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

2011

Annual Report

23 March 2012

Section I Important Statement and Contents

Important Statement

The Board of Directors, the Board of Supervisor, as well as directors, supervisors and senior management of China International Marine Containers (Group) Co., Ltd. (hereinafter referred to as “the Company”) hereby undertake that the information and data contained in this report are free from false records, misleading statements or significant omission, and we shall assume individual and joint liabilities for the authentication, accuracy and integrity of the contents in this report.

No directors, supervisors or senior management have any objection to the authenticity, accuracy or integrity of the contents of this annual report.

This report has been audited by KPMG which has issued auditor’s report with unqualified opinion.

Mr. Li Jianhong, the Chairman of the Board, Mr. Mai Boliang, the President of the Company and Mr. Jin Jianlong, the General Manager of Financial Management Dept., hereby undertake that the financial report in this annual report is true and complete.

This report consists of Chinese and English versions and in case of discrepancy between these two versions, the Chinese version shall prevail.

Contents

Section Ⅱ General Information

I. Statutory Chinese and English names and abbreviations:

Chinese name: 中国国际海运集装箱（集团）股份有限公司

Chinese abbreviation: 中集集团

English name: CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) CO., LTD

English abbreviation: CIMC

II. Legal representative: Li Jianhong

III. Board secretary: Yu Yuqun

Tel: (86) 755-2669 1130

Fax: (86) 755-2682 6579

Representative for securities affairs: Wang Xinjiu

Tel: (86) 755-2680 2706

Fax: (86) 755-2681 3950

Address: CIMC R&D Center, 2 Gangwan Avenue, Shekou, Nanshan District, Shenzhen

Zip code: 518067

E-mail: shareholder@cimc.com

IV. Registered address: 8/F, CIMC R&D Center, 2 Gangwan Avenue, Shekou, Nanshan District, Shenzhen, Guangdong

Office address: CIMC R&D Center, 2 Gangwan Avenue, Shekou, Nanshan District, Shenzhen, Guangdong

Zip code: 518067

Website: http://www.cimc.com

V. Newspapers designated by the Company for information disclosure: “China Securities Journal”, “Securities Times”, “Shanghai Securities News” and ”Ta Kung Pao”.

Website designated by CSRC for information disclosure: http://www.cninfo.com.cn

Places where annual report is made available: Financial Management Dept.

VI. Stock exchange on which the Company are listed: Shenzhen Stock Exchange

Stock short form and code: CIMC (000039), CIMC B (200039)

VII. Other relevant information:

1. Date of initial registration: Jan., 1980
2. Place of initial registration: Shenzhen Administration for Industry and Commerce
3. Latest change in registration: 19 Nov. 2008
4. Place of registration after change: Shenzhen Administration for Industry and Commerce
5. Corporate business license: 440301501119369
   Tax registration No.: State Tax 440301618869509; Local Tax 440305618869509
6. Organization code: 61886950-9
7. Name and office address of certified public accountants engaged by the Company: KPMG

Office address: 38/F, Yuehai Tianhe Town Plaza, 208 Tianhe Road, Guangzhou

Zip code: 510620
8. Primary Banks Connected:
China Development Bank
The Export-Import Bank of China
China Construction Bank
Bank of Communications
China Merchants Bank
Bank of China
Shenzhen Development Bank
The Hongkong and Shanghai Banking Corporation Limited
Citibank, N.A.
Standard Chartered Bank
ING Bank
Nanyang Commercial Bank

Section III Financial and Business Highlights

I. Key accounting data as of year 2011

Unit: RMB'000 Yuan

No.	Item	Amount
1	Total profit	5,022,706
2	Operating profit	4,735,293
3	Net profit attributable to shareholders of listed company	3,690,926
4	Net profit excluding non-recurring gain/loss (Note)	3,579,162
5	Net cash flow from operating activities	2,254,437

Note: Items of non-recurring gains/losses

Unit: RMB'000 Yuan

Items of non-recurring gains and losses	Amount
Gains and losses from non-current asset disposal	13,000
Governmental subsidy	267,349
Capital occupation fee from non-financial corporate that written into current gains and losses	8,665
Gains and losses from changes in fair value of transaction financial assets and transaction financial liabilities and investment income from disposal of transaction financial assets, transaction financial liabilities and financial assets available for sale besides valid hedging business relating to normal operating business	-152,179
Gains and losses from the cost of corporate combination is less than the attributable share of the fair value of identifiable net assets of the merged entity	
Other non-operating income and expenditure	20,350
Impact on income tax	-32,450
Impact on equity of minority shareholders	-12,971
Total	111,764

II. Impact on net profit and net assets from adjustment in compliance with IAS

Unit: RMB'000 Yuan

	Net profit		Net assets	
	Amount of this period	Amount of last period	Amount at the period-end	Amount at the period-begin
As per IAS	3,694,148	3,007,463	18,627,826	16,219,107
As per PRC GAAP	3,690,926	3,001,851	18,633,154	16,223,057
Items to be adjusted based on IAS				
Other	3,222	5,612	-5,328	-3,950
As per IAS	3,222	5,612	-5,328	-3,950
Explanation for difference	Mainly of the amortization of the estimated increase of former fixed assets, intangible assets.			

III. Key accounting data and financial indicators in the recent 3 years

Unit: RMB'000 Yuan

Items	2011	2010	Increase/decrease (%)	2009
Operating revenue	64,125,053	51,768,316	23.87%	20,475,507
Operating profit	4,735,293	3,438,168	37.73%	1,320,470
Total profit	5,022,706	3,674,607	36.69%	1,465,385

Net profit attributable to shareholders of parent company	3,690,926	3,001,851	22.96%	958,967
Net profit excluding non-recurring gain/loss attributable to shareholders of parent company	3,579,162	2,791,507	28.22%	-281,787
Shareholders' equity attributable to shareholders of parent company	18,633,154	16,223,057	14.86%	14,198,208
Net cash flow from operating activities	2,254,437,	1,482,901	52.03%	969,685
Basic EPS (RMB Yuan)	1.39	1.13	23.01%	0.36
Diluted EPS (RMB Yuan)	1.37	1.13	21.24%	0.36
Basic EPS after deducting non-recurring gain and loss (RMB Yuan)	1.34	1.05	27.62%	-0.11
Weighted average return on equity	21.00%	20%	1.00%	7%
Weighted average return on equity after deducting non-recurring gain and loss	20.00%	18%	2.00%	-2%
Net cash flow from operating activities per share (RMB Yuan)	0.85	0.56	51.24%	0.36
Items	**31 Dec. 2011**	**31 Dec. 2010**	Increase/decrease year-on-year (%)	**31 Dec. 2009**
Total assets	64,361,714	54,130,649	18.90%	37,358,383
Total liability	42,748,042	34,923,949	22.40%	21,531,752
Total share capital（share）	2,662,396,051	2,662,396,051	0.00%	2,662,396,051
Ratio of asset-liability	66.42%	64.52%	1.90%	57.64%
Net assets per share attributable to shareholders of parent company (RMB Yuan)	7.00	6.09	14.94%	5.33

Section IV Shareholders and Changing of Share Capital

I. Changes in share capital

(I) Changes in share capital as at 31 Dec. 2011

1. Statement on changes in share capital

Unit: Share

	Before this change		Increase/decrease (+/-)				After this change	
	Number of shares	Ratio (%)	Issuance of new share	Bonus shares	Others	Subtotal	Number of shares	Ratio (%)
I. Shares subject to trading moratorium	620,177	0.02	0	0	-247,351	-247,351	372,826	0.01
1. Shares held by state	0	0	0	0	0	0	0	0
2. Shares held by state-owned corporations	0	0	0	0	0	0	0	0
3. Shares held by other domestic investors	0	0	0	0	0	0	0	0
Including: Shares held by domestic non-state-owned corporations	0	0	0	0	0	0	0	0
Shares held by domestic natural person	0	0	0	0	0	0	0	0
4. Shares held by overseas investors	0	0	0	0	0	0	0	0
Including: Shares held by overseas corporations	0	0	0	0	0	0	0	0
Shares held by overseas natural person	0	0	0	0	0	0	0	0
5. Shares held by senior management	620,177	0.02	0	0	-247,351	-247,351	372,826	0.01
II. Shares not subject to trading moratorium	2,661,775,874	99.98	0	0	247,351	247,351	2,662,023,225	99.99
1. RMB ordinary shares (A-share)	1,231,297,165	46.25	0	0	247,351	247,351	1,231,544,516	46.26
2. Domestically listed foreign shares (B-share)	1,430,478,709	53.73	0	0	0	0	1,430,478,709	53.73
3. Overseas listed foreign shares	0	0	0	0	0	0	0	0
4. Others	0	0	0	0	0	0	0	0
III. Total number of shares	2,662,396,051	100.00	0	0	0	0	2,662,396,051	100.00

Note: The total share capital of the Company is 2,662,396,051 shares, including 1,231,915,542 A Renminbi common shares (A shares) and 1,430,480,509 domestically listed foreign shares (B shares).

2. Statement on changes in shares subject to trading moratorium

Unit: Share

Name of shareholder	Number of shares subject to trading moratorium at year-begin	Number of shares released from trading moratorium in current year	Number of shares subject to trading moratorium increased in current year	Number of shares subject to trading moratorium at year-end	Reason	Date of releasing trading moratorium
Mai Boliang	371,026	123,676	123,676	371,026	Shares held by senior executives was locked by China Securities Depository and Clearing Limited Shenzhen Branch according to relevant regulations	Naught
Li Ruiting	247,351	247,351	0	0		
Liu Xuebin	1,800	600	600	1,800		
Total	620,177	371,627	124,276	372,826		

(II) Share issuing and listing

1. The Company didn't issue any shares or derivative securities in the past 3 years by the end of the reporting period.

2. During the reporting period, total number of shares of the Company and its structure remained unchanged.

3. Up till the end of reporting period, the Company has no inner staff shares.

II. Shareholders and actual controller

(I). Shares held by major shareholders (as at 31 Dec. 2011)

Unit: share

Total number of shareholders	210,117 shareholders, including 174,069 ones of A-share，36,048 ones of B-share				
Shares held by the top ten shareholders					
Name of shareholder	Nature	Shareholding ratio (%)	Shareholding at period end	Shares subject to trading moratorium held	Number of pledged or frozen shares
China Merchants (CIMC) Investment Limited	Foreign investor	25.54%	679,927,917	0	0
COSCO Container Industries Limited	Foreign investor	16.23%	432,171,843	0	0
COSCO Container Industries Limited	Foreign investor	5.57%	148,320,037	0	0
CMBLSA RE FTIF TEMPLETON ASIAN GRW FD GTI 5496	Foreign investor	3.42%	91,120,810	0	0
LONG HONOUR INVESTMENTS LIMITED	Foreign investor	0.95%	25,322,106	0	0
GUOTAI JUNAN SECURITIES (HONGKONG) LIMITED	Foreign investor	0.95%	25,313,120	0	0
New China Life Insurance Co., Ltd–Dividend Distribution–Individual Dividend-018L-FH002 Shen	Other	0.60%	15,950,000	0	0
Bank of China–E Fund Shenzhen Stock Exchange 100 Exchange Traded Fund	Other	0.50%	13,339,467	0	0

TEMPLETON EMERGING MARKETS INVESTMENT TRUST	Foreign investor	0.48%	12,801,432	0	0
BBH A/C VANGUARD EMERGING MARKETS STOCK INDEX FUND	Foreign investor	0.40%	10,546,598	0	0
ICBC–Rongtong SSE 100 Index Fund	Other	0.35%	9,340,556	0	0

Shares held by the top ten shareholders holding shares not subject to trading moratorium		
Name of shareholders	Number of shares not subject to trading moratorium	Type of shares
China Merchants (CIMC) Investment Limited	679,927,917	Domestically listed foreign share
COSCO Container Industries Limited	432,171,843	RMB common share
COSCO Container Industries Limited	148,320,037	Domestically listed foreign share
CMBLSA RE FTIF TEMPLETON ASIAN GRW FD GTI 5496	91,120,810	Domestically listed foreign share
LONG HONOUR INVESTMENTS LIMITED	25,322,106	Domestically listed foreign share
GUOTAI JUNAN SECURITIES (HONGKONG) LIMITED	25,313,120	Domestically listed foreign share
New China Life Insurance Co., Ltd–Dividend Distribution–Individual Dividend-018L-FH002 Shen	15,950,000	RMB common share
Bank of China–E Fund Shenzhen Stock Exchange 100 Exchange Traded Fund	13,339,467	RMB common share
TEMPLETON EMERGING MARKETS INVESTMENT TRUST	12,801,432	Domestically listed foreign share
BBH A/C VANGUARD EMERGING MARKETS STOCK INDEX FUND	10,546,598	Domestically listed foreign share
ICBC–Rongtong SSE 100 Index Fund	9,340,556	RMB common share

Explanation on associated relationship among the top ten shareholders or acting-in-concert	1. Association relationship and acting-in-concert person relation exist between COSCO Container Industries Limited and Long Honour Investments Limited, where COSCO Container Industries Limited is subordinate wholly-owned subsidiary of COSCO Pacific Limited under COSCO Group; Long Honour Investments Limited is subordinate wholly-owned subsidiary of COSCO Hong Kong (hereinafter refer to as "COSCO Hong Kong")under COSCO Group; These two and other shareholders are not acting-in-concert person specified in "Regulatory Provisions on Disclosure of Information on Shareholding Change of Shareholders for Listed Companies". 2. The Company is not aware of whether association relationship exists between other shareholders and whether they are acting-in-concert person as specified in "Regulatory Provisions on Disclosure of Information on Shareholding Change of Shareholders for Listed Companies".

(II) Corporate shareholders with shareholding ratio exceeding 10%

1. None of shareholders with shareholding ratio exceeding 30% (controlling shareholders)

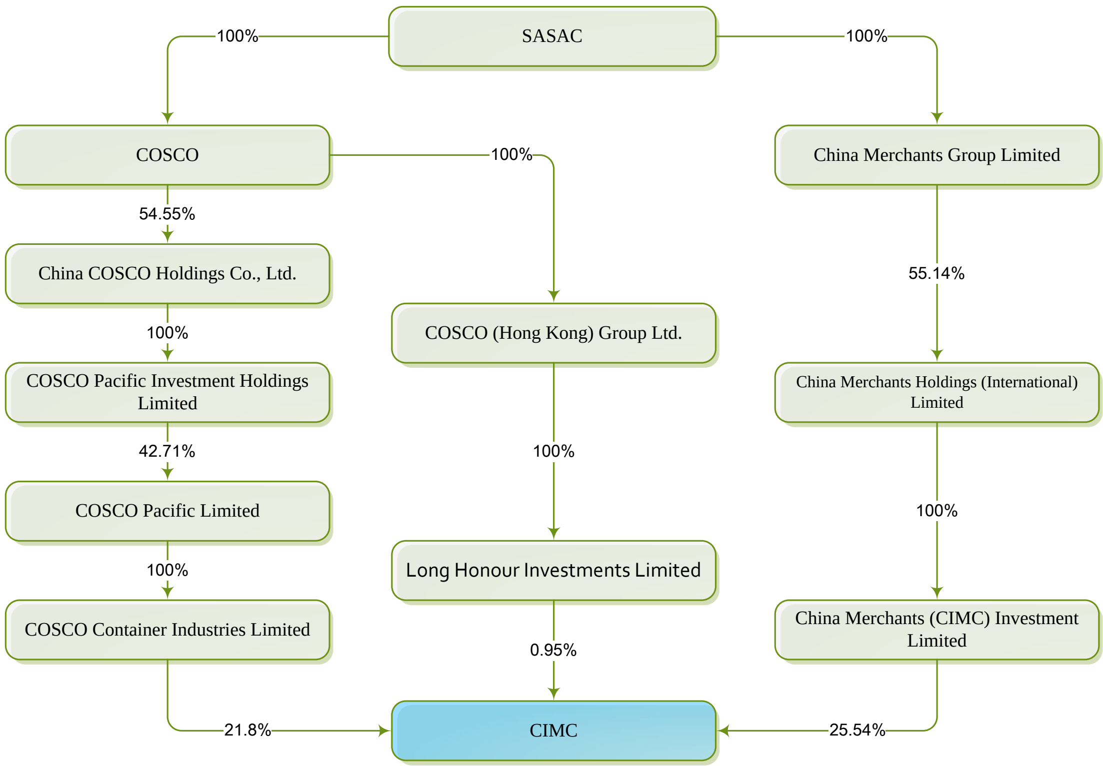
Name of shareholder	Shareholding ratio	Director	Date of incorporation	Registered capital	Equity structure	Business scope
China Merchants (CIMC) Investment Limited	25.54%	*Huang Qianru, Zhang Rizhong and LinWuliu*	1995.1.17	HKD 10,000	Wholly-owned by China Merchants Holdings (International) Limited	Investment and holdings

COSCO Container Industries Limited	21.8%	Chen Keng, Zhang Jie and Xu Jian	2004.4.26	USD 1	Wholly-owned by COSCO Pacific	Investment and holdings

(1) China Merchants (CIMC) Investment Limited is the wholly-owned subsidiary of China Merchants Holdings (International) Limited. China Merchants Group Limited holds 55.14% equity of China Merchants Holdings (International) Limited. China Merchants (CIMC) Investment Limited holds 25.54% equity of CIMC. Therefore China Merchants (CIMC) Holdings Limited actually holds 25.54% equity of CIMC.

(2) As a liability limited company incorporated in British Virgin Islands, COSCO Container Industries Limited is a wholly-owned subsidiary under COSCO Pacific Limited. COSCO Pacific Investment Holdings Limited holds 42.71％ equity of COSCO Pacific Limited. COSCO Pacific Investment Holdings Limited is a subordinate wholly-owned subsidiary under China COSCO Holdings Limited and COSCO Group holds 54.55% equity of China COSCO Holdings Limited. COSCO Container Industries Limited held 21.80% equity of CIMC through COSCO Containers Industries Limited; Long Honour Investments Limited is a subordinate wholly-owned subsidiary under COSCO Hong Kong and holds 0.95% equity of CIMC.

Property and controlling relation between actual controller and CIMC



2 The Company has no controlling shareholder. In the reporting period, China Merchants (CIMC) Investment Limited and COSCO Container Industries Limited remained unchanged.

Shares subject to trading moratorium held by the top ten shareholders and trading moratorium

Unit: Share

Name of shareholders	Quantity of shares subject to trading moratorium	Date of list for trade	Additional shares to be listed for trade	Trading moratorium
Mai Boliang	494,702	—	—	Shares held by Senior management was frozen by China Securities Depository and Clearing Limited Shenzhen Branch according to relevant regulations
Liu Xuebin	2,400			

Section V Directors, Supervisors, Senior Management and Employees

I. Directors, supervisors and Managements

(I) Basic information

Name	Title	Gender	Age	Office term	Total remuneration/ allowance received from the Company (RMB'0000)	Whether receive remuneration from the shareholders or other organizations
Li Jianhong	Chairman	Male	56	Apr. 2010-Apr. 2013	-	Yes
Sun Jiakang	Vice chairman	Male	52	Aug.2011-Feb. 2012.	-	Yes
Xu Minjie	Vice chairman	Male	53	Apr. 2010-Jul. 2011 Mar. 2012-Apr. 2013	-	Yes
Mai Boliang	Director and president	Male	52	Apr. 2010- Apr. 2013	957.74	No
Wang Hong	Director	Male	49	Apr. 2010-Apr. 2013	-	Yes
Wang Xingru	Director	Male	47	Aug. 2011-Apr. 2013	-	Yes
Ding Huiping	Independent director	Male	56	Apr. 2010-Apr. 2013	12	No
Jin Qingjun	Independent director	Male	54	Apr. 2010-Apr. 2013	12	No
Xu Jing'an	Independent director	Male	70	Apr. 2010-Apr. 2013	12	No
Lv Shijie	Chief supervisor	Male	47	Apr. 2010-Apr. 2013	-	Yes
Huang Qianru	Supervisor	Female	59	Apr. 2010-Apr. 2013	-	Yes
Feng Wanguang	Staff supervisor	Male	65	Apr. 2010-Apr.2013	162.32	No
Zhao Qingsheng	Vice president	Male	59	Apr. 2010-Apr. 2013	293.10	No
Li Ruiting	Vice president	Male	64	Apr. 2010-Mar. 2011	154.67	No
Wu Fapei	Vice president	Male	53	Apr. 2010-Apr. 2013	186.52	No
Li Yinhui	Vice president	Male	44	Apr. 2010-Apr. 2013	182.65	No
Liu Xuebin	Vice president	Male	53	Apr. 2010-Apr. 2013	338.21	No
Yu Ya	Vice president	Male	55	Apr. 2010-Apr. 2013	190.52	No
Yu Yuqun	Secretary to the Board of Directors	Male	46	Apr. 2010-Apr. 2013	195.12	No
Jin Jianlong	General manager of Financial Management	Male	57	Apr. 2010-Apr. 2013	158.82	No
Zeng Beihua	General manager of Capital Management	Female	56	Apr. 2010-Apr. 2013	173.05	No
Total	—	—	—	—	3,028.72	—

Shares of the company held by directors, supervisors and senior management

Name	Shareholding at the beginning of the year	Shareholding at the end of the year	Reason for change in shareholding
Mai Boliang	494,702	494,702	—
Liu Xuebin	2,400	2,400	—
Total	497,102	497,102	—

(II) Main work experience of current directors, supervisors and senior management

1. Members of Board of Directors

Mr. Li Jianhong, Chairman of the Company, is currently Director, President of China Merchants Group Limited. Mr. Li holds such degrees as MBA from University of East London and master of economic administration from Jilin University and holds the title of senior technical title of senior economist. He ever work for China Ocean Shipping (Group) Company (hereinafter refer to as "COSCO Group") and took the post of Factory Director of COSCO Nantong Shipyard, of General Manager of COSCO Industry Company, and of Assistant President, Chief Economist and Vice President of COSCO Group, of Chairman of COSCO Corporation (Singapore) Limited, of Chairman of the Board of Sino-Ocean Land Holdings Limited, of Chairman of COSCO Shipyard Group Co., Ltd., as well as of President for China business of Nantong COSCO KHI Ship Engineering Co., Ltd.. Meanwhile, Mr. Li Mr. also has been director of COSCO Holding Limited, COSCO Pacific Limited and COSCO International Holdings Limited (all of which are listed in Hongkong Exchanges and Clearing Limited) Li is also vice director of China Society of Naval Architecture and Offshore engineering and Vice President of China Association of National Shipbuilding Industry etc. He has been awarded the Third Session of National Outstanding Young Entrepreneur in 1993, Model Worker of National Transportation System in 1994 and National Mode Worker in 1995. He has been Director of the Company since March 1995 and acts as Director of the Company again since 25 October 2010.

Mr. Sun Jiakang, Vice Chairman from Aug. 2011 to Jan. 2012. Currently, he takes posts of Deputy GM, the Party Committee member of COSCO Group. He graduated from Dalian Maritime College in 1982, majoring in Ship Navigation Management of Navigation Department, gaining Bachelor Degree in Engineering. Then he successively gained the Bachelor Degree in Economics from People's University of China in 1987, Master Degree in Economics from Dalian Maritime University in 2001 and Doctor of Philosophy in Management from Preston University, USA in 2005. Mr. Sun is also a senior engineer. Mr. Sun is also a senior engineer.

Mr. Sun joined COSCO Group in 1982, he successively worked as Vice Chief of Marine Division in Tianjin COSCO Co., Ltd., Vice Manager and Manager of Containers Lines Department III as well as Manager of Containers Lines Department II in CIMC, General Manager, Assistant of CEO of Transportation Department and concurrently Spokesman in COSCO Group, Vice CEO of COSCO (Hongkong) Group, Vice Chairman of the Board and concurrently General Manager in COSCO Pacific Limited, General Manager and Vice Secretary of CPC in COSCO Containers Lines Co., Ltd. and Vice General Manager and Vice Secretary of CPC (Concurrent), etc. in COSCO Holding Limited.

Mr. Sun Jiakang has rich experience in international shipping and logistic management. Now he is the director of BIMCO, Box Club, World Shipping Council and Swedish Club, Chairman of China in Germanischer Lloyd Group, Vice Chairman of Logistics Association China, Member of Maritime Arbitration Commission of China Council for the Promotion of International Trade, Standing Director of China Institute of Navigation, Standing Director of China Shipowners Association and Chairman of

Container Transportation Commission. He is also one of the excellent people in the sixty-year history of Chinese Marine Shipping Industry, Senior Member of The Hong Kong Institute of Directors and Member of International WHO'S WHO of professionals, and concurrently Visiting Professor in Dalian Maritime University, Shanghai Maritime University and Qingdao Oceanshipping Mariners College. In Jan. 2008, he was elected as the Member of the 13th Session of Shanghai National People's Congress and Member of Standing Committee of National People's Congress. Since Aug. 2011, he has been Vice President of the Company. In Feb. 2012, he resigned from Director and Vice President of the Company due to work reason.

Mr. Xu Minjie, Vice Chairman. He is currently Deputy GM, member of the Party Committee of COSCO Group. Mr. Xu graduated from ship navigation in Qingdao Ocean Shipping Mariners College and obtained MBA degree from Shanghai Maritime University and master's degree in management from Maastricht School of Management in Netherlands. Mr. Xu is a senior engineer and started work in May 1977. Mr. Xu joined COSCO Group in 1980, he successively acted as assistant officer, third officer, second officer, chief officer and captain in Shanghai International Freight Forwarders Association, and also department manager of ocean shipping, Department Manager of Container Freight Dept, Operation Dept and Ocean Shipping Export Dept etc. and Deputy GM in COSCO Shanghai, as Deputy GM, GM and member of the Party Committee, Vice Secretary of the Party Committee of COSCO Shanghai International Ocean Freight & Forwarding Company; GM, Vice Secretary of the Party Committee of COSCO Shanghai International Ocean Freight & Forwarding Company (Cosfre Shanghai for short); as General Manager of Freight Dept. in COSCO Group; GM of COSCO Pacific Limited; Vice President, member of the Party Committee of COSCO Group. Mr. Xu once acted as Vice Chairman of Shanghai International Freight Forwarders Association from Dec. 1998 to Sep. 2003. From Jun. 2005 to Jan. 2007, he served as Director of China Communications and Transportation Association. From Apr. 2007, Mr. Xu has been the Company's Director; in Jun. 2011, Mr. Xu Minjie resigned from the post of Director of the Company due to work change. From Mar. 2012, he was re-elected Director and Vice Chairman of the Company.

Mr. Mai Boliang, is Director and president of the Company. He graduated from mechanical engineering of South China University of Technology and served as technician and Manager and Deputy Manager of Product Technical Dept. since 1982. He began to serve as president of the Company in 1992 and act as Director of the Company since Mar. 1994.

Mr. Wang Hong, Director. He is currently General Manager of Strategy Research Department of China Merchants Group Limited, concurrently Director of China Merchants Holdings (International) Co., Ltd., Director of China Merchants Property Development Co., Ltd., as well as Director of China Merchants Energy Shipping Co., Ltd. Mr. Wang graduated from turbine management in Dalian Maritime University in 1982 and then continued his study in the Graduate School of University of Science and

Technology Beijing and Gradual School of Chinese Academy of Social Sciences and achieved MBA degree and PHD of management respectively. He ever served as Marine engineer of COSCO Guangzhou Ocean Shipping Company, General Manager of CIESCO (China Communications Import & Export Corporation) Ocean Shipping Dept., General Manager of CIESCO Financial Dept and CIESCO General Manager, Managing Director of Hoi Tung Marine Machinery Suppliers Limited, General Manager of Performance Appraisal Dept., HR Dept. and Strategy Research Dept. in China Merchants Group, standing Vice General Manager, CEO (concurrent) of China Merchants Holdings (International) Co., Ltd., Chairman of China Merchants Holdings Pacific Limited and Vice Chairman in Shanghai International Port (Group) Co., Ltd. He began to act as the Company's Director since April 2007.

Mr. Wang Xingru, Director. Currently he acts as Executive Director, Vice Chairman and Managing Director of the Board, Chairman of Investment and Strategy, Chairman of Investment & Strategic Planning Council and member of Executive Board, Remuneration Council and Nominating Council of COSCO Pacific Limited. He graduated in Shangdong University of Technology with a master degree on engineering and acted as an excellent senior engineer with a high score. Mr. Wang joined COSCO in 1991, successively took posts of standing deputy GM of Tianjin United Ocean Shipping Development Co., Ltd., deputy GM of COSCO Industry Co., GM of COSCO Shipyard Co., Ltd., non-independent and non-executive director of COSCO Corp. (Singapore). Now Mr. Wang takes posts of vice president of Ocean Engineering and Equipment Committee of CANSI. He was ever elected as president of Ship Repair Committee of CANSI, vice president of CANSI. He has more than 20 years experience on operation and administration of shipping and related industries, with affluent experience on corporate operation and administration as well as assets operation. He enjoys a good reputation in industry for his brilliant eyesight and administration skill. Mr. Wang is in charge of the leadership of overall administration, development strategy, corporate management, and finance administration etc. of COSCO Pacific Limited. He has been Director of the Company since Aug. 2011.

Mr. Ding Huiping, Independent Director. Currently, he is a professor and doctor tutor of School of Economics and Management in Beijing Jiaotong University, is director of Chinese Enterprise Competitive Power Research Center in Beijing Jiaotong University. He concurrently acts as independent director of CRBC International Co., Ltd. He graduated from Northeastern University with bachelor of engineering degree in Feb. 1982. He went to Sweden for study in 1987, got licentiate of engineering in 1991, got economics doctor degree in 1992 and then has been postdoctoral researcher. He returned to China in 1994, and then has been working in School of Economics and Management of Northern Jiaotong University (now named Beijing Jiaotong University) till now. Mr. Ding once concurrently acted as independent director of China Merchants Bank, Huadian Power International Corporation Limited and Shandong Luneng Taishan Cable Co., Ltd. His research direction: finance, decision-making of investment & financing and enterprise evaluation and administration on enterprise economy and innovation. Mr. Ding has been acted as Independent Director of the Company since April 2010.

Mr. Jin Qingjun, Independent Director, is a master and securities lawyer. He currently holds such positions as partner of King & Wood Law Firm, visiting professor of China University of Politic Science and Law, arbitrator of Shenzhen Arbitration Committee, arbitrator of China International Economic and Trade Arbitration Commission, member of Appeals Review Committee of Shenzhen Stock Exchange, legal advisor of Washington Court of Appeals in China, legal advisor for many financial institutions, securities companies and listed companies at home and abroad, member of China Law Society, China International Law Society, China Maritime Law Society and Inter-Pacific Bar Association. Mr. Jin once worked as lawyer in Johnson Stokes & Master and British Law Firm, full-time lawyer of Zhongxin Law Firm, founder and executive partner of Shenzhen Xinda Law Firm. As one of the first lawyers in China to obtain accreditation as lawyer, Mr. Jin is mainly engaged in legal affairs in such sectors as finance, securities, investment, intellectual property, real estate, corporation, bankruptcy and litigation and has made outstanding contribution in securities, funds, banking, merger and acquisition. In Apr. 2007, he began to serve as Independent Director.

Mr. Xu Jing'an, independent director. He graduated from Fudan University News Department in 1964 and then 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. Mr. Xu served as Vice Director of China Economic System Reform Research Commission in 1985 and Director of Shenzhen Economic Reform Commission and Vice Director of Shenzhen Stock Exchange in 1987. Currently, he serves as Chairman of Xu Jing An Investment Consultants, Chairman and research fellow of Shenzhen New Century Civilization Research Institute. In April 2007, he began to serve as Independent Director.

2. Members of the Board of Supervisors

Mr. Lu Shijie, Chief Supervisor. He took the post of Chief Financial Officer in COSCO Pacific Limited in Jan. 2008. Mr. Lu Shijie is a member of Hong Kong Institute of Certified Public Accountants, American Institute of Certified Public Accountants, *the Chartered Institute of Management* Accountants and Certified Management Accountants of Canada. Mr. Lu Shijie is MBA of University of Ottawa and holds bachelor degree in administration in University of York. He once acted as CFO and General Manager in listed company in Hong Kong and American multinational Company, for example, in New World TMT, Wang On Group Limited and Hong Kong Plastics Department of General Electric Company. He has been acting as supervisor of the Company since Jun. 2009.

Ms. Huang Qianru, supervisor. She now serves as Vice General Manager of China

Merchants Holdings (International) Co., Ltd., taking charge of the company's financial affairs. In 2004, she joined China Merchants Holdings (International) Co., Ltd. She has been Independent Director (Non-executive) in China Gas Holdings Ltd. in late 2003, and assigned as Chairman of the Board (Non-executive) of China Gas Holdings Ltd. in Mar. 2011. Previously, Mr. Huang has had an over-15-year experience of working as a top executive in many globally famous investment banks such as Societe Generale, Deutsche Morgan Grenfell, Samuel Montague and Bear Stearns Asia, providing financial consulting and financing services for not less than 50 companies in the Greater China Region and Asia. And Ms. Huang has an MBA degree granted by University of Asia Oriental, Macau. She has been supervisor of the Company since Jun. 2009.

Mr. Feng Wanguang, staff supervisor. Mr. Feng graduated from foundry major in Mechanical Engineering Department of South China University of Technology. Mr. Feng began to work in Shekou Huamei Steelworks in Jan. 1982. Mr. Feng worked in Shekou Industrial District Organization Dept from Jan. 1983 to Sep. 1986. Mr. Feng worked in Hongda Glasses Co., Ltd. as General Manager from Sep. 1986 to Jan. 1987. Mr. Feng worked in China Merchants (Hong Kong) HR Dept and Board Office as Vice General Manager from Jan. 1987 to Sep. 1996. Mr. Feng worked in China Merchants Zhangzhou Development Zone as Vice General Manager and Vice CPC Secretary from Sep. 1996 to Apr. 1999; Vice CPC Secretary in CIMC from Apr. 1999 till now. Mr. Feng began to serve as supervisor since May 2002.

3. Senior management

Mr. Mai Boliang, director and President, please referred to the above introduction on directors.

Mr. Zhao Qingsheng, Vice President. Mr. Zhao Graduated from *Wuhan University of Water Transportation Engineering (*Wuhan University of Technology*)*, majoring in marine engineer. He is currently Vice President of the Company. Mr. Zhao joined China Merchant Group in 1983 and served as General Manager of the Enterprise Dept. in China Merchant Group from 1991 to 1995, Deputy General Manager of China Merchants Holdings (International) Co., Ltd. from 1995 to 1999, and Vice Chairman of the Company from 1997 to 1999. He has been Vice President of the Company since 1999.

Mr. Li Ruiting, Vice President. Mr. Li graduated from South China University of Technology with bachelor degree in mechanical manufacturing. He is a senior engineer and is currently the Company's Vice President. Mr. Li began to serve the Company in 1987, and ever took the post of Manager of the Company's Technology Dept. and QC Dept., of Deputy General Manager and General Manager of Shenzhen Southern CIMC Containers Manufacture Co., Ltd. and of General Manager of Shanghai CIMC Reefer Containers Co., Ltd. Mr. Li has been the Company's Vice President since 1995. In terms of Mr. Li Ruiting already fulfilled conditions for retirement that the Board agreed to dismiss Mr. Li Ruiting from his post of Vice President in Mar. 2011.

Mr. Wu Fapei, Vice President. Mr. Wu graduated from South China University of Technology with bachelor degree in mechanical manufacturing and master degree in engineering. He used to be teacher and associate professor of School of Business Administration in South China University of Technology and Deputy General Manager of Nanhua Bicycle Ronghui Co., Ltd. in Zhaoqing Guangdong. He joined the Company in 1996 and began to serve as Manager of Information Management Dept. in December 1996, Assistant President of CIMC in December 1998 and Secretary to the Board of CIMC in Dec. 1999. He began to serve as Vice President of CIMC in Mar. 2004.

Mr. Li Yinhui, Vice President. Mr. Li obtained bachelor's degree in history from Jilin University, MBA degree from School of Business in Nanjing University, and PHD in economics from Jilin University. He worked in Central Committee of Chinese Communist Youth League in 1991; worked in State Commission of Foreign Trade and Economic Cooperation from May 1993 to Mar. 2003; and in Ministry of Commerce in Mar. 2003. He served as Vice President of CIMC (part-time) from Oct. 2002 to Oct. 2003 and began to his work as Vice President of CIMC in Mar. 2004.

Mr. Liu Xuebin, Vice President. Mr. Liu graduated from Shenzhen University with a bachelor's degree in management. He joined the Company in 1982, and ever worked as Deputy Manager of the Company's Purchasing Dept., Deputy General Manager of Nantong CIMC-SMOOTH SAIL Container Co., Ltd., Deputy General Manager of Container Branch of CIMC Group, and General Manager of Xinhui CIMC Container Co., Ltd. In 1997, he began to serve as General Manager of Shenzhen Southern CIMC Containers Manufacture Co., Ltd., and in Dec. 1998, he also took post of the Assistant President of the CIMC and Chairman of Xinhui CIMC Container Co., Ltd. at the same time. In Mar. 2004, he began to serve as Vice President of CIMC.

Mr. Yu Ya, Vice President of the Company, Vice Secretary of the Party Committee and General Manager of Public affairs Dept. Mr. Yu graduated from Mechanical Engineering Department of Tianjin Light Industry Vocational Technical College, MBA of Nanjing University. He used to serve as Secretary of Minister, Vice-Director of office department in the Light Industry Dept (later it was China Light Industry Association). Then he served as Deputy General Manager and General Manager of China National Food Industry (Group) Corp., Vice-president of Sinolight Corporation, and Executive Director、Vice-Executive President of Capgemini in Greater China. Mr. Yu joined the company in Aug.2007, and served as the Vice secretary of the Party Committee and General Manager of Public affairs Dept. He began to serve as Vice President of CIMC since Mar. 2010.

Mr. Yu Yuqun, Secretary to the Board. Mr. Yu obtained bachelor and master's degrees in economics from Beijing University. He once worked in the State Price Control Bureau. He joined the Company in 1992 and first worked as Deputy Manager and then

Manager of Financial Affaires Dept., responsible for securities affaires and fund management. He has been Secretary to the Board of the Company since March 2004.

Mr. Jin Jianlong, General Manager of Financial Dept., a certified accountant. He graduated from Maanshan Institute of Iron and Steel Technology in Jul. 1985, majoring in accounting. From Aug. 1975 to Apr. 1989, he worked in Hangzhou Iron & Steel Works as Section Chief of the Financial Dept. He joined the Company in 1989, and first worked as Manager of the Financial Management Dept. of CIMC, and then of the Financial Management Dept. of Shenzhen Southern CIMC Containers Manufacture Co., Ltd.. He has been the Company's General Manager of Financial Management since Oct. 2001.

Ms. Zeng Beihua, General Manager of Cash management Dept. Ms. Zhen graduated from Wuhan University, majoring in accounting. Ms. Zhen joined the company in 1989, and ever took the post of the General Manager of Financial Dept.、Deputy General Manager of CIMC Vehicle (Group) Corp., while General Manager of CIMC Vehicle Financing Lease Co., Ltd., General Manager of CIMC Finance Corp. She served as the General Manager of Cash Dept. of the company since Dec. 2009.

(III) Concurrent positions held by Directors, Supervisors and Senior Management in organizations other than shareholder's company

Name and title	Organizations for concurrent positions	Relations with the Company (controlling related/non-related)	Title
Li Jianhong/Chairman	China Merchants Group Limited	Non-related	Director and president
	Chairman of China Merchants Energy Shipping Co., Ltd.	Naught	Chairman
	China Merchants Holdings (International) Co., Ltd	Related	Managing Director and Vice Chairman of the Board
Sun Jiakang/ Vice Chairman	COSCO Group	Related	Deputy GM, member of the Party Committee
	China COSCO Holdings Co., Ltd.	Related	Executive Director
Xu Minjie/Vice Chairman	COSCO Group	Related	Deputy GM, member of the Party Committee
	COSCO Container Lines Company Limited	Non-related	Chairman
	COSCO Logistics Co., Ltd	Non-related	Chairman
	COSCO Korea Co., Ltd.	Non-related	Chairman
Mai Boliang/Director/President	Concurrent positions in 30 controlling subsidiaries such as CIMC Vehicle Group and Shenzhen South CIMC Limited	Controlling subsidiary	Chairman/Director
Wang Hong/Director	China Merchants Group Limited	Related	General Manager of Planning Department
	China Merchants Holdings (International) Co., Ltd	Related	Director
	China Merchants Energy Shipping Co., Ltd.	Non-related	Director
	China Merchants Property Development Co., Ltd	Non-related	Director

Wang Xingru /Director	COSCO Pacific Limited	Related	Vice president of the Board and Director, GM
	COSCO Pacific Investment Holdings Limited	Non-related	Director
	COSCO H.K. Investment Co., Ltd	Non-related	Director
	Concurrent positions in 34 subsidiaries such as COSCO Pacific Limited	Non-related	Director/Chairman
	Concurrent positions in 8 joint control entities and affiliated companies under COSCO Pacific Limited	Non-related	Director/Chairman/Vice Chairman
Ding Huiping/Independent Director	Beijing Jiaotong University	Non-related	Professor and doctor tutor of School of Economics and Director of Chinese Enterprise Competitive Power Research Center in Beijing Jiaotong University
	CRBC International Co., Ltd	Non-related	Independent Director
Jin Qingjun/Independent Director	King & Wood Law Firm	Non-related	Senior partner
	Invesco Great Wall Fund Management Company Limited	Non-related	Independent Director
	Gemdale (Group) Co., Ltd.	Non-related	Independent Director
	China United Travel Co., Ltd.	Non-related	Independent Director
	China University of Politic Science and Law	Non-related	Part-time professor
	School of Law of Tsinghua University	Non-related	Part-time professor
	Shenzhen Arbitration Committee	Non-related	Arbitrator
	China International Economic and Trade Arbitration Commission	Non-related	Arbitrator
Xu Jing'an/Independent Director	Xu Jing An Investment Consultants and	Non-related	Chairman
	Shenzhen New Century Civilization Research Institute	Non-related	Chairman, research fellow
	Shenzhen Nanshan Power Station Co., Ltd.	Non-related	Independent Director
Lv Shijie/Chief Supervisor	COSCO Pacific Limited	Related	CFO
	Concurrent positions in 8 subsidiary companies of COSCO Pacific Limited	Non-related	Director/Chairman
	Concurrent positions in two joint control entities and affiliated companies under COSCO Pacific Limited	Non-related	Director
Huang Qianru/Supervisor	China Merchants Holdings (International) Co., Ltd	Related	Director, Deputy GM
Feng Wanguang/Supervisor	CIMC Holdings (B.V.I.) Limited	Controlling subsidiary	Director
Zhao Qingsheng/Vice President	Concurrent positions in 52 companies such as Shenzhen South CIMC Limited and CIMC Enric Energy Equipment Holdings Limited	Controlling subsidiary	Chairman/Director
Wu Fapei/Vice President	Concurrent positions in 44	Controlling	Chairman/Director

	controlling subsidiaries such as CIMC Vehicle (Group) Corp. and CIMC Finance Co., Ltd	subsidiary	
Liu Xuebin/Vice President	Concurrent positions in 6 controlling subsidiaries such as Shenzhen South CIMC Limited	Controlling subsidiary	Chairman/Director
Li Yinhui/Vice President	Concurrent positions in 7 controlling subsidiaries such as CIMC Vehicle Group	Controlling subsidiary	Chairman/Director
Yu Ya/ Vice President	Concurrent positions in 10 controlling subsidiaries such as CIMC Raffles Ocean Engineering (Singapore)Co., Ltd.	Controlling subsidiary	Chairman/Director
Yu Yuqun /Secretary to the Board	Concurrent positions in 25 controlling subsidiaries such as CIMC Enric Energy Equipment Holdings Limited and Shenzhen CIMC-Tianda Airport Support Co., Ltd.	Controlling subsidiary	Director
Jin Jianlong/General Manager of Financial Management	Concurrent positions in 92 controlling subsidiaries such as Shenzhen South CIMC Limited and Enric Energy Equipment Holdings Limited	Controlling subsidiary	Director
Zeng Beihua/ Manager of Capital Management Department	Concurrent positions in 20 controlling subsidiaries such as CIMC Finance Co., Ltd. and CIMC Vehicle Financing Lease Co., Ltd.	Controlling subsidiary	Director

(IV) Remuneration for directors, supervisors and senior management

Procedure and basis to determine remuneration for directors, supervisors and senior management:

As stipulated in the Articles of Association, the remuneration for directors and supervisors is determined by shareholders meetings and that for senior management is determined by the Board of Directors. In the reporting period, CIMC senior management get paid in CIMC or subsidiaries.

CIMC has established a complete remuneration system and incentive mechanism. First, we implement annual-salary system for directors, supervisors and senior management who work for and get paid from CIMC. Secondly, CIMC board of directors formulates "CIMC Leading Group Measurement and Management Regulations" at the beginning of each year to implement performance measurement for relevant personnel and determine performance-based incentive amount at the end of each year. Shareholders' meeting authorizes the Board of Directors to determine the remuneration of chairman and President Mai Boliang in compliance with "CIMC Leading Group Measurement and Management Regulations" and president formulates proposals for performance-based bonus for other senior management subject to approval by Remuneration Council under the Board of Directors.

Of the 8 directors, Mr. Mai Boliang holds the position as president and gets paid in CIMC and CIMC paid no remuneration to any other directors in the reporting period. Based on approval by the shareholders meeting and board of directors, independent directors Ding Huiping, Jin Qingjun and Xu Jing'an received RMB 120,000 as subsidy for independent directors in reporting period, while CIMC paid no remuneration to any other independent directors in the reporting period. As staff supervisor, Mr. Feng Wanguang gets paid in CIMC and no remuneration was paid to other supervisors in the reporting period.

Details on remuneration (before tax) of current directors, supervisors and senior management please see basic information above about the directors, supervisors and senior management.

(V) Changes in Directors, Supervisors and Senior

Xu Minjie, Director of the Six Board of Directors, resigned from the post of Director of the Company on 13 Jul. 2011, due to work change. According to Articles of Association, directors of the Board of the Company still require one more. Then the Board nominated Mr. Sun Jiakang, Mr. Wang Xingru as candidate for the Six Board of Directors. On the First Special Shareholders' General Meeting 2011 convened on 11 Aug. 2011, Mr. Sun Jiakang and Mr. Wang Xingru were elected Directors of the Six Board of Directors. On 2 Feb. 2012, due to work change, Mr. Sun Jiakang resigned from posts of Director and Vice Chairman of the Company. The First Special Shareholders' General Meeting was convened on 1 Mar. 2012, of which approved a proposal to electing Mr. Xu Minjie as Director of the Six Board of Directors. On 6 Mar. 2012, the Fifth Session of the Six Board of Directors elected Mr. Xu Minjie as Vice President of the Company.

II. About the employees of the Company

(I) Number of employees

By 31 Dec. 2011, the number of employees of the Company is 64,530.

(II) Composition

	Post composition			Education status				
	Management	*Technology*	*Production workers*	*Doctor*	*Master*	Bachelor	Junior college	Others
Number	9301	4893	50336	23	664	6584	7028	50231
Proportion (%)	14.4%	7.6%	78%	0.04%	1.03%	10.21%	10.90%	77.85%

The Company does not need to bear expense for retired employees.

Section VI Corporate Governance Structure

I. Corporate governance

In the reporting period, the Company constantly perfected corporate governance and standardized operation of the Company strictly in accordance with the provisions in such laws and regulations as the *Company Law*, *Code of Corporate Governance for Listed Companies*, *Guideline for Establishing Independent Director System in Listed Companies*, *Rules for the General Meeting of Shareholders of Listed Companies* and *Guidelines for the Articles of Association of Listed Companies*. Corporate governance was based on the regulators in the rules of procedure of shareholders' general meeting, the Board's meeting and Supervisors' meeting, as well as work rules for president, and through the roles of special committee of the Board, thus assuring the duties performance and responsibility fulfillment of the meetings held by the shareholders, directors and supervisors. Interests of the shareholders and the Company were protected and corporate governance which complied with the requirements of modern enterprise management was initially established.

In accordance with regulations and requirements on corporate governance of listed companies stipulated by CSRC, CSRC Shenzhen Bureau and Shenzhen Stock Exchange, the Company positively communicated with securities supervisory department, provided feedback and submitted materials and reports on relevant check and enquiry issues, specific check, implement of system required by supervision department. Meanwhile, the Company implemented and revised relevant systems; they were *Registration and Administration System on Persons with Inside Information*, *Management System on Financing Capital* and *Management System on Related-party Transactions*.

The Company actively participated in trainings for directors and supervisors of listed companies organized by regulatory ministry. The Company organized all directors, supervisors and senior management as well as shareholders holding over 5% shares of the Company, strictly obey relevant laws, statutes, regulations and cases to purchase and sell shares of the Company without violating, improved self-discipline and restraint consciousness on relevant action of the above personnel.

As for implement of administrative system on inside information and persons with inside information, the Board of the Company and secretary to the Board are in charge of administrative work of inside information; the Finance Administration Dept. is in charge daily procedure of registration and record of inside information. The Company is strictly in line with regulations and requirements stipulated in system, so as to conduct efficient supervision for inside carry-over and disclosure of inside information. Upon self-examination, there were no particulars about persons with inside information took advantages of inside information to purchase and sell shares of the Company before the disclosure of major sensitive information that shall have an impact on the share price of the Company in 2011. The annual secretary to the Board of the Company 2011 received public accomplishment from CSRC Shenzhen Bureau in respect of standardized corporate governance.

II. Performance of the Independent Directors

(I) Particulars about the independent directors attending the Board meetings:

Name of Independent Directors	Due presence (times)	Presence in person (times)	Entrusted presence (times)	Absence (times)
Ding Huiping	18	18	0	None
Jin Qingjun	18	18	0	None
Xu Jing'an	18	18	0	None

(II) Duty performance

In compliance with requirements of regulatory documents as *Guideline for Establishing Independent Director System in Listed Companies*, the *Articles of Association* and *Work Details for Independent Directors*, the Independent Director, being reasonably cautious, diligently performed their duty to protect the overall interests of the Company, especially legal interests of minority shareholders. They attended the Board's meetings on time, reviewed carefully documents of the meetings and actively carried out investigation and inspected subsidiaries of the Company to gather information needed for the decision-making and gave clear opinions on the affairs discussed. They also paid special attention to the auditor's report and reports of the Company by public media, kept themselves informed of the Company's operation and management status, and significant events happened or contingent and their influence. They timely reported to the Board the problems existing in the operation of the Company and submitted annual duty report to the Shareholders' General Meeting of the Company,

In the reporting period, the Independent Directors carefully deliberated the significant events which required their independent opinions and submitted opinion letters in writing. The significant events included:

1. Special statement and independent opinion on external guarantee in 2010;
2. Independent opinion on particulars of derivatives investment and risk control in 2010;
3. Independent opinion on particulars of execution of daily related-party transactions in 2010 and prediction of daily related-party transactions in 2011;
4. Independent opinion on resignation of senior management;
5. Independent opinion on daily related-party transactions;
6. Independent opinion on *Self-appraisal Report on Internal Control of CIMC 2010*;
7. Independent opinion on remuneration of directors and senior management of the Company;
8. Independent opinion on engagement of accounting firm;
9. Independent opinion from Independent Directors on nomination and election of candidate for director to the Six Board of Directors;
10. Specific statement and independent opinion on relevant events of the first half of 2011;
11. Independent opinion on relevant events concerning granting stock option in stock option incentive plan;
12. Independent opinion on particulars of derivatives investment and control of risk of the Company from Jan. 2011 to Sep. 2011.

(III). Independent role of Independent Directors in the Annual Report

Strictly in accordance with the requirements stipulated in *Public Notice on Preparation of Annual Report 2011 and Relevant Work* by CSRC, the Independent Directors diligently performed their duties as independent directors when preparing the Annual Report 2011.

1. Independent Directors heard the report on the operational condition 2011 by the management staff in ways such as meeting of the Board. Independent Directors inspected Enric (Bengbu) Compressor Co., Ltd. and C & C Truck Co., Ltd., and listened to report on annual operational condition 2011 by the General Manager respectively.

2. Independent Directors communicated thoroughly with Klynveld Peat Marwick Goerdeler Co., Ltd. (hereinafter refer to as "KPMG") on personnel of auditing team, the auditing plan, risk evaluation, test of fraud and its evaluation method as well as the key point of the auditing work 2011, and the two parties reached agreement on these items. Independent Directors examined and approved the *Arrangement of the Company's Audit Work 2011*.

3. Independent Directors heard reports on the preparation stage, drafting stage and concluding stage of annual report auditing by KPMG respectively;

4. Independent Directors communicated with KPMG on the preliminary examination opinions on the *Auditors' Report*, and agreed on the preliminary examination opinions that KPMG had issued on audit report without reservations.

5. Independent Directors carefully deliberated the holding procedure and the documents required for the Six Session of the Six Board of Directors held on 21 Mar. 2011 for deliberating the annual report. They believed that the notice on the convening and procedures of the Board's meeting for deliberating the annual report were in compliance with requirements of relevant rules and regulations; and that the annual report, auditor's report, financial statement and other documents on the resolutions to be discussed were complete and in compliance with the requirements of relevant rules and regulations.

III. Particulars about the Company's separated from the controlling shareholder in respect of business, personnel, assets, organization and financing.

Majority shareholders for CIMC include China Merchants (CIMC) Investment Limited and COSCO Container Industries Limited. CIMC was separated from the controlling shareholder in business, personnel, assets, organization and financing as well as independent accounting and independent bearing of liabilities and risks.

(I) In aspect of personnel: the Company was independent and complete in labor, personnel and salary management and absolutely independent from the majority shareholders. All senior managements received remuneration in the listed Company and none of them holds a double position in the controlling shareholders entities.

(II) In aspect of assets: the Company's assets were complete, and there was the clear property right relationship between the Company and the controlling shareholder. The Company owns an independent management of the assets and there exist no such things as the majority shareholders possessed or controlled the assets or intervened in the operation management of the asset of the listed company.

(III) In aspect of financing: the Company owned independent financial department, established independent accounting system and financial management system, opened independent bank account, paid tax in line with laws independently.

(IV) In aspect of organization: the Company's Board of Directors, the Board of

Supervisors and other internal organizations are complete and operate independently. Shareholders exercised their rights according to the law and bear relevant liabilities and did not intervene in the operation activities of the Company directly or indirectly beyond the shareholders' general meeting.

(V) In aspect of business: the Company's systems of production, purchase, auxiliary production and sales are completely independent. Intangible assets as industrial property right, trademarks and other proprietary technology were independently owned by the Company. There existed no such thing as the Company and the majority shareholders as well as their subsidiaries produced and sold the same products and there was no direct or indirect competition in business between them.

In the reporting period, there was no illegitimated governance problem such as providing private information to majority shareholders or actual controllers in the Company.

IV. Establishment and improvement of the internal control system

(I) General situation

CIMC has established a series of procedures and systems for the Shareholders' General Meeting, the Board of Directors and the Board of Supervisors to exercise their decision-making power, executing power and supervisory power. In addition, the Board of Directors has established three special committees for audit, remuneration & measurement and strategy respectively. These special committees perform their roles to discuss and decide on significant affairs of the Company in compliance with relevant working rules.

The Board of Directors supervises the establishment, improvement and implementation of the internal control system via the Audit Committee. The Audit Committee assists in formulating and reviewing the internal control system and reviews and supervises significant related-party transactions. The Board of Supervisors reviews internal control status and provides audit proposals.

In terms of corporate governance and internal control, the Audit & Supervision Department assists the Board of Directors in recognizing and evaluating material risks and assists the Group in improving its risk management and internal control system; assists the Group in maintaining an efficient internal control system through the evaluation of the efficiency and continued improvement of internal control system; implementing duties of examination and evaluation, consultation and service. The Audit & Supervision Department regularly submits report concerning audit work of internal control system to the audit committee, the Board of Supervisors under the Board and management team of the Group.

In strict compliance with the *Company Law*, the *Code of Corporate Governance for Listed Companies*, the *Guiding Opinion on Establishing Independent Director System in Listed Companies*, the *Rules for Listing Shares in Shenzhen Stock Exchange*, the

Guidelines for Fair Information Disclosure of Listed Companies, the *Guidelines of Shenzhen Stock Exchange for Internal Control of Listed Companies*, the *Several Provisions on Strengthening Protection of Rights and Interests of Public Shareholders*, the *Decisions on Amending Some Provisions on Cash Dividends by Listed Companies*, the *Regulations on Takeover of Listed Companies*, the *Guidelines of Shenzhen Stock Exchange for Management over Listed Company's Shares Held by Its Directors, Supervisors and Senior Executives and Changes Thereof*, and other relevant laws and regulations by the state, CSRC and other supervisory authorities, the Company continued to improve its corporate governance and standardized its operation. According to Guidelines for Internal Control of Listed Companies in Shenzhen Stock Exchange, the Company launched establishment of internal control system in Jun. 2007. Based on the advanced COSO's Internal Control - Integrated Framework, the internal control system of the Company ranges from management of controlling subsidiaries, management of investment, information disclosure, related-party transactions, purchase and payment, sales and collection, human resources, fixed assets, financial statement, monetary capital, costs, information system and other management procedure for major business. The Company has set up construction committee of internal control system (hereinafter refer to as "the committee"). On 21 Feb. 2011, the Company made adjustment to the members of the Committee, newly elected persons responsible for relevant functions and persons responsible for main industrial block, so as to ensure an efficient operation of internal control system.

Early this year, the Company was combined into 22 pilot key listed companies that are the first batch of pioneers of internal control implementation criterion in Shenzhen by CSRC that the Company drafted plan to upgrade the construction of internal control system: by 2011, each industrial block of the Company shall coated with an internal control system; by 2012, each subordinated entity enterprises of the Company shall coated with an internal control system.

In the reporting period, the Company divided the upgrading plan of construction of internal control system into three steps:

1. In line with the spirit of Internal Control Standards and its Supporting Indexes issued by the Ministry of Commerce of the People's Republic of China CSRC, the State Administration of Taxation, the State Administration for Industry & Commerce of the People's Republic of China, and the State Administration of Foreign Exchange, the Audit and Supervision Department of the Company set up a work team to draw up training materials and gathered each entities for training; the work team compared the 18 operation indexes with the internal control system previously constructed by the Company and made a development and some innovation as combining with actual business of the Company. As a result, the 18 operation indexes expanded to 24 application modules and thereby formed a template file. The Group adapted to new work requirements related to internal control system, improved the process of rolling work plan (from monthly to weekly), and internally audited the first-stage software for audit work in IT platform.

2. The Company shall open experimental units of internal control in typical enterprises of each business block, establish a set of completed RCM module applicable for each enterprise block, of which includes each important procedures such as organization structure, strategy of development, comprehensive budget, purchase, sales, financial statement and so on. Supervisory team of the Group and experimental units shall inspect the differences between the existing control procedures and supporting guidelines, analysis flaw of the existing procedures, define evaluation rules for flaw of internal control (which including qualitative and quantitative criteria) according to supporting guideline on compare of internal control. They shall identify flaw of internal control on the basis of common discussion and thereof to accomplish 35 rules of internal control.

3. Supervisory team of the Group shall carry out draft of RCM and sample tests to internal control team of each unit, while internal control team of each unit should inspect differences between the existing control procedures and supporting guidelines analysis flaw of the existing procedures, identify flaw of internal control. In respect of enterprise that confirmed of internal control flaw, timely implement of rectify and improving is a must. Rectify and improving work includes adjustment of arrangement of organization and procedure, amendment of policies and systems, adjustment and training of personnel, accountability of loss on internal control etc.. The said enterprise shall assure rectify and improving of material flaw reach a mark through self-examination and internal review, so as to perfect an overall check and realignment of internal control from top to bottom of the Group. In accordance with requirements of the Announcement on Conducting Work Affairs Related to Experimental Projects of Internal Control Standards of Listed Companies in Shenzhen Administration Area (Shen-Zheng-Ju-Gong-Si-Zi [2011] No.31), the Company reported the progress of internal control to Shenzhen Securities Regulatory Bureau on schedule.

In 2011, the Company put further efforts in integrating its rules into a consistent system and relevant management. It held special meetings and appointed specialized functional organs to prescribe the establishing, reviewing and approving, and issuing processes for rules, as well as to examine, revise and terminate the Company’s internal operation rules and basic management rules. By continuously improving various management rules, the Company tried to standardize its internal business processes and management so as to control risks arising from the course of operation.

(II) Particulars concerning corporate governance and rectification plan

From Oct. to Dec. 2010, the Shenzhen CSRC Bureau carried out an on-site examination in the Company and stated formal supervision opinions in Apr. 2011. In line with opinions and requirements by the Shenzhen CSRC Bureau, the Company adopted targeted and efficient solutions, in a result, the Company finished rectify and improving in time. The Company convened the Six Session of the Eighth Board of Directors for 2011 and the 3rd Session of the Six Board of Supervisors for 2011 on 30 Jun. 2011, of which reviewed and approved Summary Report on Rectify and Improving Concerning

the On-site Examination by Shenzhen CSRC Bureau.
In 2011, the Company didn't have pending corporate governance issues.

(III) Establishment and execution of the Company's internal control rules for financial reports
The financial management system of the Company is sound and effectively executed. The system is divided into four grades, i.e. rules, provisions, methods and specific rules (signed and issued by the President) and guidelines (signed and issued by department chiefs), covering management over accounting, funds, budgets, payments, internal transactions and events, etc..

The Company has established unified accounting policies for the Group. As for subsidiaries abroad which adopt IFRS for accounting, they are brought under the Group's unified accounting policies in the consolidation. In this way, it can be ensured that all entities consolidated are accounted for under the same accounting policies. If a change of key accounting policies is required or needed, approval from the Board of Directors must be obtained. And change of ordinary accounting policies must be approved by the top management.

Any change of the accounting estimates or correction of material accounting errors must be approved by the management. And there have been no correction of material accounting errors in the past three years.

As for asset impairment tests, the Company has explicit stipulations for the process and approval of asset impairment recognition, which the Company has been strictly abided by. Besides, checks and re-checks are carried out on a frequent basis.

In Mar. 2010, the Company established the *Accountability Mechanism of CIMC for Material Errors in Annual Report Preparation and Disclosure and the Financial Principal Mechanism of CIMC*, which were reviewed and approved at the Eighth Session of the Six Board of Directors for 2010. Neither material defects had been found concerning the Company's internal control, no significant accounting correction of errors or amendment of prediction of performance on financial reports by the end of 2011.

(IV) Horizontal competition and related-party transactions
Horizontal competition arises between the Company and the subsidiary of China Merchants Group (the controlling shareholder of the Company's first majority shareholder). One of the Group's four core business—the offshore engineering business—is partially the same with or similar to the business of the said subsidiary of China Merchants Group commenced and developed its offshore engineering equipment business earlier than the Company. Later, the Company also gained the opportunity to acquire an offshore engineering enterprise—Yantai Raffles, thereof took offshore engineering enterprise as a business of the Company. As a result, the horizontal competition was unavoidable due to objective circumstances. Despite the fact that China

Merchants Group does not hold shares of the Company directly, the Company will still communicate with its first majority shareholder in terms of the emphasis points and target markets of the Company's offshore engineering business, so as to avoid direct competition.

Product selling and purchasing activities in the container business arise between the Company and a subsidiary of China Ocean Shipping (Group) Company—the Company's majority shareholder. For more details, see the part of related-party transactions in Note Ⅵ. 5. to the financial statements for the year.

V. Senior management performance evaluation, motivating and restraining mechanism

CIMC has established a set of performance measurement, motivating and restraining mechanism under which the remuneration for senior management is connected with corporate performance and personal performance.

To ensure standard, healthy and sustainable development for CIMC, attract talented people, maintain the stability of the senior management team and safeguard the interests of all shareholders, CIMC formulated *CIMC Leading Group Management and Management Regulations* based on medium and long-term strategic targets. Based on this, CIMC formulates measurement targets at year beginning and determines total remuneration at year end according to the accomplishment of various targets. The shareholders' meeting authorizes the Board of Directors to determine the remuneration for director and President Mr. Mai Boliang in compliance with *CIMC Leading Group Measurement and Management Regulations*. For remuneration of other senior management personnel, President formulates proposals and submits them to Remuneration Council under the Board of Directors for approval.

On 17 Sept. 2010, the *Stock Incentive Drafted Plan of China International Marine Containers (Group) Co., Ltd. (Revised)* was reviewed and approved at the First Special Shareholders' General Meeting for 2010. On 26 Jan. 2011, the Company officially accomplished the registration of stock options for the first phase, with a number of 54 million stock options. On 21 Sept. 2011, the 13th Session of the Sixth Board of Directors for 2011 was convened, where the Resolution on Matters Concerning Granting Reserved Options According to the Stock Option Incentive Plan was reviewed and approved. On 17 Nov. 2011, the registration of 6,000,000 options which were reserved for granting was completed.

Implementation of stock incentive plan will be good for: establishment share and restraining system on interest among shareholders, management team and backbone; management team will balance short-term goal and long-term goal better: attract and keep excellent administrative talent and backbone of business; durative creation of incentive value will assure long-term stable healthy development and strengthen competitive power of the Company.

Section VII The Shareholders' General Meeting

Ⅰ. Annual shareholders' general meeting

The Company convened the 2010 Annual Shareholders' General Meeting in Shenzhen on 13 Apr. 2011.

The public notice on the resolutions made at the meeting was published on Securities Times, Shanghai Securities News, China Securities Journal and Ta Kung Pao (HK) dated 14 Apr. 2011.

Ⅱ. Special shareholders' general meetings

The First Special Shareholders' General Meeting for 2011 was convened in Shenzhen on 11 Aug. 2011.

The public notice on the resolutions made at the meeting was published on Securities Times, Shanghai Securities News, China Securities Journal and Ta Kung Pao (HK) dated 12 Aug. 2011.

Section VIII Report of the Board of Directors

I. Discussion and analysis by the management

(I) Changes in the industry and the influence thereof

After a growth rebound in 2010, the global economy continued to suffer from the economic crisis and the European Debt Crisis in 2011. Developed countries, especial the Euro zone, saw falling market demand, and economic growth in emerging countries also slowed down as a result. With a tight economic policy, the year 2011, the second half in particular, witnessed a drop in both China's fixed asset investment and export growth rate. Economic growth in China encountered quite a slowdown. Meanwhile, due to two major factors, i.e. falling trade growth and a surplus in shipping capacity, the global shipping market slumped into lows again in the latter half of 2011. Compared with last year, growth in the global economy, international trade and market demand for containers decreased further.

In face of a complex and changeable operating environment, the Group adopted flexible and effective operating strategies and measures. With common effort in all business segments, the Company's business results for 2011 hit a record high. At the same time, the Group carried forward its strategic upgrading, management upgrading and organizational reform, boosting breakthroughs in the strength of the Company and all of its business segments.

The year 2011 saw great fluctuations in the global container market. In terms of the container business segment, the management seized up the situation, adjusted strategies, created more competitive edges, pre-empted opportunities and improved the core strength of the business, bringing new highs to the sales income and net profit generated in this segment. In terms of the road transportation vehicle segment, domestic market demand slowed down in growth and overseas markets saw partial recovery. The management carried out the management policy that had been set, and took effective measures to reform management and adjusted the organization. As a result, the operating objective for this segment for 2011 was achieved. As for the energy, chemical & food equipment segment, the management precisely predicted the strong growth of market demand and seized opportunities to expand its production capacity in time, carry out proactive marketing & planning and employ a "one step first" new product development strategy, which effectively expanded overseas markets, solidified the market position of CIMC's best products, and achieved even greater growth in the sales income and operating profit in this segment. Concerning the offshore engineering segment in 2011, the management focused on pushing forward production and delivery in related to the existing orders, adjusted the management system, improved the basic management level, and at the same time made great effort in looking for new orders. And now the offshore engineering segment has gradually walked into a healthy development track.

Cold chain logistics is a new industry with great potential. Although China lags behind in developing cold chain logistics, it has now attached importance to the industry and unveiled support policies for it. The Group has great prospects in cold chain equipments. In search for coordinated development, it will integrate its resources of multi-modal combined transportation reefer containers, reefer trucks and other refrigerators in which

CIMC has experience and competitiveness.

About the container industry: Throughout the year 2011, the prices and number of containers demanded kept rising, but with a first-fast-and-then-slow feature. For 2011, over 3.20 million TEU of containers were manufactured globally, including over 2.70 million TEU of dry cargo containers, rising close to 10% year on year; about 0.15 million TEU of reefer containers and about 0.09 million TEU of special-purposed containers, both decreasing slightly over last year. In terms of prices, the price for a TEU was between US$ 2,600 and US$ 3,000 in the first half of the year and dropped to around US$ 2,300-2,600 in the second half of the year. Due to greater new shipping need, old container replacement need, release of previously accumulated need and other factors, the strong demand for containers in the second half of 2010 lasted in the first half of 2011. But starting from the second half of 2011, the shipping market turned weak and demand had been largely released in the demand peak not long ago, so the container market plummeted.

About the road transportation vehicle industry: Affected by the European debt crisis and appreciation of Renminbi, China’s export to the American and European countries slid in 2011. The continuous weakness of container throughput in China’s ports caused a decreasing demand for flat-bed trucks. Due to a slowing-down domestic economy, a tight credit and the slowdown in growth of fixed asset investment, domestic needs for special vehicles encountered a soft growth. Market demand for semi-trailers went down about 30% on a year-on-year basis, refitted vehicles down about 10%, while demand for tank semi-trailers remained comparatively stable. Throughout the year, the domestic semi-trailer industry as a whole saw a general loss, with competition becoming fiercer for some sub-products.

As for policy changes for the industry, the State Council unveiled the Road Safety Rules in March 2011 and further restricted overloaded vehicles. In June, the State Council introduced 8 supporting measures to boost logistical development, and at the same time, the five ministries carried out a special check-up for illegal and irrational road fee charging. These measures further reduced highway & bridge charges and taxes for logistics enterprises, boosting transportation of agricultural products and development of logistics vehicles and reefer trucks.

About the energy & chemical & food equipment and service industry: Natural gas has become an important primary energy and clean energy for the world. Due to limited source, natural gas only accounts for about 4% in the primary energy chart in China, much lower than the global average ratio. China has an enormous potential demand for natural gas. During China’s 12th five-year plan for development, China considers natural gas an important tool to adjust the energy structure and reduce coal consumption. The weight of natural gas will increase from 4% in 2010 to around 8% in 2015. Domestic demand for natural gas is expected to reach 230 billion cubic meters by 2015 and 350 billion cubic meters by 2020.

In recent years, especially when the second phase of the west-east natural gas transmission project is completed and some coastal LNG receiving stations are also completed one by one, short supply in natural gas is eased and needs start to rise. With the energy-saving and emission-reducing policy, as well as a rising energy supply, equipments related to natural gas have great prospects. Demand growth has moved into an expressway. Automobiles powered by CNG and LNG in particular have been introduced and encouraged worldwide. The government introduced the "Clean Vehicle Plan" in 1999. Later, it unveiled and adopted a series of documents for special plans and policies to encourage development of natural gas automobiles such as the 11th Five-year Plan for Energy Development and the Natural Gas Utilization Policy, with the latter policy unveiled in 2007 to make developing gas-powered automobiles a priority and try to set up a healthy, green transportation system that went with the sustainable development.

Along with rapid development in the coal chemical, petrochemical and basic chemical industries, domestic demand for chemical equipments kept growing rapidly. More and more large-scaled and energy-saving chemical equipments appeared. More equipments needed to be upgraded and replaced. Demand in new fields such as polysilicon also grew. And the international market was further expanded. All these enabled the chemical equipment industry to keep a rapid development.

Due to the debt crisis and a saturated market, Europe recorded a growth slowdown in demand for alcoholic drinks, other kinds of drinks and other liquefied food equipments. However, strong economic growth, rising consumption and accelerated urbanization in developing countries such as China and India continued to boost rapid development in the liquefied food industry. It is expected that in the coming five years, the total output in China's liquefied food industry will grow at an annual rate of 12-15%. And development in the liquefied food industry will surely stimulate demand in the transportation, storage and processing equipment industry.

About the offshore engineering equipment industry: Oil fields onshore and in the shallow sea which are easy to be exploited have basically become dried. As such, the gap in the future oil demand can only be filled by oil and gas resources offshore, particularly those in deep sea. According to IEA prediction, oil will remain the biggest energy source for consumption until 2030. For the past 10 years, 53% of China's new oil output comes from offshore oil. And offshore oil and gas output has taken up over 25% of the total oil and gas output in China.

Therefore, the global offshore engineering market has great potential for growth. About US$ 300 billion is invested in exploiting offshore oil and gas every year in the global offshore engineering market. According to a rough estimate from ODS, an offshore engineering analysis authority, new global demand for offshore engineering platforms and auxiliary ships for the coming five years will be around US$ 56.5 billion and US$ 50 billion respectively. According to its 12th five-year plan for development, China National Offshore Oil Corp. will invest RMB 200 billion in deep-water oil and gas exploitation.

After years of lows, thanks to economic recovery and the rebound of crude oil prices, the second half of 2011 saw a gradual recovery in the global offshore engineering market. Orders for offshore engineering equipment, especially drilling devices, increased significantly. Judging from the competition in the deep-water platform building industry, South Korea and Singapore still take the lead, with China being one of the new competitors. Currently, China has some strength in developing the offshore engineering equipment industry, but the overall capability is still at a low level. Therefore, it has a great chance to grow. In 2010, the offshore engineering industry was included as a strategic emerging industry in China's 12th five-year plan for development. In 2011, the government formulated the Innovation & Development Strategy for the Offshore Engineering Equipment Industry (2011-2020) as a medium-and long-term development plan for the industry. The plan put forward five major strategic tasks to gradually establish offshore engineering equipment makers with the ability to design and build such equipments independently, and to give more support to the industry over the fiscal policy, the taxation policy and financial service. It is thus expected that as the government support policy towards the industry is carried out, global offshore engineering equipment manufacturing bases will move to China in the coming few years and China will take up a much larger share in the global offshore equipment market.

A brief analysis to the influence of changes in macro-policies and the sector on the Company's finance is set out below:

Global economic recovery slowed down in 2011, with increasing uncertainty and risk. Concerning the domestic economy, with a tight monetary policy and credit control, investment in fixed assets gradually slid, dragging down economic growth. Complex and changeable internal and external environment put great pressure on the Group's operation. Proactively dealing with the said pressure, the Group adopted flexible operating strategies and effective measures. As a result, the Group managed to maintain a healthy state in terms of the financial structure, investment & acquisition, capital management, etc., and capital turnover and cash collection both improved over last year. Thanks to strong demand for containers and energy and chemical equipments, prices for the Group's main products rose, the annual average rate of production capacity utilization was high, the business scale further expanded and the overall business performance hit a record high. **A**s at 31 Dec. 2011, the total assets of the Company stood at RMB 64.362 billion, up 18.90% as compared to 2010; total liabilities at RMB 42.748 billion, up 22.40% on a year-on-year basis; the debt ratio at 66.42% at the year-end, representing a year-on-year increase; and net cash flows from operating activities at RMB 2.255 billion, representing a significant increase over 2010.

In 2011, international financial liquidity became loose, with inflation pressure and foreign exchange uncertainties. The Chinese monetary policy turned around with a tightening domestic liquidity. The Company carried out a prudent strategy on finance and risk control, made full use of its own financial business, and looked for a balance between business expansion and financial risk control. Meanwhile, it improved capital utilization centralization and efficiency, continued to keep a rational debt structure, effectively controlled risks and ensured capital safety. It also, based on its business development needs, used the leasing operation, financial products and foreign exchange instruments in a rational and flexibly way. In the debt structure, short-term borrowings from external parties took up a smaller proportion in the total liabilities and long-term borrowings rose significantly. In 2011, despite fluctuations in the global economy and China's macro-control of tightening the monetary policy, the Company successfully issued the first phase of medium-term notes of RMB 4 billion and obtained a syndicated financing of US$ 300 million. The Company continued to cooperate with main banks and obtained support from them. It signed strategic cooperation agreements with 8 domestic and foreign banks' head offices, and signed an agreement with China Development bank concerning a credit line of US$ 3.6 billion for the “going global” strategy, which supported the Group’s overseas business expansion and reduced financing cost.

（Ⅱ) Business Review

1. General Performance

For 2011, the Company achieved revenue of RMB 64.125 billion (RMB 51.768 billion for 2010), representing an increase of 23.87% over 2010; and net profits attributable to the Company’s shareholders reaching RMB 3.691 billion (RMB 3.002 billion for 2010), a rise of 22.96% on a year-on-year basis. Both the revenue and profits hit a record high.

Movements in Financial Highlights

Unit: RMB’000

Items	2011	2010	Change（%）
Revenue	64,125,053	51,768,316	23.87%
Total profits	5,022,706	3,674,607	36.69%
Net profits attributable to the Company’s shareholders	3,690,926	3,001,851	22.96%

Analysis:

The revenue, total profits and net profits attributable to the Company’s shareholders all experienced a huge surge. In 2011, especially the first half of the year, demand for containers was still at a peak. In the dry-cargo container business of the Group, the price and number of containers both rose, the gross profit rate remained at a high level and profitability improved considerably. The energy, chemical and liquefied food equipment business continued to rebound, with an unexpectedly profit growth. And loss reduction was successfully materialized in the offshore engineering business.

2. Business bases, products, services and capacities

The Company and its subsidiaries (jointly referred to as “the Group” hereinafter) is mainly engaged in manufacture and services in relation of modern traffic transportation equipments, energy, food, chemical and offshore engineering equipment. In particular, these equipments are mainly involved in design, manufacture and service for dry cargo containers meeting international standards, refrigeration containers, regional special containers, tank containers, container wood floor, modularized housing containers, road tank transportation autos, gas equipments and static storage tank, road transportation vehicles as well as offshore engineering equipment. Other than the above, the Group is also engaged in manufacture and service of logistic equipments, manufacture of airport equipments and freight train, real estate development, financial leasing, etc. The Group has been trying, with the industrial chains in all business segments as the core, to proactively expand application fields and provide quality and safe products, as well as systematic solutions and other technical service for clients.

Container business: The Group remained No.1 in the world by its quantity of production and sales, and was able to produce the entire series of container products with self-owned intellectual property. Included in its products and services were ISO dry cargo containers, special refrigeration containers, other various special containers, pallet containers and modularized housing containers, as well as container wood floor and container service. It has already been equipped with an annual production capacity over 2 million TEU; 18 industrial parks for container manufacturing in South China, East China, North China, Chongqing and other regions of China, including over 10 dry-cargo container bases located in the coastal region and Chongqing in China; refrigeration container manufacture bases located in Shanghai, Yangzhou and Qingdao; special container manufacture bases located in Nantong, Yangzhou, Xinhui and Qingdao. As for container wood floor business, certain domestic production bases were respectively located in Shenzhen, Jiangmen, Xuzhou and Jiashan; as for container demurrage business, the Group has already owned many container service enterprises, forming a service network covering the main line ports of the coast of China.

Road transportation vehicles business: capable to provide a product range covering 11 series and more than 1,000 varieties, including container skeleton semi trailer, platform car, bulk lorry, tank truck, self-discharging wagon, refrigeration van, normal cabin vehicle, curtain-side vehicle, mixer, pump vehicle, car carrier, fire fighting truck and rubbish disposal vehicle, etc. The annual capacity exceeded 200,000 units, ranking the No. 1 position both in the world and China. The Group now has 22 production bases and 24 companies for selling and distribution services, covering North America, Thailand, Central China, East China, South China, North China, Northwest China, Northeast China and other regions, as well as more than 400 service stations. As such, a business layout featuring interactions between China and the US and between China and the Europe, rationality and mutual support has taken shape, with the Group’s products sold to mainstream markets such as the US and Japan.

Energy, chemical, food equipment and service business: major products and services included: static storage tank, tank transportation equipment, craftwork procedure equipment, engineering undertaking technology service.

Specific products include:
(1) Static storage tank: low-temperature fixed storage tank for LNG and industrial gas, stainless storage tank for liquid food and chemical storage tank, etc;
(2) Tank transportation equipment: international standard/special liquid tank container and gas tank container; LPG tank transportation vehicle, low temperature tank transportation vehicle and storage tank for LNG and industrial gas; CNG wrecker, and CNG pressure container in high-pressured bottle;
(3) Craftwork procedure equipment: ferment tank for food and beverage, bright beer tank; chemical reactor, tower facility, heat exchanger, and air vaporizer, etc;
(4) Engineering contract technology service: overall contract engineering regarding to processing and allocation of liquid foods (bear and juices), LNG city peak-regulation satellite station, LNG gasification station, LNG filling station, bottles of LNG supply station, and LNG car system reform and various LNG and industrial gas application projects; CNG and LNG filling systems, natural gas compressor and special compressors;

provision of EP+CS (design, purchase, construct and supervision) technology engineering services in fields of storage and disposal regarding to LNG receivers, LPG and other petroleum chemical gas.

At present, in terms of the food equipment business, the Group owns 15 manufacturing bases and R&D centers in China, Europe and other regions, giving rise to a business layout featuring interactions between China and Europe, rationality and mutual support.

Major enterprises of which CIMC was the controlling shareholder consisted of CIMC Enric Holdings Limited and TGE GAS ENGINEERING GmbH. TGE GAS ENGINEERING GmbH was a German independent contractor which had 26 years engineering contract experiences regarding to low-temperature liquefied gas reserve station. Business bases of Enric were mainly distributed in Langfang, Shijiazhuang, Bangbu, Jingmen, Beijing, Nantong, and Zhangjiagang in China, and Holland, Belgium and Denmark in Europe. Nantong CIMC Tank Equipment Co., Ltd. has already become the biggest tank container manufacturer in the world.

Offshore engineering equipment business: Manufacturing bases of the Group for offshore engineering equipment are located in Yantai, Haiyang and Longkou, Shandong province. In January 2010, the Company realized shareholding in Yantai Raffles Shipyard Limited which was incorporated in Singapore in 1994 with principal business of constructing various ships for offshore petroleum and natural gas market, which equipped the company with accumulated professional knowledge and construction experiences in respect of diversified oceanic and offshore projects. Its main products included jack-up drilling platform, semi-submersible drilling platform, crane ship, pipe-laying vessel, floating production storage and offloading (FPSO), floating storage and offloading (FSO), offshore supply vessel, offshore steel structure, shuttle propelled tugboat and luxury pleasure-boat, etc.. Currently, the Group has Yantai Offshore Engineering Research Institute and Shanghai CIMC Offshore Engineering Research Center. The Offshore Oil Drilling Platform R&D Center of the National Energy Administration, a key member in China's offshore engineering sector, is also established within the Group.

The manufacture bases of airport equipments are located in Shenzhen and Beijing, involving development, design, manufacture, installment and repair services for passenger boarding bridge, boarding bridge for liner, guiding system for aircraft parking, flight special vehicles, airport shuttles, flight goods disposal system, automatic storage and logistic system, as well as automatic parking system. Shenzhen CIMC-TianDa Airport Support Co., Ltd. (hereinafter referred to as "CIMC Tianda"), a subsidiary of the Group, was one of the major airport ground equipments suppliers of the world.

Other business: the manufacture bases of logistics equipments were located in Dalian and Tianjin; the manufacture base of railway equipments was located in Dalian; the financial leasing business was mainly in Shenzhen; and business of property development was mainly in Shanghai, Yangzhou, Zhenjiang and Jiangmen (in Guangdong Province).

3. Operation of principal businesses of the Company

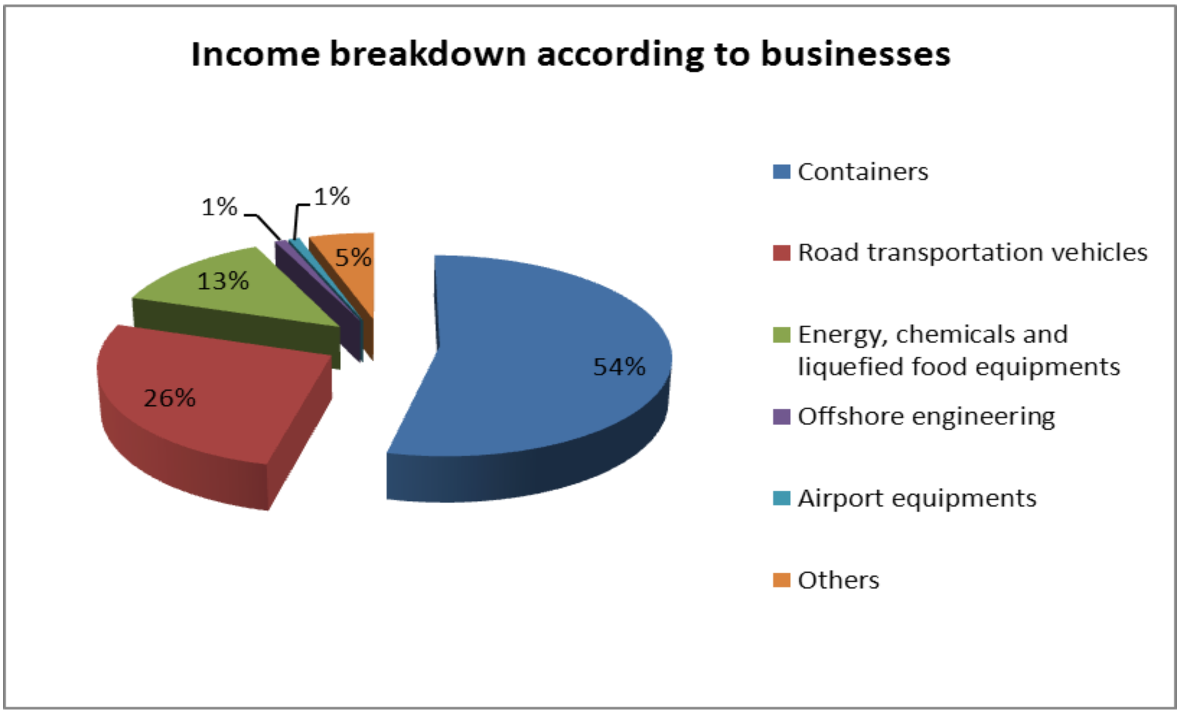
Products whose contribution to principal business income or principal business profit of the Group exceeded 10% mainly referred to containers and road transportation vehicles.

Breakdown and Movements of Revenue and Operating Profits

Unit: RMB 0’000

Classified according to industries or products	Revenue	Operating cost	Operating profit margin (%)	Increase or decrease of revenue over last year （%）	Increase or decrease of operating cost over last year （%）	Increase or decrease of operating profit margin over last year （%）
Containers	3,507,155	2,807,325	19.95%	37.86%	37.04%	0.47%
Road transportation vehicles	1,719,868	1,474,352	14.28%	3.41%	3.44%	-0.02%
Energy, chemicals and liquefied food equipments	852,847	702,736	17.60%	59.39%	59.33%	0.03%
Offshore engineering	57,658	94,993	-64.75%	-76.41%	-70.74%	-31.92%
Airport equipments	57,103	35,581	37.69%	66.67%	46.45%	8.60%
Others	334,460	188,582	43.62%	62.50%	58.75%	1.33%
Offset due to consolidation	-116,585	-81,096				
Total	6,412,506	5,222,473	18.56%	23.87%	19.79%	2.78%

Classified according to regions	Operating income	Proportion taken in total incomes (%)	YoY movements in income (%)
China	2,245,048.00	35.01%	16.72%
America	560,682.00	8.74%	32.96%
Europe	1,577,821.00	24.61%	-0.15%
Asia	1,805,767.00	28.16%	55.45%
Others	223,187.00	3.48%	148.52%
Total	6,412,505.00	100.00%	23.87%



——Business of container manufacturing and service

The Group is currently the only container manufacturing and service enterprise that can provide whole series of containers, including dry cargo containers, refrigeration containers, tank containers, as well as other kinds of special purpose containers, and owns complete and independent intellectual properties. Besides, the Group has 18 container manufacturing bases in coastal areas and areas along rivers, enabling it to quickly deliver containers to not only each container quay and yard in China, but also to major ports and clients all around the world at low cost and good quality. Besides, CIMC had established container service sites in major costal port cities and inland container logistic centers in China, which formed perfect container service system and provided container service and application system covering the whole product cycle for clients.

In 2011, the Group closely monitored the container market, quickly responded to market changes, gave play to its collaboration advantage, coordinated internal resources and dealt well with the complex and changeable market environment. The container business recorded the best performance in the 30 years of the development of this business. For the year, the container business generated a sales income of RMB 35.04 billion, up 38.26% over last year, and generated net profits of RMB 3.629 billion, up 19.42% over last year. The production & sales volumes and operating revenues of the dry-cargo container and reefer container business segments hit a record high. And sales incomes and net profits generated in the special-purposed container, modularization and wood flooring business segments recorded significant year-on-year growth.

Dry-cargo containers generated a sales income of RMB 21.747 billion, representing a year-on-year growth of 11.23%; reefer containers a sales income of RMB 6.276 billion, up 71.57% over last year; and special-purposed containers a sales income of RMB 6.624

billion, an increase of 88.51% as compared with last year. In 2011, 1.413 million TEU standard dry-cargo containers were sold, an increase of 9.13% as compared with 1.296 million TEU in 2010. 0.1775 million TEU reefer containers and 77,100 TEU special-purposed containers were sold in the year, respectively increasing 106.88% from 85,800 million TEU in 2010 and 24.56% from 61,900 TEU in 2010.

In 2011, significant achievements were made in the container business in terms of improving the core capability and exploring new space for business development. The strength of plants was reinforced in an all-round way by promoting lean manufacture and the “ONE” management mode, upgrading technologies and equipments, and cultural construction. Meanwhile, the Group carried out a strategic upgrading operation, formulating development plans, making strategic adjustments, pointing the strategic development direction for product and manufacturing technologies, proactively expanding new business and increasing input for it.

In particular, the Group kept improving itself internally and externally through service extension, technological upgrading, innovations in the business mode and the production organizational mode, etc., proactively exploring new growing space for business, so as to seize strategic opportunities ahead of others and lead the future development of the industry. A container automatic production line was built in Shenzhen—“the Dream Works”—to focus on water paint, bamboo flooring, modularization, etc. as a priority.

At present, profound changes have taken place in the internal and external environments for the container industry and the fierce competition continues. As restriction on resources goes tighter, the low-carbon environmental protection standard becomes stricter, the requirement for the working environment is more stringent and the labor cost keeps rising, the industry will encounter great challenges ahead. In recent years, the Group has been more and more aware of the severe situation and has been taking proactive measure to deal with that. The Group has been devoting great effort in upgrading the manufacturing mode, exploring the transformation of the production & management mode in the container business, and looking for a sustainable and healthy development path.

As a new business mode, the modularized building and container house business is more and more welcomed in the market. The year 2011 continued to record progress in the Group’s modularized building and container house business, with income from the modularized building business already exceeding US$ 100 million. The Group provides container businesses such as new-for-old service, re-design for old containers, maintenance, and rent of second-hand containers. Meanwhile, it has developed technologies and business of using second-hand containers as modularized houses, creating a whole new way of building, i.e. “integrated design + on-site installation”. The Group is also trying to make itself a service provider integrating design, structural manufacture, decoration and after-sales service for modularized houses. Xinhui CIMC, one of the affiliated companies of the Group, won the first mine camp project order from BHPB in Mar. 2009, and won another camp project order valuing A$ 60 million from FMG, the third biggest iron ore miner later in April. At present, CIMC has become one of the mainstream camp providers in Australia.

——Road transport vehicle manufacturing and service business

CIMC Vehicle Group, one of the affiliated companies of the Group, is the largest manufacturer of road transport vehicles in China, with an annual capacity exceeding 200,000 units. CIMC's business of road transport vehicle had set its strategic vision as providing top-ranking logistics equipment and service in land routes for global customers by replying on China's advantage. As the strategic development direction, CIMC Vehicle Group focused on a complete value chain process of product design and development, product manufacturing and delivery, sales and service, as well as customer follow-up and feedback. CIMC Vehicle Group constantly insisted on creating sustainable value for customers, keeping improving customer satisfaction, and leading sustainable and healthy development in the industry.

In 2011, the European economy remained weak, and growth of the Chinese economy slowed down, with shrinking investments in fixed assets. In the second half of the year, domestic demand for special-purposed vehicles declined even faster. Under such circumstances, with ensuring profit and improving profitability as the core objective and guidance, CIMC Vehicle Group adjusted its operating strategies in a timely manner according to market changes and managed to basically accomplish the annual operating goals. Throughout the year, this business segment generated a sales income of RMB 16.725 billion and net profit of RMB 0.513 billion, down 0.17% and 12.65% respectively over last year. 152,400 units of vehicles were sold in the year, representing a slight year-on-year decrease. Meanwhile, due to a weakening logistics demand and a tighter credit, sales of semi-trailers, bulk lorries and flat-bed trucks decreased considerably on a year-on-year basis. Thanks to strong infrastructure demand in China, rapid recovery of the North America market, growing demand from emerging markets and other favorable factors, the refitted vehicle business and the export business both gave a good performance. Besides, through carrying out focused plans and moves, the North America-based Vanguard successfully stopped loss.

In 2011, domestic markets for the Group's main vehicle products were further expanded. Market shares of logistics vehicles (including bulk lorries, flat-bed trucks, vans, liquid tank trucks and reefer containers) remained stable. And the market share of refitted vehicles (self-unloading trucks, mixer trucks and powder tank trucks) climbed higher to top the industry.

In the year, the Group continued to push forward strategic transformation in its vehicle business, emphasizing the value direction of taking profitability improvement as the core, starting from the marketing system, refining terminal marketing channels, reinforcing internal management and increasing the operating efficiency. The Group continued to improve the marketing channel system to reinforce the penetration in end users. The "One Hundred Store Plan" was carried forward. Upon official operation of the five major stores, the Group continued to build the regular chain. It now has over 40 stores in the regular chain, promoting direct sales through subordination, lease and other means. The Group promoted the management mode of unified service, i.e. to transform, within the marketing system, from separate service by plants to unified service mainly by the five major stores. By the end of 2011, nearly 300 signed service stations were built. Except for remote areas, a service station like this can basically reach any spot within 100 kilometers. The Group also continued to improve the vehicle logistics park mode and made investment to complete the second-phase project of the Chengdu Logistics Park. At the same time, the operating efficiency of distribution channels was increased through building an information platform for the service system and other measures. During the year, CIMC Vehicle Group continued to push forward integration of resources and finished the planned disposal of idle assets.

In 2011, CIMC Vehicle Group increased its investment in developing new products. Now it is running the European BSG project, with the purpose of making use of the advanced European technological resources, developing and introducing to China the third generation semi-trailer technologies, and preparing itself for launching brand products in the European market. Meanwhile, it developed a new generation of drop-side semi-trailers and increased investment to expand the relevant production capacity.

As a new business segment resulted from the extension of the Group's industrial chain, the development strategy of "make high-end products, provide quality service and establish a top-class brand" was set for the heavy truck manufacturing business. In face of the first year of negative growth for the heavy truck industry of China since 2005, C&C Trucks put forward the operating strategy of "high-end positioning, competing over differentiation and developing unique comprehensive strength to bring new value to clients", adjusting the old operating strategy. It shrank markets and the production line, united resources from the best heavy truck industrial chain of the Chinese heavy truck industry, and tried to lay a preliminary foundation for future breakthroughs and sustained growth of the heavy truck business through effective measures such as developing customer-tailed products and launching star products in high-end logistics, commercial concrete mixing and construction-specialized heavy truck markets, particularly the LNG heavy truck market.

——Energy, chemicals, food equipment and service business

The Group operates the energy, chemical and liquefied food equipment business via the platform of CIMC Enric Holding Limited ("CIMC Enric"). The year 2011 recorded an unexpectedly fast growth of this business segment. This was mainly because the Group seized opportunities when LNG demand soared and the tank container market continued to recover in 2011, increased the production capacity in a forward-looking manner, and increased the utilization rate of the capacity. As a result, operating revenue and net profit generated in this business segment rose significantly on a year-on-year basis. For 2011, this business segment generated operating revenue of RMB 8.284 billion, up 58.42% over last year, and net profit of RMB 0.493 billion, representing a sharp rise of 159.59% on a year-on-year basis.

Energy (LNG, CNG and LPG) equipments: In 2011, the Group recorded aggregate sales income of RMB4.484 billion from energy equipments, up 34.45% over last year. At present, the Group is able to provide CNG, LNG and LPG products with the most complete specifications and the richest varieties. Via the project general contractor—TGE GAS TGE Gas Engineering GmbH（“TGE GAS”）at which the Group holds a 60% stake, the Group greatly improved its systematic integration and engineering ability in the whole natural gas industrial chain and was able to provide “one-stop” systematic solutions for clients in terms of natural gas development and application. This equipment manufacturing and engineering business has effectively solved the “last kilometer” problem beyond natural gas lines and thus significantly propelled promotion and usage of natural gas in China.

In the coming few years, there will be more and more overland gas pipelines and coastwise LNG terminal stations being put into operation in China. Therefore, it is another business development goal of the Group to further expand the production capacity for energy equipments, so as to meet the demand resulted from the increasing gas resources. The Group plans to achieve the relevant business goals via internal growth, i.e. to expand the existing plants and construct new production lines. The Group is currently building a light spiralwound production line in Shijiazhuang, expanding LNG production facilities in Zhangjiagang and Jingmen LPG production plants, and making investment to increase the production capacity of the Nantong tank container production base.

Upon the acquisition of Nantong CIMC Transport Equipment Co., Ltd. (“Nantong Transport”), the Group further increased its production capacity for energy equipments, which brought about synergetic effect and increased the Group’s competitiveness. In 2011, TGE GAS, where the Group holds a 60% stake, generated operating revenue of RMB 1.226 billion, up 35.62% over last year. In 2010, TGE GAS won an EPC contract for the Zhejiang Ningbo LNG receiving station tank project from China National Offshore Oil Corp., as well as an EPC contract for the second-phase construction expansion of the Portugal-based SINES LNG receiving station project. The said two projects are running well, with the safety management and quality well received by clients. They are expected to be completed and delivered in the middle of 2012, earlier than the contractual delivery date.

Chemical equipments: In 2011, the chemical equipment business recorded operating income of RMB 3.027 billion, up 136.67% over the same period of last year. The major production bases of chemical equipments include Nantong CIMC Tank Equipment Co., Ltd. and Dalian CIMC Heavy Chemical Equipment Co., Ltd., etc..

Nantong CIMC Tank Equipment Co., Ltd. (Nantong Tank) is mainly engaged in the business of manufacturing international standard tank containers. Due to the recovery of global economy, the demand of the chemical logistics equipment market closely associated with chemical raw materials and refined chemicals realized recovery growth, its income and profits in 2011 continued to increase substantially, returning back to the prosperity before the financial crisis. Now Nantong Tank is actively designed the special tank, carbon steel gas tank, wrapped bottle, accumulator, CNG steel cylinder and nuclear capacitor as well as other new products, which will significantly contribute to increase income.

The 1st phase project of Dalian CIMC Heavy Chemical Equipment Co., Ltd. (Dalian Heavy Chemical) has already owned the annual production capacity of 9,000 tons. Its main products include gasifier in the coal gasification equipment, ethylene cracking furnace in the ethylene equipment, large-scale synthetic ammonia, high-pressure equipment in the chemical fertilizer equipment, oil refining hydrogenation, hydrocracking, key equipments in the methanol device and evaporator in the sea water desalination device etc.

Liquid Food Equipments: In 2011, the liquid food equipment business recorded operating income of RMB 0.772 billion, up 37.61% over the same period of last year. Netherlands-based Holvrieka Holding B.V. is one of the leading suppliers of exclusive stainless steel static storage tanks and tank terminal equipments in Europe, under which, there are four production bases, namely Netherlands-based Emmen, Netherlands-Sneek, Denmark-based Danmark and Belgium-based NV. It offers a wide range of services to the liquid, gas and powder bulk tank transport sector in Europe including petrochemicals, beer, juice, milk and other food and beverage industries, such as all tank equipments and bulk water tank ships involved by orange juice from the juice, road transport to orange juice docks. Holvrieka (China) Co., Ltd. is the production base of Holvrieka of the Group in China, mainly engaged in manufacturing of stainless steel static storage tanks and crafts tanks used to store beer, fruit juice and other food and chemical products. Now it has owned a capacity of producing 1,000 units of large storage tanks annually.

In 2011, CIMC Enric fully realized the necessity and importance to develop engineering business at the same time of strengthening the equipments manufacturing business. The overall market scale of energy and chemical engineering business is big, which is also the natural extension of the tank equipment manufacturing business. At present, basing on the development of large storage project, gas station project and gas treatment project, CIMC Enric is exploring the new areas in well-head gas or methane recovery project from the treatment of medium-to-small sized liquefied gas, etc.. In 2011, TGE GAS successfully acquired Technodyne（TD）Company in British, and formed the core competiveness of mechanical design in domestic low temperature tanks area. Besides, CIMC Enric also successfully acquired Nanjing Yangzi Petrochemical Design Engineering Company in Jan. 2011, which significantly improved the ability of R&D, design and project contracting in the area of energy and chemicals storage project; through the construction of the EPC contract project of large storage tanks for LNG receiving station by TGE, CIMC Enric enhanced its project management ability.

In 2011, CIMC Enric continued to strengthen the development of new technology and new products. It conducted research on 20 new products and applied for more than 80 patents, which mainly included the new products such as CNG ship application project, wrapped bottle for high-pressure long-tube trailer and refrigerant gas tank for tank container. Besides, CIMC adopted new technology to reduce the weight of natural gas storage tanks, industrial gas storage tanks and low temperature tank trucks for industrial gas, which not only increased its competiveness but also improved its market share.

In 2011, CIMC Enric also actively carried out effective collaboration with other business segments of the Group and among its own segmented business, as well as strengthened the exploration of international market.

——Offshore engineering business

CIMC Raffles Offshore (Singapore) Co., Ltd. (SCRO), the subsidiary of the Group, and its subsidiary, Yantai CIMC Raffles Offshore Co., Ltd. (YCRO) rank top offshore engineering equipment manufacturers in the world, and have been involved in global competitions in international market of offshore engineering. Its main products include jack up, semi-submersible and auxiliaries to offshore engineering. In 2011, offshore engineering business of the Group recorded a sales income of RMB 0.577 billion, down 76.41% over the same period of last year, with a loss of RMB 1.116 billion. Main reasons for losses on offshore engineering business: on one hand, it's caused by the excessive expenditure for the costs and expenses of the delivered projects in 2011; on the other hand, the amount of completed works by YCRO in 2011 reduced substantially over the same period of last year, causing the idling of the main infrastructure and relevant resources, thus the depreciation and amortization of fixed assets were relevant large.

In 2011, after increasing investment on CIMC Raffles by joining in the second allotment of new shares and acquiring the whole shares of Zhang Liren family held in CIMC Offshore Holdings Limited, up to Jan. 2012, the Company's equities held in CIMC Raffles Offshore (Singapore) Limited reached 88.58%.

Offshore engineering business of the Group basically defined its development directions in three main product lines, namely semi-submersibles, jack ups, and special offshore engineering vessels. The strategic layout of "one center and three bases" made up by Yantai, Haiyang, Longkou and Offshore engineering Research Center was completed and being developed. In terms of construction of production bases, Yantai Base was mainly applied for concentrated supply, approximation, and debugging. Haiyang Base and Longkou Base respectively acted as semi-submersible construction base and jack up construction base. HCRO had the ability to produce two semi-submersibles drilling platforms per year, while the annual production capacity of four jack ups drilling platforms had been formed by LCRO.

The year of 2011 saw the offshore engineering business of the Group get towards a new stage, the Group continued to successfully advance its delivery of orders. Of which, except the COSL 3#, the external orders received near the year of 2006 had all delivered to customers.

In Apr. 2011, SS Amazonia, the second deep-water semi-submersibles drilling platform established for Schahin in Brazil, was successfully delivered in Yantai; In May 2011, Super M2 H196, the first jack ups drilling platform constructed by LCRO, was successfully delivered to use; In Jun. 2011, STORNES, the flexible fallpipe vessel constructed for Van Oord Marine Services BV in Holland, was successfully delivered in

Yantai. In Dec. 2012, COSL INNOVATOR, the second deep-water semi-submersibles drilling platform constructed by general contracting for the subsidiary of COSL —COSL Drilling Europe AS (CDE) by Yantai CIMC Raffles Offshore Ltd., (hereinafter referred as "YCRO") was delivered. Then, YCRO had successfully delivered the 5th deep-water semi-submersibles drilling platform. And the delivered platforms had already begun to work: in 4 Jun. 2011, SS PANTANAL, the deep-water semi-submersibles drilling platform constructed for Schahin in Brazil by CIMC Raffles begun to work offshore in Brazil; in Oct. 2011, COSLPIONEER, the first deep-water semi-submersibles drilling platform delivered by CIMC Raffles begun to provide drilling service for Statoil in the Sleipner Oilfield of North Sea, Norway, and successfully completed the work for the first well, as well as drilled out the oil in Jan. 2012. All the above means that the Group has the ability to mass construct the deep-water semi-submersibles drilling platforms.

In terms of enlargement of new orders, CIMC Raffles began to gain an encouraging breakthrough since the second half year of 2011. Up to Feb. 2012, the total contract amount of the in-hand orders (excluding self-constructing projects) of CIMC Raffles exceeded USD 1.5 billion. In Jul. 2011, CIMC Raffles signed a general contract on constructing two 50,000-ton multi-function semi-submersibles ships with United Faith Group Limited. In Dec. 2011, CIMC Raffles signed a general contract on constructing the deep-water semi-submersibles drilling platform—COSL PROSPECTOR with COSL Drilling Europe AS (CDE), which was expected to delivered in the third quarter of 2014. In Feb. 2012, CIMC Raffles signed a general contract on constructing the deep-water semi-submersibles drilling platform—North Dragon in North Sea, Norway with North Sea Rigs As.

CIMC raffles had established a R&D and design team of 800 people by structuring Yantai CIMC Offshore Engineering Research Institute and Shanghai CIMC Marine and Engineering Research Center, constructed a R&D and design platform integrated with R&D and design, which operated through the whole process of basic design, detailed design and production design, and independently completed analysis and design for several DP2 and DP3 products, which won high evaluation from ship owners and classification societies. In Jul. 2010, the Group was named and branded for the "National Energy Marine Petroleum Drill Platform R&D (Experiment) Center" by the National Bureau of Energy, which meant that the Group gained its national industrial status in several respects of scientific research offshore engineering, and thus acquired the qualification to undertake R&D, experiments, and manufacturing in important national offshore engineering equipment. As such, the leading advantage of the Group in domestic offshore engineering was strengthened, which enlarged the space for in-depth anticipation of the Group in future national energy development. The Company will continually strengthen construction of CIMC Offshore engineering Research Institute, further attract high-end talent, and build an international advanced design and R&D platform for offshore engineering equipment.

——Other businesses

Airport ground equipments business: After the slump in 2010, Tianda Airport Support Ltd. (CIMC Tianda), whose 70% equities is held by the Company, began to enter the rising channel with fast growth, and the position of boarding bridges ranking as the No. 1 for comprehensive strength worldwide, besides, it also gained substantial breakthrough and progress in the business of airport ground vehicles, automatic garage and automatic transmission equipment. In 2011, CIMC Tianda realized a sales income of RMB 0.571 billion, up 66.48% from RMB 0.343 billion in the same period of last year; and 208 sets of boarding bridges were sold, recording a year-on-year increase of 76.3%.

In 2011, the boarding bridges business of CIMC Tianda basically got over the influence of financial crisis in 2010 and made a big progress, with doubled and redoubled growth in the amounts of orders for boarding bridges. Due to the intense competition, the market shares of boarding bridges business in China declined to some extent, but the competition began to have some relieve from the second half year of 2011; then, the market shares of boarding bridges business in international market increased substantially; and boarding bridges began to enter the markets of 9 new countries and areas for the first time.

Under the drive of industrial upgrading in China and other factors, the average annual growth of the market demands for automatic logistics system stands at about 20%. Therefore, in accordance with the strategic development plan, CIMC Tianda actively explored new business area, and began to enter the market of airport baggage handling system, the automatic storage and transmission business outside the airport on the base of the original airport cargo handling system, with a good start. Due to the fast development, problem of parking in cities became increasingly serious, causing fast growth of demands for solid garage. In addition to conduct the sales of equipments, the Company also overall enlarged the project of garage in cities with the mode of BOT/BOO, and it has gained many projects. In the future, the Company will dedicate to create a parking industry chain of investment—manufacturing—operation.

Xinfa Airport Equipment Ltd. (hereinafter referred as “Xinfa”) was established in 1997, which is a professional manufacturing enterprise involved in the R&D, manufacturing and service of airport apron bus and other ground support equipments (GSE). In 2011, CIMC Tianda increased investment on Xinfa and gained the controlling right with 70% equities of Xinfa. After the acquisition of Xinfa, CIMC Tianda would enrich its airport equipments production lines, and create a good synergistic effect in terms of market and manufacturing, etc.. In the future, CIMC Tianda will increase input on R&D and gradually integrate and expand relevant products and business basing on the said R&D platform, it dedicates to develop into a comprehensive GSE company.

Logistic equipment and service business: The Group is committed to providing special logistic equipment and comprehensive logistic solutions for customer from different trades. Our logistic equipment products mainly include pallet containers for automobiles, logistic, foods, chemical, and agriculture, stainless steel IBC (Intermediate Bulk Container) applicable in chemical and foods fields, and various special logistic equipments, such as wind power product logistic, commercial car assembly logistic equipment, and offshore container. The Group’s logistics industry is separated into manufacturing business and service business, and it currently owns 2 manufacturing bases, Tianjin and Dalian, 3 service bases, Shenzhen, Wuhu and Guangxi. At present, the Group's annual production capacity of pallet containers amounts to 1.3 million set, and it is the biggest supplier for steel pallet containers and IBC as well as one of the leading supplier for pallet containers in the world.

The Group realized a sales income of RMB 1.654 billion in 2011, up by 44.61% from RMB 1.144 billion in the same period of last year. In 2011, the main products in China centralized in automobile parts industry, such as turnover box for engines or steel casting. With the development of automobile industry and the upgrade of the logistics mode of automobile industry in China, the requirements for the turnover efficiency of parts were higher and the relevant demands also increased significantly. Under the condition of maintaining the stable development of logistics equipments manufacturing business, the rent of steel pallet containers, a special business of logistics service, and the solution for the transportation of busdeck had gained a big progress in the year, with the service business increasing over 100%.

Taking advantage of the opportunity and policy support of "National the Fifth-five Year Plan", logistics service business is making efforts to become the important support for logistics industry. In Jun. 2011, eight measurements to promote the health development of logistics industry were proposed in the session of state council, which mainly included relieving the tax burden for logistics enterprise, strengthening the land policy, advancing the innovation and application of logistic technology, etc.. Besides, the Ministry of Finance and State Administration of Taxation issued the pilot program on changing the land use tax and turnover tax to value added tax, so as to strengthen the policy support for logistics industry.

In 2011, the Group focused on investing on and upgrading the production line, soft and business system in logistics industry, so as to expand its production capacity, enhance efficiency and improve the working environment.

Financial service business: CIMC Finance Co., Ltd. and CIMC Financing and Leasing Co., Ltd., both consist the financial business segment of the Group, provide financing, financial and operating collaborative services inside and outside the Group, which can give full play to the function of regulation and allotment for the capital pool of the Group. Besides, they gradually inset in the overall value chain of the main business of the Group through the organic infiltration with the strategic industries of offshore engineering, energy & chemical equipments, vehicles and modular construction, etc., so as to make contribution for the Company.

In 2011, under the circumstances of unstable global economic environment and deflated financial policy from the national macro control, the Group's financial segment provided low-cost capital and operating security to effectively support the operation of every business. At the end of the year, the collecting ratio of the Group's domestic collectable funds exceeded 80%, which effectively enhance the operating efficiency and function of the Group's capital. In 2011, the Group gained a sales income of RMB 0.575 billion from its financial business segment and a net profit of RMB 0.44 billion, both increasing significantly as compared to last year.

CIMC Finance Co., Ltd. could provide financial service for the Group's member enterprises at low interest rates and save their financing costs. CIMC Financing and Leasing Co., Ltd. fully displayed its operational collaborative ability to become the important drive for the Group's extension to service from the business mode. Under the negative circumstances of global financial crisis and the deflated monetary policy in China, CIMC Financing and Leasing Co., Ltd. made close collaboration with various industrial segments and fully displayed CIMC's advantage in China, so as to provide solutions on the sales of goods and financing, as well as strengthen the relationship with the customers, thus improved the competiveness of the Group.

Others: Dalian CIMC Railway Equipment Co., Ltd., the subsidiary of the Group, dedicates to the exploration on railway equipment business. In 2011, it realized a sales income of RMB 0.165 billion with a substantial increase over the same period of last year. Besides, the Company also has minor real estate development business, which is mainly in Jiangmen, Yangzhou and Zhenjiang, etc..

4. R&D

The CIMC technology center became a state-level enterprise technology center in 2001. In 2010, National Energy Marine Petroleum Drill Platform R&D Center settled down in CIMC Group. At present, under the CIMC technology center, there are 5 research institutes, 17 technology branch centers, 5 state post-doctoral research stations, 1 post-doctoral innovation base, and more than 20 laboratories including engineering laboratories and material laboratories. Therein, 7 technology branch centers are provincial and municipal technology centers, and 2 laboratories are CNAL certified laboratories.

In 2011, a total of 688 categories of new products were developed in all industries under the Group. Sales volume of new products and significantly improved products accounted for more than 20%. The Group presided and anticipated in the preparation of more than 20 provisions of international, domestic and industrial technology standards, and declared more than 351 patents, of which 120 patents were for inventions.

5. Suppliers and customers

In the reporting period, the total amount of purchase by the Group from the top five suppliers was RMB 6.696 billion, accounting for 28.96% of the total annual purchase. The total amount of sales income achieved by the Group from the top five customers was RMB 11.604 billion in the year, accounting for 18.10% of the total sales income of the Group.

6. Analysis on Financial Status of the Company

(1) Analysis on Changes of Assets and Liabilities

Unit: RMB'000

Item	Amount as at 31 Dec. 2011	Amount as at 31 Dec. 2010	Variation (%)	Main influential factors
Transactional financial assets	186,134	525,661	-64.59%	Changes in fair values of short-term stock investments and derivative financial instruments
Notes receivable	1,030,528	508,585	102.63%	Business growth
Non-current assets due within 1 year	2,635,287	1,185,502	122.29%	Growth in financial leasing
Long-term receivables	2,311,235	1,336,257	72.96%	Growth in financial leasing
Transactional financial liabilities (current)	31,107	3,810	716.46%	Fair value changes of derivative financial instruments and reclassification of current and non-current transactional financial liabilities
Interest payable	152,067	13,168	1054.82%	Interest payable for the medium-term notes issued in the year increased.
Dividend payable	116,253	16,046	624.50%	Dividend payable to minority shareholders of subsidiaries increased.
Transactional financial liabilities (non-current)	74,836	154,292	-51.50%	Fair value changes of derivative financial instruments and reclassification of current and non-current transactional financial liabilities
Long-term borrowings	6,572,585	3,912,148	68.00%	Financing need increased due to business growth.
Bonds payable	3,988,438	-	-	MTN was issued during the year.
Foreign exchange difference	-566,755	-2,055,682	72.43%	Change of the recording currency
Business tax and surtaxes	344,723	76,892	348.32%	Business growth
(loss)/gain on fair value changes	-100,577	234,918	-142.81%	Changes in fair values of short-term stock investments and derivative financial instruments
Investment income	108,693	38,641	181.29%	Investment income in 2010 included income from disposing long-term equity investment
Non-operating income	370,193	292,019	26.77%	More government subsidies were received in the year.
Income tax expense	1,363,768	823,748	65.56%	Business growth

—Accounting measure for major assets of the Company:

When preparing financial statements, the Company usually adopts historical cost accounting except for the following assets and liabilities which are measured by fair value:

① Financial assets and liabilities (including transactional ones) measured by fair value, whose variations are recorded in profits and losses of the current period

Unit: RMB’000

Item	Opening amount	Gain/loss from fair value changes in reporting period	Accumulative fair value changes recorded into equity	Impairment provision for reporting period	Closing amount
Financial assets:					
Including: 1. Financial assets measured by fair value, whose changes are recorded into profits and losses of current period	512,560	-152,736	-	-	176,383
Of which: Derivative financial assets	119,069	-86,378	-	-	32,691
2. Financial assets available for sale	768,467	-	503,276	-	571,954
3.Hedging instrument	13,101	-	12,784	-	9,751
Subtotal of financial assets	1,294,128	-152,737	516,060	-	758,088
Financial liabilities	-158,102	52,159	-	-	-105,943
Investing real estate	-	-	-	-	
Production biological assets	-	-	-	-	
Others	-	-	-	-	
Total	1,136,026	-100,577	516,060	-	652,145

② For financial assets available for sale, please refer to **Note 5 (10) to the financial statements**

—Analysis on changes and influence of main assets measured by fair value:

Unit: RMB'000

Item in statements	Contents	Recognition of fair value	Balance as at 31 Dec. 2011	Balance as at 31 Dec. 2010	Effect on gain/loss for current year	Direct effect on net assets	Notes
Transactional financial assets	Transactional equity instrument investment	Market price	143,692	393,491	-33,905	-	Stock investment in secondary market
	Derivative financial instrument	Quotation from financial institution	32,691	119,069	-86,378	-	Financial derivative products relating to exchange rate and interest rate
	Cash flow hedging	Quotation from financial institution	9,751	13,101	-	12,784	Exchange rate hedging product
Derivative financial liabilities	Derivative financial instrument	Quotation from financial institution	105,943	158,102	52,159	-	Financial derivative products relating to exchange rate and interest rate
Financial assets available for sale	Strategic equity investment	Market price and assessed value	571,954	768,467	13,030	503,276	Equities of China Merchants Bank, etc. held by the Company for strategic purposes

For more details, please refer to "3. Risk Analysis, Sensitivity Analysis and Fair Value Recognition Methods for Financial Instruments" under "Note 11 Other Significant Events" to the financial statements.

(2) Analysis on changes in expense and income tax:

Unit: RMB'000

Item	2011	2010	Increase/decrease (%)	Main influential factors
Administrative expenses	3,767,221	2,734,364	37.77%	Production scale expanded, and labor cost for administration increased.
Financial expenses	783,699	669,783	17.01%	Interest expenses increased.
Income tax	1,363,768	823,748	65.56%	Profits increased, and income tax expenses of the current period correspondently increased.

(3) Analysis on changes of cash flows

Unit: RMB'000

Item	2011	2010	Increase/decrease (%)	Main influential factors
Cash flows from operating activities	2,254,437	1,482,901	52.03%	Sales scale expanded.
Cash flows from financing activities	4,507,951	477,409	844.25%	Cash received from borrowings increased.

7. Business Performance of Major Holding Subsidiaries and Joint Ventures

(1) Major holding subsidiaries

Major holding subsidiaries of CIMC include about 60 controlling subsidiaries for container business, over 80 controlling subsidiaries for road transportation vehicle business, 30 subsidiaries for energy, chemical and food equipments, 1 subsidiary for airport equipment, 1 subsidiary for railway freight transportation equipments, 4 subsidiaries for logistics equipments and service, 3 subsidiaries for offshore engineering, 13 subsidiaries for real estates, 4 subsidiaries for financial industry and 13 subsidiaries for other industries. For business performance of the said subsidiaries, please refer to "3. Status of Main Operations" of the previous section of this report.

(2) Major joint ventures

As at 31 Dec. 2011, CIMC holds 10% equity of China Railway International United Container Co., Ltd. With a registered capital of RMB 4.2 billion, China Railway International United Container specializes in building and operating railway container centers, as well as relevant services.

CIMC holds 5% equity of Communications Schroder Fund Management Co., Ltd., with its registered capital standing at RMB 200 million. For the year 2011, the Company achieved an investment income of RMB 10 million from this joint venture.

8. Entities controlled by the Company for special purposes

The Company does not control any entity for special purposes.

(III) Outlook of the Company's Future Development

1. Economic Environment and Policies

In 2012, the global economy faces a large uncertainty, and the world is at the crossroad for reformation. As for American economy, it needs to reduce the proportion of financial and service industries in the overall economic body, while strengthen manufacturing industry, i.e. "eliminate financialization". As for Europe, it needs to cut financial deficit for a long time, reform its old labor system and reduce its welfare, so as to increase its competitiveness, i.e. "eliminate welfare". While as for China, it faces the economic transition under the new circumstance, which shall get rid of the reliance on real estate industry, i.e. "eliminate capitalization or real estate industry". Besides, as for developed economic bodies, European debt crisis will still be one of the key factors to affect the global economic, trading and financial market. Subject to the economic & policy mechanism and welfare & social system, as well as other structural factors under the framework of Euro Zone, it is predicted that the European debt crisis is hard to be solved quickly and stably. Amecian economic growth mode is still pulled by consumption and employment, it is predicted that the modest recovery situation will continue, while maintain slow growth in the future years. And the prospect of Japanese economic growth is weak. Under the circumstance of globalization, the economic growth speed for emerging market in 2012 will also slowdown. In 2012, Chinese government will change its focus of economic work from controlling inflation to stable increase. “Making progress while ensuring stability” is the general tone of economic policy fixed in the central economic working conference, government needs to continue to stimulate domestic demand and protect people’s livelihood; and encourage and pull the development of emerging industries, such as strategic emerging industry and modern service industry, so as to realize the upgrade for Chinese economy and industry.

It is a year of slowdown, transformation, adjustment and transition for economy in 2012. So the group’s new challenge faced in the future will be on how to deal with the global economic fluctuation and the slowdown in exports. Although there are still some fluctuation and uncertainty in the global economy and market in 2012, many industries are still filled with growth momentum; the various opportunities embodied in Chinese ecomony during the process of transformation and upgrade, and the increasing economic & market potential for the emerging economic bodies under the global circumstance, also means that the Group faces a new-round development opportunity. So the Group will continue to make deep research on the prospect of relevant industries, seak and hold the medium to long term growing opportunities. The Group’s general business principle fixed in 2012 is: strengthen confidence and make progress while ensuring stability; put eyes on the future and lay a solid platform.

2. Development trends in the industry and market

In 2012, there are still many uncertainties in the recovery of global economy and trade. Global insight, a research institute, predicted that the actual increase of global economic would slow down to 2.9%. International Monetary Fund (abbreviation as IMF) predicted that the increase of global business of goods for 2012 would slow down to 5.8% from the 8.4% in 2011. Energy Information Administration (abbreviation as EIA) predicted that the global demands for oil would increase by 1.4% in 2012.

(1) As for the container business, due to the American economy recovers slowly, European debt problems tends to last for longer, and the emerging economic bodies also suffers a lot in their economy, it is predicted that the increase of Global GDP will decrease prominently on a year-on-year basis. Therefore, the growth rate of global business of containers will decrease as compared with the year of 2011. In accordance with the prediction from Clarkson, a British dynamic analysis institution for shipbuilding and shipping, the global business of containers will reach 163 million TEU in 2012 with its growth rate deceasing to 7.7%. Besides, the global demand for containers will have a certain decrease.

In 2012, there are many global new ships with containers to be delivered, so as the freight capacity will increase by 7% to 9%. The oversupply situation in shipping industry has no fundamental change, and the financial status of the mainstream shipping company is bad, it is predicted that the shipping industry will continue to adopt the procurement strategy by using rent instead of purchase in 2012, the procurement proportion from containers leasing companies will still keep at a high level. Due to the demands for containers have been adjusted through the cross-year off season, the price of container lingers at a low level, the demands for containers arising from the new ships delivered to use and the renewal and elimination of old containers will form a basic support for the overall demands for containers in 2012. It is predicted that there is a lack of demands for reefer containers.

(2) As for road transport vehicle manufacturing and service business, it's very likely that the economic growth of the global core economic bodies will slowdown in the future two years, and it's very possible that Chinese economy will enter into a medium-to-low-speed growth cycle. Besides, it is predicted that American economy will recover slowly, and European economy is likely to appear negative increase, which will put a certain pressure on the growth of demands for semi-trailer in European and North American market. And it's predicted that the demands for Chinese special vehicles will have a small decrease on a year-on-year basis. Of which, it is possible to maintain a certain increase in the semi-trailer market with the core demands from logistics, which is mainly because the demands have been through the adjustment of large scale decrease in the second half year of 2011, and the government has increased its support of capital and tax for logistics industry. In 2012, China will continue to regulate the real estate market, and it's limited for local government to further enlarge the scale of infrastructure, so there is a severe challenge for the two main pillars of Chinese refitted vehicles market, thus Chinese refitted vehicles market will face an adjustment.

(3) As for business of energy, chemical, food equipments and service, in China, with the acceleration of industrialization and urbanization, the bottleneck of energy supply especially natural gas supply will further ease, the relevant demands will increase significantly, so as to drive the substantial increased demands for natural gas storage equipments, liquefied natural gas receiving stations and engineering service business. With the overall recovery of global economy, it is predicted that the demands for liquid tank containers will maintain a stable increase. In the aspect of demands for chemical equipments, the demands are mainly from the domestic market, because during the period of the twelfth-five-year plan, it will reform a lot of large scale oil refineries and fertilizer plants as well as build up many petrochemical production bases. In additional, the start of the new technologies, such as joint circulatory power generation with coal combined oil and coal gasification and etc., will bring the new increased demands for chemical equipment industry. It is predicted that the Group's business of energy, chemical, food equipments and service will maintain a growth rate of 10%.

(4) As for offshore engineering equipment business, due to the factors such as the price of

oil keeps at a high level and the exploitation of ocean oil in the world strengthens, there are large demands in the global offshore engineering market in the future. Besides, large demands for offshore engineering equipment will arised from the core area markets, such as North Sea, Gulf of Mexico, Brazil, Southeast Asia, West Africa, etc.; with the increasing exploitation of ocean resources especially South China Sea, and under the guidance of the Development Plan of National Energy Strategy, Shipbuilding Industry and Offshore Engineering Equipment during the Period of Twelfth-five-year Plan, the three major gas companies in China will accelerate to carry out their plan of exploration and investment on the ocean oil and gas resources. In the future, the large demands for offshore engineering equipment will push the global offshore engineering industry to move to China, and then drive Chinese offshore engineering enterprise to an accelerated growth. At present, the global market, especially high-end offshore products area, has still been dominated by South Korea, and Singapore, the traditional offshore business powers. However, because of its lower cost, financing advantage and improvement of design and construction capacity, offshore business begins to be accepted by the global customers. As an offshore engineering enterprise with the business record of initially mass constructing the deep-water semi-submersible drilling platform in China, the Goup’s offshore business will meet a development opportunity. In international market, CIMC Raffles has established solid business relationship with many famous companies in this trade in offshore regional markets like North Europe, Middle East, Russia, Brazil, West Africa and Southeast Asia, to improve its industrial influence. In the future, CIMC Raffles will mainly explore the said segmented regional markets. However, in domestic market, it will continue to consolidate the relations with the three major gas companies, paying attention to investment demands and business opportunities to achieve a substantial breakthrough. In 2012, the Group will adopt focused business strategy for its offshore engineering business by vigorously developing orders, paying special attention to internal management, controlling cost and ensuring the safety. Moreover, it will try its best to break out the record of orders, realize the sale of self-builted projects and further reduce the business losses.

3. Overall business objectives and measures taken to achieve them

In 2012, CIMC will take the large adjustment for global economy as an opportunity to accelerate business structure adjustment and strategic upgrading, and to conduct systematic transformation in terms of development strategies, business mode, enterprise culture, organizational structure, operation flow, human resources, etc., as well as advance the layered management and meticulous management, so as to create a “cumulative and continuous improving mechanism”, and further lay a new foundation for the continuous benign development of the Group.

As for CIMC, due to the slowdown of the economic recovery, the intensify of medium-to-low-speed growth cycle and economic fluctuation, it is a good opportunity to affect or change the industrial structure, and it is also a good opportunity to deeply develop the market and explore relevant business potential, moreover, it is a good opportunity to further push the reformation and improve self capacity. Meanwhile, it also brings higher requirements and challenge on realizing the development goal of upgrading the industry, optimizing the content, improving the capacity and being a world class enterprise for CIMC. The Group's general business principle fixed in 2012 is: strengthen confidence and make progress while ensuring stability; put eyes on the future and lay a solid platform.

As for the container business, CIMC will carry out the layered management, and strengthen the service and cooperation; give full play to the staffs' intelligence and ability with the people orientation. Besides, through the R & D on technonogy and management, CIMC will break the bottleneck for manufacturing industry, such as increasing cost, environmental protection problem, labor intensive problem, etc.; and it will also optimize the allotment of resources, enhance the assets operational efficiency in the business area and improve the decision-making level.

As for the vehicle business, CIMC will carry out the business unit management, continue to advance the "Plan on Opening Hundreds of Stores" for its sales and service network, implement the construction of brand system, and explore European market, as well as improve the business operational efficiency in North America.

As for business of energy, chemical and liquid food, CIMC will consolidate and enhance the market influence of present main equipment manufacturing products through improving the operational and management efficiency of low-temperature equipment, giving full play to the productivity of the newly bulit and expandingly built production bases and production lines, intensify the development of special tank container, etc.; it will strengthen the project business through business cooperation, sino-european interaction, the improvement of project management ability; besides, it will make more efforts to explore the project business, especially the low-temperature tank project, gas station project, the project on the storage of medium-to-small sized liquefied petroleum gas or petchemical gas, gas treatment project and petrochemical spherical tank project.

4. Capital expenditure and financing plan

Considering changes of the economic situation and operation environment, as well as the Group's need for strategic upgrading and business development, a capital expenditure about RMB 4.577 billion is expected for the year 2012, and various financing arrangement will be considered.

5. Risk factors in future development

In 2012, CIMC's business environment still exist the potential risks as follows:

(1) The global economy grows slowly. And it needs a long tine to solve the debt crisis in Euro Zone, which has some uncertainty; the risk of high oil price in the world arising from geopolitics and military conflict is possible to be an obstacle for the global economic recovery. Besides, the financial market is unstable, which existing the risk of foreign exchange fluctuation. (2) Affected by the regulation on real estate and the weak demands from foreign market, Chinese economy faces the risk of the decrease in

investment and exports. (3) Renminbi continues to appreciate, which will further increase pressure on the weak exports, and even affect Chinese economy with heavy reliance on exports. (4) In order to support the increase in domestic demands, increasing expenditure and tax reduction will be taken into consideration in the financial policy, which will promote the investment on people's livelihood and the construction of infrastructure. However, the monetary credit policy will only be micro structural adjustment, which is hard to release significantly. (5) Under the guidance of constructing harmonious society and the view of scientific development, the government's governing ideas and policies is under significant change, the traditional manufacturing business faces a greater challenge. It also faces a series of issues on how to enhance production efficiency, improve labor condition, save resources and decrease energy consumption, as well as environmental protection. (6) The global container business tends to grow slowly with increasing fluctuation; the global shipping market is still under the circumstance of long-term suplus of freight capacity. (7) Besides, the factors such as resources, oil price, environment, traffic have a more and more restraint on the development of vehicles industry, and the railway construction and separation of passengers and freight has a negative impact on the trunk line road cargo freight and also brings the risks of decreasing demands for road transport vehicles. (8) Moreover, the offshore engineering equipment industry is an industry with high input, high threshold and long-term circle, which existing investment risk. With the offshore engineering industry being included into the "Strategic Emerging Industries" and gaining the support of policies, there will be more traditional ship building enterprises enter into the offshore engineering equipment industry, so as to possibly increase the industrial competitiveness.

II. Investments in the reporting period

(I) The Company did not raise funds in the reporting period. Nor there existed application of previously raised funds.

(II) Investments with non-raised funds in reporting period

1. Acquiring equities: In the reporting period, the Company paid a total of RMB 117.41 million for acquiring equities of some enterprises.
2. Establishing new subsidiaries or increasing investment in subsidiaries: In the reporting period, the Company paid a total of RMB 1.297 billion for establishing new subsidiaries or increasing investment in subsidiaries.
3. Investment in fixed assets: The year of 2011 saw a net increase of RMB 1.08 billion in the Company's fixed assets (including construction in progress).
4. As at 31 Dec. 2011, balance of the Company's short-term securities investment stood at RMB 143.69 million.

Unit: RMB0'000

Project	Shareholding ratio of the Company (%)	Project progress in 2011	Accumulative investment at year-end
Acquisition of equities of Technodyne International Limited	60%	Finished	48.56

Acquisition of equities of Nantong Yongxin Logistics Co., Ltd.	100%	Finished	3
Acquisition of equities of Wanshida Special Purpose Vehicle	60%	Finished	22
Acquisition of equities of Gadidae AB		Finished	43.85
Newly establishment of Ningbo Ensile Import & Export Co., Ltd.	100%	Finished	1
Newly establishment of Shenzhen CIMC Modular Housing Co., Ltd.	100%	Finished	5
Newly establishment of Shenzhen CIMC Investment Co., Ltd.	100%	Finished	60
Newly establishment of Shenzhen Tianyi Investment Co., Ltd.	100%	Finished	90
Newly establishment of Zhumadian CIMC Huajun Foundry Co., Ltd.	80%	Finished	20
Newly establishment of Chengdu Jihaixin Trading Co., Ltd.	80%	Finished	4.5
Newly establishment of Shenzhen CIMC Vehicles Park Investment Management Co., Ltd.	80%	Finished	5
Newly establishment of CIMC Shipbuilding and Offshore Engineering Design & Research Institute	100%	Finished	50
Increased investment on Yantai Offshore Engineering Research Institute	100%	Finished	120
Increased investment on Shenzhen CIMC Intelligent Technology Co., Ltd.	100%	Finished	16
Increased investment on Tianjin CIMC Container Co., Ltd.	100%	Finished	170
Increased investment on Nantong CIMC Transportation & Storage Equipment Co., Ltd.	85%	Finished	28.96
Increased investment on Holvrieka (China) Co., Ltd.	100%	Finished	63.87
Increased investment on CIMC Vehicles (Group) Co., Ltd.	80%	Finished	315.29
Increased investment on CIMC Raffles Offshore (Singapore) Limited	54.71%	Finished	347.13
Total			1,414.16

III. Routine Work of the Board of Directors

(I) Board meetings and resolutions made

Time	Session	Resolutions made	Disclosure
31 Jan. 2011	The 1st Session of the 6th Board of Directors for 2011	Resolution on Jointly Investing on CIMC Good Luck Logistics Co., Ltd. (temporary name)	
1 Mar. 2011	The 2nd Session of the 6th Board of Directors for 2011	Resolution on Establishing Zhongshan CIMC Logistics Equipment Manufacturing Co., Ltd. (name planned to be used)	

21 Mar. 2011	The 3rd Session of the 6th Board of Directors for 2011	1. Public Notice on Resolutions of the 3rd Session of the 6th Board of Directors for Year 2011; 2. Proposal on Providing Guarantees for Bank Credits and projects for Subsidiaries in 2011; 3. Proposal on Credit Guarantee Provision in 2011 by CIMC Vehicle (Group) Co., Ltd. and Its Controlled Subsidiaries for Dealers and Customers; 4. Proposal on Controlled Subsidiaries' Providing Guarantees for Bank Credits Granted to the Company's Subsidiaries in 2011; 5. Resolution on the Financing Arrangment in 2011; 6. Proposal on Execution of Daily Related Transactions in 2010 and Expected Daily Transactions in 2011; 7. Resolution on Work Plan of Implementing Internal Control Regulations for China International Marine Containers (Group) Co., Ltd..	Public notice on 23 Mar. 2011
15 Apr. 2011	The 4th Session of the 6th Board of Directors for 2011	Resolution on Jointly Investing on Establishing Super-Refrigeration Equipment (Shanghai) Co., Ltd. (name planned to be used)	Public notice on 18 Apr. 2011
25 Apr. 2011	The 5th Session of the 6th Board of Directors for 2011	Resolution on the First Quarterly Report for 2011	
30 Jun. 2011	The 6th Session of the 6th Board of Directors for 2011	Resolution on Summary of the Rectification Report on On-site Checks by the Shenzhen CSRC	Public notice on 7 Jul. 2011
21 Jul. 2011	The 7th Session of the 6th Board of Directors for 2011	1. Resolution on Increasing Investment on CIMC Vehicle (Group) Co., Ltd.; 2. Resolution on the Establishment of Shenzhen CIMC Investment Co., Ltd.; 3. Resolution on the Establishment of Shenzhen Tianyi Investment Co., Ltd.	
22 Jul. 2011	The 8th Session of the 6th Board of Directors for 2011	1. Resolution on Adjusting the Stock Option Exercise Price of the Stock Incentive Plan; 2. Resolutions made at the 8th Session of the 6th Board of Directors for 2011; 3. Independent Opinion by Independent Directors on Nomination of Director Candidates to Fill in Gap of the Sixth Board of Directors.	Public notice on 26 Jul. 2011
2 Aug. 2011	The 9th Session of the 6th Board of Directors for 2011	1. Resolution on Electing the Director to Preside Over the First Special Shareholders' General Meeting; 2. Resolution on the Adjustment for the Organization of the Group Headquarter	
16 Aug. 2011	The 10th Session of the 6th Board of Directors for 2011	Resolution on the Election of the Vice Chairman of the Board and the By-election of the Members for the Strategy Committee and Audit Committee	Public notice on 17 Aug. 2011
22 Aug. 2011	The 11th Session of the 6th Board of Directors for 2011	Resolution on the Semi-annual Report for 2011	
26 Aug. 2011	The 12th Session of the 6th Board of Directors for 2011	1. Resolution on the Evalution Method for the Internal Control of China International Marine Containers (Group) Co., Ltd. 2. Resolution on the Engagement of the CPAs Firm for Auditing the Internal Control	
21 Sept. 2011	The 13th Session of the 6th Board of Directors for 2011	1. Resolution on Matters Concerning Granting Reserved Options According to the Stock Option Incentive Plan	Public notice on 23 Sept. 2011

21 Oct. 2011	The 14th Session of the 6th Board of Directors for 2011	Resolution on the Investment on the G3 Semi-Trailer Technology and Manufacturing Projects in Europe	
27 Oct. 2011	The 15th Session of the 6th Board of Directors for 2011	Resolution on the Third Quarterly Report for 2011	
14 Nov. 2011	The 16th Session of the 6th Board of Directors for 2011	Resolution on Revising the Management System on Raised Fund of CIMC; Resolution on Revising the Management System on the Inside Information and Insiders of CIMC; Resolution on Revising the Implementation Rules for the Audit Committee under the Board of Directors Resolution on Revising the Rules of the Annual Report Work for the Audit Committee under the Board of Directors	Public notice on 17 Nov. 2011
17 Nov. 2011	The 17th Session of the 6th Board of Directors for 2011	No resolution made	
1 Dec. 2011	The 18th Session of the 6th Board of Directors for 2011	Resolution on the Establishment of CIMC Shipbuilding and Offshore Engineering Design & Research Institute	

(II) Execution on resolutions of shareholders' general meetings by the Board of Directors

1. The Board of Directors faithfully executed the resolutions of the shareholders' general meetings during the report year:

The Proposal on Register and Issuance of Semi-period Notes was reviewed and approved at the 2nd Special Shareholders' General Meeting for 2010, which has been reviewed and approved by National Association of Financial Market Institutional Investors, and now the first-phase issuance of 4 billion shares has been finished.

2. Implementation of the profit distribution scheme for 2010 by the Board of Directors

The Profit Distribution Scheme for 2010 was reviewed and approved at the 2010 Annual Shareholders' General Meeting held on 13 Apr. 2011. According to the Scheme, based on the total 2,662,396,051 shares of the Company, a cash dividend of RMB 3.5 (tax included; after tax, actual cash dividend for every 10 shares for individual shareholders, investment funds and QFIIs stands at RMB 3.15.) is distributed for every 10 shares. On 3 Jun. 2011, all parts of the profit distribution had been done.

(III) Duty performance of three special committees under the Board

The Audit Committee, the Compensation and Appraisal Committee and the Strategy Committee under the Board of Directors conscientiously performed their duties according to the Administration Rules for Listed Companies, the Articles of Association of the Company, Rules of Procedure for Board of Directors as well as the office power and obligations stipulated in the implementation rules for the special committees.

Duty performance of Audit Committee

1. During the reporting period, the Audit Committee convened special meetings for discussing periodical financial reports of the Company; it also communicated with the auditors and issued the review comments on the financial report.

Since the commencement of the annual report audit for 2011, the Audit Committee convened 3 meetings and it actively made the audit arrangement with the auditors. It reviewed the progress of the financial statements and the self-appraisal report on internal control twice and issued relevant comments. It kept contact with auditors and paid much attention to the audit progress so as to make sure that the audit would be accomplished on time.

2. Summary report by Audit Committee on 2011 audit conducted by KPMG
Pursuant to the Notification on Doing Well for the formulation, disclosure and audit works of Annual Report 2011 from China Securities Regulatory Commission, the audit carried out by KPMG is hereby summarized as follows:

(1) Firstly, about preparation before the audit:
Formulating audit plan:
The 2011 audit lasted five months from the preliminary audit in early Nov. 2011 to the completion of the preliminary audit, which was scheduled as follows:
From Nov. 2011 to Dec. 2011, preliminary audit was conducted on main subsidiaries.
On 8 Dec. 2011, KPMG communicated with the management and the Audit Committee on the preliminary audit.
On 1 Jan. 2012, KPMG began to enter CIMC and its subsidiaries for audit. On 21 Mar. 2012, KPMG completed all the audit work and issued preliminary opinions on the audit for the financial statements and the internal control, which was approved by the Board of Directors on 22 Mar. 2012.
Reviewing unaudited financial statements:
Before the entry of auditors, the Audit Committee carefully reviewed the progress of the financial Statements and Self-appraisal Report on Internal Control prepared by the Company.

(2) Secondly, about the audit process:
Beginning from Nov. 2011, KPMG conducted preliminary audit on main subsidiaries.
From 1 Jan. 2012, KPMG conducted full audit on CIMC Headquarters and its subsidiaries.
On 9 Mar. 2012, KPMG reported to the Audit Committee about the completion stage of the audit.
On 21 Mar. 2012, KPMG submitted the Preliminary Opinions on the Audit of the Financial Statements and Self-appraisal Report on Internal Control for 2011 to the Audit Committee.
On 22 Mar. 2012, KPMG officially issued the Auditor’s Report.

(3) Thirdly, about the audit results
KPMG issued the Auditor’s Report for the Financial Statements in 2011 and the Auditor’s Report for Internal Control in 2011 for the Company with an unqualified opinion.
The Audit Committee was of the view that KPMG had done a good job in auditing the Company’s 2011 annual financial statements.

Duty performance of Compensation and Appraisal Committee

During the reporting period, the Compensation and Appraisal Committee convened one special meeting, at which the following matters were reviewed and discussed:

1. Issuing the audit opinion on the Appraisal Results for Management Team for 2010 and Appraisal Measures for Management Team for 2011.
2. Issuing the audit opinion on the Disclosure for the Compensation of Directors, Supervisors and Senior Management Staffs for 2010.

Duty Performance of Strategy Committee

During the reporting period, the Investment Examination Committee under the Strategy Committee convened four special meetings on investment projects, thoroughly examining significant investments and acquisition projects of the Company, which provided strong basis for decision-making of the Board of Directors.

(IV) Statement of the Board of Directors on the responsibility of internal control

The Board of Directors is responsible for the establishment, improvement and effective implementation of internal control. Generally speaking, the existing internal control rules and system of the Group are complete, rational, effective and sound, with no material internal control defects. All units within the Group that have established the internal control system are able to control risks effectively. And the internal control system can guarantee the healthy operation and the all the Company’s businesses and help the Company control operating risks, which meets the relevant requirements of the Guideline of Shenzhen Stock Exchange for Internal Control of Listed Companies. The self-evaluation report of the Company on its internal control factually and objectively presents the actual current situation of its internal control establishment, execution and supervision. For more details, see the “Self-evaluation Report on Internal Control for 2011” disclosed by the Company.

IV. Preplan for profit distribution or capitalization of capital reserve for 2011

As audited by KPMG, for the year 2011, the Company achieved a consolidated net profit of RMB 3,690,926,328.16 after tax and minority interests. Based on the share capital of 2,662,396,051 shares as at 31 Dec. 2011, the earnings per share stood at RMB 1.39.

As per the Articles of Association of the Company and the current accounting standard, the net profit of parent company was RMB 921,094,812.71 for the year 2011, and after 10% of the net profit, namely RMB 92,109,481.27, had been withdrawn as statutory surplus reserve, the parent company’s profit available for distribution to shareholders as at 31 Dec. 2011 stood at RMB 1,267,957,978.87 as recorded in the statements. The profit distribution and dividend declaration preplan is hereby proposed as: Based on the total share capital of 2,662,396,051 shares as at 31 Dec. 2011, a cash dividend of RMB 4.60 (tax included) will be distributed for every 10 shares, representing a total dividend of RMB 1,224,702,183.46.

After the said profit distribution, retained profit of the Company will stand at RMB 43,255,795.41. The above preplans are to be submitted to the Annual Shareholders' General Meeting 2011 for examination and approval before implementation.

Cash bonus of the Company over the past three years

Unit: RMB

Year	Cash bonus (tax included)	Net profit attributable to owners of listed company under consolidated statements	Ratio to net profit attributable to owners of listed company under consolidated statements	Profit available for distribution for the year
2010	931,838,617.85	3,001,851,000	31.04%	1,579,889,000
2009	319,487,526.12	958,967,000	33.32%	1,932,874,000
2008	399,359,407.65	1,406,908,000	28.39%	1,064,613,000
Ratio of accumulative cash bonus to average annual net profit in past three years (%)			92.26%	

V. Other matters that need to be disclosed

(I) Foreign-currency financial assets and liabilities held by the Company

Unit: RMB Thousand

Item	Opening amount	Gain/loss from fair value changes in reporting period	Accumulative fair value changes recorded into equity	Impairment provision for reporting period	Ending amount
Financial assets:					
Of which: 1. Financial assets measured at fair value with changes recorded into gain/loss for current period	349,300	-113,850			176,383
Including: derivative financial assets	119,069	-86,378	-	-	32,691
2. Loans and receivables	5,815,450			-75,345	13,746,828
3. Financial assets available for sale	9,066		-870		7,799
4. Held-to-maturity investments					
5. Hedging	13,101	-	12,784	-	9,751
Subtotal of financial assets	6,186,917	-113,850	11,914	-75,345	13,940,761
Financial liabilities	-12,293,652	52,159			-9,559,296

(II) Media designated for information disclosure

The Company has designated China Securities Journal, Shanghai Securities News, Securities Times and Ta Kung Pao (HK) as media for its information disclosure.

Section IX Report of the Board of Supervisors

I. Meetings of the Board of Supervisors and resolutions made

Date	Session of meeting	Resolutions made
21 Mar. 2011	The 1st Session of the 6th Board of Supervisors for 2011	1. Resolution on the 1st Session of the 6th Board of Supervisors for Year 2011 2. Review opinion on Self-evaluation Report on Internal Control of CIMC for 2010
5 Apr. 2011	The 2nd Session of the 6th Board of Supervisors for 2011	Supervision opinion on 1st Quarterly Report 2011 of CIMC
30 Jun. 2011	The 3rd Session of the 6th Board of Supervisors for 2011	Resolution on Summary of the Rectification Report on On-site Checks by the Shenzhen CSRC
22 Aug. 2011	The 4th Session of the 6th Board of Supervisors for 2011	Supervision opinion on Semi-annual Report 2011 of CIMC
21 Sept. 2011	The 5th Session of the 6th Board of Supervisors for 2011	Supervision opinion on Matters Concerning Granting Reserved Options According to the Stock Option Incentive Plan
27 Oct. 2011	The 6th Session of the 6th Board of Supervisors for 2011	Supervision opinion on the 3rd Quarterly Report 2011 of CIMC

II. Independent opinion on events of the Company in 2011 by the Board of Supervisors

The Board of Supervisors of the Company issued independent opinion on the following events:

(I). Legitimate operation of the Company

1. The Board of Supervisors of the Company, on the basis of Company Law and Articles of Association, carefully performed its duties. The supervisors sat in on the Board Meetings as non-voting delegates and supervised the convening procedures, decision making procedures of the general meetings of shareholders and board of directors as well as the execution of the resolutions made in the general meetings of shareholders and the decision making of the Company; the Board of Supervisors is of the view that during the reporting period, the decision making procedures were consistent with the law, the internal control procedures were consummated; there was no behavior of the directors, chairman and senior management staff which violated the Articles of Association or damaged the Company's interest; there was no behavior of power abusing or damaged the interest of the shareholders or employees.

2. In accordance with the Guideline of Internal Control in Listed Company Stipulated by Shenzhen Stock Exchange, the Board of Supervisors fully inspected on the internal control of the Company and issued the following supervision opinions: the current internal control system is in line with the requirements of relevant laws, rules and stipulations at present, as well as meet the requirement of effective risk control in all the material aspects; the Self-assessment Report of Internal Control of CIMC for Y2011 reflects the particulars on the establishment, operation, inspection and supervision of the Company's internal control objectively and truly.

3. In accordance with the requirements of Supervision opinion on the On-site Checks for CIMC by the Shenzhen CSRC (Shen-Zheng-Ju-Gong-Si-Zi [2011] No. 47), the Board of Supervisors reviewed and approved the Summary of the Rectification Report on On-site Checks by the Shenzhen CSRC.

4. On 17 Sept. 2010, the Stock Option Incentive Plan of China International Marine Containers (Group) Co., Ltd. (Revised) (hereinafter referred as "Stock Option Incentive Plan"), and for the reserved options of the Stock Option Incentive Plan, the Board of Supervisors supervised the list of grantees and grant day of the reserved options of the Stock Option Incentive Plan reviewed and approved by the Board, and then issued the opinions as follows:

(1) After the supervision on the list of grantees of the reserved options of the Stock Option Incentive Plan, we are of the opinion: the core technical (business) staff, fixed as the incented objects in accordance with the Stock Option Incentive Plan of China International Marine Containers (Group) Co., Ltd. (Revised), all meet the qualification stipulated in Company Law, Articles of Association as well as other laws, rules and stipulations, who also meet the conditions of incented objects stipulated by Administration of Stock Option Incentive of Listed Company (Trial), Memorandum of the Spervision on Stock Option Incentive No. 1, No. 2 and No. 3, so whose qualifications as the incented objects for this reserved options of the Company are legal and effective.

(2) After supervising the matters of authorization, we are of the opinion: the grant day for the reserved options of the Stock Option Incentive Plan is 22 Sept. 2011, meanwhile, the Company will made authorization to the incented objects of the reserved options in accordance with relevant stipulations, and finish the registration, announcement and other relevant procedures. And the above arrangement is in line with the requirements of the Administration of Stock Option Incentive of Listed Company (Trial), Memorandum of the Spervision on Stock Option Incentive No. 1, No. 2 and No. 3 and Stock Option Incentive Plan of China International Marine Containers (Group) Co., Ltd. (Revised), which is legal and effective.

(II) The examination on the Company's finance

The Board of Supervisors examined the Company's business and finance in 2011, as well as the annual financial report, the semi-annual report and other documents submitted by the Board of Directors. And it is of the opinion that the financial report has presented the Company's financial status and operating results in a factual and fair manner. In the reporting period, KPMG issued a standard unqualified auditor's report for the Company's Financial Report 2011. And it believes that the audit opinion issued by KPMG is objective.

Section X Significant Events

I. Significant lawsuits and arbitrations

SS PANTANAL, the deep-water semi-submersible drilling platform constructed for Schahin in Brazil by a subsidiary of the Company – YCRO was delivered in Nov. 2010.

In 2011, SCHAHIN couldn't pay the contract amount in accordance with the construction contract on time, thus YCRO filed a lawsuit application on three companies of SCHAHIN Group including SCHAHIN HOLDINGS SA, to require a claim on the overdue contact amount of USD 65 million.

The Company is optimistic on the prospect of the lawsuit, and will adopt active legal acts to protect the interest of shareholders from any harm. However, the case has not been in session or settled, which still has some uncertainty, and the result may have a certain influence on the Company's profit in 2012 or during the later period.

II. Significant acquisition and sales of assets

In Oct. 2011, CIMC Raffles, on the basis of one additional share for every two existing shares, issued 205,173,750 shares of renounceable non-underwritten additional shares at an issue price of USD 0.5 for each additional share, and the gross proceeds amounted to USD 102.6 million. Of which, the Company acquired 202,342,343 shares with USD 101 million through CIMC OFFSHORE, the controlled subsidiary of its wholly own subsidiary—CIMC HK, so after the allotment of shares, the Company's shareholding proportion in CIMC Raffles would reach 54.7%.

In Jan. 2012, the Company acquired 131,093,400 shares, the total shares of the Zhang Family held in CIMC Offshore Holdings Liminted, with USD 114 million, thus its shareholding proportion in CIMC Raffles Offshore (Singapore) Limited reached 88.58%.

III. Significant related transactions

During the reporting period, no significant related transaction occurred in 2011. For details of relevant information, please refer to "Note VI Related Party Relationships and Transactions" in the Notes to the Financial Statements.

IV. Significant contracts and execution

1. During the reporting period, the Company did not hold in trust, contract or lease any significant assets from other companies, nor did it put in trust, contract or lease its significant assets to other companies.

2. As approved at the Second Special Shareholders' General Meeting for 2010 on 15 Nov. 2010, the Company plans to issue medium-term notes (MTN) with a term of five years and a ceiling of RMB six billion to institutional investors in the national inter-bank bond market. On 4 May 2011, the Company received the Notice on Accepting Registration issued by the National Association of Financial Market Institutional Investors, which meant that the registration of the Company's MTN was accepted. Up to now, the issuance of the first-phase MTN as 4 billion shares has been finished. For details, please refer to the public notices disclosed on China Securities Journal, Shanghai Securities News, Securities Times,

Ta Kung Pao (HK) and www.cninfo.com.cn dated 10 May 2011 and 19 May 2011 (Announcement No. [CIMC] 2011-015 and [CIMC] 2011-016).

3. Significant guarantee contracts

(1) The Company provided guarantees on operational capital for its subsidiaries. The Company is an overall listed company, who provided guarantees on operational capital within budgets for its subsidiaries for the purpose of demands of business and development. The Company signed a General Agreement on Annual Credit of Head Office with the Bank according to the annual budget approved by the Board of Directors. The various financing activities of the subsidiaries must be within the annual credit in the General Agreement. The Company, as approved by the Board of Directors, provided credit guarantee for the subsidiaries with the total annual credit. As 31 Dec. 2011, the balance of the guarantee provided by the Company for its subsidiaries was RMB 1,376.68 million. No overdue external guarantee existed in the Company and holding subsidiaries.

(2) The Company did not provide any external guarantees to its shareholders, actual controller and other related parties.

(3) As at 31 Dec. 2011, the balance of guarantee provided by the Company amounted to RMB 2,340.28 million, accounting for 12.56% of the net assets at the end of 2011, direct or indirect guarantee amount for liabilities of subsidiaries whose assets liability ratio was over 70% was RMB 743.72 million.

5. During the reporting period, the Company did not entrust any person to conduct cash assets management.

V. Special explanation and independent opinion made by Independent Directors on relevant events

(I) Special explanation and independent opinion made by Independent Directors in respect of appropriations of funds of the Company by its related parties and external guarantee

We believed that the Company has strictly followed the requirements of relevant rules and regulations to standardize the behaviors of external guarantee with perfect decision-making, and reached the effective financial risk control. There was no behavior of external guarantee provided by the Company for its shareholders, actual controller and other related parties in the Company. Both guarantees the Company provided for its subsidiaries and guarantees CIMC Vehicle and its holding subsidiaries provided for their dealers and clients are for the sake of promoting business development of the Group and demands of products sales. The above-mentioned guarantees did not harm benefits of the Company and shareholders.

(II) Special explanation and independent opinion made by Independent Directors on the Company's derivatives investment and risk control

In our opinion, the Company strictly complied with the requirements of relevant rules and regulations issued by supervision department, as well as the principle of prudence, to standardize derivatives investment. The internal approval system and operating process on business was perfect. And risk control was valid.

VI. Performance on the stock option incentive scheme

(I) Implementation of the stock option incentive scheme of CIMC

On 28 Dec. 2009, the 16th Session of the 5th Board of Directors for year 2009 of CIMC and the 7th Session of the 5th Board of Supervisors for year 2009 of CIMC were held, at which the Stock Option Incentive Scheme of China International Marine Containers (Group) Co., Ltd. (Draft), the Appraisal Measures for Implementing Stock Option Incentive Scheme of China International Marine Containers (Group) Co., Ltd. and the Proposal on Submitting the Shareholders' General Meeting to Authorize the Board of Directors to Transact Matters Related with Stock Option Incentive Scheme of CIMC were reviewed and approved. And the independent directors issued The Independent Opinion on the Stock Option Incentive Scheme of China International Marine Containers (Group) Co., Ltd. (Draft) by the Independent Directors.

On 1 Sept. 2010, the Company convened the 5th Session of the 6th Board of Directors for Year 2010 and the 3rd Session of the 6th Board of Supervisors for Year 2010, which reviewed and approved Proposal on Revising the Stock Option Incentive Scheme of China International Marine Containers (Group) Co., Ltd (Draft), and amended the original incentive scheme. With unanimous review by CSRC, on 17 Sep. 2010, the 1st Special Shareholders' Meeting for Y2010 of the Company reviewed and passed the Stock Option Incentive Scheme of China International Marine Containers (Group) Co., Ltd. (hereafter referred to as Incentive Scheme of Stock Option).

The amount of the Company's stock option granted to grantees in this scheme was 60 million shares, accounting for 2.25% of the total share capital of the Company, of which 54 million was initially granted. And the grantees were core technical (business) staff and middle management staff, amounted to 181. And the initial exercise price was RMB 12.39 per share. After the implementation of the dividends distribution plan for 2010, the exercise price was adjusted to RMB 12.04 per share with the grant day as 28 Sept. 2010, which was finished the registration for stock option on 26 Jan. 2011; the reserved options amounted to 6 million shares, and the grantees were core technical (business) staff and middle management staff, amounted to 48, and the exercise price was RMB 17.57 per share with the grant day as 22 Sept. 2011, which was finished the registration on 17 Nov. 2011.

The valid period of this stock option incentive scheme was ten years since the initial grant date of the stock option, which was divided into two periods to exercise, and the first exercise period was from the initial trade date after two years since the grant date to the last trade date within four years since the grant date, and it was allowed to exercise no more than 25% of the total granted stock options; the second exercise period was from the initial trade date after four years since the grant date to the last trade date of this plan, and it was allowed to exercise no more than 75% of the total stock options. The large-scale stock option incentive and the strict exercise conditions would integrate the interest of the

Company and that of the staffs themselves, so as to stimulate the staffs' enthusiasm significantly, and thus input endless energy to the development of the Company.

Particulars on the stock option incentive for the directors, supervisors and senior executives

Name	Position	Grant amount (share)	Grant day	Exercise amount during the reporting period	Exercise price
Mai Boliang	President	3,800,000	28 Sept. 2010	0	12.04
Zhao Qingsheng	Vice president	1,500,000	28 Sept. 2010	0	12.04
Liu Xuebin	Vice president	1,500,000	28 Sept. 2010	0	12.04
Li Ruiting	Vice president	1,300,000	28 Sept. 2010	0	12.04
Wu Fapei	Vice president	1,000,000	28 Sept. 2010	0	12.04
Li Yinhui	Vice president	1,000,000	28 Sept. 2010	0	12.04
Yu Ya	Vice president	1,000,000	28 Sept. 2010	0	12.04
Yu Yuqun	Secretary to the Board of Directors	1,000,000	28 Sept. 2010	0	12.04
Jin Jianlong	General manager of Financial Management	1,000,000	28 Sept. 2010	0	12.04
Zeng Beihua	General manager of Capital Management	1,000,000	28 Sept. 2010	0	12.04
Total	-	14,100,000	28 Sept. 2010	0	-

(II) Performance on Equity Trust Scheme of CIMC Vehicle (Group) Co., Ltd.

1. The Shareholders' General Meeting of the Company held on 17 Oct. 2007 reviewed and approved the Proposal on Shares Trust Plan of CIMC Vehicles (Group) Co., Ltd., the Company's wholly owned subsidiary. In accordance with the plan, the Company's senior management staffs involving in the vehicles business and the core staffs of the Company's subsidiary CIMC Vehicles (Group) Co., Ltd. held 20% of this subsidiary with increasing capital as RMB 220.7 million through China Resources SZITIC Trust Co., Ltd..

2. The Shareholding Plan of Core Staffs in CIMC Vehicles (Group) Co., Ltd. was implemented in 2007 through the establishment of Shares Trust Plan, of which the first phase of distributed shares totaling 43 million shares, accounting for 19.48% in the total beneficiary shares of the Shares Trust Plan. The second phase of beneficiary shares of Shares Trust Plan of CIMC Vehicles (Group) Co., Ltd. was distributed with the total shares as 72.25 million shares, representing 32.74% in the total beneficiary shares of the Shares Trust Plan. In 2011, the third phase of beneficiary shares of Shares Trust Plan of CIMC Vehicles (Group) Co., Ltd. was distributed with the total shares as 66.075 million shares, representing 29.94% in the total beneficiary shares of the Shares Trust Plan.

As to 31 Dec. 2011, the distributed shares of Shares Trust Plan of CIMC Vehicles (Group) Co., Ltd. were 181.325 million shares, accounting for 82.16% in the total beneficiary shares of the Shares Trust Plan.

VII. Commitment made by the Company or shareholders holding more than 5% of shares and performance thereof

(I) For the relevant commitment made by the Company, please refer to "Section IX. 1" in the "Notes to the Financial Statements".

(II) Commitment made by COSCO Container Industrial Limited in the Share Merger

Reform on listing of shares subject to trading moratorium and the performance thereof
(1) COSCO Container Industries Limited committed that the original non-tradable shares held by it would not be sold at Shenzhen Stock Exchange or transferred according to relevant regulations within 12 months since the first transaction day after implementation of the share merger reform.

(2) COSCO Container Industries Limited further committed that, after expiration of the above commitment, the non-tradable shares sold through listing at Shenzhen Stock Exchange in accordance with the relevant provisions would not exceed 5% of total shares of CIMC within 12 months and not exceed 10% within 24 months.
The Board of Directors and CITIC Securities considered that up to date, COSCO Container Industries Limited has strictly performed relevant commitments in the Share Merger Reform.

VIII. Other investment events

(I) Securities investment

Unit: RMB

No.	Stock variety	Stock code	Short form of Stock	Initial investment (RMB Yuan)	Number of shareholding at the period-end (share)	Closing book value	Proportion to total securities investment at the period-end （%）	Profits and losses in the reporting period
1	B	200581	Su Weifu B	49,461,422.81	3,000,000	48,155,580.00	33.51%	-25,049,118.85
2	H	00368	Inotrans Shipping Limited H	20,071,869.76	2,996,500	4,591,306.22	3.20%	-2,607,595.72
3	S	G05.SI	GoodPack	100,745,074.00	13,500,000	90,562,653.30	63.03%	-38,481,285.43
Other securities investment at the period-end				606,300.00	-	383,130.00	-	-220,000.00
Profit and loss from selling securities investment				-	-	-	-	32,453,000.00
Total				170,884,666.57	-	143,692,669.52	-	-33,905,000.00

(II) Equity of other listed companies held by the Company

Unit: RMB

Stock code	Short form of Stock	Initial investment	Ratio to equity of invested company (%)	Closing book value	Profits and losses in the reporting period	Change of owners' equity
600036	China Merchants Bank	25,461,492.90	0.53%	136,814,000.00	3,342,540.00	-8,125,830.00
600999	China Merchants Securities	57,517,510.73	0.90%	427,341,000.00	9,687,345.60	-141,601,349.21
OEL	Otto Energy	13,480,167.09	1.19%	7,799,000.00	-	-456,000.00
Total		96,459,170.72	-	571,954,000.00	13,029,885.60	-150,183,179.21

(III) Equity of Pre-IPO and unlisted financial enterprises held by the Company

Naught

(VI) Derivatives investment

Analysis on risks and control measures of derivatives positions held in the reporting period (including but not limited to market risk, liquidity risk, credit risk, operation risk, law risk, etc.)	As at 31 Dec. 2011, main financial instrument held by the Company included foreign exchange forwards or option contract and interest rate swap contract. Risk of interest rate swap contract was nearly related to fluctuation of interest rate. Risk of foreign exchange forwards or option contract related to of risk from exchange rate market and certainty of future cash flow from foreign currency income. Control measures of derivative instrument showed in the following: carefully select and determine the type and amount of new derivative instrument; aimed at derivative transaction, the Company formulated strict and regular internal system of examination and approval and operation process, and defined procedure of examination and approval to control relevant risks.
Changes of market prices or fair values of the invested derivatives in the reporting period And the analysis on the fair value of the derivatives should disclose the specific use methods and the relevant assumptions and parameters.	The Group's profit and loss from change in fair value of derivative financial instrument was RMB -34,219,000 from Jan to Dec. 2011. Fire value of derivative financial instrument was recognized according to market quote from the external financial institution.
Whether significant changes occurred to the Company's accounting policy and specific accounting principles of derivatives in the reporting period than that of the previous reporting period	No
Specific opinion from independent directors, sponsors or financial consultants on the Company's derivatives investment and risk control	In our opinion, the Company strictly complied with the requirements of relevant rules and regulations issued by supervision department, as well as the principle of prudence, to standardize derivatives investment. The internal approval system and operating process on business was perfect. And risk control was valid.

Positions of derivatives investment as at the end of reporting period

Unit RMB

Type of contract	Opening contract amount	Closing contract amount	Profit and loss in the reporting period （RMB'0000）	Proportion of closing contract amount to net assets of the Company at the end of reporting period（%）
1. Forward foreign exchange contract	4,673,302,392.70	3,931,523,232.00	-87,384,000.00	25.08%
2. Interest rate swaps	2,370,373,304.01	2,677,882,500.00	-6,908,000.00	12.72%
3. Option contracts-JPY	370,908,516.65	230,332,520.00	60,073,000.00	1.99%
Total	7,414,584,213.36	6,839,738,252.00	-34,219,000.00	39.79%

IX. Engagement and disengagement of CPA Firm

During the reporting period, as approved by the Annual Shareholders' General Meeting 2010 held on 13 Apr. 2011, the Company reengaged KPMG as the Company's accountants for providing auditing to the accounting statements for 2011.

Audited items	Name of CPA Firm	2011		Continuous service life	2010	
		Audit fee	Forensic examination fee for internal control		Audit fee	Forensic examination fee for internal control

The consolidated financial statements of the Group prepared in accordance with China Accounting Standard for Business Enterprise	KPMG	RMB 6.35 million	RMB 3.6 million	18	RMB 5.35 million	-

X. During the reporting period, none of the Company, its Board of Directors and its directors was subject to administrative punishment by CSRC.

XI. Events after the balance sheet date

Naught

XII. Interviews and visits in the reporting period

During the reporting period, the Company received in aggregate 91 batches of visitors for visiting, investigation and visiting plants by various institutional investors, such as fund companies, investment companies and securities companies, and individual investors etc. The Company did not disclose, reveal or divulge to any institutional investors and individual investors any material information not generally available to the public.

Time	Location	Means	Investors	Topics discussed and information provided
5 Jan. 2011	The Company	Field research	China Merchants Securities	The business structure of the Company, the recent status in the industry, the main business status, investment progress, outlook for the industry in 2011
6 Jan. 2011	The Company	Field research	Shanghai Chongyang Investment Management Co. Ltd	Ditto
7 Jan. 2011	The Company	Field research	Merrill Lynch, Goldman Sachs	Ditto
7 Jan. 2011	Beijing	One-to-many conference	Customer RCM of Deutsche Bank, Fidelity, Neuberger Berman, Invesco HK, Be	Ditto
12 Jan. 2011	Eastern factory	Field research	Tangshan Ruiyin International Trade Co., Ltd., Bosera Funds	Ditto
13 Jan. 2011	The Company	Field research	Triskele Capital	Ditto
17 Jan. 2011	The Company	Field research	Daiwa Securities, Nikko Asset Management Co.,Ltd	Ditto
19 Jan. 2011	The Company	Field research	Oriental Patron Securities, Great Wall Securities	Ditto
20 Jan. 2011	The Company	Field research	Goldman Sachs, CITIC-PRUDENTIAL FUND	Ditto
24 Jan. 2011	The Company	By telephone	UOB Assets Management	Ditto
15 Feb. 2011	The Company	Field research	Customer of Guosen Securities, Lombarda China Fund, China AMC	Ditto
16 Feb. 2011	Shenzhen	One-to-many conference	China AMC，Harvest Fund	Ditto

18 Feb. 2011	The Company	Field research	Value Partners	Ditto
23 Feb. 2011	The Company	Field research	Customers of CICC, Sinolink Securities	Ditto
23 Mar. 2011	The Company	Field research	Fuh Hwa Securities Investment Trust	Ditto
23 Mar. 2011	The Company	Field research	JP Morgan and its customers	Explanation for the Company's business performance in 2010
23 Mar. 2011	China Merchants Securities	One-to-many conference	China Merchants Securities and its fund	Explanation for the Company's business performance in 2010
24 Mar. 2011	The Company	Field research	Bosera Funds	The business structure of the Company, the recent status in the industry, the main business status, investment progress, outlook for the industry in 2011
24 Feb. 2011	The Company	Field research	Morgan Stanley	Ditto
28 Mar. 2011	The Company	Field research	CITIC Securities, China Merchants Fund	Ditto
29 Mar. 2011	The Company	Field research	GF Securities	Ditto
30 Mar. 2011	The Company	Field research	Liuhe Capital, Huashang Fund	Ditto
31 Mar. 2011	The Company	Field research	Theleme Parterners Capital	Ditto
8 Apr. 2011	The Company	By telephone	Taishin Securities Investment Trust	Ditto
14 Apr. 2011	The Company	Field research	HSBC	Ditto
15 Apr. 2011	The Company	Field research	Standard Chartered Bank, Huatai United Securities, Assets Management of General Electric Company	Ditto
27 Apr. 2011	The Company	By telephone	Winnington Capital Assets Management	Ditto
27 Apr. 2011	The Company	Field research	Morgan Stanley	Ditto
5 May 2011	The Company	Field research	Clients of Goldman Sachs: Changsheng Fund Management, China International Fund Management Co., Ltd, China Life Insurance Asset Management Company Ltd., DACHENG FUND MANAGEMENT CO., LTD	Business structure of the Company's marine industry, recent industry, main businesses, business performance in 2010, industry outlook for 2011
6 May 2011	The Company	Field research	Morgan Stanley, Tangshan Ruiyin International Trade Co., Ltd.	Business structure of the Company's marine industry, recent industry, main businesses, investment progress, business performance in 2010, industry outlook for 2011
9 May 2011	The Company	By telephone	DnB NOR Asset Management	Ditto
11 May 2011	The Company	Field research	DIAM CO., LTD	Ditto
13 May 2011	The Company	By telephone	Target Asset Management	Ditto
16 May 2011	The Company	Field research	Mirae Asset Global Investment, Chang Xin Asset Management	Ditto
17 May 2011	Yantai	Field research	GE Asset Management	Business structure of the Company's marine industry, recent industry, main businesses, business performance in 2010, industry outlook for 2011
17 May 2011	The Company	Field research	CICC	Business structure of the Company's marine industry, recent industry, main businesses, investment progress,

				business performance in 2010, industry outlook for 2011
18 May 2011	The Company	Field research	Merrill Lynch, UBS SDIC	Ditto
19 May 2011	The Company	One-to-many conference	Jeffries, Shenyin & Wanguo Securities and its customer	Ditto
23 May 2011	The Company	By telephone	NOMURA SECURITIES	Ditto
27 May 2011	The Company	Field research	CHINA POST FUND	Ditto
30 May 2011	The Company	Field research	CITIC Securities	Ditto
31 May 2011	The Company	Field research	Hengtai Securities	Ditto
1 Jun. 2011	The Company	By telephone	ROCIM	Ditto
1 Jun. 2011	The Company	Field research	Haitong Securities	Ditto
3 Jun. 2011	The Company	Field research	DACHENG FUND MANAGEMENT CO., LTD	Ditto
9 Jun. 2011	The Company	Field research	China Southern Fund, Penghua Fund	Ditto
10 Jun. 2011	Shanghai	One-to-many conference	Strategic committee of HUATAI UNITED SECURITIES	Ditto
13 Jun. 2011	The Company	Field research	UBS Fundmental Investment Group	Ditto
20 Jun. 2011	Yantai	Field research	Customer INVESCO of Tangshan Ruiyin International Trade Co., Ltd.	Ditto
21 Jun. 2011	The Company	Field research	The Royal Bank of Scotland Asset Management Limited	Ditto
22 Jun. 2011	Eastern factory	One-to-many conference	Haitong ; AllianceBernstein ; Principal ; Shadowfax; UBP ; GS	Ditto
22 Jun. 2011	Yantai	One-to-many conference	China International Fund Management Co., Ltd, China AMC, DACHENG, Rising Investment, Guotai Securities, Yingda Securities, BOC, CICC, Changjin Asset, Hengshenyun，Yinhua Fund ， Guosen Securities	Ditto
23 Jun. 2011	Qingdao	One-to-many conference	Customer of UBS	Ditto
24 Jun. 2011	Shanghai	One-to-many conference	Customer of Essence Securities	Ditto
29 Jun. 2011	The Company	Field research	CLSA Asia-Pacific Markets, KGI, Guangzhou Securities Research Institute	Ditto
30 Jun. 2011	The Company	By telephone	Daiwa Securities	Ditto
5 Jul. 2011	The Company building	Field research	Goldman Sachs Hongkong	The Company's business structure, profile, main business status, industry status and outlook for 2011
6 Jul. 2011	The Company building	Field research	Dongguan Secutities, Great Wall Securities	Ditto
11 Jul. 2011	The Company building	Field research	Goldman Sachs	Ditto
12 Jul. 2011	The Company building	Field research	Essence Securities, UBS Huachuang, Hengtai Securities	Ditto

13 Jul. 2011	Xiamen	One-to-many conference	Client of China Securities Co., Ltd.	Ditto
14 Jul. 2011	The Company building	Field research	Zeal Asset Management Limited, Fuh Hwa Securities Investment Trust Co., Ltd.	Ditto
19 Jul. 2011	The Company building	Field research	Bosera Funds	Ditto
21 Jul. 2011	The Company building	Field research	Wanjia Asset Management Co., Ltd.	Ditto
24 Aug. 2011	The Company building	Field research	J．P．Morgan	Ditto
25 Aug. 2011	The Company building	Field research	Chang Xin Asset Management Co., Ltd.	Ditto
31 Aug. 2011	The Company building	Field research	Shanghai Rising Investment Management Limited	Ditto
5 Sept. 2011	The Company building	Field research	Shenzhen Wudang Asset Management Ltd.	Ditto
14 Sept. 2011	Hong Kong	One-to-many conference	Client of Jefferies	Ditto
21 Sept. 2011	The Company building	Field research	The Royal Bank of Scotland Group PLC	Ditto
22 Sept. 2011	The Company building	Field research	Anfuda Investment Co., Ltd.	Ditto
27 Sept. 2011	The Company building	Field research	Matthews from Mingji Int'l Industrial Limited	Ditto
29 Sept. 2011	The Company building	Field research	JS Cresvale International Securities Limited	Ditto
30 Sept. 2011	The Company building	By phone	Client of Morgan Stanley	Ditto
30 Sept. 2011	The Company building	Field research	Guodu Securities	Ditto
18 Oct. 2011	The Company building	Field research	Client of Morgan Stanley, ROBECO	Business structure of the Company's marine industry, recent industry, main businesses, investment progress, industry outlook for 2011
18 Oct. 2011	The Company building	Field research	Industrial Securities	Ditto
25 Oct. 2011	The Company building	Field research	Client of BOC International (China) Limited	Ditto
28 Oct. 2011	The Company building	Field research	Client of Morgan Stanley—Keywise Capital Management Beijing Ltd., China Investment Corporation, Huayan Times Consulting (Beijing)Company Limited	Ditto
1 Nov. 2011	The Company building	Field research	Xiangcai Securities	Ditto
8 Nov. 2011	The Company building	Field research	Client of The Royal Bank of Scotland	Ditto
10 Nov. 2011	The Company building	Field research	Client of China Merchants Holdings (International) Company Limited	Ditto
15 Nov. 2011	The Company building	Field research	Standard Chartered Bank	Ditto
16 Nov. 2011	The Company building	Field research	Western Securities, GF Securities	Ditto
17 Nov. 2011	The Company building	Field research	Rising Securities	Ditto

18 Nov. 2011	The Company building	Field research	Northeast Securities	Ditto
25 Nov. 2011	Hongkong	Field research	Investment Summit of JFR Technology Co., Ltd. in Hongkong	Ditto
1 Dec. 2011	Shenzhen	Field research	Strategic committee of Huatai Securities	Ditto
12 Dec. 2011	The Company building	Field research	CICC	Ditto
13 Dec. 2011	Shenzhen	One-to-many conference	Strategic committee of China Merchants Securities and strategic committee of GF Securities	Summary of the economic business in 2011 and outlook of the financial environment in 2012
15 Dec. 2011	Shenzhen	One-to-many conference	Strategic committee of Essense Securities	Ditto

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

ENGLISH VERSION OF FINANCIAL STATEMENTS
FOR THE YEAR 1 JANUARY 2011 TO 31 DECEMBER 2011
IF THERE IS ANY CONFLICT OF MEANING BETWEEN THE CHINESE AND ENGLISH VERSIONS, THE CHINESE VERSION WILL PREVAIL

Auditors' Report

KPMG-C (2012) AR No.0034

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 balance sheet and balance sheet as at 31 December 2011, the consolidated income statement and income statement, the consolidated cash flow statement and cash flow statement, the consolidated statement of changes in shareholders' equity and statement of changes in shareholders' equity for the year then ended, and notes to the financial statements.

Management's Responsibility for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing these financial statements in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China, and fairly presenting them; (2) designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

Auditors' 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 for Certified Public Accountants. Those standards require that we comply with China Code of Ethics for Certified Public Accountants, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 auditors consider 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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.

Auditors' Report (continued)

KPMG-C (2012) No.0034

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position and financial position of the Company as at 31 December 2011, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

KPMG Huazhen

Certified Public Accountants
Registered in the People's Republic of China

Lee Yuen Mei

China Beijing

Liang Jiebing

22 March 2012

China International Marine Containers (Group) Co., Ltd.
Consolidated balance sheet as at 31 December 2011

Item	*Note*	*2011*	*2010*
Current assets:			
Cash at bank and on hand	V.1	7,788,126	4,655,696
Financial assets held for trading	V.2	186,134	525,661
Bills receivable	V.3	1,030,528	508,585
Accounts receivable	V.4	8,110,784	8,129,836
Prepayments	V.6	1,930,496	2,433,447
Interest receivable		2,020	4,732
Other receivables	V.5	2,709,665	2,236,272
Inventories	V.7	15,468,352	13,423,747
Non-current assets due within one year	V.8	2,635,287	1,185,502
Other current assets	V.9	865,633	688,030
Total current assets		40,727,025	33,791,508
Non-current assets:			
Available-for-sale financial assets	V.10	571,954	768,467
Long-term receivables	V.11	2,311,235	1,336,257
Long-term equity Investments	V.12	1,957,187	1,548,332
Investment properties	V.13	126,983	77,356
Fixed assets	V.14	10,885,435	10,006,466
Construction in progress	V.15	1,898,330	1,697,664
Intangible assets	V.16	3,172,222	3,218,571
Goodwill	V.17	1,207,504	1,168,594
Long-term deferred expenses	V.18	34,892	27,978
Deferred tax assets	V.19	704,098	489,456
Other non-current assets	V.20	764,849	-
Total non-current assets		23,634,689	20,339,141
Total assets		64,361,714	54,130,649

The notes on pages 97 to 301 form part of these financial statements.

China International Marine Containers (Group) Co., Ltd. Consolidated balance sheet as at 31 December 2011 (continued)

Item	*Note*	*2011*	*2010*
Current liabilities:			
Short-term loans	V.23	8,030,912	8,309,309
Financial liabilities held for trading	V.24	31,107	3,810
Bills payable	V.25	3,295,226	2,538,623
Accounts payable	V.26	7,328,966	9,117,500
Advances from customers	V.27	2,662,742	1,935,731
Employee benefits payable	V.28	2,012,608	1,365,532
Taxes payable	V.29	916,118	789,155
Interest payable	V.30	152,067	13,168
Dividends payable	V.31	116,253	16,046
Other payables	V.32	3,393,837	2,388,367
Provisions	V.33	736,179	649,573
Non-current liabilities due within one year	V.34	2,560,318	2,844,521
Total current liabilities		31,236,333	29,971,335
Non-current liabilities			
Financial liabilities held for trading	V.24	74,836	154,292
Long-term loans	V.35	6,572,585	3,912,148
Notes payables	V.36	3,988,438	-
Long-term payables	V.37	86,846	118,858
Special payables	V.38	8,940	16,442
Deferred tax liabilities	V.19	581,500	572,866
Other non-current liabilities	V.39	198,564	178,008
Total non-current liabilities		11,511,709	4,952,614
Total non-current liabilities		42,748,042	34,923,949

The notes on pages 97 to 301 form part of these financial statements.

China International Marine Containers (Group) Co., Ltd.
Consolidated balance sheet as at 31 December 2011 (continued)

Item	*Note*	*2011*	*2010*
Shareholders' equity			
Share capital	V.40	2,662,396	2,662,396
Capital reserve	V.41	799,261	1,349,420
Surplus reserve	V.42	2,953,160	3,577,588
Retained earnings	V.43	12,785,092	10,689,335
Translation differences of financial statements denominated in foreign currency		(566,755)	(2,055,682)
Total equity attributable to shareholders of the Company		18,633,154	16,223,057
Minority interests		2,980,518	2,983,643
Total equity		21,613,672	19,206,700
Total liabilities and Shareholders' equity		64,361,714	54,130,649

These financial statements have been approved by the Board of Directors of the Company on 22 March 2012.

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

The notes on pages 97 to 301 form part of these financial statements.

China International Marine Containers (Group) Co., Ltd.
Balance sheet as at 31 December 2011

Item	*Note*	*2011*	*2010*
Current assets			
Cash at bank and on hand	XII.1	430,350	419,945
Financial assets held for trading	XII.2	-	162,298
Bills receivable		-	31,000
Dividends receivable	XII.3	5,403,255	4,243,437
Other receivables	XII.4	6,798,779	4,175,168
Total current assets		12,632,384	9,031,848
Non-current assets			
Available-for-sale financial assets	XII.5	564,155	759,401
Long-term equity Investments	XII.6	4,341,151	3,662,478
Fixed assets		137,642	144,692
Construction in progress		14,457	25,224
Intangible assets		22,246	23,109
Long-term deferred expenses		5,683	4,999
Deferred tax assets	VII.15	71,554	-
Total non-current assets		5,156,888	4,619,903
Total assets		17,789,272	13,651,751

The notes on pages 97 to 301 form part of these financial statements.

China International Marine Containers (Group) Co., Ltd.
Balance sheet as at 31 December 2011 (continued)

Item	*Note*	*2011*	*2010*
Current liabilities			
Short-term loans	XII.7	363,009	480,897
Financial liabilities held for trading	XII.8	21,290	556
Bills payable	XII.9	-	200,000
Employee benefits payable	XII.10	671,840	368,275
Taxes payable	XII.11	63,652	59,080
Interest payable	XII.12	133,106	5,522
Other payables		72,733	9,407
Non-current liabilities due within one year	XII.13	1,094,352	2,729,353
Total current liabilities		2,419,982	3,853,090
Non-current liabilities			
Financial liabilities held for trading	XII.8	74,836	136,846
Long-term loans	XII.14	4,223,180	2,473,381
Debenture payables	V.36	3,988,438	-
Deferred tax liabilities	VII.15	-	50,291
Total non-current		8,286,454	2,660,518
Total liabilities		10,706,436	6,513,608

The notes on pages 97 to 301 form part of these financial statements.

China International Marine Containers (Group) Co., Ltd.
Balance sheet as at 31 December 2011 (continued)

Item	*Note*	*2011*	*2010*
Shareholders' equity			
Share capital	V.40	2,662,396	2,662,396
Capital reserve	XII.16	199,322	852,264
Surplus reserve	V.42	2,953,160	3,577,588
Retained earnings		1,267,958	1,579,889
Translation differences of financial statements denominated in foreign currency		-	(1,533,994)
Total equity		7,082,836	7,138,143
Total liabilities and Shareholders' equity		17,789,272	13,651,751

These financial statements have been approved by the Board of Directors of the Company on 22 March 2012.

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

The notes on pages 97 to 301 form part of these financial statements.

China International Marine Containers (Group) Co., Ltd.
Consolidated income statement
for the year ended 31 December 2011

Item	*Note*	*2011*	*2010*
I.Operating income	V.44	64,125,053	51,768,316
II. Less: Operating costs	V.44	52,224,731	43,597,815
Business taxes and Surcharges	V.45	344,723	76,892
Selling and distribution expenses	V.46	1,867,900	1,250,243
General and administrative expenses	V.47	3,767,221	2,734,364
Financial expenses	V.48	783,699	669,783
Impairment loss	V.51	409,602	274,610
Add: (Losses) / gains from changes in fair value	V.49	(100,577)	234,918
Add: Investment income	V.50	108,693	38,641
Including: Income from investment in associates and jointly controlled enterprises		44,120	102,938
III.Operating profit		4,735,293	3,438,168
Add: Non-operating Income	V.52	370,193	292,019
Less: Non-operating Expenses	V.53	82,780	55,580
Including: Losses from disposal of non-current assets		286	20,551
IV.Profit before income tax		5,022,706	3,674,607
Less: Income tax expenses	V.54	1,363,768	823,748
V.Net profit for the year		3,658,938	2,850,859
Attributable to: Shareholders of the Company		3,690,926	3,001,851
Minority shareholders		(31,988)	(150,992)

The notes on pages 97 to 301 form part of these financial statements.

China International Marine Containers (Group) Co., Ltd.
Consolidated income statement
for the year ended 31 December 2011 (continued)

Item	*Note*	*2011*	*2010*
VI.Earnings per share:			
Basic earnings per share (RMB)	V.55	1.39	1.13
Diluted earnings per share (RMB)	V.55	1.37	1.13
VII.Other comprehensive income	V.56	(486,403)	(536,354)
VIII.Total comprehensive income for the year		3,172,535	2,314,505
Attributable to: Shareholders of the Company		3,302,938	2,506,058
Minority interests		(130,403)	(191,553)

These financial statements have been approved by the Board of Directors of the Company on 22 March 2012.

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

The notes on pages 97 to 301 form part of these financial statements.

China International Marine Containers (Group) Co., Ltd.
Income statement for the year ended 31 December 2011

Item	*Note*	*2011*	*2010*
I.Operating income		946	1,503
II. Less:Operating costs		50	81
Business taxes and surcharges		12,906	-
General and administrative expenses		671,689	315,962
Financial expenses		259,050	7,884
Impairment loss		322	-
Add: Gains from changes in fair value	XII.17	2,191	48,668
Add: Investment income	XII.18	1,784,513	178,396
III.Operating profit / (loss)		843,633	(95,360)
Add: Non-operating Income		1,871	25,973
Less: Non-operating Expenses		737	469
Including: Gains / (losses) from disposal of non-current assets		557	(9)
IV.Profit / (loss) before income tax		844,767	(69,856)
Less: Income tax expenses	XII.19	(76,328)	(36,359)
V.Net profit / (loss) for the Year		921,095	(33,497)
VI.Other comprehensive income for the year	XII.20	(149,727)	(486,714)
VII.Total comprehensive income for the year		771,368	(520,211)

These financial statements have been approved by the Board of Directors of the Company on 22 March 2012.

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

The notes on pages 97 to 301 form part of these financial statements.

China International Marine Containers (Group) Co., Ltd.
Consolidated cash flow statement
for the year ended 31 December 2011

Item	*Note*	*2011*	*2010*
I.Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		66,772,464	53,883,978
Refund of taxes		3,606,931	1,600,081
Cash received relating to other operating activities	V.57(1)	363,735	199,730
Sub-total of cash inflows		70,743,130	55,683,789
Cash paid for goods and services		59,108,743	47,042,184
Cash paid to and for employees		4,454,158	3,525,509
Cash paid for all types of taxes		1,637,178	1,091,435
Cash paid relating to other operating activities	V.57(2)	3,288,614	2,541,760
Sub-total of cash outflows		68,488,693	54,200,888
Net cash inflow from operating activities	V.58(1)	2,254,437	1,482,901
II.Cash flows from investing activities:			
Cash received from disposal of investments		342,872	105,461
Cash received from return on investments		42,550	47,637
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		85,898	67,182
Cash received from disposal of subsidiaries		-	21,076
Cash received relating to other investing activities	V.57(3)	220,654	64,240
Sub-total of cash inflows		691,974	305,596
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		2,998,389	2,116,817
Cash paid for acquisition of investments		1,179,827	582,250
Cash paid for acquisition of subsidiaries	V.58(2)	89,818	336,831
Sub-total of cash outflows		4,268,034	3,035,898
Net cash outflow from investing activities		(3,576,060)	(2,730,302)

The notes on pages 97 to 301 form part of these financial statements.

China International Marine Containers (Group) Co., Ltd.
Consolidated cash flow statement
for the year ended 31 December 2011 (continued)

Item	*Note*	*2011*	*2010*
III.Cash flows from financing activities			
Cash received from investors		83,049	97,548
Including: Cash received from minority shareholders of subsidiaries		83,049	97,548
Cash received from borrowings		29,180,931	20,120,944
Cash received relating to other financing activities		-	216,684
Sub-total of cash inflows		29,263,980	20,435,176
Cash repayments of borrowings		22,895,986	19,119,035
Cash paid for dividends, profit distributions or interest		1,797,341	838,732
Including: Dividends and profits paid to minority shareholders of subsidiaries		100,652	56,057
Cash paid relating to other financing activities	V.57(4)	62,702	-
Sub-total of cash outflows		24,756,029	19,957,767
Net cash inflow from financing activities		4,507,951	477,409
IV.Effect of foreign exchange rate changes on cash and cash equivalents		(420,490)	170,882
V.Net increase / (decrease) in cash and cash equivalents	V.58(1)	2,765,838	(599,110)
Add: Cash and cash equivalents at the beginning of the year		3,797,415	4,396,525
VI.Cash and cash equivalents at the end of the year		6,563,253	3,797,415

These financial statements have been approved by the Board of Directors of the Company on 22 March 2012.

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

The notes on pages 97 to 301 form part of these financial statements.

China International Marine Containers (Group) Co., Ltd.
Cash flow statement for the year ended 31 December 2011

Item	*Note*	*2011*	*2010*
I.Cash flows from operating activities:			
Cash received relating to other operating activities		10,977,238	8,533,690
Cash paid to and for employees		117,690	78,051
Cash paid for all types of taxes		26,820	218,517
Other cash paid relating to operating activities		13,828,276	7,720,814
Sub-total of cash outflows		13,972,786	8,017,382
Net cash (outflow) / inflow from operating activities	XII.21	(2,995,548)	516,308
II.Cash flows from investing activities:			
Cash received from disposal of investments		292,788	84,266
Cash received from return on investments		465,415	472,880
Net cash received from disposal of fixed assets and intangible assets		1,209	101
Net cash received from disposal of subsidiary		-	15,488
Cash received relating to other investing activities		308,980	240,217
Sub-total of cash inflows		1,068,392	812,952
Cash paid for acquisition of fixed assets and other long-term assets		21,933	35,846
Cash paid for acquisition of investments		152,887	211,812
Cash paid for subsidiary establishment and increase of capital		679,695	74,118
Sub-total of cash outflows		854,515	321,776
Net cash inflow from investing activities		213,877	491,176

The notes on pages 97 to 301form part of these financial statements.

China International Marine Containers (Group) Co., Ltd.
Cash flow statement for the year ended 31 December 2011 (continued)

Item	*Note*	*2011*	*2010*
III.Cash flows from financing activities:			
Cash received from borrowings and subtotal of cash inflows		9,201,687	1,743,522
Cash repayments of borrowings		5,216,339	1,970,531
Cash paid for dividend, profit distributions or interest		1,193,264	489,171
Sub-total of cash outflows		6,409,603	2,459,702
Net cash inflow/ (outflow) from financing activities		2,792,084	(716,180)
IV.Effect of foreign exchange rate changes on cash and cash equivalents		-	(11,523)
V.Net increase / (decrease) in cash and cash equivalents	XII.21	10,413	279,781
Add: cash and cash equivalents at the beginning of the year		417,461	137,680
VI.Cash and cash equivalents at the end of the year	XII.21	427,874	417,461

These financial statements have been approved by the Board of Directors of the Company on 22 March 2012.

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

The notes on pages 97 to 301form part of these financial statements.

China International Marine Containers (Group) Co., Ltd.
Consolidated statement of changes in shareholders' equity
for the year ended 31 December 2011 (continued)

Item	Note	2011							2010						
		Attributable to shareholders of the Company							*Attributable to shareholders of the Company*						
	Note	*Share capital*	*Capital reserve*	*Surplus reserve*	*Retained earnings*	*Translation differences of financial statements denominated in foreign currency*	*Minority interests*	*Total equity*	*Share capital*	*Capital reserve*	*Surplus reserve*	*Retained earnings*	*Translation differences of financial statements denominated in foreign currency*	*Minority interests*	*Total equity*
I.Balance at 1 January		2,662,396	1,349,420	3,577,588	10,689,335	(2,055,682)	2,983,643	19,206,700	2,662,396	1,557,703	3,577,588	8,229,532	(1,829,011)	1,628,423	15,826,631
II.Changes in equity for the Year															
(I) Net profit for the year		-	-	-	3,690,926	-	(31,988)	3,658,938	-	-	-	3,001,851	-	(150,992)	2,850,859
(II)Other comprehensive income for the year	V.56	-	(146,828)	-	-	(241,160)	(98,415)	(486,403)	-	(269,122)	-	-	(226,671)	(40,561)	(536,354)
Sub-total of (I)&(II)		-	(146,828)	-	3,690,926	(241,160)	(130,403)	3,172,535	-	(269,122)	-	3,001,851	(226,671)	(191,553)	2,314,505
(III) Shareholders' contributions and decrease of capital															
1. Contributions by minority Shareholders	V.41	-	(58,964)	-	-	-	353,660	294,696	-	-	-	-	-	97,548	97,548
2. Acquisition of minority interests of subsidiary		-	-	-	-	-	-	-	-	1,274	-	-	-	(1,274)	-
3. Increase in minority interests resulted from acquisition of subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	1,528,694	1,528,694
4. Decrease in minority interests resulted from disposal of subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	(13,956)	(13,956)
5.Decrease in retained earings resulted from acquisition of minority interest	V.43(2)	-	-	-	(19,843)	-	(29,856)	(49,699)	-	-	-	(222,560)	-	(33,803)	(256,363)
6. Increase in shareholders' equity resulted from share-based payments	VII.2	-	117,805	-	-	-	4,333	122,138	-	59,565	-	-	-	10,991	70,556

The notes on pages 97 to 301form part of these financial statements.

China International Marine Containers (Group) Co., Ltd.
Consolidated statement of changes in shareholders' equity
for the year ended 31 December 2011 (continued)

Item	Note	*2011*							*2010*						
		Attributable to shareholders of the Company							*Attributable to shareholders of the Company*						
	Note	*Share capital*	*Capital reserve*	*Surplus reserve*	*Retained earnings*	*Translation differences of financial statements denominated in foreign currency*	*Minority interests*	*Total equity*	*Share capital*	*Capital reserve*	*Surplus reserve*	*Retained earnings*	*Translation differences of financial statements denominated in foreign currency*	*Minority interests*	*Total equity*
(IV)Appropriation of profits															
1.appropriation of statutory surplus reserve	V.42	-	-	92,110	(92,110)	-	-	-							
2. Distributions to shareholders	V.43(1)	-	-	-	(931,839)	-	(200,859)	(1,132,698)	-	-	-	(319,488)	-	(41,427)	(360,915)
(V)Effect of functional currency change	II.4	-	(462,172)	(716,538)	(551,377)	1,730,087	-	-	-	-	-	-	-	-	-
III.Balance at 31 December		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

These financial statements have been approved by the Board of Directors of the Company on 22 March 2012.

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

The notes on pages 97 to 301form part of these financial statements.

China International Marine Containers (Group) Co., Ltd.
Statement of changes in shareholders' equity
for the year ended 31 December 2011 (continued)

RMB'000

Item	Note	2011						2010					
		Share capital	*Capital reserve*	*Surplus reserve*	*Retained earnings*	*Translation differences of financial statements denominated in foreign currency*	*Total*	*Share capital*	*Capital reserve*	*Surplus reserve*	*Retained earnings*	*Translation differences of financial statements denominated in foreign currency*	*Total*
I.Balance at 1 January		2,662,396	852,264	3,577,588	1,579,889	(1,533,994)	7,138,143	2,662,396	1,045,202	3,577,588	1,932,874	(1,266,301)	7,951,759
II.Changes in equity for the year													
(I) Net profit / (losses) for the year		-	-	-	921,095	-	921,095	-	-	-	(33,497)	-	(33,497)
(II) Other comprehensive income for the year	XII.20	-	(149,727)	-	-	-	(149,727)	-	(219,021)	-	-	(267,693)	(486,714)
Sub-total of (I)&(II)		-	(149,727)	-	921,095	-	771,368	-	(219,021)	-	(33,497)	(267,693)	(520,211)
(III)Shareholders' contributions and decrease of capital													
1.Increase in shareholders' equity resulted from share-based payment	VII.2	-	105,164	-	-	-	105,164	-	26,083	-	-	-	26,083
(IV)Appropriation of profits													
1.Appropriation for surplus reserve	V.42	-	-	92,110	(92,110)	-	-	-	-	-	-	-	-
2.Distribution to shareholders	V.43(1)	-	-	-	(931,839)	-	(931,839)	-	-	-	(319,488)	-	(319,488)
(V) Effect of functional currency change	II.4	-	(608,379)	(716,538)	(209,077)	1,533,994	-	-	-	-	-	-	-
III.Balance at 31 December		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

These financial statements have been approved by the Board of Directors of the Company on 22 March 2012.

Legal representative's authorised person

The person in charge of accounting affairs

The head of the accounting department

Company stamp

The notes on pages 97 to 301form part of these financial statements.

China International Marine Containers (Group) Co., Ltd.
Notes to the financial statements

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

I COMPANY STATUS

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". Up to 31 December 2011, 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.

II. BASIS OF PREPARATION

1. BASIS OF FINANCIAL REPORTING

The financial statements have been prepared on the basis that the Company will continue to operate throughout the next accounting period until 31 December 2011 as a going concern.

2. STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with the requirements of "Accounting Standards for Business Enterprises—Basic Standard" and 38 Specific Standards issued by the Ministry of Finance (MOF) of the People's Republic of China (PRC) on 15 February 2006, and application guidance, bulletins and other relevant accounting regulations issued subsequently (collectively referred to as "Accounting Standards for Business Enterprises" or "CAS"). These financial statements present truly and completely the consolidated financial position and financial position of the Company as at 31 December 2011, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the year then ended.

These financial statements also comply with the disclosure requirements of "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15: General Requirements for Financial Reports" as revised by the China Securities Regulatory Commission (CSRC) in 2010.

3. ACCOUNTING YEAR

The accounting year of the Group is from 1 January to 31 December.

4. FUNCTIONAL 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 certain subsidiaries domiciled in PRC was U.S dollar for the year of 2010 and prior years. Due to the fact that Renminbi becomes the currency in which major income and costs are denominated and settled, the functional currency of the Company and these subsidiaries was changed to be Renminbi starting from 1 January 2011. Hong Kong and certain 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).

II. BASIS OF PREPARATION (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. BASIS OF PREPARATION (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, base 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.

II. BASIS OF PREPARATION (CONTINUED)

6. PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Where the Company acquired a minority interest from a subsidiary's minority shareholders before 7 August 2008, any excess of the investment cost for acquiring the minority interest over the Group's interest in the fair value of the identifiable net assets of the minority interest acquired is recognised as goodwill. Where the Company acquired a minority interest from a subsidiary's minority shareholders, the difference between the investment cost for acquiring the minority interest and the corresponding reduction of minority interest in the consolidated financial statements, is adjusted to the capital reserve in the consolidated balance sheet except for the portion that has been recognised as goodwill. If the credit balance of capital reserve 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.

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, demand deposits, and short-term, highly liquid investments, which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

II. BASIS OF PREPARATION (CONTINUED)

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 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.

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.

II. BASIS OF PREPARATION (CONTINUED)

9. FINANCIAL INSTRUMENTS (CONTINUED)

(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.

- 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.

II. BASIS OF PREPARATION (CONTINUED)

9. FINANCIAL INSTRUMENTS

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

- 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 whose fair value cannot be measured reliably are measured at cost subsequent to initial recognition. Other 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. Dividend income from the available-for-sale equity instruments is recognised in profit or loss when the investee declares the dividends.

- 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 the liabilities arising from financial guarantee contracts. 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).

  Except for the liabilities arising from financial guarantee contracts described above, subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.

II. BASIS OF PREPARATION (CONTINUED)

9. FINANCIAL INSTRUMENTS

(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.

(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 or if the Group transfers substantially all the risks and rewards of ownership of the financial asset to another party.

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.

II. BASIS OF PREPARATION (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 includes 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.

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.

II. BASIS OF PREPARATION (CONTINUED)

9. FINANCIAL INSTRUMENTS (CONTINUED)

(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.

10. IMPAIRMENT OF RECEIVABLES

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.

II. BASIS OF PREPARATION (CONTINUED)

10. IMPAIRMENT OF RECEIVABLES (CONTINUED)

(a) 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.

(b) 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.

II. BASIS OF PREPARATION (CONTINUED)

10. IMPAIRMENT OF RECEIVABLES (CONTINUED)

(c) 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 offshore engineering groups, the relevant receivables within credit period have lower credit risk after the grouping based on credit risk characteristics according to individual credit risk assessment and historical data. No provision is provided accordingly. 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.

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

Ageing	Percentage of total accounts receivable (%)			
	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.

II. BASIS OF PREPARATION (CONTINUED)

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 value of inventories and the 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.

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.

II. BASIS OF PREPARATION (CONTINUED)

11. INVENTORIES (CONTINUED)

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

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.

- 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.

II. BASIS OF PREPARATION (CONTINUED)

12. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(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.

(b) Investment in jointly controlled enterprises and associates

A jointly controlled enterprise is an enterprise which operates under joint control (see NoteII.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 NoteII.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.

II. BASIS OF PREPARATION (CONTINUED)

12. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(2) Subsequent measurement (continued)

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

- 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.

  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.

II. BASIS OF PREPARATION (CONTINUED)

12. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(2) Subsequent measurement (continued)

(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.

(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.

II. BASIS OF PREPARATION (CONTINUED)

12. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

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

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; or
- 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.

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. 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.

II. BASIS OF PREPARATION (CONTINUED)

13. INVESTMENT PROPERTIES (CONTINUED)

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%

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. BASIS OF PREPARATION (CONTINUED)

14. FIXED ASSETS (CONTINUED)

(2) Depreciation

Fixed assets are depreciated using the straight-line method over their estimated useful lives, unless the fixed asset is classified as held for sale (see Note II.28). The estimated useful lives, residual values and depreciation rates of each class of fixed assets are as follows:

Classes	*Depreciation period (years)*	*Residual 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) Criteria of recognition and method of measuring for fixed assets under a finance lease

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 derecognised:

- 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.

II. BASIS OF PREPARATION (CONTINUED)

15. CONSTRUCTION IN PROGRESS

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.

II. BASIS OF PREPARATION (CONTINUED)

16. BORROWING COSTS (CONTINUED)

- 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.

  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.

II. BASIS OF PREPARATION (CONTINUED)

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

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.

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.

Expenditures on research phase are recognised in profit or loss when incurred. Expenditures on development phase are capitalised if development costs can be measured reliably, the product or process is technically and commercially feasible, and the Group intends to and has sufficient resources to complete development. Capitalised development costs are stated at cost less impairment losses (see Note II.20). Other development expenditures are recognised as expenses in the period in which they are incurred.

II. BASIS OF PREPARATION (CONTINUED)

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.

19. LONG-TERM DEFERRED EXPENSE

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

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

20. IMPAIRMENT OF ASSETS OTHER THAN INVENTORIES, FINANCIAL ASSETS AND OTHER LONG-TERM INVESTMENTS

The carrying amounts of the following assets are reviewed at each balance sheet date based on the internal and external sources of information to determine whether there is any indication of impairment:

- fixed assets
- construction in progress
- intangible assets
- investment properties measured using a cost model
- long-term equity investments in subsidiaries, associates and jointly controlled enterprises
- goodwill and etc.

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amounts of goodwill at no later than each year-end, irrespective of whether there is any indication of impairment. Goodwill is allocated to each asset group or set of asset groups, which is expected to benefit from the synergies of the combination for the purpose of impairment testing.

II. BASIS OF PREPARATION (CONTINUED)

20. IMPAIRMENT OF ASSETS OTHER THAN INVENTORIES, FINANCIAL ASSETS AND OTHER LONG-TERM INVESTMENTS (CONTINUED)

The recoverable amount of an asset, asset group or set of asset groups is the higher of its fair value less costs to sell and its present value of expected future cash flows.

An asset group is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. An asset group is composed of assets directly relating to cash-generation. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group’s operations and how management makes decisions about continuing or disposing of the Group’s assets.

An asset’s fair value less costs to sell is the amount determined by the price of a sale agreement in an arm’s length transaction, less the costs that are directly attributable to the disposal of the asset. The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using a pre-tax discount rate.

If the result of the recoverable amount calculating indicates the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to profit or loss for the current period. A provision for impairment of the asset is recognised accordingly. For impairment losses related to an asset group or a set of asset groups first reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, the carrying amount of an impaired asset will not be lower than the greatest amount of its individual fair value less costs to sell (if determinable), the present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

II. BASIS OF PREPARATION (CONTINUED)

21. PROVISIONS AND CONTINGENT LIABILITIES

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

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.

(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.

II. BASIS OF PREPARATION (CONTINUED)

22. SHARE-BASED PAYMENTS (CONTINUED)

(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.

  For share-based payment transactions among entities within the group of companies (comprising the ultimate parent of the Group and all of its subsidiaries), the Group receiving services recognises the transaction as an equity-settled share-based payment transaction when the Group has no obligation to settle the transaction.

- 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.

  For share-based payment transactions among entities within the group of companies (comprising the ultimate parent of the Group and all of its subsidiaries), the Group receiving services recognises the transaction as a cash-settled share-based payment transaction if it has an obligation to settle the transaction and the awards granted to its employees are the equity instruments of other entities within the same group.

II. BASIS OF PREPARATION (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. BASIS OF PREPARATION (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 recognised.

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) Interest income

Interest income is recognised on a time proportion basis with reference to the principal outstanding and the applicable effective interest rate.

II. BASIS OF PREPARATION (CONTINUED)

24. EMPLOYEE BENEFITS

Employee benefits are all forms of considerations given and other relevant expenditures incurred in exchange for services 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.

(1) 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, at the applicable benchmarks and rates stipulated by the government for the benefit of its employees. 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.

(2) 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. BASIS OF PREPARATION (CONTINUED)

25. GOVERNMENT GRANTS

Government grants are transfers of monetary assets or non-monetary assets from the government to the Group at no consideration except for the capital contribution from the government as an investor in the Group. 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 there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount that is received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at its fair value.

A government grant related to an asset is recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset. A grant that compensates the Group for expenses to be incurred in the subsequent periods is recognised initially as deferred income and recognised in profit or loss in the same periods in which the expenses are recognised. A grant that compensates the Group for expenses incurred is recognised in profit or loss immediately.

26. DEFERRED TAX ASSETS AND 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). Deferred tax is not recognised for taxable temporary differences 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.

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.

II. BASIS OF PREPARATION (CONTINUED)

26. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

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.

(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.

II. BASIS OF PREPARATION (CONTINUED)

27. OPERATING AND FINANCE LEASES (CONTINUED)

(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.

(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.

II. BASIS OF PREPARATION (CONTINUED)

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 still presented under corresponding asset classification as they were.

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:

- 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%.

II. BASIS OF PREPARATION (CONTINUED)

29. HEDGE ACCOUNTING (CONTINUED)

- 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.

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.

II. BASIS OF PREPARATION (CONTINUED)

30. DIVIDENDS APPROPRIATED TO INVESTORS

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;

(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.

II. BASIS OF PREPARATION (CONTINUED)

31. RELATED PARTIES (CONTINUED)

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.

II. BASIS OF PREPARATION (CONTINUED)

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.

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 SIGNIFICANT 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.

II. BASIS OF PREPARATION (CONTINUED)

33 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

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.

(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 recognised.

II. BASIS OF PREPARATION (CONTINUED)

33 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(3) Impairment of assets except inventories, financial assets and other long-term equity investment (continued)

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.

II. BASIS OF PREPARATION (CONTINUED)

33 SIGNIFICANT 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

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 AND TAXES RATES

Types of tax	Taxable base	Tax rate
Value added tax (VAT)	The output VAT calculated based on taxable income from sales of goods and rendering of service, after subtracting the deductable input VAT of the period, is VAT payable	17%
Business tax	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 and rendering of service, less deductible or refundable taxes for purchase of goods	10 -19%

Note1: The income tax rates applicable to the Group for the year are as follows:

	2011	*2010*
The Company	24%	22%
Domestic subsidiaries	12 - 25%	10 - 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%	26%
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%	28%
Subsidiary registered in Finland	26%	26%
Subsidiary registered in Poland	19%	19%
Subsidiary registered in Thailand	30%	30%
Subsidiary registered in Singapore	17%	17%

III. TAXATION (CONTINUED)

2. TAX PREFERENCE

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	24%	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 2011 is the fourth profit making year
3	Tianjin CIMC Special Vehicle Co., Ltd	24%	12%	Entitled to tax holiday of "two-year exemption and three-year reduction", and 2011 is the fourth 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 2011 is the fourth profit making year
5	Gansu CIMC Huajun Vehicle Co., Ltd.	25%	12.5%	Entitled to tax holiday of "two-year exemption and three-year reduction", and 2011 is the fifth profit making year
6	Ianermongolia Holonbuir CIMC Wood Co., Ltd	25%	12.5%	Entitled to tax holiday of "two-year exemption and three-year reduction", and 2011 is the fourth 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 2011 is the fourth 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 2011 is the fourth 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 Equipment Co., Ltd	25%	12.5%	Entitled to tax holidays of "two-year exemption and three-year reduction", and 2011 is the fifth profit making year

III. TAXATION (CONTINUED)

2. TAX PREFERENCE (CONTINUED)

Name of enterprises	Local Statutory tax rate	Preferential rate	Reasons
12 Yangzhou Tonglee Reefer Container Co., Ltd	25%	12.5%	Entitled to tax holidays of “two-year exemption and three-year reduction”, and 2011 is the fourth profit making year
13 Yangzhou CIMC Tonghua Tank Equipment Co., Ltd	25%	12.5%	Entitled to tax holidays of “two-year exemption and three-year reduction”, and 2011 is the fourth profit making year
14 Enric (Bengbu) Compressor Co., Ltd	25%	15%	Recognised as high-tech enterprises in 2011, entitled to 15% preferential rate
15 Shanghai CIMC Reefer Containers Co., Ltd.	25%	15%	Recognised as high-tech enterprises in 2011, entitled to 15% preferential rate
16 Nantong CIMC Special Transportation Equipment Manufacture Co., Ltd.	25%	15%	Recognised as high-tech enterprises in 2011, entitled to 15% preferential rate
17 Xinhui CIMC Special Transportation Equipment Co., Ltd.	25%	15%	Recognised as high-tech enterprises in 2010, entitled to 15% preferential rate
18 Dalian CIMC Logistics Equipment Co., Ltd.	25%	15%	Recognised as high-tech enterprises in 2011, entitled to 15% preferential rate
19 Shenzhen CIMC Special Vehicle Co., Ltd.	25%	15%	Recognised as high-tech enterprises in 2011, entitled to 15% preferential rate
20 CIMC Vehicle (Shandong) Co. Ltd	25%	15%	Recognised as high-tech enterprises in 2010, entitled to 15% preferential rate
21 Qingdao CIMC Special Vehicle Co., Ltd.	25%	12.5%	Entitled to tax holidays of “two-year exemption and three-year reduction”, and 2011 is the fourth profit making year
22 Luoyang CIMC Lingyu Automobile Co., Ltd.	25%	15%	Recognised as high-tech enterprises in 2010, entitled to 15% preferential rate
23 Dalian CIMC Railway Equipment Co., Ltd.	24%	12%	Entitled to tax holiday of “two-year exemption and three-year reduction”, and 2011 is the fifth profit making year

III. TAXATION (CONTINUED)

2. TAX PREFERENCE (CONTINUED)

Name of enterprises	*Local Statutory tax rate*	*Preferential rate*	*Reasons*
24 Wuhu CIMC RuiJiang Automobile Co., Ltd	25%	15%	Recognised as high-tech enterprises in 2011, entitled to 15% preferential rate
25 CIMC Vehicle (Liaoning) Co., Ltd.	25%	12.5%	Entitled to tax holiday of "two-year exemption and three-year reduction", and 2011 is the fourth profit making year
26 Chongqing CIMC Logistics Equipments Co., Ltd.	25%	12.5%	Entitled to tax holiday of "two-year exemption and three-year reduction", and 2011 is the fourth profit making year
27 Yangzhou CIMC Tong Hua Special Vehicles Co., Ltd	25%	15%	Recognised as high-tech enterprises in 2011, entitled to 15% preferential rate
28 Shijiazhuang Enric Gas Equipment Co., Ltd.	25%	15%	Recognised as high-tech enterprises in 2011, entitled to 15% preferential rate
29 Enric (Lang fang)Energy Equipment integration Co.,Ltd.	25%	15%	Recognised as high-tech enterprises in 2010, entitled to 15% preferential rate
30 Jingmen Hongtu Special Aircraft Manufacturing Co., Ltd	25%	15%	Recognised as high-tech enterprises in 2011, entitled to 15% preferential rate
31 Yantai CMIC Raffles offshore Ltd	25%	15%	Recognised as high-tech enterprises in 2009, entitled to 15% preferential rate
32 Nantong CIMC Tank Equipment Co., Ltd	25%	15%	Recognised as high-tech enterprises in 2011, entitled to 15% preferential rate

Corporate income tax law of the PRC ("New Tax Law") became effective on 1 January 2008. The statutory income tax rate for the Company and its domestic subsidiaries will be 25%. According to the Notice for Transitional Preferential Tax Policies of Enterprise, Income Tax Law(Guo Fa [2007] No. 39) issued by the State Council, the tax rate for the companies which were previously entitled to preferential tax rates will gradually transition to the statutory tax rate of 25% within 5 years. The 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 tax rate for the enterprises whose applicable tax rates were 24% and above or equal to 25% will be 25% starting from 2008.

III. TAXATION (CONTINUED)

2. TAX PREFERENCE (CONTINUED)

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 tax rates will be based on the applicable tax rate in the transitional period. The applicable 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 started from 1 January 2008, a withholding tax is applied on dividends distributed by foreign-invested enterprises to Hong Kong or other overseas investors with a tax rate of 5% or 10%, respectively. Therefore, at 31 December 2011, temporary difference caused by the Group's subsidiaries' undistributed profits amounted to RMB 3,665,929,000 (2010: RMB 2,490,010,000). Accordingly, deferred tax liabilities amounting to RMB 313,946,000 (2010: RMB 187,213,000) were recognised by the Group at year end.

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS

1. COMPANY STATUS OF INVESTMENT IN 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 the reporting period, the number of companies included in the scope of consolidation added up to 284. Except for the subsidiaries listed as below, the number of other subsidiaries held by the Group was 147, with paid-in capital amounting to RMB 57,775,000. Other subsidiaries mainly included those engaged in manufacturing or service provision, which have relatively small scale of operation and the paid-in capital was below RMB 20 million or USD 3 million. Other subsidiaries also included those investment holding companies with no operating activities registered in Hong Kong, British Virgin Islands or other overseas countries.

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. COMPANY STATUS OF INVESTMENT IN SUBSIDIARIES (CONTINUED)

(1) Subsidiaries obtained through establishment or business combination

(i) Domestic subsidiaries:

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 RMB'000	Amount of loss for current period attributable to minority shareholders that allocated to minority interests RMB'000
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	47,444	-
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	69,014	-
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	-	-

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. COMPANY STATUS OF INVESTMENT IN 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				RMB'000	RMB'000
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	57,913	-
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	76,304	-
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	25,000,000.00	78.22%	100.00%	Yes	Note 1	-

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. COMPANY STATUS OF INVESTMENT IN 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 RMB'000	Amount of loss for current period attributable to minority shareholders that allocated to minority interests RMB'000
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	-

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. COMPANY STATUS OF INVESTMENT IN 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 RMB'000	Amount of loss for current period attributable to minority shareholders that allocated to minority interests RMB'000
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	20,000,000.00	Finance lease business; disposal and maintenance for residual value of leased property; advisory and warranty for leasing transaction	RMB	20,000,000.00	100.00%	100.00%	Yes	-	-
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	-

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. COMPANY STATUS OF INVESTMENT IN 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				RMB'000	RMB'000
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	Note 6	-
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	89,075	-
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	-	-
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	-	-

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. COMPANY STATUS OF INVESTMENT IN 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 RMB'000	Amount of loss for current period attributable to minority shareholders that allocated to minority interests RMB'000
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	5,364	1,179
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	-	-
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	USD	14,000,000.00	100.00%	100.00%	Yes	-	-

and pressure vessel

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. COMPANY STATUS OF INVESTMENT IN 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*				*RMB'000*	*RMB'000*
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	90,000,000.00	Research and development, production and sale of reefer container and special container	RMB	90,000,000.00	100.00%	100.00%	Yes	-	-
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	-	-

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. COMPANY STATUS OF INVESTMENT IN 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*				*RMB'000*	*RMB'000*
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	550	-
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	-	-

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. COMPANY STATUS OF INVESTMENT IN 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 RMB'000	Amount of loss for current period attributable to minority shareholders that allocated to minority interests RMB'000
59 Shenzhen CIMC Skyspace Real Estate Development Co., Ltd (CIMC Tianyu)	Corporation	Shenzhen, China	RMB	254,634,066.00	Real estate development	RMB	254,634,066.00	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	15,000,000.00	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	(528)	-
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	-	-
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	-

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. COMPANY STATUS OF INVESTMENT IN SUBSIDIARIES (CONTINUED)

(1) Subsidiaries obtained through establishment or business combination (continued)

(ii) Overseas Subsidiaries

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 RMB'000	Amount of loss for current period attributable to minority shareholders that allocated to minority interests RMB'000
67 Zhumadian CIMC Huajun Casting Co. Ltd.(HJCAST)	Corporation	Henan China	RMB	20,000,000.00	casting manufacturing for Vehicle and coal mining machinery	RMB	20,000,000.00	80.00%	100.00%	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 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	-	-
72 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	-	-
73 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	10,823	-
74 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	-
75 CIMC Europe BVBA ("BVBA")		Belgium	EUR	18,550.00	Investment	EUR	18,550.00	100.00%	100.00%	Yes	-	-

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. COMPANY STATUS OF INVESTMENT IN 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 RMB'000	Amount of loss for current period attributable to minority shareholders that allocated to minority interests RMB'000
76 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	-	-
77 CIMC Burg B.V. ("BV")	Holland	EUR	60,000,000.00	Investment	EUR	48,000,000.00	80.00%	80.00%	Yes	Note 3	Note 3
78 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	-	-
79 Charm Wise Limited ("Charm Wise")	Hong Kong	USD	1.00	Investment	USD	1.00	100.00%	100.00%	Yes	-	-
80 Gold Terrain Assets Limited ("GTA")	British Virgin Islands	USD	1.00	Investment	USD	1.00	100.00%	100.00%	Yes	-	-
81 Full Medal Holdings Ltd. ("Full Medal")	British Virgin Islands	USD	50,000.00	Investment	USD	39,110.00	78.22%	100.00%	Yes	Note 1	-
82 Charm Ray Holdings Limited ("Charm Ray")	Hong Kong	HKD	1.00	Investment	HKD	0.78	78.22%	100.00%	Yes	Note 1	
83 Charm Beat Enterprises Limited ("Charm Beat")	British Virgin Islands	USD	1.00	Investment	USD	1.00	100.00%	100.00%	Yes	-	-
84 Sharp Vision Holdings Limited ("Sharp Vision")	Hong Kong	HKD	1.00	Investment	HKD	1.00	100.00%	100.00%	Yes	-	-
85 Sound Winner Holdings Limited ("Sound Winner")	British Virgin Islands	USD	10,000.00	Investment	USD	7,822.00	78.22%	100.00%	Yes	Note 1	-

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. COMPANY STATUS OF INVESTMENT IN SUBSIDIARIES (CONTINUED)

(1) Subsidiaries obtained through establishment or business combination (continued)

(ii) Overseas Subsidiaries (continued)

	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*				*RMB'000*	*RMB'000*
86	Grow Rapid Limited ("Grow Rapid")	Hong Kong	HKD	1.00	Investment	HKD	1.00	100.00%	100.00%	Yes	-	-
87	Powerlead Holding Ltd. ("Powerlead")	British Virgin Islands	USD	10.00	Investment	USD	10.00	100.00%	100.00%	Yes	-	-
88	Cooperatie Vela U.A.	Holland	EUR	18,000.00	Investment	EUR	14,080.00	78.22%	100.00%	Yes	Note 1	-
89	Vela Holding B.V.	Holland	EUR	18,000.00	Investment	EUR	14,080.00	78.22%	100.00%	Yes	Note 1	-
90	CIMC Financial Leasing (HK) Ltd ("Financial Leasing")	Hong Kong	HKD	500,000.00	Finance Lease	HKD	500,000.00	100.00%	100.00%	Yes	-	-
91	CIMC Offshore Holdings Limited *("CIMC Offshore")*	Hong Kong	HKD	342,860,173.00	Investment	HKD	211,766,773.00	61.76%	61.76%	Yes	Note 5	Note 5

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. COMPANY STATUS OF INVESTMENT IN SUBSIDIARIES (CONTINUED)

(2) The Group does not have subsidiaries obtained through combination under common control.

(3) Subsidiaries acquired through combinations under non-common control:

(i) Domestics 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				RMB'000	RMB'000
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	-	-
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	-	-

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. COMPANY STATUS OF INVESTMENT IN SUBSIDIARIES (CONTINUED)

(3) Subsidiaries acquired through combinations under non-common control (continued):

(i) Domestics 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 RMB'000	Amount of loss for current period attributable to minority shareholders that allocated to minority interests RMB'000
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	17,942	-
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	15,144,080.00	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	-
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	113,311,089.26	78.22%	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	26,759	-

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. COMPANY STATUS OF INVESTMENT IN SUBSIDIARIES (CONTINUED)

(3) Subsidiaries acquired through combinations under non-common control (continued):

(i) Domestics 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*	*Amount of original currency*	*Shareholding percentage*	*Voting rights*	*Within consolidation scope*	*Amount of minority interest at the end of the year RMB'000*	*Amount of loss for current period attributable to minority shareholders that allocated to minority interests RMB'000*
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	1,090	188
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	47,564,318.74	78.22%	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	5,475,400.00	78.22%	100.00%	Yes	Note 1	-
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	39,110,000.00	78.22%	100.00%	Yes	Note 1	-
19 Enric (Beijing)Energy TechnologyCo.,Ltd (Beijing Enric) Note IV.1(4)	Corporation	Beijing, China	HKD	40,000,000.00	Manufacturing and exploiting Energy Equipment integration	HKD	31,288,000.00	78.22%	100.00%	Yes	Note 1	-
20 CIMC Enric (Jingmen) Energy Equipment Co., Ltd.	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	HKD	39,110,000.00	78.22%	100.00%	Yes	Note 1	-

Note IV.1(4)

of energy conservation techniques

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. COMPANY STATUS OF INVESTMENT IN SUBSIDIARIES (CONTINUED)

(3) Subsidiaries acquired through combinations under non-common control (continued):

(i) Domestics 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 RMB'000	Amount of loss for current period attributable to minority shareholders that allocated to minority interests RMB'000
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	12,516,000.00	62.58%	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 supplime	USD	780,000.00	60.00%	60.00%	Yes	4,249	-
23 Yantai CMIC 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	570,455,699.00	54.71%	54.71%	Yes	Note 5	Note 5
24 Yantai CIMC Raffles ship Co., Ltd ("YCRS")	Corporation	Shandong China	RMB	125,980,000.00	Construction of ship aswell as component; Sales of container and offshore oil platform, channel and steel production	RMB	68,923,658.00	54.71%	54.71%	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	109,420,000.00	54.71%	54.71%	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 suppliment	RMB	158,659,000.00	54.71%	54.71%	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 CIMC Rolling Stock Australia Pty Ltd.	Corporation	Australia	AUD	50,000.00	Sales of vehicles	AUD	50,000.00	100.00%	100.00%	-	-	-

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. COMPANY STATUS OF INVESTMENT IN SUBSIDIARIES (CONTINUED)

(3) Subsidiaries acquired through combinations under non-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*				*RMB'000*	*RMB'000*
29	Enric Energy Equipment Holdings Limited (Enric)	Cayman Islands	HKD	120,000,000.00	Investment holding	HKD	93,864,000.00	78.22%	100.00%	Yes	Note 1	-
30	Burg Industries B.V.	Holland	EUR	3,403,351.62	Investment	EUR	2,722,681.30	80.00%	100.00%	Yes	Note 3	Note 3
31	Holvrieka Holding B.V.	Holland	EUR	12,000,000.00	Investment	EUR	9,386,400.00	78.22%	100.00%	Yes	Note 1	-
32	Holvrieka Ido B.V.	Holland	EUR	136,200.00	Sales of tank equipment	EUR	106,535.64	78.22%	100.00%	Yes	Note 1	-
33	Holvrieka Nirota B.V.	Holland	EUR	680,670.32	Production, assembly and sale of tank equipment	EUR	532,420.32	78.22%	100.00%	Yes	Note 1	-
34	Noordkoel B.V.	Holland	EUR	500,000.00	Sales of tank equipment	EUR	391,100.00	78.22%	100.00%	Yes	Note 1	-
35	Beheermaatschappij Burg B.V.	Holland	EUR	453,780.22	Investment	EUR	453,780.22	80.00%	100.00%	Yes	Note 3	Note 3
36	Burg Carrosserie B.V.	Holland	EUR	90,756.04	Production of road transport vehicle	EUR	72,604.83	80.00%	100.00%	Yes	Note 3	Note 3
37	Exploitatiemaatschappij Intraprogres B.V	Holland	EUR	79,411.54	Trade, financing and leasing of road transport vehicle	EUR	63,529.63	80.00%	100.00%	Yes	Note 3	Note 3
38	Hobur Twente B.V.	Holland	EUR	226,890.11	Production and sale of oil and components and parts	EUR	181,512.09	80.00%	100.00%	Yes	Note 3	Note 3
39	Burg Service B.V.	Holland	EUR	250,000.00	Assembly and repair of road transport vehicle and tank equipment	EUR	200,000.00	80.00%	100.00%	Yes	Note 3	Note 3
40	LAG Trailers N.V.	Belgium	BEF	30,000,000.00	Manufacturing trailer	BEF	24,000,000.00	80.00%	100.00%	Yes	Note 3	Note 3
41	Holvrieka N.V.	Belgium	BEF	40,000,000.00	Manufacturing tank equipment	BEF	31,288,000.00	78.22%	100.00%	Yes	Note 1	-

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. COMPANY STATUS OF INVESTMENT IN SUBSIDIARIES (CONTINUED)

(3) Subsidiaries acquired through combinations under non-common control (continued):

(ii) Overseas Subsidiaries (continued)

	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*				*RMB'000*	*RMB'000*
42	Immoburg N.V.	Belgium	BEF	10,000,000.00	Manufacturing road transport vehicle	BEF	8,000,000.00	80.00%	100.00%	Yes	Note 3	Note 3
43	Holvrieka Danmark A/S	Denmark	DKr	1,000,000.00	Manufacturing tank equipment	DKr	782,200.00	78.22%	100.00%	Yes	Note 1	-
44	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	15,008	-
45	CIMC TGE Gas investment SA (“TGE SA”)	Luxemburg	EUR	50,000.00	Investment holding	EUR	30,000.00	60.00%	60.00%	Yes	Note 4	Note 4
46	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
47	CIMC Raffles Offshore (Singapore) Limited (“Raffles”)	Singapore	SGD	624,541,970.96	Production of various ship for offshore oil and gas, including jack-up drilling platforms, semi-submersible drilling Platforms, FPSOs,FSOs	SGD	341,686,912.31	54.71%	54.71%	Yes	Note 5	Note 5
48	CIMC Raffles Investments Limited	Hongkong China	HKD	2.00	Investment	HKD	1.09	54.71%	54.71%	Yes	Note 5	Note 5
49	CIMC Raffles Leasing Pte Ltd.	Singapore	SGD	2.00	Leasing of marine ship	SGD	1.09	54.71%	54.71%	Yes	Note 5	Note 5
50	Caspian Driller Pte. Ltd.	Singapore	USD	30,000,000.00	Leasing of marine ship	USD	16,413,000.00	54.71%	54.71%	Yes	Note 5	Note 5
51	Technodyne International Limited (“Technodyne”)	Singapore	GBP	1.00	Research and development of Energy equipment	GBP	0.60	60%	60%	Yes	Note 4	Note 4
52	Gadidae AB.	Sweden	SEK	1000.00	Investment holding	SEK	547.10	54.71%	54.71%	Yes	Note 5	Note 5
53	Perfect Victor Investments Limited (“Perfect Victor”)	Hongkong China	USD	1.00	Investment holding	USD	1.00	100.00%	100.00%	Yes	-	-

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. COMPANY STATUS OF INVESTMENT IN SUBSIDIARIES (CONTINUED)

(3) Subsidiaries acquired through combinations under non-common control (continued):

(ii) Overseas Subsidiaries (continued)

Note 1 Enric and its subsidiaries' minority interests amounted to RMB 743,446,000.
Note 2 CIMC Tianyu and its subsidiaries' minority interests amounted to RMB 82,598,000.
Note 3 Burg and its subsidiaries' minority interests amounted to RMB 102,212,000, against which RMB14,408,000 of loss attributed to minority shareholders was allocated.
Note 4 TGE and its subsidiaries' minority interests amounted to RMB 70,931,000, against which RMB1,982,000 of loss attributed to minority shareholders was allocated.
Note 5 CIMC Offshore, Raffles and its subsidiaries' minority interests amounted to RMB 753,070,000, against which RMB511,276,000 of loss attributed to minority shareholders was allocated.
Note 6 HI and its subsidiaries' minority interests amounted to RMB 799,399,000.

(4) Subsidiaries whose shareholding held by the Company differs from their voting rights

(i) *Enric Energy Equipment Holdings Limited (Enric)*

The ordinary shares that the Company hold in Enric take 56.59% of Enric's outstanding ordinary shares. Accompany with the convertible preferential shares that the Company hold, the Company's shareholding in Enric changed to 78.22%. Enric's issued convertible preferential shares enjoy the same rights for dividend distribuftion as ordinary shares while have no voting rights. Therefore the Company's shareholding percentage in Enric is 78.22% while the voting right is 56.59%.

(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 of 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 consolidation financial statements

Newly purchared (see Note IV.6) and established subsidiaries in the year change the scope of the consolidation financial statements.

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Subsidiaries newly included in the scope of consolidation and excluded from the scope of consolidation for the current year

(1) Subsidiaries newly included in the scope of consolidation, special purpose entity, business entities that having control through being enstusted to manage or leasing

Company Name	Basis to identify control	Notes	Net asset as at 31 December 2011	Net profit/(loss) for 2011
Gadidae AB	Over half of voting rights in the Board of directors		(77,419)	(113,853)
Technodyne		IV.6	9,960	(4,989)
Perfect Victor			123,519	123,519
HJCAST			4,443	(15,557)
SHOE			50,000	-
SZ investment			60,053	53
SESKYC			90,079	79
Others		Note 1	34,159	(382)

Note 1: Other subsidiaries newly included in the scope of consolidation mainly comprised of Qingdao Dechangyuan Transportation Co., Ltd., Yangzhou Dechangyuan Transportation Co., Ltd. and other 9 subsidiaries.

(2) There was no significant subsidiary, special purpose entity, business entity that having control through being enstusted to manage or leasing that was excluded from the scope of consolidation for the current year.

5. There is no acquisition through combination under common control for the current year (2010: Nil).

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. The Group's acquisition through combination not under common control for the current year

(1) Technodyne

Acquiree	*Goodwill amount*	*Calculation method of goodwill*
Technodyne	RMB 30,371,000	TGE GAS, the Company's subsidiary, acquired 100% of the equity interests of Technodyne, the fair value of the identifiable net assets of which at the acquisition date amounted to EUR 2,013,000 (RMB 18,189,000). The excess amount of acquisition cost over fair value amounting to EUR 3,360,000 (RMB 30,371,000) was recognised as goodwill.

TGE Gas, a subsidiary of the Company (60.00% equity interests held by the Company), paid EUR 5,373,000 (RMB 48,560,000) as an acquisition cost for 100% of the equity interests of Technodyne on 2 February 2011.

Technodyne was incorporated in the United Kingdom of Great Britain in July 1997 and located in Eastleigh. Technodyne mainly engages in research and development of energy and chemical equipment. Before the acquisition, the controlling parties of Technodyne are Punj Lloyd Pte Limited, Brian John Thompsin and John Michael Haworth.

Financial information of Technodyne is as follows:

Amount	*Sales from acquisition date to 31 December 2011*	*Net loss from acquisition date to 31 December 2011*	*Net operating cash outflow flows from acquisition date to 31 December 2011*
RMB'000	23,155	4,989	14,370

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) Technodyne (continued)

Acquiree's identifiable assets and liabilities:

Items	*2 February 2011*	
	Carrying amount	*Fair value*
Cash at bank and on hand	2,494	2,494
Accounts receivable	3,055	3,055
Other receivables and prepayments	13,575	13,575
Fixed assets and construction in progress	389	389
Intangible assets	-	6,914
Short-term loans	(596)	(596)
Accounts payable and bills payable	(3,561)	(3,561)
Other payables and accrued expenses	(1,600)	(1,600)
Taxes payables	(264)	(264)
Deferred tax liabilities	-	(2,217)
Identifiable net assets total	13,492	18,189

For the above identifiable assets which have an active market, the quoted prices in the active market are used to establish their fair values; if there is no active market, their fair values are estimated based on the market price of the same or similar types of assets which have an active market; if there is no active market for even the same asset or similar types of assets, valuation techniques will be used to determine the fair value.

For the above identifiable liability, the payable amount or the present value of the payable amount is its fair value.

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. There is no loss of control of subsidiaries through significant sales of interests of the Group 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. Exchange rate for foreign operating entities' major financial statement items

	Average exchange rate		*Benchmark rate on reporting date*	
	2011	*2010*	*2011*	*2010*
USD	6.4503	6.7465	6.3009	6.5897
EUR	9.0377	8.8378	8.1625	8.7979
HKD	0.8287	0.8682	0.8107	0.8477
JPY	0.0810	0.0777	0.0811	0.0810

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CASH AT BANK AND ON HAND

	2011			2010		
	Original currency '000	*Exchange Rate*	*RMB equivalent* '000	*Original currency* '000	*Exchange Rate*	*RMB equivalent* '000
Cash on hand						
RMB	1,187	1.0000	1,187	1,866	1.0000	1,866
USD	51	6.3009	321	45	6.5897	298
HKD	320	0.8107	259	63	0.8477	54
JPY	197	0.0811	16	678	0.0810	54
AUD	1	6.4093	6	12	6.7050	83
EUR	76	8.1625	620	49	8.7979	434
Others			6			104
Subtotal			2,415			2,893
Deposits with banks						
RMB	3,352,210	1.0000	3,352,210	1,643,202	1.0000	1,643,202
USD	393,243	6.3009	2,477,785	220,781	6.5897	1,454,878
HKD	295,813	0.8107	239,816	151,076	0.8477	128,071
JPY	141,873	0.0811	11,506	426,769	0.0810	34,562
AUD	21,299	6.4093	136,512	7,636	6.7050	51,200
EUR	44,062	8.1625	359,656	45,072	8.7979	396,537
Others			77,279			33,068
Subtotal			6,654,764			3,741,518
Other monetary funds						
RMB	1,118,610	1.0000	1,118,610	844,869	1.0000	844,869
USD	1,958	6.3009	12,337	10,079	6.5897	66,416
Subtotal			1,130,947			911,285
Total			7,788,126			4,655,696

As at 31 December 2011, restricted cash at bank and on hand of the Group amounted to RMB1,224,873,000 (2010: RMB 858,281,000). Refer to Note V.22 for details.

As at 31 December 2011, Finance Company, the subsidiary of the Group, had deposit with central bank and deposits with banks and non-bank financial institutions totalling of RMB 3,340,071,000 (2010: RMB 1,438,988,000). Finance Company is a finance institution authorised by the People's Bank of China.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. FINANCIAL ASSETS HELD FOR TRADING

(1) Classification

	Note	*2011*	*2010*
1. Equity securities investments held for trading		143,692	393,491
2. Derivative financial assets - forward contract	(3)	32,691	119,069
3. Hedging instrument		9,751	13,101
Total		186,134	525,661

(2) There is no material restriction of the investment in financial assets held for trading.

(3) Details of derivative financial assets held for trading

As at 31 December 2011, the Group had certain open forward contracts (mainly unsettled forward contracts) denominated in U.S. dollars. The nominal value of these contracts amounted to USD 457 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 1,091 million, EUR 9,5 million, NOK 126 million and AUD 8.63 million respectively. Pursuant to these forward contracts, the Group and the Company are 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 6 January 2012 to 17 December 2012.

As at 31 December 2011, the Group recognised the aforesaid forwards contracts in their fair values of RMB 32,691,000 as held-for-trading financial assets and RMB 4,816,000 as held-for-trading financial liabilities. Transaction costs on realisation have not been considered when calculating the fair values.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. BILLS RECEIVABLE

(1) Classification of bills receivable

	2011	*2010*
Bank acceptance bills	924,183	396,670
Commercial acceptance bills	106,345	111,915
Total	1,030,528	508,585

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 the year end, the Group had no pledged bills receivable.

(3) At 31 December 2011, there were no amount transferred to accounts receivable from acceptance bills due to non-performance of the issuers by the Group and no outstanding amount endorsed by the Group.

At 31 December 2011, the outstanding bills receivables endorsed by the Company are:

Issuer	*Issuing Date*	*Due date*	*Amount*	*Notes*
Baotou Bei Ben Heavy-Duty Truck Co., Ltd.	6 September 2011	6 March 2012	8,900	Bank acceptance bill
Guangdong Fuwa Heavy Industry Co., Ltd.	11 October 2011	11 April 2012	5,000	Commercial acceptance bill
Shaxi Hande Axle Co., Ltd.	25 November 2011	25 May 2012	5,000	Bank acceptance bill
Guangdong Fuwa Heavy Industry Co., Ltd.	29 September 2011	29 March 2012	4,000	Bank acceptance bill
Erdos Shengbang Decoration Engineering Co., Ltd.	16 September 2011	16 March 2012	3,000	Bank acceptance bill
Total			25,900	

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. ACCOUNTS RECEIVABLE

(1) *Accounts receivable disclosed by customer categories:*

Customer Type	*2011*	*2010*
Containers group	3,418,813	3,604,026
Trailers group	1,754,595	1,934,155
Tank equipments group	1,497,937	1,175,611
Offshore engineering group	1,152,280	1,242,446
Airport ground facilities group	246,873	247,412
Others	359,836	158,669
Subtotal	8,430,334	8,362,319
Less: provision for bad and doubtful debts	(319,550)	(232,483)
Total	8,110,784	8,129,836

(2) *An ageing analysis of accounts receivable is as follows:*

Category	*2011*	*2010*
Within 1 year (inclusive)	7,732,052	7,662,297
1 to 2 years (inclusive)	433,462	542,292
2 to 3 years (inclusive)	169,828	94,341
More than 3 years	94,992	63,389
Subtotal	8,430,334	8,362,319
Less: provision for bad and doubtful debts	(319,550)	(232,483)
Total	8,110,784	8,129,836

The ageing is counted starting from the date the accounts receivable is recognised.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. ACCOUNTS RECEIVABLE (CONTINUED)

(3) Accounts receivable disclosed by categories:

Category	*Note*	*2011*				*2010*			
		Gross carrying amount		*Provision for bad and doubtful debts*		*Gross carrying amount*		*Provision for bad and doubtful debts*	
		Amount RMB'000	*Percentage (%)*	*Amount RMB'000*	*Percentage (%)*	*Amount RMB'000*	*Percentage (%)*	*Amount RMB'000*	*Percentage (%)*
Individually significant and Impairment provided individually	(4)	1,107,112	13.13%	174,011	15.72%	121,099	1.44%	44,677	36.89%
Individually significant and Impairment provided individually	(5)	49,777	0.59%	20,547	41.28%	56,718	0.67%	25,232	44.49%
Assessed for impairment collectively *									
Containers group	(6)	3,405,170	40.40%	3,723	0.11%	3,597,341	43.03%	1,455	0.04%
Trailers group	(6)	1,665,282	19.75%	58,587	3.52%	1,827,394	21.85%	92,824	5.08%
Tank equipments group	(6)	1,395,742	16.56%	49,374	3.54%	1,168,797	13.98%	59,206	5.07%
Offshore engineering group		247,266	2.93%	-	-	1,230,957	14.72%	-	-
Air ground facilities group	(6)	234,755	2.78%	12,735	5.42%	247,412	2.96%	8,944	3.62%
Others	(6)	325,230	3.86%	573	0.18%	112,601	1.35%	145	0.13%
Subtotal		7,273,445	86.28%	124,992	1.72%	8,184,502	97.89%	162,574	1.99%
Total		8,430,334	100.00%	319,550	3.79%	8,362,319	100.00%	232,483	2.78%

Note*: This category includes accounts receivable individually tested but not impaired.

There were no collaterals that the Group held for accounts receivable that were made impairment aforesaid.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. ACCOUNTS RECEIVABLE (CONTINUED)

(3) Accounts receivable disclosed by categories (continued):

Individually significant items represent accounts receivable with an individual amount over RMB 10,000,000 (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.

The analysis of the Group's accounts receivable by original currency is as follows:

Currency	*2011*			*2010*		
	Original currency '000	*Exchange rate*	*Amount USD'000*	*Original currency '000*	*Exchange rate*	*Amount USD'000*
RMB	2,588,052	1.0000	2,588,052	2,546,871	1.0000	2,546,871
USD	797,360	6.3009	5,024,086	808,506	6.5897	5,327,812
HKD	2,099	0.8107	1,702	20,121	0.8477	17,057
JPY	155,654	0.0811	12,624	53,378	0.0810	4,323
AUD	41,157	6.4093	263,789	4,160	6.7050	27,893
EUR	54,309	8.1625	443,299	45,679	8.7979	401,879
Others	-	-	96,782	-	-	36,484
			8,430,334			8,362,319

(4) An analysis of accounts receivable individually significant and impairment provided individually is as follows:

Category	*Amount*	*Provision for bad and doubtful debts*	*Provision rate*	*Reason*
Trailers group	62,135	28,408	45.72%	
Tank equipments group	102,195	18,246	17.85%	
Offshore engineering group	896,587	107,114	11.95%	
Airport equipments group	12,119	3,636	30.00%	
Others	34,076	16,607	48.74%	
Total	1,107,112	174,011	15.72%	Note 1

Note 1: Provision was made based on the credit risk assessment of customers and historical loss experiences.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. ACCOUNTS RECEIVABLE (CONTINUED)

(5) An analysis of accounts receivable individually insignificant but impairment provided individually is as follows:

Category	*Amount*	*Provision for bad and doubtful debts*	*Provision rate*	*Reason*
Containers group	13,643	2,735	20.05%	Provision is made based on the estimated recoverable amount according to assessment of credit risk and historical data
Trailers group	27,178	14,079	51.80%	
Offshore engineering group	8,426	3,574	42.42%	
Others	530	159	30.00%	
Total	49,777	20,547	41.28%	

(6) An ageing analysis of account receivable assessed for impairment collectively is as follows:

Ageing	*2011*			*2010*		
	Amount	*Percentage (%)*	*Provision for bad and doubtful debts*	*Amount*	*Percentage (%)*	*Provision for bad and doubtful debts*
Within 1 year	6,649,283	78.87%	34,096	6,432,794	76.93%	62,713
1 to 2 years	247,577	2.94%	13,569	383,213	4.58%	22,117
2 to 3 years	69,382	0.82%	17,390	81,648	0.98%	21,854
More than 3 years	59,937	0.71%	59,937	55,890	0.67%	55,890
Total	7,026,179	83.34%	124,992	6,953,545	83.16%	162,574

The ageing is counted starting from the date the account receivable is recognised.

(7) The recovery of provision within this year

There were no accounts receivable for which a full provision or a significant provision was made in previous years while were recovered in full or in significant amount during the year (2010: Nil).

(8) Actual written-off of accounts receivable within this year

There were no material actual written-off of accounts receivable during the year (2010: Nil).

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. ACCOUNTS RECEIVABLE (CONTINUED)

(9) Accounts receivable due from the five biggest debtors of the Group are as follows:

Company Name	*Relationship with the company*	*Amount RMB'000*	*Ageing*	*Percentage in total accounts receivable (%)*
1. A.P. Moller-Maersk A/S	None	1,055,530	Within 1 year	12.52%
2. Soratu Drilling LLC	None	532,677	Within 1 year	6.32%
3. United Arab Shipping Co. Kuwait	None	485,378	Within 1 year	5.76%
4. Baerfield Drilling LLC	None	363,910	Within 1 year	4.32%
5. Cronos Containers Ltd.	None	310,480	Within 1 year	3.68%
Total	-	2,747,975	–	32.60%

The total amount of the Group's top 5 accounts receivable at 31 December 2010 was RMB 2,018,771,000, 24.14% of the total accounts receivable.

(10) Accounts receivable due from shareholders who hold 5% or more of the voting rights of the Company

No amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of accounts receivable (2010:Nil).

(11) Accounts receivable due from related parties

The Group's accounts receivable due from related parties amount to RMB 109,096,000(2010: RMB 89,035,000), accounting for 1.30% of the total accounts receivable (2010: 1.06%).

Company name	*Relationship with the Company*	*Amount*	*Percentage in total accounts receivable (%)*
Sumitomo Corporation Group ("Sumitomo")	Minority shareholders of subsidiaries	9,181	0.11%
Xiamen Hongji Container Development Co., Ltd. ("XMHJ")	Associate company	86,595	1.03%
GXNFWL	Associate company	4,261	0.05%
Shaanxi Heavy Duty Automobile Co., Ltd("SXHDA")	Minority shareholders of subsidiaries	9,059	0.11%
Total		109,096	1.30%

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. ACCOUNTS RECEIVABLE (CONTINUED)

(12) Derecognition of accounts receivable due to transferring of financial assets

Item	*Amount*	*Gain or loss due to derecognition*
Derecognition due to soldout	166,790	-

There were no derecognition of accounts receivable due to transferring of financial assets in the Group as at 31 December 2010.

(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 (2010: Nil).

As at 31 December 2011, restricted accounts receivable amounted to RMB 471,026,000 (2010: RMB962,096,000). Refer to Note V.22.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. OTHER RECEIVABLES

(1) Other receivables by categories:

Customer Type	*2011*	*2010*
Amounts due from related parties	980,115	557,348
Loans	562,343	427,445
Drawback tax receivable	312,888	786,039
Prepayment for land and equipment	86,475	73,336
Deposit	105,533	72,004
Fixed term and secured principle investment	415,000	-
Others	367,742	421,717
Subtotal	2,830,096	2,337,889
Less: provision for bad and doubtful debts	(120,431)	(101,617)
Total	2,709,665	2,236,272

Raffles entered into loan agreement with Sea Biscuit International Inc ("Sea Biscuit"), whereby the total amount borrowed by Sea Biscuit from Raffles is USD 66,126,000 (RMB 416,651,000) as at 31 December 2011. The repayment is expected to be settled in cash. As a result, the amount due from Sea Biscuit was recorded as other receivables by Raffles.

The Group has made provision of RMB 12,602,000 for the amount above as at 31 December 2011.

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 USD 35,625,000 (RMB 224,470,000) 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 USD 10,116,000 (RMB 63,747,000) from 2007 to 31 January 2011.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. OTHER RECEIVABLES

(2) The ageing analysis of other receivables is as follows:

Category	*2011*	*2010*
Within 1 year (Inclusive)	1,584,992	1,827,466
1 to 2 years (Inclusive)	484,326	253,754
2 to 3 years (Inclusive)	513,136	151,166
More than 3 years	247,642	105,503
Subtotal	2,830,096	2,337,889
Less: provision for bad and doubtful debts	(120,431)	(101,617)
Total	2,709,665	2,236,272

The ageing is counted starting from the date the other receivable is recognised.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. OTHER RECEIVABLES (CONTINUED)

(3) Other receivables by categories:

Category	*Note*	*2011*				*2010*			
		Amount USD'000	*Percentage (%)*	*Provision for bad and doubtful debts*		*Amount USD'000*	*Percentage (%)*	*Provision for bad and doubtful debts*	
				Amount USD'000	*Percentage (%)*			*Amount USD'000*	*Percentage (%)*
Individually significant other receivables	(4)	1,953,906	69.04%	71,176	3.64%	950,622	40.66%	58,574	6.16%
Insignificant other receivables	(5)	876,190	30.96%	49,255	5.62%	1,387,267	59.34%	43,043	3.10%
Total		2,830,096	100.00%	120,431	4.26%	2,337,889	100.00%	101,617	4.35%

There were no collaterals that the Group held for other receivables that were made impairment aforesaid.

Individually significant items represent other receivables with an individual amount over RMB 10,000,000 (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.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. OTHER RECEIVABLES (CONTINUED)

(4) An analysis of individually significant other receivables assessed for impairment individually are as follows:

Category	*Amount*	*Provision for bad and doubtful debts*	*Provision rate*	*Reasons*
Individually significant:		-	-	
Capital increment amount due from subsidiaries	122,438	-	-	Note 1
Amounts due from associates	455,889	-	-	Note 1
Receivables arising from transfer of equity investment	386,385	-	-	Note 1
Receivables arising from purchase of land use right	20,099	-	-	Note 1
Receivables arising from financing to third parties	495,412	12,602	2.54%	Note 1
Receivables arising from fixed term and secured principle investment	415,000	-	-	
Others	58,683	58,574	99.81%	Note 2
Total	1,953,906	71,176	3.64%	

Note 1: The estimated risk of loss is relatively low. The provision for bad and doubtful debts is individually assessed based on the recoverability of individual balance.

Note 2: Provision was made based on the credit risk assessment of creditors and historical loss experiences.

(5) An analysis of individually insignificant other receivables but assessed for impairment recognised individually is as follows:

The Group assessed impairment of the insignificant other receivable and made provision of impairment of RMB 49,255,000 as at 31 December 2011.

(6) Provision written back or recovered

There were no other receivables for which a full provision or a significant provision was made in the previous years while were recovered in full or in significant amount during the year (2010: Nil).

(7) The recovery of other receivables by restructuring within this year

There were no other receivables recovered during the year by means of restructuring.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. OTHER RECEIVABLES (CONTINUED)

(8) Actual written-off of other receivables within this year

There were no material actual written-off of other receivables during the year (2010: Nil).

(9) Other receivables due from the five biggest debtors of the Group are as follows:

Company Name	*Relationship with the company*	*Amount RMB'000*	*Aging*	*Percentage in total other receivables (%)*
1. Sea Biscuit	None	416,651	1 to 2 years	14.72%
2. Leung Kee Holding Ltd. ("Leung Kee")	Minority shareholders of subsidiaries	315,735	Within 1 year	11.16%
3. MSC	Associate	288,217	1 to 3 years and more than 3 years	10.18%
4. Agricultural Bank of China Co., Ltd. Shenzhen Pingshan Branch	None	290,000	Within 1 year	10.25%
5. Shanghai Fengyang Real Estate Development Co., Ltd ("Shanghai Fengyang")	Associate	167,672	1to 3 years and more than 3 years	5.92%
Total	—	1,478,275	—	52.23%

The Group's top 5 other receivables as at 31 December 2010 amounted to RMB821,398,000, accounting for 35.13% of the total other receivables.

(10) Other receivables due from shareholders who hold 5% or more of the voting rights of the Company

No amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of other receivables.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. OTHER RECEIVABLES (CONTINUED)

(11) Other receivables due from related parties

Company Name	*Relationship with the company*	*Amount RMB'000*	*Percentage in total other receivables (%)*
1. P.G.M Holding B.V.(PGM)	Minority shareholders of subsidiaries	122,438	4.33%
2. Shanghai Fengyang	Associate	167,672	5.92%
3. Shenzhen Merchant Property Development Co., Ltd("SZMPD")	Significant shareholder of the Group	70,650	2.50%
4. Leung Kee	Minority shareholders of subsidiaries	315,735	11.16%
5. C & C Trucks Co., Ltd. ("C&C Trucks")	Associate	10,790	0.38%
6.MSC	Associate	288,217	10.18%
7. Others	–	4,613	0.16%
Total	–	980,115	34.63%

The Group's other receivables due from related parties as at 31 December 2010 amounted to RMB 557,348,000, accounting for 23.84% of total other receivables.

(12) Derecognition of other receivables due to transferring of financial assets

There are no derecognition of other receivables due to transferring of financial assets during the year (2010: 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 (2010: Nil).

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. PREPAYMENTS

(1) *Prepayments by category are as follows:*

	2011	*2010*
Raw material	1,433,583	1,832,516
Construction Cost	506,620	600,546
Other	87,033	97,472
Subtotal	2,027,236	2,530,534
Less: provision for bad and doubtful debts	(96,740)	(97,087)
Total	1,930,496	2,433,447

(2) *The ageing analysis of prepayments is as follows:*

	2011		*2010*	
	Amount RMB'000	*Percentage %*	*Amount RMB'000*	*Percentage %*
Within 1 year (inclusive)	1,577,538	77.82%	2,156,578	85.22%
1 and 2 years (inclusive)	114,381	5.64%	57,744	2.28%
2 and 3 years (inclusive)	36,279	1.79%	280,565	11.09%
More than 3 years	299,038	14.75%	35,647	1.41%
Subtotal	2,027,236	100.00%	2,530,534	100.00%
Less: provision for bad debts	(96,740)	4.77%	(97,087)	3.84%
Total	1,930,496	95.23%	2,433,447	96.16%

The ageing is counted starting from the date of recognition of prepayments.

Prepayments aged over 1 year included steel purchase prepayment made to a supplier in total of RMB 92,140,000 in 2008. The supplier has not delivered the steels within due date for its own reasons. As at 31 December 2011, the Group had made full provision of RMB 87,640,000 for unsettled balances.(2010: RMB 87,640,000).

Other than the prepayments mentioned above, the remaining prepayments aged over 1 year mainly represented equipment purchase prepayment for offshore engineering projects. The prepayments are not settled because the construction period of the offshore engineering project usually last more than 1 year.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. PREPAYMENTS (CONTINUED)

(3) The Group's top 5 prepayments are as follows:

Company name	*Relationship with the company*	*Amount RMB'000*	*Percentage of the total prepayments (%)*	*Time of recognition*	*Reason for unsettlement*
1. THRUSTMASTER OF EXAS, INC	None	169,363	8.35%	2010 to 2011	equipments not yet received within due date
2. EMER International Ltd	None	106,041	5.23%	2011	equipments not yet received within due date
3. Friede & Goldman Marketing BV	None	97,492	4.81%	2011	projects not yet completed within due date
4. OJSC 'Krasnye Barrikady' Shipyard	None	89,548	4.42%	2011	services not yet completed within due date
5.Tian Jin Yinze sheet metal Co., Ltd.	None	87,640	4.32%	2008	materials not yet received within due date
Total	–	550,084	27.13%	-	–

(4) Prepayments due from shareholders who hold 5% or more of the voting rights of the Company

No amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of prepayments (2010: Nil).

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. INVENTORIES

(1) *Inventories by categories*

Category	*2011*			*2010*		
	Cost amount	*Provision for diminution in value*	*Carrying amount*	*Cost amount*	*Provision for diminution in value*	*Carrying amount*
Raw materials	4,816,337	(221,791)	4,594,546	5,230,667	(89,821)	5,140,846
Work in progress	1,698,356	(23,079)	1,675,277	1,728,783	(21,816)	1,706,967
Finished goods	3,156,015	(68,790)	3,087,225	3,193,352	(41,032)	3,152,320
Consignment stocks	320,254	(158)	320,096	339,038	(95)	338,943
Spare parts	57,526	-	57,526	43,434	-	43,434
Low-valued consumables	37,097	-	37,097	21,696	-	21,696
Materials in transit	10,920	-	10,920	12,487	-	12,487
Completed properties held for sale	38,072	-	38,072	25,835	-	25,835
Properties under development	591,783	-	591,783	449,938	-	449,938
Ship under construction	5,078,579	(102,237)	4,976,342	2,096,854	(106,932)	1,989,931
Offshore engineering equipment	79,468	-	79,468	541,350	-	541,350
Total	15,884,407	(416,055)	15,468,352	13,683,434	(259,687)	13,423,747

The Group's closing balances of inventories included capitalised borrowing cost amounting to RMB164,010,000 (2010: Nil). The interest rate per annum at which the borrowing costs were capitalised was 5.73%.

As at 31 December 2011, the Group had inventories with restricted ownership amounting to RMB7,671,000 (2010: Nil).

(2) *Inventories movement for the year is as follows:*

Category	*Opening balance at the beginning of the year*	*Additions for the year*	*Diminutions for the year*	*Effect of foreign exchange rate changes*	*Closing balance at the end of the year*
Raw materials	5,230,667	56,051,491	(56,411,455)	(54,366)	4,816,337
Work in progress	1,728,783	47,973,246	(47,986,433)	(17,240)	1,698,356
Finished goods	3,193,352	54,840,895	(54,874,529)	(3,703)	3,156,015
Consignment stocks	339,038	4,490,062	(4,508,846)	-	320,254
Ship under construction	2,096,854	3,144,238	-	(162,513)	5,078,579
Other	1,094,740	1,382,715	(1,648,806)	(13,783)	814,866
Subtotal	13,683,434	167,882,647	(165,430,069)	(251,605)	15,884,407
Less: provision for diminution in value of inventories	(259,687)	(199,138)	37,777	4,993	(416,055)
Total	13,423,747	167,683,509	(165,392,292)	(246,612)	15,468,352

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. INVENTORIES (CONTINUED)

(3) Provision for diminution in value of inventories

Category	*Opening balance at the beginning of the year RMB'000*	*Provision made for the year RMB'000*	*Written back during the year Reversal RMB'000*	*Written back during the year Write-off RMB'000*	*Effect of foreign exchange rate changes RMB'000*	*Closing balance at the end of the year RMB'000*
Raw materials	89,821	151,573	(6,691)	(12,519)	(393)	221,791
Work in progress	21,816	4,686	(2,313)	(1,312)	202	23,079
Finished goods	41,032	42,679	(5,880)	(8,925)	(116)	68,790
Consignment stocks	95	200	(42)	(95)	-	158
在建船舶	106,923	-	-	-	(4,686)	102,237
Total	259,687	199,138	(14,926)	(22,851)	(4,993)	416,055

(a) The provision for diminution in value of the Group's inventories during the year was recognised mainly for the price drop of certain products and the slow-moving or waste materials.

(b) Written back of provision for diminution in value of the Group's inventories during the year is as follows:

Category	*Basis of provision for diminution in value of inventories*	*Reasons for written back of provision*	*Percentage of provision written back over total inventories balance at year end*
Raw materials	Net realisable value was lower than book value	Inventories were used or sold and the net realisable value ascended	0.14%
Work in progress	Net realisable value was lower than book value	Inventories were used or sold and the net realisable value ascended	0.14%
Finished goods	Net realisable value was lower than book value	Inventories were used or sold and the net realisable value ascended	0.19%
Consignment stocks	Net realisable value was lower than book value	Inventories were used or sold and the net realisable value ascended	0.01%

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. NON-CURRENT ASSETS DUE WITHIN ONE YEAR

	2011	*2010*
Finance leases	2,488,562	758,786
Sales of goods by instalments	168,709	446,031
Others	2,478	-
Subtotal	2,659,749	1,204,817
Less: Provision for impairment	(24,462)	(19,315)
Total	2,635,287	1,185,502

9. OTHER CURRENT ASSETS

	2011	*2010*
Tax deductible/ withheld	857,885	684,560
Other	7,748	3,470
Total	865,633	688,030

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2011	*2010*
Available-for-sale equity instruments	571,954	768,467

During the year, available-for-sale financial assets held by the Group and the Company included shares of China Merchants Bank and of China Merchants Securities Co., Ltd, with a carrying value of RMB136,814,000 and RMB427,341,000 respectively. Besides, the Group and the Company held equity investment of Otto Energy Limited of RMB7,799,000.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. LONG-TERM RECEIVABLES

Item	*2011*	*2010*
Finance Leases	1,888,126	934,554
including: Unearned finance income	431,044	75,060
Sales of goods by instalment	455,835	406,161
Others	9,240	13,528
Subtotal	2,353,201	1,354,243
Less: Provision for impairment	(41,966)	(17,986)
Total	2,311,235	1,336,257

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:

	2011	*2010*
Within 1 year (inclusive)	2,725,141	867,858
1 and 2 years (inclusive)	878,900	428,028
2 and 3 years (inclusive)	450,400	284,333
Over 3 years	979,633	303,918
Subtotal	5,034,074	1,884,137
Less: Unearned finance income	657,386	190,797
Total	4,376,688	1,693,340

Derecognition of long term receivables due to transferring of financial assets

Item	*Amount*	*Gain or loss due to derecognition*
Derecognition of long term receivables under finance leases due to soldout	1,461,931	164,468

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. LONG-TERM EQUITY INVESTMENTS

(1) As at 31 December 2011, the Group's long-term equity investments by categories are as follows:

	2011	*2010*
Investments in joint ventures	33,282	39,812
Investments in associates	1,534,672	1,119,285
Other long-term equity investments	392,300	392,300
Subtotal	1,960,254	1,551,397
Less: Provision for impairment	(3,067)	(3,065)
Total	1,957,187	1,548,332

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:

Investee	*Initial investment cost*	*Balance at the beginning of the year*	*Additions during the year*	*Balance at the end of the year*	*Shareholding percentage (%)*	*The Company subsidiaries voting right (%)*	*Whether voting right is different from the shareholding interest*	*Provision for impairment*	*Impairment loss of the year*	*Dividend receivable/received of the year*
Equity method—Joint ventures										
Yangzhou Maxi-CUBE Tong Composite Co., Ltd ("MST")	-	14,497	(14,497)	-	-	-	N/A	-	-	2,593
RuiJi Logistics (Wuhu) Co., Ltd ("WHRJL")	9,884	10,020	791	10,811	50.00%	50.00%	N/A	-	-	-
GXNFWL	15,000	15,295	4,574	19,869	50.00%	50.00%	N/A	-	-	-
Supercool (Shanghai) Refrigeration Equipment Co. Ltd ("SCSCRC")	3,600	-	2,602	2,602	50.00%	50.00%	N/A	-	-	-
Subtotal	28,484	39,812	(6,530)	33,282				-	-	2,593
Equity method —Associates										
KYH	27,625	120,753	1,017	121,770	31.83%	31.83%	N/A	-	-	2,638
TJCIMCZL	21,403	41,115	1,930	43,045	36.00%	36.00%	N/A	-	-	-
DLJLL	16,844	37,693	1,121	38,814	30.00%	30.00%	N/A	-	-	-
Xiamen Haitou	11,479	13,999	2,813	16,812	45.00%	45.00%	N/A	-	-	-
TJZL	302,144	467,681	11,916	479,597	38.22%	38.22%	N/A	-	-	11,466
NBBL	3,579	3,533	(37)	3,496	21.00%	21.00%	N/A	-	-	735
XYW	2,916	2,850	(70)	2,780	20.00%	20.00%	N/A	-	-	-
Shanghai Fengyang	12,000	84,313	50,098	134,411	40.00%	40.00%	N/A	-	-	-
TRS Transportkoeling	12,030	13,133	(1,262)	11,871	32.00%	32.00%	N/A	-	-	1,188
Eurotank Oy	6,946	8,204	(292)	7,912	40.00%	40.00%	N/A	-	-	800
XMHLC	6,153	5,087	200	5,287	49.00%	49.00%	N/A	-	-	-
C&C TRUCKS	540,000	102,065	352,923	454,988	45.00%	45.00%	N/A	-	-	-
TSC	167,591	167,161	-	167,161	14.60%	14.60%	N/A	-	-	-
XMHJ	4,900	4,900	1,975	6,875	49.00%	49.00%	N/A	-	-	-
Consafe	-	6,315	(6,315)	-	-	-	N/A	-	-	-
HBIO	9,000	18,884	(268)	18,616	30.00%	30.00%	N/A	-	-	-
Vostok	16,474	16,474	(722)	15,752	25.00%	25.00%	N/A	-	-	-
SJKJ	6,072	5,125	358	5,483	30.00%	30.00%	N/A	-	-	-
MSC	2	-	2	2	40.00%	40.00%	N/A	2	2	-
Subtotal	1,167,158	1,119,285	415,387	1,534,672				2	2	16,827

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	*Initial investment cost*	*Balance at the beginning of the year*	*Additions during the year*	*Balance at the end of the year*	*Shareholding percentage (%)*	*The Company subsidiaries voting right (%)*	*Whether voting right is different from the shareholding interest*	*Provision for impairment*	*Impairment loss of the year*	*Dividend receivable/received of the year*
Costing method										
BOCM Schroder Stolt Fund Management	8,125	8,125	-	8,125	5.00%	5.00%	N/A	-	-	10,000
Donghua Container	270	270	-	270	5.00%	5.00%	N/A	-	-	100
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	-	-
Jinmen General Aviation Company Limited	60	60	-	60	39.00%	39.00%	N/A	-	-	-
Subtotal	392,300	392,300	-	392,300				3,065	-	10,100
Total	1,587,942	1,551,397	408,857	1,960,254	—	—	—	3,067	2	29,520

As at 31 December 2011, 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.

On January 2010, CIMC Hong Kong, a subsidiary of the Group, and Raffles entered into an agreement to act in concert with Mr. Brian Chang, a shareholder and director of TSC, in respect of the exercise of their voting rights in TSC Offshore Group Ltd ("TSC") with CIMC Hong Kong empowered as the ultimate decision maker. Accordingly, the Group had significant influence over TSC with effect from 31 January 2010 and investment in TSC is accounted for using the equity method. The concerted action agreement ceased after CIMC Hong Kong acquired the shares of TSC from Raffles in May 2011. However, the Group remains significance influence over TSC since Mr. Yu Yuquan, the Group's secretary of the Board, was assigned as non-executive director of TSC on 15 March 2011. Therefore the accounting method of the investment in TSC remains for subsequent measurement.

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 RMB'000*	*Total liabilities at year end RMB'000*	*Net assets at year end RMB'000*	*Total revenue for the year RMB'000*	*Net profit/(loss) for the year RMB'000*
a. Joint ventures					
WHRJL	41,771	20,162	21,609	47,618	1,582
GXNFWL	65,710	25,968	39,742	40,899	5,416
SCSCRC	5,680	477	5,203	606	(1,997)
b. Associates					
KYH	1,098,615	716,040	382,575	1,756,152	23,908
TJCIMCZL	126,067	6,498	119,569	35,260	5,360
DLJLL	247,618	136,159	111,459	47,755	3,738
Xiamen Haitou	68,025	30,665	37,360	85,550	6,229
TJZL	2,045,342	921,131	1,124,211	5,538,289	61,186
NBBL	21,724	5,080	16,644	45,534	3,281
XYW	27,490	20,034	7,456	-	(3)
Shanghai Fengyang	1,003,099	667,072	336,027	309,030	125,245
XMHLC	12,968	2,178	10,790	6,559	441
C&C TRUCKS	2,893,206	1,873,457	1,019,749	266,098	(113,372)
TSC	1,715,391	624,122	1,091,269	892,826	22,228
XMHJ	172,279	158,248	14,031	79,605	4,031
SJKJ	29,503	11,228	18,275	56,506	1,275
Vostok	49,823	588	49,235	1,070	(5,328)
HBIO	84,385	22,540	61,845	98,532	194
MSC	10	537,248	(537,238)	-	(71)

(a) As at 31 December 2011, the fair value of investment in TSC amounting to RMB 88,775,000 (2010: RMB156,551,000).

(4) There is no restriction on the ability of the invested enterprises to transfer funds to the Group.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. INVESTMENT PROPERTIES

	Buildings *RMB*	*Land use rights* *RMB*	*Total* *RMB*
Cost:			
Balance at the beginning of the year	32,172	64,051	96,223
Additions during the year	57,008	-	57,008
Disposal during the year	(15,102)	-	(15,102)
Balance at the end of the year	74,078	64,051	138,129
Less: Accumulated depreciation or amortisation			
Balance at the beginning of the year	11,108	7,759	18,867
Charge for the year	1,732	1,722	3,454
Written back during the year	(11,175)	-	(11,175)
Balance at the end of the year	1,665	9,481	11,146
Carrying amounts:			
At the end of the year	72,413	54,570	126,983
At the beginning of the year	21,064	56,292	77,356

The depreciation and amortisation charged for investment properties in 2011 were RMB: 3,454,000. There was no provision for impairment for investment properties in 2011.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. FIXED ASSETS

(1) *Fixed assets by categories*

	Plant & buildings RMB	*Machinery & equipment RMB*	*Office & other equipment RMB*	*Motor vehicles RMB*	*Offshore engineering special equipment RMB*	*Dock & Port RMB*	*Total RMB*
Cost:							
Balance at the beginning of	5,701,348	6,184,262	717,369	762,974	613,499	563,676	14,543,128
Additions during the year	70,198	129,141	28,836	25,452	49	35,543	289,219
Additions due to business combination	-	-	389	-	-	-	389
Transfer from construction in progress	515,756	597,192	46,313	38,214	2,929	353,682	1,554,086
Disposal during the year	(72,499)	(181,928)	(31,585)	(23,264)	-	-	(309,276)
Effect of the foreign exchange rate changes	(65,433)	(33,437)	(13,093)	(3,903)	(17,006)	(8,337)	(141,209)
Balance at the end of the year	6,149,370	6,695,230	748,229	799,473	599,471	944,564	15,936,337
Less: Accumulated depreciation							
Balance at the beginning of the year	1,355,622	2,140,279	413,954	271,557	44,406	80,631	4,306,449
Charge for the year	217,785	445,407	65,533	42,901	30,730	15,342	817,698
Written off on disposal	(38,540)	(157,636)	(21,438)	(16,764)	-	-	(234,378)
Effect of the foreign exchange rate changes	(21,567)	(14,991)	(7,871)	(3,303)	(1,235)	(21)	(48,988)
Balance at the end of the year	1,513,300	2,413,059	450,178	294,391	73,901	95,952	4,840,781
Less: Provision for impairment							
Balance at the beginning of the year	149,699	79,783	573	158	-	-	230,213
Charge for the year	2,269	5,384	129	-	-	-	7,782
Written off on disposal	(22)	(20,764)	(176)	(146)	-	-	(21,108)
Effect of the foreign exchange rate changes	(6,487)	(279)	-	-	-	-	(6,766)
Balance at the end of the year	145,459	64,124	526	12	-	-	210,121
Carrying amounts:							
At the end of the year	4,490,611	4,218,047	297,525	505,070	525,570	848,612	10,885,435
At the beginning of the year	4,196,027	3,964,200	302,842	491,259	569,093	483,045	10,006,466

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. FIXED ASSETS (CONTINUED)

(1) Fixed assets by categories (continued)

As at 31 December 2011, restricted fixed assets of the Group amounted to RMB 87,439,000. Refer to Note V.22 for details.

In 2009, as a result of change of governmental land use plan and management operation strategy, part of buildings and machineries of the containers segment would be dismantled or disposed. Also, as a result of decrease in demand in the European and American market and the corresponding poor performance in operation and continuing downturn in property market, indication existed that some of machineries and buildings in the Netherland belonging to the trailers segment might be impaired. Therefore, the Group performed impairment test for these fixed assets. Based on the result of the test, the Group made RMB 168,461,000 of provision for impairment for the aforesaid fixed assets. The recoverable amount is determined as either its fair value less costs to sell or its present value of expected future cash flows.

If there is an active market for aforesaid fixed assets, net realisable value is the quoted price in the active market less the estimated selling expenses according to the management's disposal plan. The realisable value of fixed assets, which have no value in use and are pending for dismantling, is their fair value less the estimated disposal expenses.

For fixed assets still in use and without an active market, the realisable value is the present value of expected future cash flows, which is calculated based on the discounting rate. The benchmark rate of bank loans will be adopted as the discounting rate.

(2) As at the end of 2011, the Group had no temporarily idle fixed assets.

(3) Fixed assets held under finance leases

	2011			*2010*		
Item	*Cost*	*Accumulated depreciation*	*Carrying amount*	*Cost*	*Accumulated depreciation*	*Carrying amount*
Machinery and equipment	314,463	(34,139)	280,324	308,118	(23,974)	284,144
Motor vehicles	1,293	(1,077)	216	1,352	(856)	496
Offshore engineering special equipment	214,737	(34,842)	179,895	220,326	(11,120)	209,206

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. FIXED ASSETS (CONTINUED)

(4) Fixed assets leased out under operating leases

Item	*Net book value*
	RMB'000
Plant & buildings	13,956
Machinery and equipment	630
Total	14,586

(5) Fixed assets held for sale at the year end

As at 31 December 2011, there were no fixed assets held for sale (2010: Nil).

(6) Fixed assets with pending certificates for ownership

Item	*Carrying amount*	*Reasons for pending*	*Expected time of getting certificate of ownership*
	RMB'000		
Factory	474,822	Certificate being in the progress	By the end of 2012
Workshop	158,316	Incomplete procedure, certificate being in the progress	By the end of 2012
Office building	164,146	Put to use, certificate being in the progress	September 2012
Warehouse	54,361	Lack of reporting materials, under preparation	By the end of 2012
Dormitory and Canteen	17,541	Put to use, certificate being in the process	June 2012
Others	44,045	Certificate being in the progress	By the end of 2012
Total	913,231		

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. CONSTRUCTION IN PROGRESS

(1) Construction in progress

Item	*2011*			*2010*		
	Cost	*Impairment*	*Carrying amount*	*Cost*	*Impairment*	*Carrying amount*
DLZH Plant Project	-	-	-	18,774	-	18,774
Nantong CIMC Special Transportation Equipment Third Workshop Project	5,874	-	5,874	3,367	-	3,367
Enric Roller-type Rotary Machine and Top-and-bottom Machine	-	-	-	1,601	-	1,601
KGR Vehicle Installation Project	-	-	-	3,427	-	3,427
Nantong Sunda Container Complete-line and Coating-line project	-	-	-	198	-	198
Dalian Heavy Logistics Equipments Pressure Vessels Project	-	-	-	185	-	185
Enric First Stage Project	-	-	-	8,672	-	8,672
Dalian Heavy Logistics Production Line equipment	13,962	-	13,962	17,324	-	17,324
CIMC Grand Sky Light Hotel Project	-	-	-	36,337	-	36,337
XHCIMCS Production Line and Power Facilities Reconstruction Project	7,129	-	7,129	13,298	-	13,298
Enric Heavy Pressure Vessel Workshop	22,452	-	22,452	12,777	-	12,777
Xinhui Wood Factory 5th and 6th Project	1,678	-	1,678	13,200	-	13,200
Southern Salt Square 2nd Stage Project	-	-	-	39,815	-	39,815
LYLY vehicle 2nd Phase Project	-	-	-	8,800	-	8,800
Head office residential facilities for Haigong research center	-	-	-	19,453	-	19,453
YZTL Steel Structure Factory Project	-	-	-	8,218	-	8,218
Enric 3rd Phase Project	1,651	-	1,651	7,213	-	7,213
Eastern Logistic 3rd Phase Project	291,621	-	291,621	36,355	-	36,355
Raffles Offshore Drilling Platform outfitting quay project	-	-	-	304,892	-	304,892
Raffles harbor basin project	119,218	-	119,218	82,851	-	82,851
Raffles Dredging Offshore Project	38,588	-	38,588	38,588	-	38,588
Raffles No1 and No 2 slideway project	89,168	-	89,168	99,275	-	99,275
Raffles sea route project	30,920	-	30,920	11,718	-	11,718
Raffles Longmen Crane Project	-	-	-	22,018	-	22,018
Raffles Plant Road Project	-	-	-	10,243	-	10,243
Raffles Jack-up Drilling Platform	810,879	-	810,879	541,542	-	541,542
Raffles Canteen Project	11,979	-	11,979	-	-	-
MEA 1st stage R&D Project	76,793	-	76,793	-	-	-
TAS New Plant Project	21,758	-	21,758	-	-	-
Shijiazhuang Enric 2nd Phase Project	68,327	-	68,327	-	-	-
Others	286,333	-	286,333	337,523	-	337,523
Total	1,898,330	-	1,898,330	1,697,664	-	1,697,664

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 RMB 41,780,000 (2010: RMB17,912,000). The interest rate adopted for determining capitalised at borrowing cost for the current year was 5.36% (2010: 5.09%).

As at 31 December 2011, there were no construction in progress of the Group with restrictions in ownership (2010: RMB36,337,000). Refer to Note V.22 for details.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. CONSTRUCTION IN PROGRESS (CONTINUED)

(2) The Group's major construction projects in progress were set out as follows:

Project	*Budget*	*Balance at the beginning of the year*	*Additions*	*Transfer to fixed assets*	*Other deduction*	*Balance at the end of the year*	*Percentage of current input over budget(%)*	*Progress*	*Accumulated capitalised borrowing cost*	*Including: current year capitalised borrowing cost*	*Capitalised rate(%)*	*Sources of funds*	*Effect of the foreign exchange rate changes*
DLZH Plant Project	170,705	18,774	14,751	(33,525)	-	-	89.95%	100.00%	5,196	-	4.78%	Bank Loan	-
Nantong CIMC Special Transportation Equipment Third Workshop Project	35,519	3,367	10,425	(7,918)	-	5,874	66.17%	98.00%	-	-	0.00%	Self-funding	-
Enric Roller-type Rotary Machine and Top-and-bottom Machine	10,336	1,601	10,404	(12,005)	-	-	100.00%	100.00%	-	-	0.00%	Self-funding	-
Enric First Stage Project	51,950	8,672	8	(8,680)	-	-	88.78%	100.00%	-	-	0.00%	Self-funding	-
Dalian Heavy Logistics Production Line Equipment	143,392	17,324	9,800	(13,162)	-	13,962	30.54%	30.54%	-	-	0.00%	Self-funding	-
CIMC Grand Sky Light Hotel Project	86,000	36,337	34,281	(70,618)	-	-	81.91%	100.00%	610	176	5.09%	Bank Loan	-
XHCIMCS Production Line and Power Facilities Reconstruction Project	19,802	13,298	10,232	(16,401)	-	7,129	118.82%	91.53%	-	-	0.00%	Self-funding	-
Enric Heavy Pressure Vessel Workshop	25,570	12,777	9,675	-	-	22,452	87.80%	87.80%	-	-	0.00%	Self-funding	-
XHW 5^{th} and 6^{th} stage Factory	32,831	13,200	2,863	(14,385)	-	1,678	48.92%	57.66%	-	-	0.00%	Bank Loan	-
Southern Salt Square Project	66,520	39,815	-	(39,815)	-	-	59.85%	100.00%	-	-	0.00%	Self-funding	-
LYLY vehicle 2nd Phase Project	19,620	8,800	5,137	(13,937)	-	-	70.93%	100.00%	-	-	0.00%	Self-funding	-
Head office residential facilities for Haigong research center	19,769	19,453	-	(19,453)	-	-	98.40%	100.00%	-	-	0.00%	Self-funding	-
YZTL Steel Structure Factory Project	19,000	8,218	19,328	(27,546)	-	-	101.73%	100.00%	-	-	0.00%	Self-funding	-
Enric 3rd Phase Project	28,132	7,213	10,994	(16,556)	-	1,651	64.71%	64.71%	-	-	0.00%	Self-funding	-
Eastern Logistic 3rd Phase Project	350,000	36,355	315,575	(60,309)	-	291,621	90.16%	90.70%	-	-	0.00%	Self-funding	-
Raffles Offshore Drilling Platform outfitting quay project	400,523	304,892	26,290	(322,213)	-	-	82.68%	100.00%	28,614	16,593	5.76%	Bank Loan	(8,969)
Raffles harbor basin project	163,859	82,851	38,776	-	(95)	119,218	72.75%	72.75%	-	-	0.00%	Self-funding	(2,314)
Raffles Dredging Offshore Project	62,445	38,588	-	-	-	38,588	61.00%	62.00%	-	-	0.00%	Self-funding	-
Raffles No1 and No 2 slideway project	119,822	99,275	18	(40,035)	-	59,168	86.25%	86.25%	-	-	0.00%	Self-funding	(90)
Raffles sea route project	73,737	11,721	19,199	-	-	30,920	41.00%	41.00%	-	-	0.00%	Self-funding	-
Raffles Longmen Crane Project	32,772	22,018	4,869	(26,881)	-	-	86.68%	100.00%	-	-	0.00%	Bank Loan	(6)
Raffles Plant Road Project	11,265	10,243	645	(10,874)		-	96.65%	100.00%	-	-	0.00%	Self-funding	(14)
Raffles Jack-up Drilling Platform	1,214,370	541,542	300,020	-	-	810,879	74.00%	74.00%	34,216	34,216	5.76%	Self-funding	(30,683)
Raffles Canteen	15,190	9,046	2,933	-	-	11,979	79.00%	79.00%	-	-	0.00%	Self-funding	-
Project MEA 1^{st} stage R&D	350,000	642	76,151	-	-	76,793	21.00%	45.00%	-	-	0.00%	Self-funding	
Project TAS new Plant Project	30,000	339	21,419	-	-	21,758	72.52%	72.52%	-	-	0.00%	Self-funding	-
Shijiazhuang Enric Gas 2^{nd} Project	75,000	-	68,327	-	-	68,327	91.10%	91.10%	-	-	0.00%	Self-funding	-
Total		1,366,361	1,012,120	(754,313)	(95)	1,581,997			68,636	50,985			(42,076)

(3) Provision for impairment

As at There was no provision for impairment for work in progress in 2011 (2010: Nil)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. INTANGIBLE ASSETS

(1) Intangible assets by categories

	Land use rights RMB	*Technical know-how and trademarks RMB*	*Timber concession rights RMB*	*Customer relationships RMB*	*Customer contracts RMB*	*Maritime use rights RMB*	*Total RMB*
Cost:							
Balance at the beginning of the year	2,871,554	811,573	236,992	108,736	136,128	26,642	4,191,625
Additions during the year	153,804	92,664	-	-	-	53,129	299,597
Additions due to business	-	-	-	1,338	5,576	-	6,914
Disposal during the year	(50,096)	(3,844)	-	-	-	-	(53,940)
Effect of the foreign exchange rate changes	3,624	(22,882)	(10,351)	(6,104)	(5,130)	313	(40,530)
Balance at the end of the year	2,978,886	877,511	226,641	103,970	136,574	80,084	4,403,666
Less: Accumulated amortisation							
Balance at the beginning of the year	266,250	368,783	95,425	48,843	83,864	5,055	868,220
Charge for the year	76,506	145,620	3,351	20,256	3,411	3,791	252,935
Written off on disposal	(17,829)	(3,717)	-	-	-	-	(21,546)
Effect of the foreign exchange rate changes	3,052	(9,268)	(4,241)	(4,462)	(5,461)	(1)	(20,381)
Balance at the end of the year	327,979	501,418	94,535	64,637	81,814	8,845	1,079,228
Less: Provision for impairment							
Balance at the beginning of the year	-	-	104,834	-	-	-	104,834
Charge for the year	-	-	-	-	52,264	-	52,264
Written off on disposal	-	-	-	-	-	-	-
Effect of the foreign exchange rate changes	-	-	(4,882)	-	-	-	(4,882)
Balance at the end of the year	-	-	99,952	-	52,264	-	152,216
Carrying amounts:							
At the end of the year	2,650,907	376,093	32,154	39,333	2,496	71,239	3,172,222
At the beginning of the year	2,605,304	442,790	36,733	59,893	52,264	21,587	3,218,571

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. INTANGIBLE ASSETS (CONTINUED)

(1) Intangible assets by categories (continued)

As at 31 December 2011, there were no intangible assets without certificates of ownership.

As at 31 December 2011, the Group had intangible assets with restriction in ownership amounting to RMB127,844,000. (2010: RMB156,607,000).

The timber concession right amounting to RMB116,769,000, in respect of the 450,000 acres in Suriname was acquired by Topco Forestry N.V, a wholly owned subsidiary of Gold Terrain Assets Limited, a subsidiary of the Group Since around 75,000 acres of the forest in the above timbe concession rights were located in a nature reservation zone, the government of Suriname took back the timber concession rights in 2003. The Group had negotiated with the Suriname government for a plan to substitute the original 75,000 acres with other forest locations. Since there were no clear results of the negotiation, a full provision for impairment of RMB13,303,000 was made to this part of timber concession rights.

In 1998, Silveroad Wood Products Limited, a wholly owned subsidiary of Gold Terrain Assets Limited purchased 315,460 acres of timber concession rights in Cambodia amounting to RMB110,022,000. The government of Cambodia has suspended all timber concession rights in its region, including those of the Group since 2001. In view of this, full provision for impairment amounting to RMB86,649,000 was made on the carrying value of the above timber concession rights.

Regarding the client contracts obtained in 2012 through the acquisition of Raffles, the Group had preformed impairment test based on the execution of these contracts in 2011 and consequently made a full impairment loss of RMB 52,264,000.

The Group acquired Technodyne in 2011 (refer to Note IV.6 (1)). The intangible assets of Technodyne recorded in the consolidated financial statements are based on the revaluated fair value. Intangible assets over 1 million of Technodyne as at 31 December 2011 are as follows:

	Recorded Value		*revaluation method*
	EUR '000	*RMB '000*	
- Client contracts	617	5,576	discounted cash flow
- Client relationships	148	1,338	discounted cash flow
	765	6,914	

As at 31 December 2011, there were no intangible assets with indefinite useful lives.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. GOODWILL

Name of investee or goodwill items	*Note*	*Balance at the beginning of the year*	*Additions*	*Deduction*	*Effect of the foreign exchange rate changes*	*Balance at the end of the year*	*Provision for impairment*
Enric	(2)(a)	607,004	-	-	-	607,004	-
TGE SA	(2)(b)	180,749	-	-	(4,785)	175,964	-
Technodyne	IV. 6 (1)	-	30,371	-	(2,941)	27,430	-
Gadidae AB	(1)	-	12,254	(12,254)	-	-	12,254
Others		380,841	21,995	-	(5,730)	397,106	11,578
Total		1,168,594	64,620	(12,254)	(13,456)	1,207,504	23,832

(1) The Group acquired 100% equity interest of Technodyne for the consideration of EUR 5,373,000, equivalent to RMB 48,560,000, in 2011. After the acquisition, the excess amount of acquisition cost over the fair value of the identifiable net assets of Technodyne, which at the acquisition date amounted to RMB 30,371,000, was recognised as goodwill.

Raffles (the Group holding 54.71% equity interest), a subsidiary of the Company acquired 64% equity interest of Gadidae AB for the consideration of USD6,953,000 (RMB 43,849,000) in 2011. Upon the foresaid combination, Raffles hold 100% equity interest of Gadidae AB, along with 36% equity interest acquired before. The excess amount of acquisition cost over Raffles' interest in the fair value of the identifiable net assets of Gadidae AB, which at the acquisition date amounted to USD 1,900,000, equivalent to RMB 12,254,000, was recognised as goodwill.

In the acquisition of Gadidae AB, Raffles recognised goodwill of RMB 12,254,000 base on the assumption that MSC, an associate of Gadidae AB, would generate sufficient future income in the leasing contract with a third party. However, Gadidae AB is unlikely to receive profits from MSC as at 31 December 2011 due to the lease agreement between the third party and MSC expired with no indication of renewal. Consequently, Raffles made full impairement provision on the goodwill of RMB 12,254,000.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. GOODWILL

(2) Impairment test for asset group including goodwill

The Group's allocation of goodwill to asset group according to operation segments or business segments is as follows:

Item	*2011*	*2010*
Container Industry group	127,524	127,524
Trailers group	77,752	77,752
Tank equipments industry group	868,869	841,439
Asset groups with insignificant allocation percentage of goodwill group	133,359	121,879
Total	1,207,504	1,168,594

(a) Goodwill attributable to Enric

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 2011, goodwill attributable to Enric amounted to 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 7.05%. The cash flows beyond the ten-year budget period was 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 19% 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.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. GOODWILL (CONTINUED)

(b) Goodwill attributable to TGE SA

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 2011, goodwill attributable to TGE SA amounted to 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 7.05%. The cash flows beyond the ten-year budget period was 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 9% of gross profit ratio and 5% of operating sales growth, which was determined by management on the basis of past performance before the budget period.

18. LONG-TERM DEFERRED EXPENSES

Item	*Balance at the beginning of the year*	*Additions*	*Amortisation*	*Other deduction*	*Effect of the foreign exchange rate changes*	*Balance at the end of the year*	*Reasons for other deduction*
Water and electricity capacity enlargement expenses	1,178	980	(586)	-	-	1,572	None
Rental	6,040	4,161	(3,390)	-	-	6,811	None
Others	20,760	23,467	(17,717)	-	(1)	26,509	None
Subtotal	27,978	28,608	(21,693)	-	(1)	34,892	None
less: provision for impairment	-	-	-	-	-	-	None
Total	27,978	28,608	(21,693)	-	(1)	34,892	None

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. DEFERRED TAX ASSETS AND LIABILITIES

(1) Deferred tax assets or liabilities after offsetting and corresponding deductable or taxable timing differences

Item	*Deductible/(taxable) temporary difference 2011*	*Deferred tax assets/(liabilities) 2011*	*Deductible/(taxable) temporary difference 2010*	*Deferred tax assets/(liabilities) 2010*
Deferred tax assets:				
Provisions for impairment	917,376	183,799	634,562	133,922
Provisions	498,649	97,469	453,035	91,669
Employee benefits payable	1,314,557	309,184	885,946	198,409
Accrued expenses	495,601	96,826	288,965	46,405
Tax losses carry-forward	651,188	123,537	895,395	153,362
Movement for fair value of financial assets held for trading/hedging instruments	96,958	24,156	137,488	33,001
Others	146,182	16,156	66,668	21,285
Subtotal	4,120,511	851,127	3,362,059	678,053
Offsetting amount	(599,278)	(147,029)	(810,909)	(188,597)
Net amount after offsetting	3,521,233	704,098	2,551,150	489,456
Deferred tax liabilities:				
Movement for fair value of financial assets held for trading/hedging instruments	(26,046)	(5,763)	(77,324)	(16,046)
Available-for-sale financial assets	(499,820)	(120,437)	(723,531)	(172,414)
Movement for fair value of hedging instrument	(12,784)	(3,196)	(14,070)	(3,858)
Revaluation gain through combination	(537,605)	(163,771)	(990,755)	(276,049)
Estimated dividend income earned for non-resident foreign enterprises	(3,665,929)	(313,946)	(2,490,010)	(187,213)
Others	(463,670)	(121,416)	(591,535)	(105,883)
Subtotal	(5,205,854)	(728,529)	(4,887,225)	(761,463)
Offsetting amount	599,278	147,029	810,909	188,597
Net amount after offsetting	(4,606,576)	(581,500)	(4,076,316)	(572,866)

(2) Unrecognised deferred tax assets

Item	*2011*	*2010*
Tax losses carry-forward	330,324	361,682
Impairment losses of timber Concession rights	53,205	55,769
Others	35,572	170,765
Total	419,101	588,216

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(3) Expiry dates of tax credit for unrecognised deferred tax assets are as follows:

Year	*2011*	*2010*	*Note*
2011	-	89,119	
2012	31,464	42,477	
2013	210,243	225,447	
2014	353,630	289,578	
2015	423,272	525,845	
More than 5 years	357,743	392,779	Note 1
Total	1,376,352	1,565,245	

At 31 December 2011, the Group had no unrecognised deferred tax liabilities.

Note 1: By the end of 2010 and 2011, 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.

20. OTHER NON-CURRENT ASSETS

Item	2011	2010
Prepayment for land use right	764,849	-

21. PROVISIONS FOR IMPAIRMENT

Item	Note	Balance at the beginning of the year RMB'000	Charge for the year RMB'000	Decrease during the year Reversal RMB'000	Decrease during the year Write off RMB'000	Effect of Foreign exchange rate changes RMB'000	Balance at the end of the year RMB'000
Receivables	V.4	232,483	169,615	(71,563)	(11,676)	691	319,550
Other Receivables	V.5	101,617	42,938	(20,684)	2,063	(5,503)	120,431
Prepayments	V.6	97,087	37	-	(382)	(2)	96,740
Inventories	V.7	259,687	199,138	(14,926)	(22,851)	(4,993)	416,055
Non-current assets due within one year	V.8	19,315	5,148	-	-	(1)	24,462
Long-term receivables	V.11	17,986	29,119	(1,522)	(3,587)	-	41,996
Long-term equity Investments	V.12	3,065	2	-	-	-	3,067
Fix assets	V.14	230,213	7,782	-	(21,108)	(6,766)	210,121
Intangible assets	V.16	104,834	52,264	-	-	(4,882)	152,216
Goodwill	V.17	11,578	12,254	-	-	-	23,832
Total		1,077,865	518,297	(108,695)	(57,541)	(21,456)	1,408,470

Please refer to the respective notes of the assets for reasons of the provisions.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. RESTRICTED ASSETS

As at 31 December 2011, assets with restrictions in their ownership are as follows:

Item	*Note*	*Balance at the beginning of the year RMB'000*	*Additions for the year RMB'000*	*Decrease during the year RMB'000*	*Effect of foreign exchange rate changes RMB'000*	*Balance at the end of the year RMB'000*
Assets guaranteed						
- Cash at bank and on hand	V.1	858,281	1,723,088	(1,217,609)	(138,887)	1,224,873
- Accounts receivable	V.4	962,096	283,947	(743,496)	(31,521)	471,026
- Inventories	V.7	-	7,671	-	-	7,671
- Fix assets	V.14	161,120	58,252	(130,440)	(1,493)	87,439
- Construction in progress	V.15	36,337	-	(36,337)	-	-
- Intangible assets	V.16	156,607	13,907	(36,656)	(6,014)	127,844
Total		2,174,441	2,086,865	(2,164,538)	(177,915)	1,918,853

The above inventories, fixed assets and intangible assets were secured for bank loans. Accounts receivable was pledged for borrowings. Refer to Note V.23, Note V.34 and Note V.35 for short-term and long-term secured loans analysis.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. SHORT-TERM LOANS

(1) Short-term loans by categories:

Item	*Note*	*2011*	*2010*
Guarantee loans	(a)		
- RMB		2,760,263	3,836,026
- USD		2,401,895	450,471
- JPY		1,733	10,021
- GBP		-	38,343
- EUR		-	76,351
- SGD		376	4,710
Subtotal		5,164,267	4,415,922
Secured loans			
- USD		-	86,325
- EUR		-	17,346
- SGD		-	624
Subtotal		-	104,295
Pledge loans			
- USD		-	962,096
Subtotal		-	962,096
Loans on credit			
- RMB		572,336	672,125
- USD		1,386,579	1,536,746
- EUR		203,957	194,247
- HKD		682,994	423,878
- AUD		20,779	-
Subtotal		2,866,645	2,826,996
Total		8,030,912	8,309,309

(a) As at 31 December 2011, guarantee loans of the Group included bank loans amounting to RMB2,229,917,000 guaranteed by the Company for its subsidiaries, RMB54,751,000 guaranteed by HI for its subsidiaries, RMB333,919,000 guaranteed by Enric for its subsidiaries and RMB,545,680,000 guaranteed by Raffles for its subsidiaries.

(b) As at 31 December 2011, no amount due to shareholders who hold 5% or more of the voting rights of the Company or related parties was included in the above balance of short-term loans.

(2) As at 31 December 2011, the Group had no past due and un-repaid short-term loans.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL LIABILITIES HELD FOR TRADING

Item	*Note*	*2011*	*2010*
Current:			
Derivative financial liabilities			
- foreign future contracts	V.2.(3)	4,816	3,810
- swap contract for interest rate	V.24(1)	8,138	-
- foreign exchange option	V.24(2)	18,153	-
Subtotal		31,107	3,810
Non-current:			
Derivative financial liabilities			
- swap contract for interest rate	V.23.(1)	74,836	76,066
- foreign exchange option	V.23.(2)	-	78,226
Subtotal		74,836	154,292
Total		105,943	158,102

(1) As at 31 December 2011, the Company and subsidiaries separately had 10 and 4 unsettled interest rate swap contracts denominated in U.S. dollars. The nominal value of these contracts amounted to USD425,000,000. The maturity dates of these interest rate swap contracts range from 23 November 2012 to 29 December 2018. As at 31 December 2011, the Group recognised on the foresaid contracts in their fair values of RMB82,974,000 (including RMB77,973,000 of fair value recognised by the Company) as expenses and financial liabilities held for trading. Transaction costs on realisation have not been considered when calculating the fair values.

(2) As at 31 December 2011, the Company had 1 unsettled forward contracts denominated in Japanese Yen. The nominal value of these contracts amounted to Japanese Yen 2,840,000,000. Pursuant to these forward contracts, the Company is entitled to buy U.S. dollar at an amount equivalent to contracted nominal value at agreed rates where the market spot rates at the settlement dates are higher than the agreed rates. These forwards contracts are not executed where the market spot rates at the settlement dates are equal to or lower than the agreed rates. The settlement date of the aforesaid forward contract is 29 June 2012.

As at 31 December 2011, the Company recognised the aforesaid forwards contract in its fair value of RMB18,153,000 as expenses and financial liabilities held for trading. Transaction costs on realisation haven not been considered when calculating the fair values.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. BILLS PAYABLE

	2011	*2010*
Bank acceptance bills	1,184,861	2,435,043
Commercial acceptance bills	2,110,365	103,580
Total	3,295,226	2,538,623

The above bills are due within one year.

26. ACCOUNTS PAYABLE

(1) The Group's accounts payable is as follows:

Item	*2011*	*2010*
Raw materials suppliers	7,328,966	9,117,500

As at 31 December 2011, there was no individual major accounts payable aged over one year.

Group's accounts payable is analysed by currencies as follows:

Currency	*2011*			*2010*		
	Original currency '000	*Exchange rate*	*RMB* '000	*Original currency* '000	*Exchange rate*	*RMB* '000
RMB	5,870,263	1.0000	5,870,263	5,806,328	6.5897	5,806,328
USD	151,009	6.3009	951,496	443,815	1.0000	2,924,606
HKD	19,969	0.8107	16,189	200,411	7.7734	169,893
JPY	7,082	0.0811	574	43,843	81.37	3,551
EUR	43,272	8.1625	353,209	17,757	0.7490	156,227
AUD	18,870	6.4093	120,946	8,255	0.9828	55,350
Others			16,289			1,545
Total			7,328,966			9,117,500

(2) No amount due to shareholders who hold 5% or more of the voting rights of the Company or related parties is included in the balance of accounts payable.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. ADVANCES FROM CUSTOMERS

(1) The Group's advances from customers is as follows:

	2011	*2010*
Advances for goods	1,310,878	811,674
Advances for construction	955,546	620,826
Advances for property	396,318	502,573
Others	-	658
Total	2,662,742	1,935,731

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, there was no significant advances aged over one year.

28. EMPLOYEE BENEFITS PAYABLE

Item	*Balance at the beginning of the year RMB'000*	*Accrued during the year RMB'000*	*Paid during the year RMB'000*	*Effect of foreign exchange rate changes RMB'000*	*Balance at the end of the year RMB'000*
Salaries, bonus, and allowances	781,343	4,250,221	(3,586,165)	(3,716)	1,441,683
Senior management bonus	269,475	119,476	(16,947)	-	372,004
Severance payment	79	6,095	(2,227)	(1)	3,946
Cash-settled share-based payments	-	504	-	(12)	492
Social insurances and others	314,635	728,682	(848,819)	(15)	194,483
Total	1,365,532	5,104,978	(4,454,158)	(3,744)	2,012,608

Please refer to Note VII for cash-settled shared-based payments.

As at 31 December 2011, there was no delayed payment of employee benefits.

As at 31 December 2011, aforesaid "social insurances and others" included labour union fees and employee education fees amounting to RMB30,626,000. The non-monetary benefits during the year amounted to RMB55,000.

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.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. EMPLOYEE BENEFITS PAYABLE (CONTINUED)

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.

29. Taxes payable

	2011	*2010*
VAT payable	52,069	66,744
Business tax payable	17,697	8,533
Income tax payable	663,749	590,029
Withholding tax	68,833	79,699
Urban maintenance and construction tax payable	38,936	2,051
Education surcharges payable	27,740	2,254
Other	47,094	39,845
Total	916,118	789,155

30. INTEREST PAYABLE

	2011	*2010*
Interest payable for long-term loan	12,224	3,120
Interest payable for short-term loan	17,810	10,048
Interest payable for corporate bonds	122,033	-
Total	152,067	13,168

31. DIVIDENDS PAYABLE

	2011	*2010*
Minority shareholders of subsidiaries	116,253	16,046

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. OTHER PAYABLES

(1) The analysis of the Group's other payables is as follows:

Item	*Notes*	*2011*	*2010*
Quality guarantees		305,596	141,932
Advance received		899,441	469,371
Transportation expenses		280,289	256,492
Equipment or land use rights		160,047	395,583
Accruals		656,916	532,578
Housing maintenance fees		34,933	11,096
Current account with subsidiary's minority		46,698	245,728
Professional and training fees		19,221	17,833
Insurances		19,662	10,000
Advance received for shipbuilding	V.32(4)	424,051	-
Royalties		1,614	4,187
Others		545,369	303,567
Total		3,393,837	2,388,367

The analysis of the Group's other payables by currencies is as follows:

Currency	*2011*			*2010*		
	Original currency '000	*Exchange rate*	*RMB* '000	*Original currency* '000	*Exchange rate*	*RMB* '000
RMB	1,404,982	1.0000	1,404,982	721,950	1.0000	721,950
USD	252,612	6.3009	1,591,679	170,943	6.5897	1,126,461
HKD	330,546	0.8107	267,974	254,149	0.8477	215,448
JPY	126,276	0.0811	10,241	264,082	0.0810	21,387
EUR	10,770	8.1625	87,908	27,106	8.7979	238,476
AUD	4,602	6.4093	29,496	9,582	6.7050	64,245
Others			1,557			400
Total			3,393,837			2,388,367

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. OTHER PAYABLES (CONTINUED)

(2) Other payables due to shareholders or related parties who hold 5% or more of the voting rights of the Company:

Organization name	*Relationship with the Group*	*2011*	*2010*
1. Gasfin Investment S.A. ("Gasfin")	Minority shareholder of subsidiary	38,698	20,806
2. Bright Touch Investment Limited ("Bright Touch")	Minority shareholder of subsidiary	-	60,231
3. Leung Kee	Minority shareholder of subsidiary	-	104,919
4. Yantai Shipyard	Minority shareholder of subsidiary	-	46,497
5. Wuhu Ruijiang Investment Co., Ltd.("WHRJI")	Minority shareholder of subsidiary	8,000	-
6.HBIO	Associate	58,305	-
7. MSC	Associate	424,051	-
Total		529,054	232,453

(3) Significant other payables aged over one year:

As at 31 December 2011, significant other payables aged over one year represented quality guarantee, vehicle mortgage guarantee and various deposits.

(4) As at 31 December 2011, the significant other payables is as follows:

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 USD 67,300,000, equivalent to RMB 424,051,000, progress billing from MSC in 2007.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. PROVISIONS

	Note	Balance at the beginning of the year RMB'000	Charges for the year RMB'000	Payment during the year RMB'000	Reversal during the year RMB'000	Effect of foreign exchange rate changes RMB'000	Balance at the end of the year RMB'000
Current							
Warranties for product quality	(1)	555,341	340,940	(54,071)	(162,516)	(15,860)	663,834
Guarantees for third parties	(2)	12,478	9,274	(2,047)	(1,217)	(431)	18,057
Others		81,754	6,724	(19,603)	(13,290)	(1,297)	54,288
Total		649,573	356,938	(75,721)	(177,023)	(17,588)	736,179

(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.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR

(1) The analysis of the Group's non-current liabilities due within one year by categories is as follows:

Item		*2011*	*2010*
Long-term loans due within one year			
- Credit loans		1,094,352	2,729,353
- Pledge loans	(a)	649,072	-
- Guarantee loans	(b)	750,000	17,584
Subtotal		2,493,424	2,746,937
Long-term payables due within year		66,894	97,584
Total		2,560,318	2,844,521

(a) As at 31 December 2011, the Group's long term loans due within one year include pledge loans of Raffles amounting to RMB649,072,000, which was pledged by accounts receivables of Raffles and 100% equity interest of LCRO, a subsidiary of Raffles.

(b) As at 31 December 2011, the Group's long term loans due within one year include guarantee loans amounting to RMB50,000,000 guaranteed by HI for its subsidiaries and RMB 700,000,000 guaranteed by Raffles for its subsidiaries.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR

(2) The analysis of the Group's non-current liabilities due within one year by categories is as follows:

(a) The analysis of the Group's non-current liabilities by currencies due within one year is as follows:

	2011				2010			
	Annual interest rate	*Original currency ‘000*	*Exchange rate*	*RMB ‘000*	*Annual interest rate*	*Original currency ‘000*	*Exchange rate*	*RMB ‘000*
Bank loans								
- RMB	PBOC*'s Benchmark Rate~ PBOC's Benchmark Rate +10%	895,000	1.0000	895,000	4.01% ~ 4.73%	2,000,000	1.0000	2,000,000
- USD	LIBOR+55BP ~LIBOR+2.08%	248,500	6.3009	1,565,774	LIBOR+90BP	100,000	6.5897	658,970
- HKD	-	-	0.8107	-	HKIBOR+17BP	20,743	0.8477	17,584
- EUR	EURIBOR+65BP	4,000	8.1625	32,650	EURIBOR +65BP	8,000	8.7979	70,383
Total				2,493,424				2,746,937

* PBOC stands for People's Bank of China

As at 31 December 2011, there was no renewal of past due long-term included in the balance of long-term loans due within one year.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR (CONTINUED)

(2) The analysis of the Group's non-current liabilities due within one year by categories is as follows: (continued)

(b) As at 31 December 2011, the top five long-term loans due within one year are as follows:

Lender	*Initial date of the loans*	*Maturity date of the loans*	*Currency*	*Interest rate (%)*	*2011 Original currency*	*2011 RMB*	*2010 Original Currency*	*2010 RMB*
1.China Development Bank	19/06/2009	18/06/2012	USD	LIBOR +2.08%	80,000	504,702	-	-
2. Bank of Communications	21/07/2009	17/07/2012	RMB	PBOC Benchmark Rate	500,000	500,000	-	-
3. China Development Bank	12/12/2007	21/06/2012	USD	6-month LIBOR+90BP	60,000	378,054	-	-
4. China Development Bank	12/12/2007	21/12/2012	USD	6-month LIBOR+90BP	60,000	378,054	-	-
5. Bank of China	19/10/2009	19/10/2012	USD	3-month LIBOR+55BP	48,500	305,594	-	-
Total						2,066,404		-

(3) Long-term payables due within one year

As at 31 December 2011, long-term payables due within one year included net financial leasing payable of RMB 66,894,000, which is total amount of RMB 73,234,000 minus unrecognised financing expenses of RMB 6,340,000.

As at 31 December 2010, long-term payables due within one year included net financial leasing payable of RMB 97,584,000, which is total amount of RMB 107,499,000 minus unrecognised financing expenses of RMB 9,915,000.

The Group had no financial leasing guaranteed by independent third parties.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR (CONTINUED)

(3) Long-term payables due within one year (continued)

As at 31 December 2011, long-term payable due within one year was as follows:

Lender	*Period*	*Initial Cost*	*Interest Rate (%)*	*Interest Payable*	*Ending Balance*	*Requirement*
1.China Merchant Finance Leasing Ltd.	from 19 September 2010 to 19 September 2013	312,300	PBOC Benchmark Rate -8.00%	6,340	66,894	Nil

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. LONG-TERM LOANS

(1) The analysis of the Group's long-term loans is as follows:

Item	*Note*	*2011*	*2010*
Bank loans			
- Credit loans		4,424,142	2,534,754
- Guarantee loans	(a)	344,500	772,202
- Secured loans	(c)	1,371,698	460,146
- Pledge loans	(b)	432,245	145,046
Total		6,572,585	3,912,148

Long-term loans in original currencies are as follows:

	2011				*2010*			
	Annual interest rate	*Original currency* '000	*Exchange rate*	*RMB* '000	*Annual interest rate*	*Original currency* '000	*Exchange rate*	*RMB* '000
Bank loans								
- RMB	PBOC*'s Benchmark Rate+10%~ PBOC's Benchmark Rate -5%	3,642,400	1.0000	3,642,400	3.51% ~ 5.85%	1,438,770	1.0000	1,438,770
- USD	LIBOR+55BP~ 4.88%	383,206	6.3009	2,414,544	LIBOR+30~ 185BP	370,000	6.5897	2,438,189
- HKD	HKIBOR+1.7% ~ 2.3%	634,451	0.8107	514,350	HKIBOR +17~33BP	-	-	-
-AUD	-	201	6.4093	1,291	-	-	6.7050	-
-EUR	-	-	8.1625	-	EURIBOR +65BP	4,000	8.7979	35.189
Total				6,572,585				3,912,148

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. LONG-TERM LOANS

(1) The analysis of the Group's long-term loans is as follows:

(a) As at Dec 31, 2011, Raffles, the subsidiary of the Group borrowed RMB310,000,000 secured with its marine space using right, and CIMC Tianyu borrowed RMB34,500,000 secured with the land use right and buildings owned by Huayu Hotel, a subsidiary of CIMC Tianyu.

(b) As at 31 December 2011, the Group's pledge loan borrowed by Raffles amounted to USD68,600,000, equivalent to RMB432,245,000, which was pledged by equity interest of Caspin Driller Pte. Ltd., a subsidiary of Raffles.

(c) As at 31 December 2011, the Group's long-term guarantee loans included bank loans amounting to RMB1,027,130,000, guaranteed by the Company for its subsidiaries; RMB150,000,000 guaranteed by Raffles for its subsidiaries; RMB194,568,000, guaranteed by Enric for its subsidiaries.

(d) No amount due to the shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of long-term loans.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. LONG-TERM LOANS (CONTINUED)

(2) The analysis of the Group's long-term loans is as follows: (continued)

(a) As at 31 December 2011, the top five long-term loans are as follows:

Lender	*Initial date of the loans*	*Maturity date of the loans*	*Currency*	*Interest rate (%)*	*2011*		*2010*	
					Original currency	*RMB*	*Original currency*	*RMB*
					'000	*'000*	*'000*	*'000*
1. China Development Bank	12/12/2007	10/12/2013	USD	6-month LIBOR +90BP	150,000	945,135	270,000	1,701,243
2. ABN AMRO	30/04/2011	30//04/2014	USD	LIBOR + 1.5%~1.7%	112,850	711,057	-	-
3. The Export-Import Bank of China	01/02/2011	01/02/2014	RMB	4.76% for the 1st quarter and will be reviewed every quarter	500,000	500,000	-	11,527
4. China Development Bank	30/11/2011	30/11/2018	USD	4.88%	68,601	432,245	-	1,701,243
5. The Export-Import Bank of China	20/01/2011	07/01/2014	RMB	4.76% for the 1st quarter and will be reviewed every quarter	400,000	400,000	-	-
Total						2,988,437		1,701,243

As at 31 December 2011, there was no renewal of past due long-term bank loans included in the above balance of long-term loans.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. DEBENTURES PAYABLE

Item	*Balance at the beginning of the year*	*Addition during the year*	*Decrease during the year*	*Balance at the end of the year*
medium-term notes- 11 CIMC MTN1	-	3,988,438	-	3,988,438

(1) The analysis of debentures payable is set out as follows:

Debenture name	Face value	Issuance date	Period	Issuance amount	Balance of interest payable at the beginning of the year	Interest accrued	Interest paid	Balance of interest payable at the end of the year	Balance at the end of the year
medium-term notes -11CIMC MTN1	4,000,000	23 May 2011	5 years	4,000,000	-	(11,562)	-	(11,562)	3,988,438

The company issued medium-term notes (MTN) on 20 May 2011 with a ceiling of RMB 6 billion to institutional investors in the national inter-bank bond market. The first phase of MTN with a total amount of RMB 4 billion, a term of five years from 23 May 2011 to 22 May 2016, par value of RMB 100 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. 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.

37. Long-term payable

Item	*Note*	*2011*	*2010*
Financial Leasing payables	(2)	86,846	118,858

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. Long-term payable (continued)

(1) As at 31 December 2011, the top three of long-term payables (including all long-term payable) were as follows:

Lender	*Period*	*Initial Cost*	*Interest Rate (%)*	*Interest Payable*	*Ending Balance*	*Requirement*
1. CMB Financial Leasing Co., Ltd.	from 19 September 2010 to 19 September 2013	312,300	PBOC benchmark rate-8%	1,746	53,179	Nil
2. Bank of America	from 20 December 2011 to 20 September 2018	17,397	3.13%	-	17,397	Nil
3.Bank of America	from 4 November 2011 to 4 September 2018	16,270	3.15%	-	16,270	Nil
Total				1,746	86,846	

As at 31 December 2011, balance of the long-term payable of the Group included balance amounting to RMB33,667,000 denominated in USD. There was no balance denominated in foreign currency as at 31 December 2010.

(2) Breakdown of financial leasing payable

As at 31 December 2011, 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:

	2011	2010
Within 1 year (inclusive)	73,234	107,499
After 1 year but within 2 (inclusive)	54,925	73,234
After 2 year but within 3 (inclusive)	-	51,675
After 3 years	33,667	-
Subtotal	161,826	232,408
Less: unrecognised finance charges	(8,086)	(15,966)
Carrying amounts	153,740	216,442

Please refer to note V.35 for net financial leasing payable due within one year minus unrecognised financing expenses.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. Long-term payable (continued)

The Group had no financial leasing guaranteed by third party in the year.

The Group had no amount due to shareholders who hold 5% or more of the voting rights of the Company or related parties.

38. SPECIAL PAYABLES

Item	*Balance at the beginning of the year*	*Additions during the year*	*Settlements during the year*	*Effect of foreign exchange rate changes*	*Balance at the end of the year*
Project funds	16,442	2,566	10,068	-	8,940

39. OTHER NON-CURRENT LIABILITIES

	2011	*2010*
Deferred income	198,564	178,008

40. SHARE CAPITAL

The Company's share capital status at 31 December is as follows:

	Balance at the beginning of the year	*Additions during the year*	*Change of shares subject to selling restriction*	*Balance at the end of the year*
Shares subject to selling restriction				
- Shares held by overseas legal persons	-	-	-	-
- Share held by domestic natural persons	620	-	(247)	373
Shares not subject to selling restriction				
- RMB denominated ordinary shares	1,231,297	-	247	1,231,544
- Domestically listed foreign shares	1,430,479	-	-	1,430,479
	2,662,396	-	-	2,662,396

The face value of the aforesaid shares was RMB 1.00 per share.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. CAPITAL RESERVE

Item	*Balance at the beginning of the year*	*Additions during the year*	*Settlements during the year*	*Effect of functional currency change*	*Balance at the end of the year*
Share premiums	201,222	-	-	-	201,222
Other capital reserves					
- 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
- Net changes 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 reserves due to minority shareholders' contribution	88,251	-	-	(9,227)	79,024
- Capital reserves due to acquiring minority shareholders' equity	256,078	-	-	(8,964)	247,114
- Decreased capital reserves due to minority shareholders' contributor	-	-	(58,964)	-	(58,964)
- Others	100,004	2,695	-	(406,795)	(304,096)
	1,349,420	167,422	(255,409)	(462,172)	799,261

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. SURPLUS RESERVE

Item	*Balance at the beginning of the year*	*Additions during the year*	*Settlements during the year*	*Effect of functional currency change*	*Balance at the end of the year*
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

43. RETAINED EARNINGS

Item	*Note*	*Amount*	*Appropriation proportion*
Retained earnings brought forward		10,689,335	—
Add: profit attributable to shareholders of the Company		3,690,926	—
Less: appropriation to statutory surplus reserve		(92,110)	10% of the net profit was appropriated to statutory surplus reserve
Dividends of ordinary shares	(1)	(931,839)	—
Decrease in retained earnings resulted from acquiring minority interest	(2)	(19,843)	—
Decrease in retained earnings resulted from functional currency change		(551,377)	—
Retained earnings carry forward	(3)	12,785,092	—

(1) Dividends of ordinary shares declared during the year

Pursuant to the shareholders' approval at the Shareholders' Meeting on 13 April 2011, a cash dividend of RMB 0.35 per share (2010: RMB 0.12 per share) totaling RMB931,839,000 (2010: RMB319,488,000) was declared and paid to the Company's ordinary shareholders on 31 May 2011.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(2) Decrease from acquisition of minority interests

CMICHK, a wholly-owned subsidiary of the Company, entered in an equity transfer agreement on 25 August 2011 with Jiaozhou Economic and Technological Development and Construction Corporation ("JZETDC"), the minority equity holder of the Company's subsidiary QDCRC. Pursuant to the agreement, CIMC Hong Kong acquired 10.70% equity interest of QDCRC from JZETDC at a cash consideration of USD7,190,000 (RMB46,099,000). After the transaction, the share of equity in interest in QDCRC held by CIMC Hong Kong increased from 68.23% to 78.93%. Therefore, the direct or indirect share of equity in interest in QDCRC held by CIMC Hong Kong increased from 89.30% to 100%. Because share premium was insufficient to be reversed, retained earnings amounting to RMB18,686,000 of CIMC Hong Kong were reversed based on the excess of acquisition cost for the additional equity interest over CIMCHKI's share of the carrying value of QDCRC's net assets amount for the additionally acquired equity interest.

According to the equity transfer agreement entered into between Enric, a subsidiary of the Company, and He Hongxing, a minority shareholder of Jingmen Hongtu Machinery Manufacturing Company Limited ("JMHT"), a subsidiary of Enric, Enric purchased 40.00% equity of JMHT from He Hongxing in the consideration of RMB 3,600,000. After the equity transfer, Enric increased its equity interest in JMHT from 60% to 100%. The excess amount of additional investment cost over Enric's additional interest in the carrying amount of the net assets of JMHT amounting to RMB 1,157,000 should have been adjusted to share premium in capital reserve. However, as the balance of the share premium was insufficient, the excess was adjusted to retained earnings.

(3) Retained earnings at the end of the year

As at 31 December 2011, the retained earnings attributable to the Company included an appropriation of RMB674,381,000 to surplus reserve made by the subsidiaries (2010: RMB583,087,000).

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 OPERATING INCOME AND OPERATING COST

(1)

Item	*2011*	*2010*
Operating income	62,799,402	50,663,426
Other operating income	1,325,651	1,104,890
Operating cost	52,224,731	43,597,815

There was no individual construction contract whose revenue amounted to more than 10% of the total operating income.

(2) Operating income and operating cost (by industries and by products)

Industry	*2011*		*2010*	
	Operating income	*Operating cost*	*Operating income*	*Operating cost*
Containers	34,531,285	27,861,725	24,949,668	20,210,417
Trailers	16,492,375	14,229,990	16,255,487	14,019,450
Tank equipments	8,087,583	6,683,434	5,081,191	4,225,770
Offshore Engineering	540,920	918,822	2,391,112	3,218,922
Air ground facilities	544,289	350,893	307,079	229,260
Others	2,602,950	1,664,405	1,678,889	1,161,946
Total	62,799,402	51,709,269	50,663,426	43,065,765

(3) Operating income and operating cost (by regions)

Regions	*2011*		*2010*	
	Operating income	*Operating cost*	*Operating income*	*Operating cost*
P.R China	57,619,027	47,211,361	47,521,140	40,261,708
America	1,762,144	1,620,224	956,129	917,356
Europe	2,153,273	1,881,668	1,670,704	1,444,836
Asia	192,147	168,113	106,315	92,736
Others	1,072,811	827,903	409,138	349,129
Total	62,799,402	51,709,269	50,663,426	43,065,765

The regional operating income and operating cost is determined on the location at which the services were provided or the goods were delivered.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. OPERATING INCOME AND OPERATING COST (CONTINUED)

(4) Operating income of top five customers in 2011 is as follows:

Customer	*Operating income*	*Percentage of total operating income (%)*
1. A.P. Moller-Maersk A/S	4,621,630	7.21%
2. TAL International Container Corperation	2,229,910	3.48%
3. Mediterranean Shipping Co. S.A.	1,897,313	2.96%
4. Compagnie Maritime. d' Affretement	1,493,308	2.33%
5. Cronos Containers Ltd.	1,362,007	2.12%
Total	11,604,168	18.10%

The Group's operating income of top five customers in 2010 totaled RMB12,871,529,000, accounting for 24.86% of total operating income.

45. BUSINESS TAXES AND SURCHARGES

Category	*2011*	*2010*	*Taxation basis and rate*
Business tax	89,765	43,947	3% - 5% of operating income
Urban maintenance And construction tax	114,746	23,527	7% of VAT and business tax paid
Education fee and surcharges	84,051	5,150	3% - 5% of VAT and business tax paid
Land appreciation Tax	14,009	511	Appreciation amount in transferring property and applicable tax rate
Others	42,152	3,757	
	344,723	76,892	

46. SELLING AND DISTRIBUTION EXPENSES

Category	*2011*	*2010*
Transportation and distribution charges	944,824	623,084
External sales commission	83,486	64,320
Employ benefit	213,927	180,967
Warranty	164,388	41,405
Others	461,275	340,467
Total	1,867,900	1,250,243

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. GENERAL AND ADMINISTRATIVE EXPENSES

Category	*2011*	*2010*
Low-value consumables and materials consumed	87,845	60,271
Rental	66,302	43,411
Depreciation	170,771	147,697
Employ Benefit	1,283,015	891,417
Taxes and surcharges	140,576	118,005
Agency fee	141,716	158,554
Technology development costs	359,597	226,503
Amortisation	233,689	249,010
Performance Bonus and president bonus	487,499	289,171
Share-based payment expenses	122,642	70,556
Office expenditure, entertainment fee and others	673,569	479,769
Total	3,767,221	2,734,364

48. FINANCIAL EXPENSES

	2011	*2010*
Interest expenses from loans and payables	903,749	472,312
Less: Borrowing costs capitalised	240,988	12,717
Interest income from deposits and receivables	(217,942)	(69,085)
Net exchange losses / (gains)	208,872	225,878
Other financial expenses	130,008	53,395
Total	783,699	669,783

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49. (LOSSES) / GAINS FROM CHANGES IN FAIR VALUE

Sources of gain/loss from changes in fair value	*2011*	*2010*
Financial assets held for trading		
- Changes in fair value during the year		
1. Gains from changes in fair value of held for trading investments	(33,905)	171,617
2. (Losses) / gains from changes in fair value of derivative financial instrument	(86,378)	94,032
- Income for derecognised financial assets held for trading	(32,453)	(13,540)
Subtotal	(152,736)	252,109
Financial liabilities held for trading		
- Changes in fair value during the year		
1. Gains / (losses) from changes in fair value of derivative financial instrument	52,159	(17,191)
Total	(100,577)	234,918

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50. INVESTMENT INCOME

(1) *The analysis of the Group's investment income is as follows:*

Category	*Note*	*2011*	*2010*
Long-term equity investments in cost method	(2)	10,100	7,458
Long-term equity investments in equity method	(3)	44,120	102,938
Gains / (losses) on disposal of long-term equity investments		13,286	(144,206)
Investment gains of held-for-trading financial assets		-	2,280
Investment gains of available-for-sale financial assets		13,030	18,452
Gains on sale of held-for-trading financial assets		32,453	13,540
Gains on sale of available-for-sale financial assets		-	40,641
Others		(4,296)	(2,462)
Total		108,693	38,641

(2) *Long-term investments in cost method with individual investment income over 5% of total investment income or less than 5% but ranked the top five investment income for the year are as follows:*

Investee	*2011*	*2010*	*Reasons for variances between two years*
BOCM Schroder Stolt Fund Management	10,000	7,458	More cash dividend was distributed during the year
Stolt-Nielsen Limited	100	-	No cash dividend distribution during the year
Total	10,100	7,458	

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50. INVESTMENT INCOME (CONTINUED)

(3) Long-term investments in equity method with individual investment income over 5% of total investment income or less than 5% but ranked the top five investment income for the year of 2011 are as follows:

Investee	*2011*	*2010*	*Reasons for variances between two years*
TJCIMCZL	23,385	87,698	Changes in profit and loss of the investee
Shanghai Fengyang	50,098	20,010	Changes in profit and loss of the investee
KYH	7,610	8,696	Changes in profit and loss of the investee
NCIMCL	4,574	3,549	Changes in profit and loss of the investee
Xiamen Haitou	2,813	3,049	Changes in profit and loss of the investee
Total	88,480	123,002	—

Note1: Only top five investees with largest profits before income tax are listed above.

Note2: There was no significant restriction on the remittance of investment income to the investor.

51. IMPAIRMENT LOSSES

Item	*2011*	*2010*
Accounts receivable	98,052	70,744
Prepayments	37	61,176
Other receivables	22,254	48,660
Inventories	184,212	57,610
Non-current assets due within one year	5,148	8,932
Long-term receivables	27,597	9,785
Long-term equity Investments	2	-
Fixed assets	7,782	17,703
Intangible assets	52,264	-
Goodwill	12,254	-
Total	409,602	274,610

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. NON-OPERATING INCOME

(1) *The analysis of the Group's non-operating income is as follows:*

Item	*Note*	*2011*	*2010*	*Amount included in non-operating income / losses for the year*
Gains on disposal of fixed assets		9,150	1,452	9,150
Gains on disposal of intangible assets		18,646	1,315	18,646
Compensation income		14,757	24,607	14,757
Penalty income		4,265	8,307	4,265
Gains on fixed assets surplus		254	128	254
Government grants	(2)	267,349	93,685	267,349
Recovery due to accrual of contingent consideration on enterprise combination		-	40,805	-
Gain on enterprise combination		-	84,166	-
Others		55,772	37,554	55,772
Total		370,193	292,019	370,193

(2) *Government grants*

Item	*2011*	*2010*
Financial subsidies	265,819	92,370
Tax refund	1,530	1,315
Total	267,349	93,685

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. NON-OPERATING EXPENSES

Item	*2011*	*2010*	*Amount included in non-operating income / losses for the year*
Losses on disposal of fixed assets	28,082	23,318	28,082
Donation expenses	1,911	2,751	1,911
Penalty expenses	1,939	2,173	1,939
Compensation expenses	1,827	4,974	1,827
Others	49,021	22,364	49,021
Total	82,780	55,580	82,780

54. INCOME TAX

	2011	*2010*
Current tax expenses for the year	1,477,811	853,500
Deferred taxation	(114,043)	(29,752)
Total	1,363,768	823,748

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

54. INCOME TAX (CONTINUED)

(2) *Reconciliation between income tax expenses and accounting profits is as follows:*

Item	*2011*	*2010*
Profits before taxation	5,022,706	3,674,607
Expected income tax expenses at applicable tax rates	1,255,677	884,453
Effect of tax incentive	(281,600)	(150,204)
Tax effect of non-deductible expenses	61,881	28,983
Tax effect of non-taxable income	(25,814)	(75,642)
Tax effect of utilisation of tax losses not recognised in prior years	(52,029)	(247,273)
Tax effect of unrecognised tax losses	215,727	167,057
Deductible temporary differences of unrecognised deferred tax assets	88,809	120,945
Effect of tax rate change on deferred tax	12,144	17,224
Tax refund for income tax annual filing	(35,098)	(17,966)
Domestic purchased equipment tax refund	(2,662)	(8,022)
Income tax accruals for profit of foreign holding companies in current year	126,733	104,193
Income tax expenses	1,363,768	823,748

55. CALCULATION OF EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE

(1) *Basic earnings per share*

The calculation of basic earnings per share is based on the consolidated profit attributable to ordinary equity shareholders of the Company during the year and the weighted average ordinary shares in issue:

	2011	*2010*
Consolidated profit attributable to ordinary equity shareholders of the Company	3,690,926	3,001,851
Weighted average of ordinary shares in issue ('000)	2,684,722	2,666,555
Basic earnings per share	1.37	1.13

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. CALCULATION OF EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE

(1) Basic earnings per share (continued)

Calculation of weighted average number of ordinary shares	*2011*	*2010*
Issued ordinary shares at 1 January ('000)	2,662,396	2,662,396
Weighted average number of ordinary shares at 31 December ('000)	2,662,396	2,662,396

(2) Diluted earnings per share

The calculation of diluted earnings per share is based on the consolidated profit attributable to ordinary equity shareholders of the Company during the year and the adjusted weighted average of ordinary shares in issue:

	Note	*2011*	*2010*
Consolidated profit attributable to ordinary equity shareholders of the Company (diluted)	(a)	3,690,926	3,001,851
Weighted average of ordinary shares in issue (diluted) ('000)	(b)	2,684,722	2,666,555
Diluted earnings per share		1.39	1.13

(a) Calculation of Consolidated profit attributable to ordinary equity shareholders of the Company (diluted):

	2011	*2010*
Consolidated profit attributable to ordinary equity shareholders of the Company	3,690,926	3,001,851

(b) Calculation of weighted average number of ordinary shares (diluted):

	2011	*2010*
Issued ordinary shares at 1 January ('000)	2,662,396	2,662,396
Effect of share options ('000)	22,326	4,159
Weighted average number of ordinary shares at 31 December (diluted) ('000)	2,684,722	2,666,555

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. CALCULATION OF EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE (CONTINUED)

(2) Diluted earnings per share

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, there is no exercisable share options during the year. Please refer to note VII for the details of share options.

56. OTHER COMPREHENSIVE INCOME

Item	*2011*	*2010*
1. Losses on available-for-sale financial assts	(195,700)	(257,827)
Less: Effect of income tax arising from available-for-sale financial assets	(45,517)	(46,652)
Amount recognised in other comprehensive income in prior period transferred to profit and loss in current period	-	51,388
Subtotal	(150,183)	(262,563)
2. Gain on cash flow hedges financial instrument	3,162	6,531
Less: Effect of income tax arising from cash flow hedges financial instrument	(119)	(864)
Amount recognised in other comprehensive income in prior period transferred to profit and loss in current period	2,621	14,026
Subtotal	660	(6,631)
3. Effect of foreign exchange rate changes	(339,575)	(267,232)
4. Others	2,695	72
Total	(486,403)	(536,354)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. NOTES TO CASH FLOW STATEMENT

(1) Other cash received from operating activities

Item	*Amount*
Cash received from government grants related to assets	20,556
Cash received from government grants related to income	265,819
Cash received from penalty	4,265
Cash received from quality compensation	14,757
Others	58,338
Total	363,735

(2) Other cash paid for operating activities

Item	*Amount*
Cash paid for transportation expenses	944,824
Cash paid for rental, insurance and other selling expenses	447,602
Cash paid for technical development fee	359,597
Cash paid for warranty	54,071
Cash paid for commission of external sales	83,486
Cash paid for entertainment	109,777
Cash paid for travelling, office expenses and other expenses in ordinary operation	1,289,257
Total	3,288,614

(3) Other cash paid for investing activities

Item	*Amount*
	RMB'000
Interest income received from deposits and receivables	220,654

(3) Other cash paid for financing activities

Item	*Amount*
Cash paid for finance leases	62,702

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

58. INFORMATION TO CASH FLOW STATEMENT

(1) Supplement to cash flow statement:

1 Reconciliation of net profit to cash flow from operating activities:

Supplement	*2011*	*2010*
Net profit	3,658,938	2,850,859
Add: Impairment for assets	409,602	274,610
Depreciation of fixed assets	817,698	1,149,802
Amortisation of intangible assets	252,935	209,506
Amortisation of long-term deferred expenses and investment properties	25,147	25,218
Losses on disposal of fixed assets, intangible assets and other long-term assets	286	20,551
Reverse of gains from accrued contingent consideration of enterprise combination	-	(40,805)
Gains from enterprise combination	-	(84,166)
Losses / (Gains) on changes in fair value	100,577	(234,918)
Financial expenses	444,819	390,510
Investment income	(108,693)	(38,641)
Share-based payment expenses	122,642	70,556
Increase in deferred tax assets	(173,074)	(191,493)
Increase in deferred tax liabilities	19,705	170,592
Increase in gross inventories	(2,223,824)	(5,245,471)
Increase in operating receivables	(2,333,121)	(3,917,112)
Increase in operating payables	1,544,272	5,883,231
Effect of foreign exchange rate changes	(303,472)	190,072
Net cash inflow from operating activities	2,254,437	1,482,901

2 Significant investment or finance activities not related to cash is as follows:

Item	*2011*	*2010*
Assets acquired under finance leases	-	216,442

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

58. INFORMATION TO CASH FLOW STATEMENT (CONTINUED)

(1) *Supplement to cash flow statement (continued):*

3 Cash and cash equivalents held by the Group is as follows:

Item	*2011*	*2010*
Cash at bank and on hand at the end of the year	6,563,253	3,797,415
Less: Cash at bank and on hand at the beginning of the year	3,797,415	4,396,525
Net increase / (decrease) of cash at bank and on hands	2,765,838	(599,110)

(2) *Information on acquisition of subsidiaries and other business units during the year*

Item	*2011*	*2010*
1. Consideration for acquiring subsidiaries and other business units	92,409	1,110,516
2 Cash and cash equivalents paid for acquiring subsidiaries and other business units	92,409	1,110,516
Less: Cash and cash equivalents held by subsidiaries and other business units	2,591	773,685
Less: Cash and cash equivalents already paid	-	-
3. Net cash paid for the acquisition	89,818	336,831
4. Non-cash assets and liabilities held by the acquired subsidiaries and other business units		
Current assets	312,006	5,763,900
Non-current assets	8,796	3,573,722
Current liabilities	(263,258)	(5,278,977)
Non-current liabilities	(2,217)	(1,592,747)
Minority interest	-	(95,164)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

58. INFORMATION TO CASH FLOW STATEMENT (CONTINUED)

(3) Cash and cash equivalents held by the Group is as follows

Item	*2011*	*2010*
Cash at bank and on hand		
Including: Cash at bank	2,415	2,893
Bank deposits available on demand	6,197,423	3,741,518
Other monetary funds available on demand	363,415	53,004
Closing balance of cash and cash equivalents	6,563,253	3,797,415

Note: Aforesaid "Cash at bank and on hand" excluded restricted cash and short-term investment.

VI. RELATED PARTY RELATIONSHIPS AND 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 associates and joint ventures of the Group, refer to Note V.12(3).

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. OTHER RELATED PARTIES RELATIONSHIPS

Organisation name	*Relationship with the Group*	*Organisation code*
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 Estated Co., Ltd	Subsidiary of significant shareholder	61884513-6
Shenzhen CIMC Skyspace Real Estate Development	Minority shareholder of subsidiary	71526714-7
Gasfin	Minority shareholder of subsidiary	N/A
WHRJI	Minority shareholder of subsidiary	78858986-8
PGM	Minority shareholder of subsidiary	N/A
COSCO Countainer 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
Xiamen Haitou	Associates of the Group	66473091-1
XMHJ	Associates of the Group	55624298-8
DLJLL	Associates of the Group	71696834-0
GXNFWL	Associates of the Group	56158545-9
HBIO	Associates of the Group	66934186-X
Qingdao Global International Airline Services Ltd.	Minority shareholder of subsidiary	74722427-2
Leung Kee	Minority shareholder of subsidiary	N/A
C & C Trucks	Associates of the Group	68685184-5
Shaanxi Heavy Duty Automobile Co., Ltd.	Minority shareholder of subsidiary	74127207-0
MSC	Associates of the Group	N/A
Sumitomo	Minority shareholder of subsidiary	N/A

Note: Significant shareholders represent shareholders holding more than 5% (inclusive) of the Company's shares.

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. TRANSACTIONS WITH RELATED PARTIES

The following transactions with related parties were conducted under normal commercial terms or relevant agreements.

(1) Purchase of goods and receiving of services

The Group

Related party	*Nature of transaction*	*Transaction details*	*Pricing Mechanism*	*2011*		*2010*	
				Amount	*Percentage on similar deals (%)*	*Amount*	*Percentage on similar deals (%)*
Other related party	Purchase	Purchase of raw material	conducted under normal non-related party transaction commercial terms	12,990	0.03%	5,802	0.03%
Other related party	Receiving services	Processing services		3,745	0.73%	-	-
Key management staff	Remuneration			30,568	-	20,758	-

The Company

Related party	*Nature of transaction*	*Transaction details*	*Pricing Mechanism*	*2011*		*2010*	
				Amount	*Percentage on similar deals (%)*	*Amount*	*Percentage on similar deals (%)*
Key management staff	Remuneration			30,568	-	20,758	-

(2) Sales of goods and provision of services

The Group

Related party	*Nature of transaction*	*Transaction details*	*Pricing Mechanism*	*2011*		*2010*	
				Amount	*Percentage on similar deals (%)*	*Amount*	*Percentage on similar deals (%)*
Other related party	Sales	Sales of containers	conducted under normal non-related party transaction commercial terms	2,408,908	4.74%	1,542,395	6.18%

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

(3) Funding

The Group

Related party	*Funding amount*	*Initial date*	*Maturity date*	*Earned interest income/recognised interest expense during the year*	*Note*
Borrowings					
Gasfin	38,698	19 September 2008	Not fixed repayment date	256	Shareholder loans
Lending					
Shanghai Fengyang	167,672	25 December 2007	Not fixed repayment date	8,665	Shareholder loans
XYW	3,952	20 June 2006	Not fixed repayment date	-	Shareholder loans
PGM	122,438	14 August 2009	Not fixed repayment date	-	Advance payment for capital injection to subsidiary
MSC	288,217	1 December 2007	Not fixed repayment date	-	Shareholder loans

The Company

Related party	*Funding amount*	*Initial date*	*Maturity date*	*Earned interest income/recognised interest expense during the year*	*Note*
Lending					
Shanghai Fengyang	167,672	25 December 2007	Not fixed repayment date	8,665	Shareholder loans

(4) Other related party transactions

(i) Sale of a subsidiary

In 2007, CIMC Shenfa Development Co., Ltd. ("CIMCSD"), a subsidiary of the Group and Shenzhen China Merchants Real Estate Co., Ltd., entered into a share transfer agreement, in which CIMCSD will transfer 60% of the equity of Shanghai Fengyang to Shenzhen China Merchants Real Estate Co., Ltd for a price of RMB 353,250,000. As at 31 December 2011, RMB 70,650,000 of the total price had not been paid.

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

(4) Other related party transaction s(continue)

(ii) Purchase of minority shareholder interest yet to be completed

CIMC Hong Kong, a wholly own subsidiary of the Group had entered into an agreement with Leung Kee Bright Touch, and Yantai Shipyard, minority shareholders of CIMC Offshore, to acquire a total of 38.24% equity of CIMC Offshore for the consideration of USD 113,724,000, equivalent to RMB 716,556,000. After the equity transaction, CIMC Hong Kong will increase its equity interest in CIMC Offshore from 61.76% to 100%. The purchase of minority shareholder interest is yet to be completed as at 31 December 2011 and CIMC Hong Kong has recorded payment USD 50,000,000 (RMB 315,735,000) to Leung Kee in other receivables.

(iii) Share options granted to key management personnel

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

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

(4) Other related party transactions (continued)

(iii) Share options granted to key management personnel (continued)

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 Yuquan	Secretary of the Board	1,100
合计		4,150

For detailed information for fair value of the granted share options aforesaid, please refer to Note VII.

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. THE BALANCES WITH RELATED PARTIES AS AT 31 DECEMBER ARE SET OUT AS FOLLOWS:

Receivables:

Caption	*Note*	*The Group* 2011	2010
Accounts receivable	V.4	109,096	89,035
Other receivables	V.5	980,115	557,348

Payables:

Caption	*Note*	*The Group* 2011	2010
Accounts payable		2,334	1,263
Other payables	V.32	529,054	232,453

VII. SHARE-BASED PAYMENTS

1. INFORMTION ABOUT SHARE-BASED PAYMENTS

	RMB'000
Total equity instruments granted during the year	83,555
Total equity instruments exercised during the year	-
Total equity instruments forfeited during the year	45,769
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 7.83 and 9.82 years respectively; 2. Equity-settled share options granted by Raffles in 2007 and 2008: from USD 1.64 to USD 4.39 per share, the residual life of contract is 0.5 and 5.72 years respectively; cash-settle share options granted by Raffles in 2011: RMB 17.57 per share, the residual life of contract is 3.75 and 8.75 years. 3. Equity-settled share options granted by the Company in 2010 and 2011: RMB12.04 and RMB 17.57 per share respectively, the residual life of contracts is both 8.74 years
The price of other outstanding equity instruments at the end of the year and residual life of relevant contracts	-

VII. SHARE-BASED PAYMENTS (CONTINUED)

1. INFORMTION ABOUT SHARE-BASED PAYMENTS (CONTINUED)

Expenses recognised for the year arising from share-based payments are as follows:

	2011	*2010*
Equity-settled share-based payment	122,138	70,556
Cash-settled share-based payment	504	-
Total	122,642	70,556

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 HKD 4 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 HKD 2.48 per share.

VII. SHARE-BASED PAYMENTS (CONTINUED)

2. INFORMATION ON EQUITY-SETTLED SHARE-BASED PAYMENT

(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. 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 RMB 12.39 per share while the remaining 6,000,000 options were for reservation with exercise price of HKD 4 per share.

As mentioned in Note V.43(1), the Company distributed a cash dividend of RMB 0.35 per share on 31 May 2011 to ordinary shareholders which was approved by the Shareholders' General Meeting on 13 April 2011. In accordance with the Scheme, upon the implementation of the annual dividend distribution plan for 2010, 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 RMB 12.04 per share.

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 RMB 17.57 per share.

(3) Information on equity-settled share-based payment of Raffles

As mentioned in Note IV 6(1), 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 SGD 1. 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 USD 1.64 to USD1.65, from NOK 10.50 to NOK 26.00, and from USD 1.6425 to USD 1.65. The longest effective period of the share options plan was ten years from the first grant date of share options.

VII. SHARE-BASED PAYMENTS (CONTINUED)

2. INFORMATION ON EQUITY-SETTLED SHARE-BASED PAYMENT

(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

	2011	*2010*
Fair value of share options	HKD 0.96 to HKD 1.08	-
Current share price	HKD 2.48	-
Exercise price	RMB 2.48	-
Expected fluctuation of stocks	55.98%	-
Vesting period	10 years	-
Expected dividends	2.67%	-
Risk-free rate	1.566%	-

Enric had no share option granted in 2010.

(b) the Group

	2011	*2010*
Fair value of share options	RMB 6.06 and RMB 8.57	RMB 4.08 and RMB 6.80
Current share price	RMB 16.84	RMB 13.21
Exercise price	RMB 17.57	RMB 12.39
Expected fluctuation of stocks	45%	45%
Vesting period	10 years	10 years
Expected dividends	0.00%	0.60%
Risk-free rate	3.87% and 3.95%	2.60% and 3.40%

VII. SHARE-BASED PAYMENTS (CONTINUED)

2. INFORMATION ON EQUITY-SETTLED SHARE-BASED PAYMENT

(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.

Accumulated amount recognised in capital reserve for equity-settled share-based payments	196,954
Total expenses recognised for equity-settled share-based payments for current year	122,138
Including:	
- attributable to the Company	105,164
- attributable to Enric	13,681
- attributable to Raffles	3,293

There is no share option exercised for the year. (2010: Nil).

VII. SHARE-BASED PAYMENTS (CONTINUED)

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, the 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 fulfill.

The SARs are exercisable in 2 installments periods after 2 years from the rights grant date upon the satisfaction of exercisable conditions.

(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 RMB 504,000 as at 31 December 2011 and the expenses recognised for cash-settle share-based payment was 504,000 for 2011.

VIII. CONTINGENCIES

1. CONTINGENT LIABILITIES

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. As at 31 December 2011, buyers and Raffles were in the process of negotiating reduction in compensation for delivery postponement and continuing execution of the contract due to the fact that delivery date or lease commencing date of certain projects were behind schedule in the contracts. Raffles did not provision for the compensation for delivery postponement based on the judgment of the Group's management from the negotiation.

Based on negotiation result, as at 31 December 2011 the maximum amount of the compensation for delivery postponement of contracted delivery date that Raffles may need to bear is USD 4,500,000, equivalent to RMB28,354,000.

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 Raffles may need to bear is USD 20,290,000, equivalent to RMB127,845,000.

2. GUARANTEES PROVIDED FOR OTHER ENTITIES

During the year, HI signed 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 customers who drew down loans under banking facilities to settle outstanding payables arising from purchase of trailers from the Group. As at 31 December 2011, the Group has the above outstanding guarantees totaling RMB963,600,000 (2010: RMB1,044,329,000).

3. Bills issued but not recorded on books, outstanding letter of credit and performance guarantee

The Group does not recognise bills payable or letter of credit issued as deposits. Corresponding inventories, prepayment and bills receivable are recognised at the earlier of delivery of the goods by the suppliers and the maturity of the bill issued.

As at 31 December 2011, the Group had bills issued to suppliers but not recorded on books and outstanding letter of credit totaling RMB710,862,0000. (2010: RMB772,281,000).

As at 31 December 2011, Raffles had outstanding balance of performance guarantees issued by bank totaling to USD495,248,000, equivalent to RMB3,120,658,000, among which balance issued for ship buyer was USD491,064,000, equivalent to RMB3,094,289,000 and balance issued to supplier was USD4,184,000 equivalent to RMB26,369,000. (2010:RMB738,890,000).

VIII. CONTINGENCIES(CONTINUED)

3. Bills issued but not recorded on books, outstanding letter of credit and performance guarantee (continued)

As at 31 December 2011, TAS had outstanding balance of performance guarantees issued by bank totaling to RMB207,006,000. The balance included RMB84,765,000 of performance guarantee, RMB11,160,000 of bid guarantee, RMB6,558,000 of quality guarantee and RMB104,523,000 of guarantee issued to suppliers. (2010: RMB112,307,000).

4. Significant outstanding litigation

Raffles and its subsidiaries entered into a contract to build semi submersible oil drilling rig named SS PANTANAL and SS AMAZONIA for SCHAHIM Group which incorporated in Brazil, and delivered the rig on November 2010 and April 2011 respectively. Raffles and its subsidiaries lodged a law suit against SCHAHIM Group, which included SCHAHIN HOLDINGS SA and other two subsidiaries, to claim the overdue milestone of USD 64,861,000, equivalent to RMB 408,682,000 as SCHAHIN Group failed to pay the amount. The company is optimistic on the litigation result and will take positive legal act in favor of shareholders' interests, however, the case has yet hold hearing or come to any conclusion which would cause uncertainties to the profits of 2012 or subsequent periods.

IX. COMMITMENTS

1. SIGNIFICANT COMMITMENTS

(1) Capital commitments

Item	*2011*	*2010*
Significant fixed assets purchase contracts entered into under performance or preparation of performance	316,805	501,727
Investment contracts entered into but not performed or performed partially	401,516	-
Significant contracts entered into for Ships to be manufactured for sales or lease	1,602,307	1,281,930
External investment approved by the Board of Directors	546,888	-
Total	2,867,516	1,783,657

(2) Operating lease commitments

As at 31 December, the total future minimum lease payments under non-cancellable operating leases of properties, fixed assets and so on were payable as follows:

Item	*2011*	*2010*
Within 1 year (inclusive)	73,225	47,578
After 1 year but within 2 years (inclusive)	35,470	46,365
After 2 years but within 3 years (inclusive)	27,849	22,437
After 3 years	121,050	104,998
Total	257,594	221,378

X. NON-ADJUSTING POST BALANCE SHEET EVENTS

1. INFORMATION ABOUT PROFIT DISTRIBUTIONS AFTER BALANCE SHAEET DATE

Dividend proposed to be distributed after balance sheet date	Note 1	1,224,702

(1) Dividend for ordinary shares proposed after balance sheet date

Board of directors proposed to distribute cash dividend of RMB 0.46 per share (2010: RMB 0.35 per share) to ordinary shareholders of the Company on 22 March 2012, totally RMB 1,224,702,000 (2010: RMB 931,839,000). The proposal is pending for approval of the Shareholders Meeting. The cash dividend proposed after the balance sheet date had not been recognised as a liability at the balance sheet date.

2. ACQUISITION OF MINORITY INTERESTS

CIMC Hong Kong, the subsidiary of the Company, made the remaining payment as mentioned in Note VI.5(4)(ii), amounting to USD63,724,000, equivalent to RMB402,194,000, to Leung Kee, Bright Touch and Yantai Shipyard in January 2012, and completed relevant procedures of equity transfer. Therefore, the aforementioned acquisition of CIMC Offshore’s minority interest made by CIMC Hong Kong was complete.

XI. OTHER SIGNIFICANT MATTERS

1. FINANCE LEASE

Please read Note V.11 and Note V.37 for reference of the Group's Accounts Receivables and Accounts 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, marine projects, 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 revenue, expenses, 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. The Group does not allocate non-operating income/expenses and income tax expenses to individual segment.

XI. OTHER SIGNIFICANT MATTERS (CONTINUED)

2. SEGMENT REPORT (CONTINUED)

(1) Segmentprofits, loses, 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:

USD'000

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 amortisation 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 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	260,025	-	-	4,127,315

XI. OTHER SIGNIFICANT MATTERS (CONTINUED)

2. SEGMENT REPORT (CONTINUED)

(1) Segment profits, loses, 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 follow (continued):

Item	*Containers 2011*	*Trailers 201*	*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	25,342,782	16,628,173	5,229,401	2,444,034	342,614	1,781,312	-	-	51,768,316
Inter segment transaction	97,190	3,380	121,397	-	-	276,957	(498,924)	-	-
Investment income / (losses) in joint ventures and associates	92,744	(23,444)	-	4,770	-	20,091	-	8,777	102,938
Impairment loss for the year	21,245	104,638	(2,935)	104,658	4,122	42,882	-	-	274,610
Depreciation and amortisation expenses	368,754	556,793	292,187	181,564	3,619	47,600	-	-	1,450,517
Interest income	19,740	15,335	14,707	8,575	142	2,713	-	7,873	69,085
Interest expenses	27,937	50,977	24,618	157,288	479	10,885	-	187,411	459,595
Segment operating profit / (losses)	3,893,013	708,565	159,096	(1,228,362)	30,515	130,811	-	(19,031)	3,674,607
Income tax expenses	551,978	151,533	92,400	(85,984)	5,249	106,831	-	1,741	823,748
Net profit / (losses)	3,341,035	557,032	66,696	(1,142,378)	25,266	23,980	-	(20,772)	2,850,859
Segment total assets	13,854,245	10,966,282	6,330,323	11,977,241	473,042	6,030,049	-	4,499,467	54,130,649
Segment total liabilities	6,825,058	5,304,438	2,550,273	9,526,301	210,660	1,826,904	-	8,680,315	34,923,949
Supplementary information:									
- Segment expenditures other than depreciation and amortization	-	-	39,683	4,790	-	-	-	86,126	130,599
- Long-term equity investment of joint ventures and associates	582,167	143,029	-	208,833	-	84,311	-	140,757	1,159,097
- Segment expenditures raising from additions of non-current assets	1,245,268	1,215,549	1,019,849	1,999,667	117,203	283,419	-	61,455	5,942,410

XI. OTHER SIGNIFICANT MATTERS (CONTINUED)

2. SEGMENT REPORT (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

Country/Region	*Revenue from external customers*		*Non-current assets*	
	2011	*2010*	*2011*	*2010*
P.R.China	22,450,481	19,234,663	18,496,639	16,177,074
Asia (exclusive of China)	5,606,815	4,217,055	36,863	42,840
America	15,778,210	15,802,084	325,886	295,449
Europe	18,057,672	11,616,461	1,143,609	1,180,426
Others	2,231,875	898,053	44,405	49,172
Total	64,125,053	51,768,316	20,047,402	17,744,961

XI. OTHER SIGNIFICANT MATTERS (CONTINUED)

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 currency 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.

(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.

XI. OTHER SIGNIFICANT MATTERS (CONTINUED)

3. RISK ANALYSIS, SENSITIVITY ANALYSIS, AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(1) Credit risk (continued)

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 2011.

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 that 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 25.40% (2010: 19.47%) 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.

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:

Item	*2011 Contractual undiscounted cash flow*					*Balance sheet carrying amount*
	Within 1 year or on demand	*More than 1 year but less than 2 years*	*More than 2 years but less than 5 years*	*More than 5 years*	*Total*	
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
Long-term receivables	3,002,110	1,330,588	889,346	631,378	5,853,422	4,946,522
Subtotal	21,610,685	1,330,588	889,346	631,378	24,461,997	23,555,097
Financial liabilities						
Short-term loans	(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)
Long-term loans	(2,556,258)	(1,295,764)	(5,147,355)	(453,339)	(9,452,716)	(9,066,009)
Long-term payables	(73,234)	(54,925)	-	(33,667)	(161,826)	(153,740)
Subtotal	(21,592,407)	(1,559,889)	(9,774,955)	(487,006)	(33,414,257)	(31,961,902)
Net total	18,278	(229,301)	(8,885,609)	144,372	(8,952,260)	(8,406,805)

XI. OTHER SIGNIFICANT MATTERS (CONTINUED)

3. RISK ANALYSIS, SENSITIVITY ANALYSIS, AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) Liquidity risk (continued)

Item	*2010 Contractual undiscounted cash flow*					*Balance sheet carrying amount*
	Within 1 year or on demand	*More than 1 year but less than 2 years*	*More than 2 years but less than 5 years*	*More than 5 years*	*Total*	
Financial assets						
Cash at bank and on hand	4,655,696	-	-	-	4,655,696	4,655,696
Accounts receivable and other receivables	10,366,108	-	-	-	10,366,108	10,366,108
Long-term receivables	1,319,429	765,552	583,136	91,122	2,759,239	2,521,759
Subtotal	16,341,233	765,552	583,136	91,122	17,781,043	17,543,563
Financial liabilities						
Short-term loans	(8,309,309)	-	-	-	(8,309,309)	(8,309,309)
Accounts payable and other payables	(11,505,867)	-	-	-	(11,505,867)	(11,505,867)
Long-term loans	(2,852,174)	(419,619)	(1,678,482)	(2,098,101)	(7,048,376)	(6,659,085)
Long-term payables	(107,499)	(71,161)	(53,746)	-	(232,406)	(216,442)
Subtotal	(22,774,849)	(490,780)	(1,732,228)	(2,098,101)	(27,095,958)	(26,690,703)
Net total	(6,433,616)	274,772	(1,149,092)	(2,006,979)	(9,314,915)	(9,147,140)

(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.

XI. OTHER SIGNIFICANT MATTERS (CONTINUED)

3. RISK ANALYSIS, SENSITIVITY ANALYSIS, AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(3) Interest rate risk (continued)

(a) As at 31 December, the Group held the following interest-bearing financial instruments:

Item	*2011*		*2010*	
	Annual interest rate	*Amount*	*Annual interest rate*	*Amount*
Fixed rates interest-bearing financial instruments				
Financial assets				
-Long-term receivables	4.20% - 19.89%	2,311,235	6.63% - 24.17%	1,336,257
-Long-term receivables due within one year	4.20% - 19.89%	2,635,287	6.63% - 24.17%	1,185,502
Financial liabilities				
-Short-term loans	3.28% - 7.20%	(2,980,294)	2.34% - 4.30%	(8,309,308)
-Long-term debenture payable	5.23%	(3,988,438)	-	-
Total		(2,022,210)		(5,787,549)

Item	*2011*		*2010*	
	Annual interest rate	*Amount*	*Annual interest rate*	*Amount*
Variable rates interest-bearing financial instruments				
Financial assets				
-Cash and cash equivalents	0.50%~4.40%	7,788,126	0.40%-3.90%	4,655,696
Financial liabilities				
-Long-term loans due within one year	Note V.34	(2,493,424)	Note V.34	(2,746,937)
-Long-term loans	Note V.35	(6,572,585)	Note V.34	(3,912,148)
-Short-term loans	LIBOR+0.33% - PBOC*'s Benchmark Rate + 10%	(5,050,618)	-	-
-Long-term payables	Note V.37	(86,846)	Note V.37	(118,858)
-Long-term payables within one year	Note V.34	(66,894)	Note V.34	(97,587)
Total		(6,482,241)		(2,219,834)

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 2011, it is estimated that a general increase / decrease of 75 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's net profit by RMB 36,463,000 (2010: RMB 12,487,000), and equity by RMB 36,463,000 (2010: RMB 12,487,000).

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.

XI. OTHER SIGNIFICANT MATTERS (CONTINUED)

3. RISK ANALYSIS, SENSITIVITY ANALYSIS, AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(4) Foreign currency 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.

Item	*2011*				*2010*			
	USD	*EUR*	*HKD*	*JPY*	*USD*	*EUR*	*HKD*	*JPY*
Cash at bank and on hand	2,490,443	360,276	240,075	11,522	1,521,592	396,971	128,125	34,616
Accounts receivable	5,024,086	443,299	1,702	12,624	5,327,812	401,879	17,057	4,323
Short-term loans	(3,788,474)	(203,957)	(682,994)	(1,733)	(3,035,638)	(287,944)	(423,878)	(10,021)
Long-term loans	(2,414,544)	-	(514,350)	-	(2,438,189)	(35,189)	-	-
Accounts payable	(951,496)	(353,209)	(16,189)	(574)	(2,924,606)	(156,227)	(169,893)	(3,551)
Provisions	(446,176)	(5,873)	-	-	(294,478)	(25,644)	(23,472)	-
Non-current liabilities due within one year	(1,565,774)	(32,650)	-	-	(658,970)	(70,383)	(17,584)	-
Gross balance sheet exposure	(1,651,935)	207,886	(971,756)	21,839	(2,502,477)	223,463	(489,645)	25,367

(b) The following are the exchange rates for Renminbi against foreign currencies applied by the Group and the Company:

Item	*Average exchange rate*		*Benchmark exchange rate*	
	2011	*2010*	*2011*	*2010*
USD	6.4503	6.7465	6.3009	6.5897
EUR	9.0377	8.8378	8.1625	8.7979
HKD	0.8287	0.8682	0.8107	0.8477
JPY	0.0810	0.0777	0.0811	0.0810

XI. OTHER SIGNIFICANT MATTERS (CONTINUED)

3. RISK ANALYSIS, SENSITIVITY ANALYSIS, AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(4) Foreign currency risk (continued)

(c) Sensitivity analysis

Assuming all other risk variables remained constant, 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 (4%, 3%, 4% and 10% strengthening of the RMB against the USD, EUR, HK dollar, and Japanese Yen respectively at 31 December 2010) 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:

		RMB'000
Item	*Equity*	*Net profit*
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
31 December 2010		
USD	75,074	75,074
EUR	(5,028)	(5,028)
HKD	14,689	14,689
JPY	(1,903)	(1,903)
Total	82,832	82,832

2.33%, 2.00%, 2.40% and 1.00% weakening of the RMB against USD, EUR, HK dollar and Japanese Yen respectively at 31 December 2011 (4%, 3%, 4% and 10% weakening of the RMB against the USD, EUR, HK dollar, and Japanese Yen respectively at 31 December 2010) 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 currency 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 Note 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 2011, the Group held 41,978,498 tradable shares of China Merchants Securities and 11,526,000 tradable shares of China Merchants Bank.

As at 31 December 2011, it is estimated that a general increase/decrease of composite index of Shanghai A-share 21.69% (2010: 14.31%), or 609 point (2010: 469 point), with all other variables held constant, would increase/decrease the Group's shareholders' equity by RMB 93,043,000 (2010: RMB 81,501,000).

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. 21.69% 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. The analysis was performed on the same basis for 2008.

XI. OTHER SIGNIFICANT MATTERS (CONTINUED)

3. RISK ANALYSIS, SENSITIVITY ANALYSIS, AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(6) Fair values

(a) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value as at 31 December 2011 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 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 31 December 2011

Assets	*Note*	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial liabilities held for trading					
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
Subtotal		143,692	42,442	-	186,134
Available-for-sale financial assets	*V.10*	571,954	-	-	571,954
Subtotal		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)

XI. OTHER SIGNIFICANT MATTERS (CONTINUED)

3. RISK ANALYSIS, SENSITIVITY ANALYSIS, AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(6) Fair values

(a) Financial instruments carried at fair value (continued)

As at 31 December 2010

Assets	*Note*	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets held for trading					
Held for trading	*V.2*	393,491	-	-	393,491
Derivative financial assets	*V.2*	-	119,069	-	119,069
Hedging Instrument	*V.2*	-	13,101	-	13,101
Subtotal		393,491	132,170	-	525,661
Available-for-sale financial assets	*V.10*	768,467	-	-	768,467
Subtotal		768,467	-	-	768,467
Total		1,161,958	132,170	-	1,294,128

Liabilities	*Note*	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial liabilities held for trading					
Derivative financial liabilities	*V.24*	-	(158,102)	-	(158,102)
Total		-	(158,102)	-	(158,102)

During the year ended 31 December 2011, there were no significant transfers between instruments in Level 1 and Level 2.

During the year ended 31 December 2011, there were no changes in valuation technique of fair value.

(b) Fair value of other financial instruments (the carrying amounts are not measured at fair value

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2011.

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) Loans, debenture 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 2011	*Interest rates used in 2010*
Long-term loans	1.03% - 6.10%	0.85% - 5.23%
Receivables	6.10% - 7.05%	5.35% - 6.40%

4. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

Item	*Balance at the beginning of the year*	*Change in fair value of the year*	*Accumulated change in fair value in equity*	*Provision of impairment for the year*	*Balance at the end of the year*
Financial assets					
1 Financial assets at fair value through profit or loss (excluding derivative financial assets)	393,491	(66,358)	-	-	143,692
2. Derivative financial instrument	119,069	(86,378)	-	-	32,691
3. Hedging Instrument	13,101	-	12,784	-	9,751
4. Available-for-sale financial assets	768,467	-	503,276	-	571,954
Subtotal	1,294,128	(152,736)	516,060	-	758,088
				-	
Financial liabilities	(158,102)	52,159	-	-	(105,943)

XI. OTHER SIGNIFICANT MATTERS (CONTINUED)

5. FINANCIAL ASSETS AND LIABILITIES IN FOREGIN CURRENCIES

Item	*Note*	*Balance at the beginning of the year*	*Change in fair value of the year*	*Accumulated change in fair value in equity*	*Provision of impairment for the year*	*Balance at the end of the year*
Financial assets						
1. Financial assets at fair value through profit or loss (excluding derivative financial assets)		230,231	(27,472)	-	-	143,692
2. Derivative financial instrument	(1)	119,069	(86,378)	-	-	32,691
3. Hedging Instrument		13,101	-	12,784	-	9,751
4. Loans and receivables	(2)	5,815,450	-	-	(162,938)	7,910,913
5. Available-for-sales		9,066	-	(870)	-	7,799
Subtotal		6,186,917	(113,850)	11,914	(162,938)	8,104,846
Financial liabilities	(3)	(12,293,652)	52,159	-	-	(13,495,209)

Note: (1) Derivative financial instrument in foreign currency includes foreign currency future contract.

(2) Loans and receivables in foreign currency includes accounts receivable, other receivables, prepayments and long-term receivable denominated in foreign currencies.

(3) Financial liabilities includes foreign currency loans, accounts payable, other payables, advances from customers, long term payables, interest rate swap contracts and stock option contracts.

XII. SUPPLEMENTARY INFORMATION TO THE HOLDING COMPANY

1. CASH AT BANK AND ON HAND

	2011			2010		
	Original currency '000	Exchange rate	RMB '000	Original currency '000	Exchange rate	RMB '000
Cash at bank						
RMB	98,805	1.0000	98,805	293,010	1.0000	293,010
USD	15,909	6.3009	100,239	2,953	6.5897	19,457
HKD	58	0.8107	47	94	0.8477	79
JPY	141,750	0.0811	11,496	384,917	0.0810	31,172
EUR	35	8.1625	288	2	8.7979	17
Subtotal			210,875			343,735
Other momentary funds						
RMB	217,099	1.0000	217,099	73,726	1.0000	73,726
USD	377	6.3009	2,376	377	6.5897	2,484
Subtotal			219,475			76,210
Total			430,350			419,945

As at 31 December 2011, restricted cash at bank and on hand of the Company was RMB 2,476,000 (2010: RMB 2,484,000).

XII. SUPPLEMENTARY INFORMATION TO THE HOLDING COMPANY (CONTINUED)

2. Financial assets held for trading

(1) Financial assets held for trading by categories:

Category	*2011*	*2010*
1、 Equity securities investments held for trading	-	162,298

3. DIVIDENDS RECEIVABLE

	2011	*2010*
SCIMC	722,920	560,378
SCIMCEL	551,157	149,861
XHCIMC	3,595	1,726
QDCC	24,967	34,355
DLCIMC	55,361	55,361
NBCIMC	37,168	32,001
SCRC	54,186	84,097
XHCIMCS	228,775	155,179
QDCSR	27,461	22,635
DLL	104,674	46,248
CIMC Hong Kong	3,113,070	3,043,364
TCCIMC	21,202	23,831
ZZCIMC	57,125	23,333
TJCIMCLE	16,540	6,253
SBWI	49,826	-
QDCRC	918	4,815
SHYSLE	21,115	-
TJCIMC	20,237	-
TJCIMCN	44,762	-
HI	246,836	-
SHENZHEN SOUTH CIMC LOGISTICS CO., LTD (“SZSCIMCL”)	1,360	-
Total	5,403,255	4,243,437

No amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of dividends receivable.

XII. SUPPLEMENTARY INFORMATION TO THE HOLDING COMPANY (CONTINUED)

4. OTHER RECEIVABLES

(1) *Other receivables by customers' categories:*

Category	*2011*	*2010*
Amounts due from related parties	6,776,661	4,171,470
Deposits	444	804
Others	26,550	7,448
Subtotal	6,803,655	4,179,722
Less: provision for bad and doubtful debts	(4,876)	(4,554)
Total	6,798,779	4,175,168

(2) *The ageing analysis of other receivables is as follows:*

Category	*2011*	*2010*
Within 1 year	6,652,704	4,030,771
1 to 2 years	2,000	-
2 to 3 years	-	148,951
More than 3 years	148,951	-
Subtotal	6,803,655	4,179,722
Less: provision for bad and doubtful debts	(4,876)	(4,554)
Total	6,798,779	4,175,168

The aging is counted starting from the date the other receivable is recognised.

XII. SUPPLEMENTARY INFORMATION TO THE HOLDING COMPANY (CONTINUED)

4. OTHER RECEIVABLES (CONTINUED)

(3) Other receivables by categories:

Category	*Note*	*2011*				*2010*			
		Gross carrying amount		*Provision for bad and doubtful debts*		*Gross carrying amount*		*Provision for bad and doubtful debts*	
		Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Individually significant other receivables	(4)	6,776,307	99.60%	-	-	4,157,910	99.48%	-	-
Other insignificant other receivables	(5)	27,348	0.40%	4,876	17.83%	21,812	0.52%	4,554	20.88%
Total		6,803,655	100.00%	4,876	0.07%	4,179,722	100.00%	4,554	0.11%

There are no collaterals the Group holds for accounts receivable that made impairment aforesaid.

Individually significant items represent other receivables which individual amount over RMB 10,000,000 (inclusive) or the book value of which account for 5% (inclusive) of the total other receivables in individual financial statements grouped in the consolidated financial statement.

XII. SUPPLEMENTARY INFORMATION TO THE HOLDING COMPANY (CONTINUED)

4. OTHER RECEIVABLES (CONTINUED)

(4) An analysis of other receivables individually significant and assessed for impairment individually is as follows:

There are no other receivables individually significant and individually assessed for impairment at the year end. (2010: Nil).

(5) An analysis of individually insignificant but assessed for impairment individually is as follows:

There are no other receivables individually insignificant but assessed for impairment individually at the year end. (2010: Nil).

(6) Written-back or recovery of accounts receivable during the year

There were no other receivables for which a full provision or a significant provision was made in previous years while were recovered in full or in significant amount during the year (2010: Nil).

(7) Write-off of other receivables during the year

There was no material write-off of other receivables during the year (2010: Nil).

(8) Other receivables due from the five largest debtors of the Group are as follows:

Debtor	*Relationship with the Company*	*RMB'000*	*Aging*	*Proportion in total other receivables (%)*
1. Total amounts due from subsidiaries	Subsidiaries	6,608,635	Within 1 year	97.13%
2. Shanghai Fengyang Real Estate Development Co., Ltd	Associates	167,672	1 to 3 years	2.46%
3. Yantai Hi-tech Industrial Park Finance Bureau	Nil	20,000	Within 1 year	0.29%
4. Xietong Ltd.	Nil	2,000	1 to 2 years	0.03%
5. Ping An Insurance (Group) Company Of China ,Ltd.	Nil	860	Within 1 year	0.01%
Total		6,799,167		99.92%

The Group's top 5 other receivables at the end of 2010 amounted to RMB 4,170,753,000, accounting for 99.78% of the total other receivables.

XII. SUPPLEMENTARY INFORMATION TO THE HOLDING COMPANY (CONTINUED)

4. OTHER RECEIVABLES (CONTINUED)

(9) Status of share holders holding to 5% or above voting rights, in the Company's other receivables

No balance of other receivables due from shareholders who hold 5% or more of the voting rights of the Group as at balance sheet date.

(10) Receivables due from related parties

Related party	*Relationship with the Company*	*Amount*	*Percentage in total other receivables (%)*
Associates	Associates	167,672	2.64%
Subsidiaries	Subsidiaries	6,608,635	97.13%
Others	Minority shareholders of associates and subsidiaries	354	0.01%
Total	—	6,776,661	99.60%

(11) Derecognition of other receivables due to transferring of financial assets

There was no derecognition of other receivables due to transferring of financial assets of the Company (2010: Nil).

(12) Amount of assets and liabilities recognised due to the continuing involvement of securitised other receivables

There were no securitised other receivables during the year (2010: Nil).

XII. SUPPLEMENTARY INFORMATION TO THE HOLDING COMPANY (CONTINUED)

5. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Item	*2011*	*2010*
Available-for-sale equity instruments	564,155	759,401

Detailed analysis for the Group's available-for-sale financial assets, refer to Note V.10.

6. LONG-TERM EQUITY INVESTMENTS

(1) As at 31 December 2010, the Company's long-term equity investments are as follows:

Item	*2011*	*2010*
Investments to subsidiaries	3,949,644	3,273,573
Investment to associates	2,602	-
Other long-term equity investments	391,970	391,970
Subtotal	4,344,216	3,665,543
Less: provision of impairment	(3,065)	(3,065)
Total	4,341,151	3,662,478

XII. SUPPLEMENTARY INFORMATION TO THE HOLDING COMPANY (CONTINUED)

6. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(2) The Company's investments on subsidiaries are as follows:

Investee	*Initial investment cost*	*Balance at the beginning of the year*	*Additions during the year*	*Balance at the end of the year*	*Shareholding percentage (%)*	*The Company subsidiaries voting right(%)*	*Whether voting right is deferent from the shareholding interest*	*Provision for impairment*	*Impairment loss of the year*	*Dividend receivable/ received of the year*
Costing method – Investment in subsidiaries:										
SCIMC	82,042	82,042	-	82,042	100.00%	100.00%	-	-	-	162,542
SCIMCEL	82,042	82,042	-	82,042	100.00%	100.00%	-	-	-	414,435
XHCIMC	36,500	36,500	-	36,500	100.00%	100.00%	-	-	-	2,883
CIMB Yuandong	114,249	114,249	-	114,249	100.00%	100.00%	-	-	-	-
TJCIMC	75,421	81,333	(5,912)	75,421	100.00%	100.00%	-	-	-	20,237
TJCIMCn	239,960	75,780	164,180	239,960	100.00%	100.00%	-	-	-	44,762
QDCC	60,255	60,225	-	60,225	100.00%	100.00%	-	-	-	26,845
DLCIMC	48,764	48,764	-	48,764	100.00%	100.00%	-	-	-	-
NBCIMC	24,711	24,711	-	24,711	100.00%	100.00%	-	-	-	38,175
SBWI	66,558	66,558	-	66,558	94.75%	100.00%	IV.1.4.ii	-	-	49,826
TCCIMC	131,654	131,654	-	131,654	100.00%	100.00%	-	-	-	101,230
ZZCIMC	100,597	100,597	-	100,597	100.00%	100.00%	-	-	-	57,125
SHYSLE	78,955	78,955	-	78,955	100.00%	100.00%	-	-	-	21,115
CQVL	39,499	39,499	-	39,499	100.00%	100.00%	-	-	-	-
SCRC	200,892	200,892	-	200,892	92.00%	100.00%	-	-	-	113,471
QDCRC	54,225	54,225	-	54,225	100.00%	100.00%	-	-	-	4,897
XHCIMCS	82,026	82,026	-	82,026	100.00%	100.00%	-	-	-	79,718
DLL	46,284	46,284	-	46,284	100.00%	100.00%	-	-	-	58,565
QDCSR	12,743	12,743	-	12,743	100.00%	100.00%	-	-	-	7,730

XII. SUPPLEMENTARY INFORMATION TO THE HOLDING COMPANY (CONTINUED)

6. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(2) As at 31 December 2010, the Company's investments on subsidiaries are as follows (continued):

Investee	*Initial investment cost*	*Balance at the beginning of the year*	*Additions during the year*	*Balance at the end of the year*	*Shareholding percentage (%)*	*The Company subsidiaries voting right(%)*	*Whether voting right is defferent from the shareholding interest*	*Provision for impairment*	*Impairment loss of the year*	*Dividend receivable/ received of the year*
Costing method – Investment in subsidiaries (continued):										
TJCIMCLE	16,459	16,459	-	16,459	100.00%	100.00%	-	-	-	11,316
CIMC Hong Kong	1,690	1,690	-	1,690	100.00%	100.00%	-	-	-	207,175
CIMC (USA)	171,397	171,397	-	171,397	100.00%	100.00%	-	-	-	-
CIMCSD	162,686	162,686	-	162,686	100.00%	100.00%	-	-	-	75,550
HI	496,863	276,148	220,715	496,863	80.00%	80.00%	-	-	-	246,836
CIMC TEI	-	24	(24)	-	-	-	-	-	-	-
CIMC Tech	13,726	2,526	11,200	13,726	100.00%	100.00%	-	-	-	-
TCCRC	59,792	59,792	-	59,792	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	21,703	90,000	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	-	21,717	100.00%	100.00%	-	-	-	1,360
SZ investment	72,401	72,401	-	72,401	100.00%	100.00%	-	-	-	-
Finance Company	482,590	482,590	-	482,590	100.00%	100.00%	-	-	-	-
CIMC Vehicle Finance and Leasing Co., Ltd.	185,700	185,700	-	185,700	100.00%	100.00%	-	-	-	-
QDSV	26,912	26,912	-	26,912	80.00%	100.00%	IV.1.4.ii	-	-	-
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%	-	-	-	-
Tianjin Kangde Logistics Equipment Co., Ltd	5,912	-	5,912	5,912	100.00%	100.00%	-	-	-	-
Subtotal	3,949,644	3,273,573	676,071	3,949,644	-	-	-	-	-	1,745,793

XII. SUPPLEMENTARY INFORMATION TO THE HOLDING COMPANY (CONTINUED)

6. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(2) As at 31 December 2010, the Company's investments on subsidiaries are as follows (continued):

Investee	*Initial investment cost*	*Balance at the beginning of the year*	*Additions during the year*	*Balance at the end of the year*	*Shareholding percentage (%)*	*The Company subsidiaries voting right(%)*	*Whether voting right is different from the shareholding interest*	*Provision for impairment*	*Impairment loss of the year*	*Dividend receivable/received of the year*
Equity method – Associates										
SCSCRC	3,600	-	2,602	2,602	50.00%	50.00%	-	-	-	-
Total	3,600	-	2,602	2,602	-	-	-	-	-	-
Costing 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%	-	-	-	10,000
Subtotal	391,970	391,970	-	391,970	-	-	-	3,065	-	10,000
Total	4,345,214	3,665,543	678,673	4,344,216	-	-	-	3,065	-	1,755,793

Information for the Company's subsidiaries see note IV.

XII. SUPPLEMENTARY INFORMATION TO THE HOLDING COMPANY (CONTINUED)

7. SHORT-TERM LOANS

	2011	*2010*
Credit loans		
- RMB	363,009	480,897

As at 31 December 2011, balance of short-term loan includes balance of USD 10,000,000, equivalent to RMB 63,009,000.

8. FINANCIAL LIABILITIES HELD FOR TRADING

	Note	*2011*	*2010*
Current:			
Derivative financial liabilities			
- Foreign exchange forward contract	V.2.3	-	556
- Interest swap contract	V.24.1	3,137	-
- Foreign exchange option contracts	V.24.2	18,153	-
Subtotal		21,290	556
Non-current:			
Derivative financial liabilities			
- Swap contract for interest rate	V.24.1	74,836	58,620
- Foreign exchange option contracts	V.24.2	-	78,226
Subtotal		74,836	136,846
Total		96,126	137,402

9. Bills payable

	2011	*2010*
Bank acceptance bills	-	200,000

The above bills are due within one year.

No amount due to the shareholders who hold 5% or more of the voting rights of the Group in included in the above balance of bills payable.

XII. SUPPLEMENTARY INFORMATION TO THE HOLDING COMPANY (CONTINUED)

10. EMPLOYEE BENEFITS PAYABLE

Item	*Balance at the beginning of the year*	*Accrued during the year*	*Paid during the year*	*Balance at the end of the year*
Salaries, bonuses, and allowances	98,857	284,497	(83,354)	300,000
Senior management bonus	269,475	119,476	(16,947)	372,004
Social insurances and others	(57)	17,282	(17,389)	(164)
Total	368,275	421,255	(117,690)	671,840

11. TAXES PAYABLE

	2011	*2010*
Income tax payable	1,867	1,743
Withholding individual income tax	58,191	58,384
Others	3,594	(1,047)
Total	63,652	59,080

12. INTEREST PAYABLE

Item	*2011*	*2010*
Interest on long-term loans where principal repay at maturity	10,348	3,120
Interest on short-term loan	725	2,402
Interest on corporate bonds	122,033	-
Total	133,106	5,522

XII. SUPPLEMENTARY INFORMATION TO THE HOLDING COMPANY (CONTINUED)

13. NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR

(1) The analysis of the Company's non-current liabilities due within one year by categories is as follows:

	2011	*2010*
Long-term loans due within one year		
- Credit loans	1,094,352	2,729,353

(2) The analysis of the Company's non-current liabilities by currencies due within one year is as follows:

	Annual interest rate	*2011*			*2010*		
		Original currency	*Exchange rate*	*RMB*	*Original currency*	*Exchange rate*	*RMB*
Bank loans							
- RMB	3.51%~4.73%	-	1.0000	-	2,000,000	1.0000	2,000,000
- USD	LIBOR+55~90BP	168,500	6.3009	1,061,702	100,000	6.5897	658,970
- EUR	EURIBOR+65BP	4,000	8.1625	32,650	8,000	8.7979	70,383
				1,094,352			2,729,353

As at 31 December 2011, there was no renewal of past due long-term bank loans which was included in the above non-current liabilities due within one year (2010: Nil).

XII. SUPPLEMENTARY INFORMATION TO THE HOLDING COMPANY (CONTINUED)

13. NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR (CONTINUED)

(a) As at 31 December 2011, the top four long-term loans due within one year is as follows:

Lender	*Initial date*	*Maturity date*	*Currency*	*Interest rate (%)*	*2011*			*2010*		
					Original currency	*Exchange rate*	*RMB*	*Original currency*	*Exchange rate*	*RMB*
					'000		*'000*	*'000*		*'000*
1. China Development Bank	2007.12.2	2012.12.21	USD	6-month LIBOR+90BP	60,000	6.3009	378,054	100,000	6.5897	658,970
2. China Development Bank	2007.12.12	2012.06.21	USD	6-month LIBOR+90BP	60,000	6.3009	378,054	-	6.5897	-
3. Bank of China	2009.10.19	2012.10.19	USD	3-month LIBOR+55BP	48,500	6.3009	305,594	-	6.5897	-
4.The Export-Import Bank of China	2007.06.18	2012.06.18	EUR	EURIBOR+65BP	4,000	8.1625	32,650	-	8.7979	-
Total							1,094,352			658,970

(b) As at 31 December 2011, there was no overdue loan of non-current liabilities due within one year(2010:Nil).

XII. SUPPLEMENTARY INFORMATION TO THE HOLDING COMPANY (CONTINUED)

14. LONG-TERM LOANS

(1) Long-term loans by categories:

	2011	*2010*
Bank loans		
- Credit loans	4,223,180	2,473,381

(2) The analysis of the Company's long-term loans by currencies as follows:

	Annual interest rate	*2011*			*2010*		
		Original currency '000	*Exchange rate*	*USD '000*	*Original currency '000*	*Exchange rate*	*USD '000*
Bank loans							
- RMB	3.51%~4.23%	2,963,000	1.0000	2,963,000	-	1.0000	-
- USD	LIBOR+55~185BP	200,000	6.3009	1,260,180	370,000	6.5897	2,438,189
- EUR	EURIBOR+65BP	-	8.1625	-	4,000	8.7979	35,192
Total				4,223,180			2,473,381

No amount due to the shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of long-term loans (2010: Nil).

XII. SUPPLEMENTARY INFORMATION TO THE HOLDING COMPANY (CONTINUED)

14. LONG-TERM LOANS (CONTINUED)

(3) As at 31 December 2010, the top four long-term loans is as follows:

Borrower	*Initial date*	*Maturity date*	*Currency*	*Interest rate (%)*	*2011*			*2010*		
					Original currency	*Exchange rate*	*USD*	*Original currency*	*Exchange rate*	*USD*
					’000		’000	’000		’000
1. China Development Bank	2007.12.12	2013.12.10	USD	6 Months LIBOR+90BP	150,000	6.3009	945,135	270,000	6.5897	1,779,219
2. The Export-Import Bank of China	2011.02.01	2014.02.01	RMB	1st quarter 4.76%, reviewed every quarter	500,000	1.0000	500,000	-	1.0000	-
3. The Export-Import Bank of China	2011.06.15	2014.06.15	RMB	1st quarter 4.76%, reviewed every quarter	400,000	1.0000	400,000	-	1.0000	-
4. The Export-Import Bank of China	2011.01.20	2014.01.07	RMB	1st quarter 4.76%, reviewed every quarter	400,000	1.0000	400,000	-	1.0000	-
5. The Export-Import Bank of China	2011.08.10	2014.08.10	RMB	1st quarter 5.48%, reviewed every quarter	300,000	1.0000	300,000	-	1.0000	-
6. The Export-Import Bank of China	2011.07.25	2014.07.18	RMB	1st quarter 5.48%, reviewed every quarter	300,000	1.0000	300,000	-	1.0000	-
Total							2,845,135			1,779,219

As at 31 December 2011, there was no renewal of past due long-term bank loans which was include in the above long-term loans (2010:Nil).

XII. SUPPLEMENTARY INFORMATION TO THE HOLDING COMPANY (CONTINUED)

15. DEFERRED TAX ASSETS AND LIABILITIES

(1) Deferred tax assets and liabilities after offsetting

Item	*Deductible/(taxable) temporary difference 2011*	*Deferred tax assets/(liabilities) 2011*	*Deductible/(taxable) temporary difference 2010*	*Deferred tax assets/(liabilities) 2010*
Deferred tax assets:				
Employee benefits payable	671,840	167,960	368,275	92,069
Movement for fair value of financial assets held for trading/derivative financial instruments	96,126	24,031	137,402	32,977
Subtotal	767,966	191,991	505,677	125,046
Offsetting amount	(499,820)	(120,437)	(505,677)	(125,046)
Net amount after offsetting	268,146	71,554	-	-
Deferred tax liabilities:				
Movement for fair value of financial assets held for trading/derivative financial instruments	-	-	(45,854)	(9,383)
Movement for fair value of available-for-sale financial assets charged to equity	(499,820)	(120,437)	(723,531)	(165,954)
Subtotal	(499,820)	(120,437)	(769,385)	(175,337)
Offsetting amount	499,820	120,437	505,677	125,046
Net amount after offsetting			(263,708)	(50,291)

As at 31 December 2011, there was no unrecognised deferred tax liabilities for the Company.

XII. SUPPLEMENTARY INFORMATION TO THE HOLDING COMPANY (CONTINUED)

16. CAPITAL RESERVE

	Note	Balance at the beginning of the year	Additions during the year	Settlements during the year	Effect of change of functional currency	Balance at the end of the year
Share premiums		212,656	-	-	-	212,656
Other capital reserves						
- Property revaluation reserve		54,979	-	-	(11,225)	43,754
- Exchange reserve on foreign currency capital		861	-	-	(174)	687
- Donated non-cash assets reserve		108	-	-	(21)	87
- Net changes in fair value of available-for-sale financial assets		723,531	-	(195,244)	(28,467)	499,820
- Deferred tax effect		(165,954)	45,517	-	-	(120,437)
-Amount of share-based payments charged to equity		26,083	105,164	-	-	131,247
-Effect of change of functional currency					(568,492)	(568,492)
		852,264	150,681	(195,244)	(608,379)	199,322

17. GAINS FROM CHANGES IN FAIR VALUE

	2011	2010
Financial assets held for trading		
- Changes in fair value during the year	(22,399)	53,501
Including: Gains / losses from changes in fair value of derivative financial instrument	-	-
- Transfer to investment losses for derecognition of financial assets held for trading	(16,687)	(7,647)
Financial liabilities held for trading		
- Changes in fair value during the year	41,277	2,814
Including: Gains / losses from changes in fair value of derivative financial instrument	41,277	2,814
Total	2,191	48,668

XII. SUPPLEMENTARY INFORMATION TO THE HOLDING COMPANY (CONTINUED)

18. INVESTMENT INCOME

(1) The analysis of the Company's investment income is as follows:

	Note	*2011*	*2010*
Long-term equity investments in cost method	(2)	1,755,793	158,145
Long-term equity loss on investments in equity method		(998)	-
Losses on disposal of long-term equity investment		1	(1,680)
Investment gains on available-for-sale financial assets		13,030	18,452
Investment losses on sale of held-for-trading financial assets		16,687	(7,647)
Gains on sale of available-for-sale financial assets		-	11,126
Total		1,784,513	178,396

(2) Long-term investments in cost method with individual investment income over 5% of total investment income or less than 5% but the top five investment income for the year are as follows:

Investee	*2011*	*2010*	*Reasons for variances between two years*
SCIMCEL	414,435	-	Dividend distributed in 2011 is more than that in 2010
HI	246,836	-	Dividend distributed in 2011 is more than that in 2010
CIMC Hong Kong	207,175	-	Dividend distributed in 2011 is more than that in 2010
SCIMC	162,542	-	Dividend distributed in 2011 is more than that in 2010
SCRC	113,471	86,098	Dividend distributed in 2011 is more than that in 2010
Total	1,144,459	86,098	—

Note 1: There was no significant restriction on the remittance of investment income to the investor

XII. SUPPLEMENTARY INFORMATION TO THE HOLDING COMPANY (CONTINUED)

19. INCOME TAX

	2011	*2010*
Current tax expenses for the year	-	-
Deferred taxation movement	(76,328)	(36,359)
Total	(76,328)	(36,359)

Reconciliation between income tax expenses and accounting profits/(loss) is as follows:

	The Company	
Item	*2011*	*2010*
Profits before taxation	844,767	(69,855)
Expected income tax expenses at applicable tax rates	202,744	(15,368)
Tax effect of non-deductible expenses	3,897	2,458
Tax effect of tax losses of unrecognised deferred tax assets	145,229	30,012
Effect of tax rate change on deferred tax	(3,920)	(14,609)
Tax effect of non-taxable income	(424,278)	(38,852)
Income tax expenses	(76,328)	(36,359)

20. Other comprehensive income / (losses)

Item	*2011*	*2010*
1. (losses) / Gain on available-for-sale financial assts	(195,244)	(261,621)
Less: Effect of income tax arising from available-for-sale financial assets	(45,517)	(53,726)
Amount recognised in other comprehensive income in prior period transferred to profit and loss in current period	-	11,126
2. Effect of foreign exchange rate changes	-	(267,693)
Total	(149,727)	(486,714)

XII. SUPPLEMENTARY INFORMATION TO THE HOLDING COMPANY (CONTINUED)

21. INFORMATION TO CHAS FLOW STATEMENT

(1) Supplement to cash flow statement:

Supplement	*2011*	*2010*
1. Reconciliation of net profit(loss) to cash flow from operating activities:		
Net profit	921,095	(33,497)
Add: Impairment	322	-
Depreciation of fixed assets	16,183	11,953
Amortisation of intangible assets	684	992
Amortisation of long-term deferred expenses	1,880	2,557
Gains on disposal of fixed assets and intangible assets	(557)	(18,962)
Gains on changes in fair value	(2,191)	(48,668)
Financial expense / (income)	223,620	(59,260)
Investment gains	(1,784,513)	(178,396)
Expenses recognised by share-based payments	105,164	26,083
Increase in deferred tax assets	(66,945)	(45,958)
(Decrease)/increase in deferred tax liabilities	(9,383)	9,599
(Increase)/decrease in operating receivables	(2,572,738)	703,590
Increase in operating payables	171,831	146,244
Effect of foreign exchange rate changes	-	31
Net cash (outflows) / inflow from operating activities	(2,995,548)	516,308
2. Net movement in cash and cash equivalents:		
Closing balance of cash and cash equivalents	427,874	417,461
Less: Opening balance of cash and cash equivalents	417,461	137,680
Net decrease of cash and cash equivalents	10,413	279,781

(2) Cash and cash equivalents held by the Group is as follows:

Item	*2011*	*2010*
1 Cash at bank and on hand		
Including: Bank deposits available on demand	210,875	343,735
Other monetary funds available on demand	216,999	73,726
2 Closing balance of cash and cash equivalents	427,874	417,461

Note: Aforesaid "Cash at bank and on hand" excluded restricted cash and short-term investment.

SUPPLEMENTARY INFORMATION

1. EXTRAORDINARY GAIN AND LOSS IN 2010

Item	*RMB'000*	*Note*
Disposal of non-current assets		
Government grants charge to profit and loss (excluded government grants closely related to business and applied to all similar businesses according to national unity or quantitative standards)	13,000	
Capital occupied interests from non-financial enterprises charged into current profit and loss	267,349	
Gains on movement of fair value of financial assets held for trading and financial liabilities; gains on disposal of financial assets held for trading, financial liabilities and available-for-sale financial assets (excluding hedge financial instruments related to ordinary business of the Group)	8,665	
The Group's interest in gains from the excess of the fair value of identifiable net assets of the acquiree over the acquisition cost	(152,179)	
Other non-operating income / expenses	20,350	
Effect of income tax	(32,450)	
Effect of minority shareholder equity (after tax)	(12,971)	
Total	111,764	

Note: Aforesaid extraordinary gain and loss were presented at amount before taxation.

2. Reconciliation statements of differences in financial statements prepared under different GAAPs

(1) The effect of the difference between PRC GAAP and IFRS on consolidated net profit and equity attributable to shareholders of the Group is analysed as follows:

RMB'000

	Profit		*Equity*	
	2011	*2010*	*2011*	*2010*
Amounts under PRC GAAP	3,690,926	3,001,851	18,633,154	16,223,057
Adjustments under IFRS GAAP:				
Others	3,222	5,612	(5,328)	(3,950)
Amounts under IFRS GAAP	3,694,148	3,007,463	18,627,826	16,219,107

Adjustments include current year depreciation and amortisation of fixed assets and intangible assets revaluated in 2011.

SUPPLEMENTARY INFORMATION (CONTINUED)

3. EARNINGS PER SHARE AND RETURN ON NET ASSETS

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 Group is listed as follows:

Profit	*Weighted average return on net assets (%)*	*Earnings per share*	
		Basic earnings per share	*Diluted earnings per share*
		RMB'000	*RMB'000*
Profit attributable to ordinary equity shareholders	21%	1.39	1.37
Profit attributable to ordinary equity shareholders net of extraordinary gain and loss	20%	1.34	1.33

Section 12. Content of Documents Available for Reference

I. The text of annual report with signature of Chairman of the Board.
II. Accounting statements carrying signatures and seal of Legal Representative, Chief Officer in charge of accounting and person in charge of accounting firms (Chief Accountant).
III. Original of the Audit Report carrying official seal of accounting firm, signatures and seals of certified public accountants.
IV. Originals of documents and announcements disclosed on the newspaper designated by China Securities Regulatory Commission during the reporting period.
V. Full text of Articles of Association;