,000** | 300,000 | 300,000 |
| Total | | | | | | **2,270,845** | | 1,900,000 |

As at 31 December 2012, there were no overdue long-term borrowings of which the durations are extended (As at 31 December 2011: Nil).

## XII. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 15. Debentures payable

| | Beginning balance | Increase in current year | Decrease in current year | Ending balance |
|---|---|---|---|---|
| Medium-term notes | 3,988,438 | 2,002,395 | – | 5,990,833 |

(a) Related information is as follows:

| Debenture name | Par value | Issuance date | Maturity | Issuance amount | Balance of interest payable at the beginning of the year | Interest accrued in current year | Interest paid in current year | Balance of interest payable at the end of the year | Ending balance |
|---|---|---|---|---|---|---|---|---|---|
| Medium-term notes -11CIMC MTN1 | 4,000,000 | 23/05/2011 | 5 years | 4,000,000 | (11,562) | 2,395 | – | (9,167) | 3,990,833 |
| Medium-term notes -12CIMC MTN1 | 2,000,000 | 24/05/2012 | 3 years | 2,000,000 | – | – | – | – | 2,000,000 |
| | 6,000,000 | | | 6,000,000 | (11,562) | 2,395 | – | (9,167) | 5,990,833 |

Information for the Company's debentures payable please refer to Note V.36.

### 16. Deferred tax assets and deferred tax liabilities

#### (1) The offsetting balances of deferred tax assets and liabilities offset and corresponding deductible or taxable temporary differences

| | **31 December 2012** | | 31 December 2011 | |
|---|---|---|---|---|
| | **Deductible/ (taxable) temporary differences** | **Deferred tax assets/ (liabilities)** | Deductible/ (taxable) temporary differences | Deferred tax assets/ (liabilities) |
| Deferred tax assets: | | | | |
| Employee benefits payable | **657,886** | **164,472** | 671,840 | 167,960 |
| Movement for fair value of financial assets held for trading/derivative financial instruments | **90,931** | **22,733** | 96,126 | 24,031 |
| Sub-total | **748,817** | **187,205** | 767,966 | 191,991 |
| Offsetting amount | **(550,957)** | **(133,222)** | (499,820) | (120,437) |
| Offsetted balance | **197,860** | **53,983** | 268,146 | 71,554 |

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# XII. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

## 16. Deferred tax assets and deferred tax liabilities (Continued)

### (1) The offsetting balances of deferred tax assets and liabilities offset and corresponding deductible or taxable temporary differences (Continued)

| | **31 December 2012** | | 31 December 2011 | |
|---|---|---|---|---|
| | **Deductible/ (taxable) temporary differences** | **Deferred tax assets/ (liabilities)** | Deductible/ (taxable) temporary differences | Deferred tax assets/ (liabilities) |
| Deferred tax liabilities: | | | | |
| Movement for fair value of available-for-sale financial assets charged to equity | **(537,021)** | **(129,737)** | (499,820) | (120,437) |
| Movement for fair value of financial liabilities held for trading/derivative financial instruments | **(13,936)** | **(3,485)** | – | – |
| Sub-total | **(550,957)** | **(133,222)** | (499,820) | (120,437) |
| Offsetting amount | **550,957** | **133,222** | 499,820 | 120,437 |
| **Offsetted balance** | **–** | **–** | – | – |

At 31 December 2012, the Company had no unrecognised deferred tax assets.

## 17. Capital surplus

| | 31 December 2011 | **Increase in current year** | **Decrease in current year** | **31 December 2012** |
|---|---|---|---|---|
| Share premium | 212,656 | – | – | **212,656** |
| Other capital surplus: | | | | |
| – Property revaluation reserve | 43,754 | – | – | **43,754** |
| – Exchange reserve on foreign currency capital | 687 | – | – | **687** |
| – Donated non-cash assets reserve | 87 | – | – | **87** |
| – Change in fair value of available-for-sale financial assets | 499,820 | 37,201 | – | **537,021** |
| – Deferred tax effect | (120,437) | (9,300) | – | **(129,737)** |
| – Equity settled share-based payment | 131,247 | 107,036 | – | **238,283** |
| Others | (568,492) | – | – | **(568,492)** |
| Total | 199,322 | 134,937 | – | **334,259** |

# XII. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

## 18. Revenue and cost of sales

(1)

| | 2012 | 2011 |
|---|---|---|
| Revenue from other operations | **241,531** | 946 |
| Cost of sales from other operations | **16** | 50 |

(2) Revenue and cost of sales from other operations

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | Revenue from other operations | Cost of sales from other operations | Revenue from other operations | Cost of sales from other operations |
| Commission | **240,731** | **–** | – | – |
| Others | **800** | **16** | 946 | 50 |
| Total | **241,531** | **16** | 946 | 50 |

## 19. Profit/(losses) from changes in fair value

| | 2012 | 2011 |
|---|---|---|
| **Financial assets held for trading** | | |
| – Changes in fair value during the year | **(32,665)** | (22,399) |
| – Profit/(losses) for derecognized financial assets held for trading | **46,601** | (16,687) |
| **Financial liabilities held for trading** | | |
| – Changes in fair value during the year | **5,195** | 41,277 |
| 1. Losses from changes in fair value of derivative financial instrument | **5,195** | 41,277 |
| Total | **19,131** | 2,191 |

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## XII. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 20. Investment income

#### (1) Investment income by categories

| | 2012 | 2011 |
|---|---|---|
| Income from long-term equity investment under cost method | **1,469,894** | 1,755,793 |
| Income from long-term equity investment under equity method | **(1,481)** | (998) |
| Income from disposal of long-term equity investment | **–** | 1 |
| Income earned during the holding period of available-for-sale financial assets | **11,138** | 13,030 |
| (Loss)/income from disposal of financial assets held for trading | **(46,601)** | 16,687 |
| Others | **(954)** | – |
| Total | **1,431,996** | 1,784,513 |

Investment losses from listed investments and investment income from non-listed investments in 2012 amount to RMB35,463,000 and RMB1,467,459,000 respectively (2011: investment income RMB29,717,000 and RMB1,754,796,000 respectively).

#### (2) In investment income from long-term equity investment under cost method, investees that contributed investment income for more than 5% of the Company's total profit, or the top five investees that contributed most to the Company's investment income are set out as follows:

| Investee | 2012 | 2011 | Reason for current year fluctuation |
|---|---|---|---|
| XHCIMCS | **211,224** | – | Dividend distributed in 2012 is more than that in 2011 |
| SCRC | **204,936** | 113,471 | Dividend distributed in 2012 is more than that in 2011 |
| TJCIMCN | **192,370** | 44,762 | Dividend distributed in 2012 is more than that in 2011 |
| TCCIMC | **148,277** | 101,230 | Dividend distributed in 2012 is more than that in 2011 |
| XHCIMC | **121,753** | 2,883 | Dividend distributed in 2012 is more than that in 2011 |
| Total | **878,560** | 262,346 | |

There was no significant restriction on the remittance of investment income to the investor.

#### (3) In investment income from long-term equity investment under equity method, investment income from investee is set out as follows:

| Investee | 2012 | 2011 | Reason for current year fluctuation |
|---|---|---|---|
| SCSCRC | **(1,481)** | (998) | Loss occurred in 2012 is more than that in 2011 |

# XII. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

## 21. Non-operating income

### (1) Non-operating income by categories

| | 2012 | 2011 |
|---|---|---|
| Gains on disposal of fixed assets | **1,320** | 125 |
| Gains on disposal of intangible assets | **50,531** | – |
| Government grants | **3,275** | 1,152 |
| Others | **133** | 594 |
| Total | **55,259** | 1,871 |

### (2) Details of government grants

| | 2012 | 2011 |
|---|---|---|
| Financial subsidies | **3,275** | 1,152 |

## 22. Income tax expenses

| | 2012 | 2011 |
|---|---|---|
| Current income tax calculated based on tax law and related regulations | **–** | – |
| Deferred income tax | **8,271** | (76,328) |
| Total | **8,271** | (76,328) |

Reconciliation between income tax expenses and accounting profits is as follows:

| | 2012 | 2011 |
|---|---|---|
| Total profit | **1,075,032** | 844,767 |
| Income tax expenses calculated at applicable tax rates | **268,757** | 202,744 |
| Expenses not deductible for tax purposes | **16,495** | 3,897 |
| Tax effect of tax loss for which no deferred tax asset was recognised | **89,241** | 145,229 |
| Effect of tax rate change on deferred tax | **–** | (3,920) |
| Income not subject to tax | **(366,222)** | (424,278) |
| Income tax expenses | **8,271** | (76,328) |

## 23. Other comprehensive income

| | 2012 | 2011 |
|---|---|---|
| 1. Loss arising from available-for-sale financial assets | **(37,201)** | (195,244) |
| Less: income tax relating to available-for-sale financial assets | **(9,300)** | (45,517) |
| Total | **(27,901)** | (149,727) |

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## XII. NOTES TO THE HOLDING COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 24. Notes to the consolidated cash flow statement

### (1) Supplementary information to the consolidated cash flow statement

*(a) Reconciliation from net profit to cash flows from operating activities*

| | **2012** | 2011 |
|---|---|---|
| Net profit | **1,066,761** | 921,095 |
| Add: Provisions for asset impairment | **(103)** | 322 |
| Depreciation of fixed assets | **17,200** | 16,183 |
| Amortisation of intangible assets | **364** | 684 |
| Amortisation of long-term prepaid expenses | **2,005** | 1,880 |
| Gains on disposal of fixed assets, intangible assets | **(51,851)** | (557) |
| Profit on change in fair value | **(19,131)** | (2,191) |
| Financial expenses | **489,425** | 223,620 |
| Investment income | **(1,431,996)** | (1,784,513) |
| Share-based payment expenses | **107,036** | 105,164 |
| Increase in deferred tax assets | **8,271** | (66,945) |
| Increase/(Decrease) in deferred tax liabilities | **–** | (9,383) |
| Increase in operating receivables | **(4,061,221)** | (2,572,738) |
| Increase in operating payables | **2,928,103** | 171,831 |
| Net cash flows from operating activities | **(945,137)** | (2,995,548) |

*(b) Net increase in cash and cash equivalents*

| | **2012** | 2011 |
|---|---|---|
| Cash and cash equivalents at the end of the year | **444,913** | 427,874 |
| Less: cash and cash equivalents at the beginning of the year | **427,874** | 417,461 |
| Net increase in cash and cash equivalents | **17,039** | 10,413 |

### (2) Cash and cash equivalents

| | **2012** | 2011 |
|---|---|---|
| Cash | | |
| Including: Cash at bank that can be readily drawn on demand | **433,044** | 210,875 |
| Other monetary fund that can be readily drawn on demand | **11,869** | 216,999 |
| Cash and cash equivalents at the end of the year | **444,913** | 427,874 |

Note: Aforesaid "Cash at bank and on hand" excluded restricted cash and short-term investment.

## XIII. NET CURRENT ASSETS

| | The Group | |
|---|---|---|
| | **31 December 2012** | 31 December 2011 |
| Current assets | **38,346,189** | 40,727,025 |
| Less: current liabilities | **25,540,032** | 31,236,333 |
| Net current assets | **12,806,157** | 9,490,692 |

| | The Company | |
|---|---|---|
| | **31 December 2012** | 31 December 2011 |
| Current assets | **15,551,651** | 12,632,384 |
| Less: current liabilities | **6,195,807** | 2,419,982 |
| Net current assets | **9,355,844** | 10,212,402 |

## XIV. TOTAL ASSETS LESS CURRENT LIABILITIES

| | The Group | |
|---|---|---|
| | **31 December 2012** | 31 December 2011 |
| Total assets | **62,992,380** | 64,361,714 |
| Less: current liabilities | **25,540,032** | 31,236,333 |
| Total assets less current liabilities | **37,452,348** | 33,125,381 |

| | The Company | |
|---|---|---|
| | **31 December 2012** | 31 December 2011 |
| Total assets | **23,204,261** | 17,789,272 |
| Less: current liabilities | **6,195,807** | 2,419,982 |
| Total assets less current liabilities | **17,008,454** | 15,369,290 |

Financial Statements Prepared in Accordance with China Accounting Standards

For the year ended 31 December 2012
(All amounts in RMB'000 unless otherwise stated)

# Supplementary Information

## 1. STATEMENT OF NON-RECURRING PROFIT OR LOSS

| | 2012 |
|---|---|
| Profit on disposal of non-current assets | **37,135** |
| Government grants recognised in profit or loss for the current period | **133,270** |
| Except for the effective hedging activities related to the Group's ordinary activities, profit or loss arising from changes in fair value of financial assets and financial liabilities held for trading, and investment income from disposal of financial assets and financial liabilities held for trading and available-for-sale financial assets | **41,358** |
| The Group's interest in gains from the excess of the fair value of identifiable net assets of the acquire over the acquisition cost | **54,750** |
| Other non-operating income/expenses other than aforesaid items | **42,786** |
| Payment received from non-financial enterprises recognised in profit or loss for the current period | **11,445** |
| Reversal of the provision on receivables assessed for impairment on an individual basis | **9,383** |
| Effect of income tax | **(73,276)** |
| Effect of minority interests (after tax) | **(24,260)** |
| Total | **232,591** |

Note: Aforesaid non-recurring profit or loss was presented at amount before taxation.

### Basis for preparation of statement of non-recurring profit or loss

Under the requirements in Explanatory announcement No. 1 on information disclosure by companies offering securities to the public – non-recurring profit or loss [2008] from CSRC, non-recurring profit or loss refer to those arises from transactions and events that are not directly relevant to ordinary activities, or that are relevant to ordinary activities, but are extraordinary and not expected to recur frequently that would have an influence on users of financial statements making economic decisions on the financial performance and profitability of an enterprise.

## 2. RETURN ON NET ASSETS AND EARNINGS PER SHARE

In accordance with Interpretive Pronouncement on the Preparation of Information Disclosures of Companies Issuing Public Shares No. 9 – Earnings per share and return on net assets (2010 revised) and relevant requirements of accounting standard, the calculation of earnings per share and return on net assets of the Company is listed as follows:

| | Weighted average return on net assets (%) | Earnings per share | |
|---|---|---|---|
| | | Basic earnings per share | Diluted earnings per share |
| Net profit attributable to ordinary shareholders of the Company | 10% | 0.73 | 0.73 |
| Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss | 9% | 0.64 | 0.64 |

## 3. EXPLANATIONS OF IRREGULAR FLUCTUATIONS AND RELATED REASONS ON MAJOR ITEMS OF THE FINANCIAL STATEMENTS

| Assets | | 31 December 2012 | 31 December 2011 | Fluctuation amount and percentage Amount | % |
|---|---|---|---|---|---|
| Cash at bank and on hand | (1) | **5,221,539** | 7,788,126 | (2,566,587) | -33% |
| Financial assets held for trading | (2) | **405,092** | 186,134 | 218,958 | 118% |
| Advance to suppliers | (3) | **1,213,042** | 1,930,496 | (717,454) | -37% |
| Interest receivable | (4) | **14,410** | 2,020 | 12,390 | 613% |
| Current portion of non-current assets | (5) | **1,636,332** | 2,635,287 | (998,955) | -38% |
| Investment properties | (6) | **183,668** | 126,983 | 56,685 | 45% |
| Long-term prepaid expenses | (7) | **47,947** | 34,892 | 13,055 | 37% |
| Other non-current assets | (8) | **203,040** | 764,849 | (561,809) | -73% |

(1) Cash at bank and on hand: mainly due to the centralised management of fund by the Group.

(2) Financial assets held for trading: due to the increase in the balance of equity securities investment held for trading in the year.

(3) Advance to suppliers: mainly due to the decrease in procurement at the end of the year.

(4) Interest receivable: mainly due to the accrual of outstanding interest receivable of RMB7,000,000 at the end of the year.

(5) Current portion of non-current assets: due to the decrease in the balance of receivables under finance lease in non-current assets due within one year.

(6) Investment properties: mainly due to the lease of newly constructed warehouses and shops of the Group and the lease of certain previously self-used land and buildings in the year.

(7) Long-term prepaid expenses: mainly due to the increase of fees for ancillary facilities in stack yards and improvements of fixed assets under operating lease of the Group in the year.

(8) Other non-current assets: mainly comprise of prepayment for land use right of RMB760,000,000 by Shenzhen CIMC Skyspace Real Estate Development Co., Ltd., the land was acquired and the land development commenced in 2012.

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(All amounts in RMB'000 unless otherwise stated)

## 3. EXPLANATIONS OF IRREGULAR FLUCTUATIONS AND RELATED REASONS ON MAJOR ITEMS OF THE FINANCIAL STATEMENTS (CONTINUED)

| Liabilities | | 31 December 2012 | 31 December 2011 | Fluctuation amount and percentage | |
|---|---|---|---|---|---|
| | | | | Amount | % |
| Short-term borrowings | (1) | **5,438,407** | 8,030,912 | (2,592,505) | -32% |
| Financial liabilities held for trading – current portion | (2) | **12,856** | 31,107 | (18,251) | -59% |
| Notes payable | (3) | **989,710** | 3,295,226 | (2,305,516) | -70% |
| Interest payable | (4) | **203,288** | 152,067 | 51,221 | 34% |
| Dividends payable | (5) | **38,747** | 116,253 | (77,506) | -67% |
| Current portion of non-current liabilities | (6) | **1,261,940** | 2,560,318 | (1,298,378) | -51% |
| Debentures payable | (7) | **6,462,235** | 3,988,438 | 2,473,797 | 62% |
| Long-term payables | (8) | **145,103** | 86,846 | 58,257 | 67% |
| Payable for specific projects | (9) | **4,802** | 8,940 | (4,138) | -46% |
| Other non-current liabilities | (10) | **348,630** | 198,564 | 150,066 | 75% |

(1) Short-term borrowings: mainly due to the appropriate adjustment of the structure of long-term and short-term loans.

(2) Financial liabilities held for trading – current portion: the decrease of financial liabilities held for trading was mainly due to the decrease in forward exchange contracts by the Group in this year as compared with last year.

(3) Notes payable: mainly due to the decrease in purchases paid in the form of bills.

(4) Interest payable: in this year, the Group issued debentures payable in a principal amount of RMB2 billion, resulted in interest payable to increase.

(5) Dividends payable: mainly due to the payment of dividends payable to minority shareholders in the previous years.

(6) Current portion of non-current liabilities: mainly due to the appropriate adjustment of the structure of long-term and short-term loans.

(7) Debentures payable: mainly due to the issuance of debentures payable in a principal amount of RMB2 billion by the Group on 22 May 2012. NSR, a subsidiary of CIMC Financial Leasing Co., Ltd., also issued a 3-year convertible bond with a principal amount of approximately RMB470 million on 10 December 2012.

(8) Long-term payables: mainly due to the increase in payables to minority shareholders.

(9) Payables for specific projects: mainly due to the increase in special payables in the year.

(10) Other non-current liabilities: mainly due to the compensation granted by the government for the relocation of CIMC Enric Bengbu, a subsidiary of CIMC Enric, to an industrial park.

## 3. EXPLANATIONS OF IRREGULAR FLUCTUATIONS AND RELATED REASONS ON MAJOR ITEMS OF THE FINANCIAL STATEMENTS (CONTINUED)

| Profit and loss | | 31 December 2012 | 31 December 2011 | Fluctuation amount and percentage | |
|---|---|---|---|---|---|
| | | | | Amount | % |
| Taxes and surcharges | (1) | **506,040** | 344,723 | 161,317 | 47% |
| Financial expenses – net | (2) | **524,557** | 783,699 | (259,142) | -33% |
| Asset impairment losses | (3) | **537,071** | 409,602 | 127,469 | 31% |
| Profit/(losses) from changes in fair value | (4) | **58,561** | (100,577) | (159,138) | -158% |
| Investment (losses)/income | (5) | **(97,851)** | 108,693 | (206,544) | -190% |
| Minority interests | (6) | **(8,651)** | (31,988) | (23,337) | -73% |

(1) Tax and surcharges: mainly due to the land appreciation tax paid by CIMC Tianyu when sales of property.

(2) Financial expense-net: the decline mainly due to the Renminbi exchange stability which lead the decrease of the exchange gain or loss.

(3) Assets impairment losses: mainly due to the provision amounted to 129,650,00 provided for the property located in Europe considering the European debt crisis' impact on the real estate market.

(4) Profit/(losses) from changes in fair value: mainly caused by the exchange rate change.

(5) Investment (losses)/income: mainly due to the RMB130 million loss picked up on C&C Trucks through equity method.

(6) Minority interests: mainly due to decrease of minority interest's stake in loss making subsidiaries.

# Corporate Information

## BOARD OF DIRECTORS

Chairman:
Li Jianhong

Vice Chairman:
Xu Minjie

Executive Director:
Mai Boliang

Non-executive Directors:
Wang Hong
Wang Xingru

Independent Non-executive Directors:
Ding Huiping
Jin Qingjun
Xu Jing'an

Secretary to the Board of Directors:
Yu Yuqun

## SUPERVISORY COMMITTEE

Chairman:
Lui Sai Kit Eddie

Supervisors:
Wong Sin Yue Cynthia
Feng Wanguang

## OTHER SENIOR MANAGEMENT

Zhao Qingsheng
Wu Fapei
Li Yinhui
Liu Xuebin
Yu Ya
Zhang Baoqing
Yu Yuqun
Jin Jianlong
Zeng Beihua

## AUTHORISED REPRESENTATIVE

Mai Boliang
Yu Yuqun

## AUDITORS

PricewaterhouseCoopers Zhong Tian CPAs Limited Company
Certified Public Accountants, PRC
11th Floor PricewaterhouseCoopers Centre
2 Corporate Avenue, 202 Hu Bin Road
Huangpu District, Shanghai 200021
PRC

## LEGAL ADVISERS TO THE COMPANY AS TO HONG KONG LAW

Paul Hastings
21-22th Floor, Bank of China Tower
1 Garden Road, Central
Hong Kong

## PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART XI OF THE COMPANIES ORDINANCE

3101-2 Infinitus Plaza,
199 Des Voeux Road Central,
Hong Kong

## HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor,
Hopewell Centre, 183 Queen's Road East
Hong Kong

## PRINCIPAL BANKERS

China Development Bank Corporation
No.29 Fuchengmenwai Street
Xicheng District
Beijing, PRC

China Merchants Bank Co., Ltd.
7088 Shennan Boulevard
Futian District
Shenzhen
Guangdong, PRC

HSBC Bank (China) Company Limited
HSBC building
Shanghai IFC 8 Century Avenue
Pudong
Shanghai, PRC

# Documents Available for Inspection

The following documents will be available for inspection at the headquarters of the Company in Shenzhen upon request by the relevant regulatory authorities and shareholders in accordance with the laws and regulations of the PRC and the Articles of Association:

1. The original of the annual report for 2012 signed by the Chairman of the Board.

2. The financial statements under the hand and seal of the Legal Representative and the General Manager of the Financial Department of the Company.

3. The original of the Financial Report of the Company under the seal of the Auditors and under the hand of Certified Public Accountants.

4. The original copies of the documents and announcement of the Company published in the newspaper stipulated by the China Securities Regulatory Commission during the reporting period.

5. Copies of all Chinese and English announcements of the Company published on the websites of the Hong Kong Stock Exchange and the Company during the period of the annual report.

6. The Articles of Association of the Company.

# Confirmation from the Directors and Senior Management

According to the relevant provisions and requirements of the PRC Securities Law and Measures for Information Disclosure of Companies Offering Shares to the Public promulgated by the CSRC, as the Board of Directors and senior management of the Company, we have carefully reviewed the annual report for 2012 and concluded that this annual report truly and objectively represents the business performance of the Company, it contains no false representations, misleading statements or material omissions and complies with the requirements of the CSRC and other relevant regulatory authorities.

April 2013

This annual report is published in English and Chinese.

In the event of any inconsistency between the two versions, the Chinese version shall prevail.

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Driving new value Moving the world

China International Marine Containers (Group) Co., Ltd.
CIMC R&D Center, No.2 Gangwan Avenue, Shekou,
Nanshan District, Shenzhen, Guangdong, P.R.C

Tel: 86-755-26691130
Fax: 86-755-26692707

www.cimc.com