



China International Marine Containers (Group) Ltd.

2010 Corporate Social Responsibility Report

March 2011

About the Report:

This is the 2010 CSR (Corporate Social Responsibility) Report of CIMC, a summary of CIMC's performance of its social responsibilities and its work on promoting sustainable development up to the year of 2010. The purpose of the report is to acquaint stakeholders such as the company's clients, shareholders, staff, suppliers, business partners, government, non-government organizations and communities with CIMC's efforts and achievements in following the outlook on scientific development, fulfilling social responsibilities and building a harmonious society, all of which are subject to supervision of the society. The company will update and release the CSR report in every coming year.

With reference to the requirements of *Guidelines for Companies Listed on the Shenzhen Stock Exchange on Releasing Information on Corporate Social Responsibility*, this reporting system is mainly guided by the *Sustainability Reporting Guidelines* of Global Reporting Initiative (GRI), the *China Corporate Social Responsibility Standards and Best Practices Recommended* released by the Sustainable Development Business Committee of China Enterprise Confederation, as well as the *Social Responsibility Guidelines for China's Industrial Enterprises and Industrial Associations* released by the China Federation of Industrial Economics.

CONTENTS

Message from the President.....	6
Chapter One CIMC Overview.....	7
I. General information.....	7
II. Main business and industry position.....	7
III. Mission.....	7
IV. Vision.....	7
V. Core values.....	8
VI. Concept of sustainable development.....	8
VII. Enterprise development strategy.....	9
VIII. Analysis of risks and opportunities.....	9
Chapter Two Fulfill Social Responsibilities to Promote Comprehensive, Coordinated and Sustainable Development of Economy, Society and Environment.....	12
Section One Economic Responsibilities.....	12
I. Good faith, law-abiding operation, standardized governance.....	12
(i) Law-abiding operation.....	12
(ii) Standardized governance.....	12
1. Shareholders and investors.....	12
2. Corporate governance structure.....	13
3. Risk management.....	13
4. Management system building.....	14
(iii) Credit construction.....	15
1. Main social credits and ratings in terms of corporate governance in 2010.....	15
2. Bank credit.....	15
3. Tax compliance.....	15
4. Custom credit.....	16
5. Other main social credits and ratings in recent years.....	16
II. Create value for stakeholders and contribute to economic and social development.....	16
III. Provide customers with top-quality and safe products and services and create maximum value for them throughout the product lifecycle.....	18
1. Containers.....	18
2. Road transportation vehicles.....	19
3. Energy, chemical and food equipment.....	20
4. Offshore.....	21
5. Airport facilities.....	22

IV. Maintain sustained growth of performance, ensure interests and rights of shareholders, and yield good return for shareholders.....	23
(i) Establish corporate governance structure in accordance with requirements of modern enterprise management.....	24
(ii) Full, law-abiding and fair information disclosure.....	24
(iii) Carry out various forms of investor relation activities and exchanges.....	24
(iv) Maintain sustained growth of performance, and yield good return for shareholders.....	25
Section Two Social Responsibilities.....	26
V. Take into account of staff's interests and development, and harmonize labor relations.....	26
(i) Staff employment.....	26
1. Classification of employment contracts.....	26
2. Ratio of male staff and female staff.....	26
3. Staff in overseas enterprises.....	26
4. Turnover of employees.....	26
5. No use of child labor or forced labor.....	27
6. Work time.....	27
(ii) Remuneration and benefits.....	27
(iii) Training and development.....	28
(iv) Corporate culture.....	29
1. Diversified culture.....	29
2. Colorful and diversified cultural activities.....	30
(v) Labor union.....	30
VI. People oriented, production safety and labor protection.....	31
(i) Production safety.....	31
1. Improve production safety regulations and responsibility system.....	31
2. Establish occupational safety and health management system, and comprehensively carry out enterprise safety compliance activity.....	32
3. Strengthen emergency management of production safety.....	32
(ii) Labor protection.....	33
1. Create safe manufacturing and working environment.....	33
2. Proper labor protection appliances.....	33
3. Labor protection measures for special environment and special types of work.....	33
VII. Mutual benefits and mutual development with business partners such as suppliers.....	34
VIII. Independent innovation to lead sustainable development of the industry.....	35
(i) A sound technology innovation management system.....	35
(ii) The technological innovation path of Introduction, Digestion, Breakthrough and Subversion.....	37

(iii) Participate in industry standards.....37

(iv) Foresighted deployment to lead sustainable development of the industry featuring intelligence, security, environmental protection, high efficiency and energy saving.....37

IX. Contribute to community culture and social charities.....39

X. Support and coordinate with governmental and non-governmental organizations to build a harmonious society.....40

Section Three Environment Responsibilities.....42

XI. Concern about global environmental protection and resource saving, and construct a beautiful and harmonious society.....42

(i) Implement the environment management system, improve the environment management regulations, and improve the environment assessment system.....42

(ii) Increase investment in environmental protection and treatment.....43

(iii) Use innovative technological means, develop new environmentally friendly and energy conserving products, and realize environmental protection and energy saving in manufacturing process.....43

1. Develop new environmentally friendly and energy conserving products.....43

2. Develop environment friendly coating, to solve a key problem of sustainable development of the industry.....44

3. Environmental protection and energy saving in manufacturing process.....45

(iii) Future outlook.....46

Message from the President

Profound changes have taken place in the external environment of an enterprise with the development of economics and society: the concepts of “energy conservation” and “environmental protection” have been increasingly important, land resources become increasingly lacking, and the issues of “labor shortage” and lack of labor supply become increasingly prominent. All such changes have resulted in huge challenges to the survival and development of enterprises. How should we cope with these challenges to realize sustainable development of the enterprise? This is a problem that all enterprises must face. As a responsible enterprise, especially as an industry leader, we should act as the spearhead of the time. We should reflect: how should we make the industry more harmonious and healthy? How can we let the society and mankind share the results from the developments in the industry?

Since September 22, 1982 when CIMC was put into production, through 28 years’ development, CIMC has already become a multi-dimensional Group with global operation, and has become leading and even No. 1 in the world in several sectors, thus laying a solid foundation for achieving Group’s vision of “becoming a world-class enterprise”. Amidst its rapid development, CIMC has deeply realized that fulfilling CSR and taking the path of intensive development are necessary conditions for following the scientific outlook on development, participating in international competition and realizing the goal of CIMC to become a world class enterprise.

In 2010, the container sector, as one of the core businesses of the Group, came out of the gloom of global industry depression in 2009, and realized a major reversion in operation performance. At the same time, rapid development has been realized in related businesses of the Group in vehicles and energy and chemistry so that historic breakthroughs have been made in overall operation performance of the Group. Meanwhile, the Group has done proactive exploration in bearing corporate social responsibilities and realizing sustainable development: innovating the business model by combining industry and finance, to better serve clients; build a “Dream Work” and seek breakthrough in energy conservation, environmental protection and labor use of the industry by upgrading of manufacturing technology; deepen and implement the “people-centered” idea and seek co-development of enterprises and employees; vigorously promote the activity on the theme of “safe and lean production” to ensure employees’ personal safety, among others.

There is a kind of mutualism among enterprise, environment and society. While creating better economic performance, the enterprise must be responsible to stakeholders, society and environment. Looking forward to the future, the CIMC will continue to follow the guideline of “continuous improvement and leading the sustainable development of the industry”, conscientiously fulfill the promises of a responsible industry leader, serve the society wholeheartedly and make progress together with the society.



Chapter One CIMC Overview

I. General information

Company name: China International Marine Containers (Group) Co., Ltd. (abbreviated as: CIMC Group or CIMC)

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

Company address: CIMC R&D center, No.2 Gangwan Avenue, Shekou Industrial Zone, Nanshan District, Shenzhen, Guangdong Province.

Shareholding structure: 25% for China Merchants Holdings, 22.75% for COSCO Group, 52.25% for public shareholders.

II. Main business and industry position

The main business includes container, vehicle, energy, chemical and food equipment, offshore, airport facilities, logistics appliance and services, railway equipment and properties, etc.

Industry position:

- Since 1996, the output and sales of dry cargo container have been ranking No.1 in the world for 15 consecutive years.
- Since 2000, the global No.1 in market share of reefer containers
- Since 2004, the largest manufacturer of road transportation vehicles in China
- Since 2004, the largest manufacturer of tank containers in the world
- In 2005/2006, the global No. 1 in PBB orders
- In 2007, the world's No. 1 in capacity and scale of road transportation vehicles
- In 2008, No.1 in energy storage and transportation equipment of CNG, LNG and LPG in China
- In 2010, the "National Energy Offshore Petroleum Drilling Platform R & D (Experimental) Center" was settled in CIMC.
- In 2010, the first deepwater semi-submersible drilling platform contracted and constructed by CIMC Raffles was delivered.

III. Mission

In the global market, CIMC aims to be the world's leading supplier of modern transportation equipment, energy equipment and relevant services in accordance with customers' needs. In this process, CIMC builds up a reliable brand name, and maintains healthy development and sustainable growth to create the utmost value for shareholders and employees.

IV. Vision: To become a world-class enterprise in its industries.

Including the following contents:

- ◇ Having a global brand image and becoming a brand esteemed and trusted in the global mainstream market;
- ◇ Making significant contribution to the reform and innovation of technologies or business models in the industries, and becoming a leading enterprise spearheading the sustainable and health development of the industries;
- ◇ Having its own unique model of developmental strategy or business operation, and becoming a transnational corporation with core competitive advantages worldwide;
- ◇ Having management system and methodology for pursuing excellence and continuous improvement and becoming a world recognized excellent enterprise;
- ◇ With staff members highly professional and specialized, becoming an organization representing the orientation of global advanced business culture and full of vitality and energy;
- ◇ Undertaking more social responsibilities, respected by the society and becoming an ecological enterprise able to coordinate the balanced development of various stakeholders.

V. Core values

Integrity, service, performance, innovation, dedication, excellence.

VI. Concept of sustainable development

We aim at realizing sustainable development of the enterprise, while leading and guiding sustainable development of the industry; our actions are motivated by propel comprehensive, coordinated and sustainable development of economy, society and environment in China, insisting on the unity of economic responsibility, social responsibility and environmental responsibility. While pursuing economic achievement, we balance stakeholders' responsibilities, protect the environment and save resources, integrating social and environmental responsibilities into the enterprise's development strategies a daily operation, and sticking to 10 principles and guidelines of action:

- (1) Good faith, law-abiding operation and standardized governance
- (2) Create values for stakeholders, and make contributions to economic and social development;
- (3) Provide products and services of best quality and safety, and create values for clients;
- (4) Maintain business growth, protect shareholders' rights and interests, and provide shareholders with sound returns;
- (5) Give consideration to people-centered policy and interests and development of staff, strengthen production safety and labor protection, and harmonize labor relations;
- (6) Realize win-win and development with business partners like suppliers;
- (7) innovate independently, and lead the sustainable development of the industries;
- (8) Contribute to community culture and support charities;
- (9) Support and coordinate with governmental and non-governmental organizations to build a harmonious society;
- (10) Pay close attention to global environmental protection and resource saving, and contribute

to the construction of a beautiful and harmonious home.

VII. Enterprise development strategy

1. Enterprise development strategies: provide modern transportation with equipment and services, including:

- ✧ Improve the innovation mechanism, constantly upgrade the ability to create values for clients, and consolidate the global leadership position in the container industry;
- ✧ Accelerate the development of road transportation vehicles, improve and perfect the global operation platform, and become the primary supplier in the world;
- ✧ Create a global operation platform for energy, chemical and food equipment, and become the world's leading specialized energy manufacturer and integrated service solution supplier;
- ✧ Be dedicated to the construction of offshore drilling rigs and supporting vessels, and become the best supplier of international shipping and offshore petroleum and natural gas engineering;
- ✧ Rely on the overall strategy of the Group to actively nurture and appropriately develop other related sectors.

2. Strategic objectives:

(1) Strive to realize the objective of total sales revenue amounting to RMB 100 billion, market value amounting to RMB 100 billion and net profit amounting to RMB 5 billion during the period of 2012-2013, laying a solid material basis for future sustainable development;

(2) The contents of CIMC values keep enriching, more extensively recognized by stakeholders such as employees, shareholders, society, clients and suppliers and put into practice;

(3) Growing (including performance and ability) in procedures and practices;

(4) Forming a batch of new sectors, new products and unique business model;

(5) More business clusters leading in the industry;

(6) Training and forming the best professional team in the industry;

(7) Forming world-class organizational operation system and management model.

VIII. Analysis of risks and opportunities

1. Risks:

Though growth has re-appeared in global economy, the path to economic recovery was not even, and obvious disequilibrium has appeared in the recovery of major economies. The recovery of developed economies is still subject to the risk of downturn, and the slow speed of growth is inadequate to reduce the high unemployment rate. Economies in the emerging market and developing economies are confronted with increasing pressure of inflation, and the problem of how to prevent economy becoming overheated and manage capital inflow. As far as Chinese economy is

concerned, domestically, it will be confronted with rising inflation pressure and long-term challenges such as industrial structure adjustment and upgrading, energy conservation and emission reduction, and improving income distribution layout; overseas it will be confronted with many challenges such as drop of overseas demand, appreciation of RMB and more complicated international and geopolitical gaming.

Following the footsteps of strategic adjustment of the Chinese economic structure, the manufacturing industry where CIMC is in is confronted with a series of issues such as how to improve productivity, improve working conditions, save resources and protect the environment. The fluctuation and rise of price of energy and materials may also erode the company's profit.

In terms of container business segment, the uncertainty of global economic recovery and the rebalancing of the global trade structure may affect the global trade volume, thus reducing the demand for containers. The shipping industry is confronted with the following risks: 1) new ships are delivered in a concentrated manner, and the speed of increase of cargo volume cannot catch up with the increase of transporting capacity, thus affecting the freightage; 2) the rising tendency of oil price under inflation and geopolitical fluctuation; 3) rise of rental and port charges of container ships and containers; these are also risks giving rise to the fluctuation of container demand.

In terms of energy, chemical and food equipment segment, the instability of related state industrial policies exerts huge influence on business development, as the development of chemical equipment is closely related to macroeconomic cycles. With the increase of competitors, competition is fiercer than before, and market shares are exposed to the risk of being squeezed. Exported products are also exposed to the risk of interest rate fluctuation.

In terms of road transportation vehicle business, as economic recovery in the mainstream developed economies is still at the preliminary state in 2011, it is estimated that the probability of substantial growth of demand is not big. In the domestic market, on the basis of high-speed growth last year, the growth speed may decline with the gradual withdrawal of the state policies for economic stimulation. Besides, the constraints on the development of the auto industry by resources, environment and transportation are gradually intensifying, and the impact of railway construction on freight transport of main highways will also bring risk to demand for transportation vehicles.

In terms of offshore equipment segment, offshore equipments are products of high input and high risks, with high requirements on construction facilities and experience, fund and R & D strength. There is still a gap between the manufacturing level of offshore equipments in China and that of Singapore and South Korea with more mature manufacturing technologies and that of the United States and Europe with stronger R & D and engineering capabilities. With the incorporation of offshore engineering into the "strategic emerging industries" and winning policy support, more traditional ship building enterprises at the downturn cycle will be transformed to offshore equipment manufacturing, which will intensify industry competition.

2. Opportunities:

Global economic recovery will continue in 2011. According to the estimation of the International Monetary Fund (IMF), the actual growth rate of global GDP is expected to reach 3.7%

in 2010. According to the estimation of the World Trade Organization (WTO), the growth of global trade volume in 2011 will reach 8.3%. In terms of the growth prospect of emerging and developing economies, the economies headed by China will continue to grow rapidly with the double support of recovery of internal demand market and external demand market.

The growing economic recovery also gives more market opportunities to the development of CIMC. At the same time, the risk of downturn of world economy, and adjustment of China's economic structure have raised requirements on CIMC's continuing industry upgrading, optimization of contents, upgrading ability and marching towards a world class enterprise.

In terms of container business segment, against the backdrop of continuous stable recovery of global economy and trade, it is estimated that the container demand will continue to improve in 2011. According to the forecast of the authoritative agency Clarkson, it is estimated that the growth rate of global container trade volume will be 9.7% in 2011. From this it is estimated that the global container demand in 2011 will increase as compared to that in 2010.

In terms of road transportation vehicle business, overseas market demand is expected to continue to recover. Driven by popularization and implementation of European IV Standard, large-scale construction of and investment in downstream high-speed rails, water conservancy facilities and subsidized housing and policy factors, the Chinese market demand is expected to continue the positive growth trend in 2010.

In terms of energy, chemical and food equipment business, the low-carbon trend in the world and the requirements of the Chinese government on energy conservation and emission reduction provide large space of demand for energy-conserving and environmentally friendly equipment in the Chinese market. With the further acceleration of industrialization and urbanization in China, there will be substantial growth in energy demand, especially natural gas demand, which will in turn drive the substantial growth in demand of natural gas storage and transportation equipment and engineering service business. During the period of the "Twelfth Five-Year Plan", China will reconstruct a group of large-scale refineries and fertilizer plants and construct several ethane and aromatic hydrocarbon production bases. Besides, the start of new technologies such as CTL, coal gasification combined cycle generation and COREX and hydrogen energy will bring new demand growth to the chemical equipment industry. China attaches importance to the economic growth mode of driving growth by consumption, which will bring opportunities of growth to the food equipment segment.

In terms of offshore equipment business, driven by factors such as recovery of global crude oil demand and rising of oil price, all countries stepping up efforts in offshore oil exploration and development, Mexico Gulf Leak and upgrading, investment in the offshore equipment field will enter a new round of boom in the world. It is estimated that the market demand of global offshore platform will continue to improve in 2011. The "Twelfth Five-Year Plan" for offshore equipment to be launched by the Chinese government and the reinvigorating planning for strategic emerging industries will bring unprecedented opportunities to the offshore equipment manufacturing industry in China.

Chapter Two Fulfill Social Responsibilities to Promote Comprehensive, Coordinated and Sustainable Development of Economy, Society and Environment

Section One Economic responsibilities

I. Good faith, law-abiding operation, standardized governance

(i) Law-abiding operation

In the operation practice, we follow the principle of voluntariness, fairness, equal value exchange and good faith, and abide by related current and effective laws and regulations in China as well as countries and regions where we have operation, including China Securities Regulatory Law, Company Law and Accountancy law.

We abide by related laws and regulations of Intellectual Property Rights and international conventions and do not infringe upon others' intellectual property rights such as trademark, patent and copyright, free from improper act of competition.

By implementing a series of comprehensive compliance systems and procedures, we help the operation of the company meet compulsory requirements of laws and regulations. In terms of external auditing, we have won unqualified annual auditing reports from world renowned CPAs.

We observe common courtesy, business ethics and industry regulations, and accept the supervision from government and society.

We take initiative to follow the national energy strategy and in terms of clean energy, actively promote, design and produce storage and transportation equipment, providing energy-saving and emission reduction products for our clients, to promote the sustainable development of environment.

(ii) Standardized governance

The Company, strictly following the laws of related countries and CSRC, such as *Company Law*, *Code of Corporate Governance for Listed Companies in China*, *Guidelines for Setting Up Independent Director System in Listed Companies*, *Regulations of Shenzhen Stock Exchange Listing*, *Guidelines for Fair Information Disclosure of Listed Companies*, *Guidelines for Internal Control of Companies Listed on Shenzhen Stock Exchange*, *Regulations Concerning the Protection of Social Shareholders' Rights*, *Regulations on Revising Cash Dividend of Listed Companies*, *Regulations on Acquiring Listed Companies*, *Guidelines for Changes of Stock Holding of Directors, Supervisors and Senior Management in Listed Companies on Shenzhen Stock Exchange*, etc., keeps improving corporate governance and regulating its operations. Effective internal control has been established and put into operation in all major aspects. Through continuous adjustment and optimization, a set of comprehensive and effective internal control systems have been formed.

1. Shareholders and investors

The major shareholders of the Company are China Merchants International Investment Co., Ltd, COSCO Container Industry Co., Ltd., with no shareholders holding stocks more than 30% (controlling shareholders). Separation of business, personnel, assets, organization and finance

between the Company and its major shareholders has been realized, each with independent accounting, and assuming responsibilities and risks independently. Major shareholders do not go beyond Shareholders' meeting to directly or indirectly interfere with the decision-making of the Company or its manufacturing and operating activities in accordance with laws. Board of Directors, Board of Supervisors and internal organizations can operate independently.

2. Corporate governance structure

A corporate governance structure has been established in accordance with the requirements of modern enterprise management, to make sure that every department exercise its function and balance in power.

The Shareholders' Meeting is the highest authority in the Company. In strict accordance with the Regulations on Shareholders' Meeting in Listed Companies and the Regulations of Shareholders' Meeting Agenda, the Company ensures that all shareholders, especially small and medium ones, enjoy equality and fully exercise their rights.

Board of Directors is the decision-making organization of the Company, responsible for carrying out the decisions of the shareholders' meeting, preparation the Company's important policies and development planning. Under the Board of Directors are Board Remuneration and Evaluation Committee, Strategy Committee, Auditing Committee and Nomination Committee. Each committee respectively assumes the function of discuss and decide important affairs of the Company based on related rules. The Company has set up an Independent Directors System, consisting of three independent Directors respectively with expertise in economic, legal and accounting areas and high reputation, able to offer professional supports, supervise the operation of the Board, and give written suggestions to some key issues, such as information disclosure, important investment, affiliated transaction, provision of guarantee to external parties, share incentive and personnel recruitment, so as to ensure the enforcement of the functions of the Independent Directors.

Board of Supervision is in charge of the financial and operational performance of the Company, as well as the compliance in the duty performance by the directors, managers and other senior management.

According to a series of regulations and systems such as rules of procedure for the Shareholders' Meeting, the Board of Directors and the Board of Supervisors, as well as Detailed Rules for President's Work, every power subject serves as a special committee of the Board to exercise corporate governance. The Shareholders' Meeting, Board of Directors and Board of Supervisors fully implements their functions and duties and maintain a balance in power to ensure the shareholders' rights and the Company's sustainable development.

3. Risk management

In terms of internal control and risk management, the Company has set up a set of regulations and systems covering production, operation and information disclosure, which constitute the internal control system of the Company. In 2010, while completing the internal control system construction and internal control review of most of the domestic wholly-owned or holding

subsidiaries, the internal control system construction of overseas subsidiaries has been strengthened, effectively improving the overall governance environment of the Group.

In this year, the Company has further strengthened systemized construction and management of regulations and systems and held meetings on special topics. A special functional department regulates the preparation, examination and approval and release procedures of the systems, reviews, revises and cancels the enterprise internal operation and basic management systems, and regulates the Company's internal business flows and management and controls risks in the course of operation by keeping improving the management systems in various aspects. On the basis of systematic adjustment of the original systems, the Company has, according to the "Guide to Enterprise Internal Control Supporting Systems" issued by five ministries and commissions including the Ministry of Finance in April 2010, actively carried out internal control benchmarking and internal control upgrading. At present, the Company has been confirmed by the CSRC as a key pilot company among the first 26 companies listed on the main board of the Shenzhen Securities Exchange for "Guide to Enterprise Internal Control Supporting Systems".

4. Management system building

Since the end of 2007, the Company has started to the systematic construction and management of regulations and systems, designated a special department to regulated the preparation, examination and approval and release procedures of systems, fully examined and approved internal operation and basic management system of the Company, regulated internal work flow and management and controlled risks in operation, by constantly improving the management system in terms of marketing, purchasing, operation, investment, finance, auditing, technology, human resources, administration, corporate culture, performance management, production safety, IT application management and so on.

According to the requirements of China Securities Regulatory Commission, Shenzhen Securities Regulatory Commission, Requirements on Listed Companies in Shenzhen Stock Exchange, the Company has completed corporate governance rectification, special checks and system construction required by the regulatory authorities. Basic working systems for finance and accounting have been prepared, such as *CIMC Accounting Management System*, *CIMC Internal Exchange Management System* and *Financing Management System*.

The Company has continued the systematic construction and management of regulations and systems in 2010. A special functional department regulates the preparation, approval and release procedures of systems, and it also exams, revises and abolishes systems on internal operation and basic management of the enterprise. Through constantly improving management rules in all aspects, the department regulates the internal business procedures and controls risk in the operation of the enterprise.

In this year, the Company has actively cooperate with the Shenzhen Securities Regulatory Commission of the China Securities Regulatory Commission to complete the regular inspection of the Company, maintained smooth communication with the regulatory authorities and carried out self inspection and rectification according to the problems discovered by the Shenzhen Securities Regulatory Commission in the inspection; in 2010, the Company has actively promoted the

standardized development of the listed company and the secretary to the Board of Directors has won the praise of the Shenzhen Securities Regulatory Commission.

(iii) Credit construction

1. Main social credits and ratings in terms of corporate governance in 2010

- In 2010, CIMC was listed in the “Top 500 Listed Companies in China” released by Fortune (Chinese Edition), ranking the 128th.
- In 2010, the secretary to the Board of Directors won the praise of the Shenzhen Securities Regulatory Commission for “actively promoting the standardized development of the listed company in 2010”.
- The secretary to the Board of Directors was consecutively selected as Fortune Gold Board Secretary during the period of 2005-2010.

2. Bank credit

In the international and domestic capital market, the Company has built up long-time, stable and trustworthy business relationship with foreign commercial banks, such as HSBC, Citibank, Standard Chartered Bank, Nanyang Commercial Bank, ING, etc., as well as some Chinese commercial banks like the Bank of Communications, China Merchants Bank, Construction Bank and Bank of China; and some state policy banks, such as China Eximbank, China Development Bank, etc. The Company is a key high-quality client or head office level strategic partner of the above banks, with comprehensive cooperation in various business fields such as supporting operation capital demand, international settlement, capital transaction products, project acquisition, export factoring, buyer’s credit, financial leasing and corporate financial business, etc.

The Company fully respects and safeguards the like the banks. In the process of decision making, it gives full consideration to the lawful rights and interests of the creditors, and reports important information related to the rights and interests of their credits in a timely manner. The Company cooperates and supports creditors when they need to learn the situation of the company’s finance, operation and management to safeguard their interests. When the Group is subject to grave operation pressure, the Company takes various risk prevention measures to ensure the safety of assets and capital and balance the rights between shareholders and creditors, and no circumstances have arisen under which creditors’ rights or interests are damaged for shareholders’ interests.

The Company is financially sound, with strict auditing system of project investment, sound capital management system and payment collecting system, and asset-liability ratio maintained within reasonable bounds to ensure the safety of assets and capital.

3. Tax compliance

In 2010, all enterprises under the Group strictly observed various provisions in state taxation laws and regulations, punctually paid tax and fulfilled the obligations of tax withholding and remitting. They also reported the actual situation of operation and finance to the Taxation Authorities, actively cooperated with the Taxation Authorities to carry out self inspection and

provided various statements according to related regulations. In 2010, subsidiaries of the Group were respectively identified as main exporters, main tax payers, national and provincial technical centers, hi-tech companies, etc. The tax paid by this Group totaled about RMB 836 million, increasing by 15.82% from the previous year.

4. Custom credit

Thanks to its well-regulated management and high reputation, CIMC has won the trust and support from the Customs. Several CIMC members have appeared in the Red List of import and export enterprises issued by the Customs since the first release of such list in 2004. (The red list indicates the Customs' recognition of law-abiding performance of the enterprises, and is an important measure to build the enterprise credit management system, regulate the import and export business and explore the establishment of partnership between the Customs and enterprises in line with the principle of "law abiding and convenience".)

Since the implementation of the *Classified Management Regulations of Customs Enterprises of China* on April 1, 2008, several CIMC subsidiaries have been awarded the title of AA Company by the Customs. (AA is the highest credit rating of import and export companies subject to a series of selections such as verification by the Customs.) These companies can enjoy shortcut and customized services and preferential policies.

5. Other main social credits and rating in recent years

- No. 292 of Top 500 Chinese Enterprises (Chinese Company Federation and Chinese Entrepreneur Association, 2010)
- No. 1397 of The World's 2000 Leading Companies in Forbes (Forbes, 2009)
- No. 40 of "China's 500 Most Valuable Brands" (World Brand Lab, 2008)
- The CIMC Container won the title of China's World Famous Trademark (AQSIQ, 2007)
- The brand *CIMC* was identified as Chinese Famous Trademark (SAIC, 2007)
- No. 6 of "Competitiveness Rankings of Chinese Listed Companies in 2006". (GCO)
- Listed into "The BCG 100 New Global Challengers" (BCG)
- No. 21 of 50 Top Asian Enterprises. (The Business Week)
- No. 8 of the Most Competitive Chinese Companies in the World. (*Global Entrepreneur* and RolandBerger Strategy Consultants)
- President Mai Boliang was elected as "CCTV 2004 China Economic Celebrity" (CCTV, 2004).

II. Create value for stakeholders and contribute to economic and social development

Refer to the following table for the details of main economic performance and social performance indexes of the Company in recent 5 years (including total assets, main business revenues, total profit, total tax, ROE, growth rate of primary business, capital maintenance and appreciation rate, social contribution rate, interest expenses and dividend expenses):

Note: The unit for the following tables is RMB thousand yuan

Year	2006	2007	2008	2009	2010
Total assets	22,923,368	40,391,919	34,557,863	37,358,383	56,724,546

Year	2006	2007	2008	2009	2010
Business revenues	33,167,801	48,760,826	47,327,281	20,475,507	51,768,316

Year	2006	2007	2008	2009	2010
Total profit	3,150,247	3,500,303	1,927,029	1,465,385	4,143,293

Year	2006	2007*	2008	2009	2010
Main business tax and surcharge (RMB thousand)	30,831	55,621	27,989	51,658	76,189
Income tax (RMB thousand)	234,971	281,223	453,504	505,993	760,321
Total amount of tax payment	265,802	336,844	481,493	557,651	836,510

* The income tax in 2007 excluded the impact of deferred income tax

Year	2006	2007	2008	2009	2010
ROE (fully diluted)	24.29%	19.04%	10.00%	7.00%	20%
ROE(weighted average)	26.71%	24.46%	10.00%	7.00%	20%

Year	2006	2007	2008	2009	2010
Growth rate of business revenues	7.13%	44.49%	-3.14%	-56.37%	170.15%
Overall labor productivity (thousand RMB)	716	894	1006	472	858

* Overall labor productivity = Total industrial output / the average number of the staff × 100%, in which the total industrial output is replaced by sales income.

Year	2006	2007	2008	2009	2010
Capital maintenance and appreciation rate*	117.57%	157.79%	84.19%	105.97%	115.65%

* Capital maintenance and appreciation rate = net assets value at the end of current term / net assets value at the end of previous term × 100%

Year	2006	2007	2008	2009	2010
Social contribution rate *	24.48%	20.55%	16.75%	10.48%	15.26%

* Social contribution rate = total social contribution*average assets×100%, where total social contribution includes salary expenses (in cash flow statement), net interest expenses (in profit statement), total tax (in profit statement, excluding the deferred income tax) and net profit.

Year	2006	2007	2008	2009	2010
Total tax (in China)	265,802	336,844	481,493	557,651	836,510

* The income tax in 2007 excluded the deferred income tax.

Year	2006	2007	2008	2009	2010
Interest expense	1,112,947	377,272	612,217	179,640	594,371

Year	2006	2007	2008	2009	2010
Dividend expense	766,447	441,510	1,331,198	399,359	319,488

III. Provide customers with top-quality and safe products and services and create maximum value for them throughout the product lifecycle

CIMC business extensively involves nine segments including container, vehicle, energy, chemical and food equipment, offshore and airport facilities, etc. The Group strives to provide customers with top-quality and safe products and services and create maximum value for them throughout the product lifecycle of all business segments. In terms of product design and development, CIMC has always been abiding by related rules and regulations such as ISO International Standards, State Standards and technical requirements and other laws and regulations. Product design process management is carried out based on product design and research flow. In the course of product manufacturing, CIMC has always been following the quality concept of “being based on good faith and customers foremost”, and rigorously enforced process management and control, to assure product quality. Quality management systems such as ISO9001 and TS16949 have been established in each segment/enterprise, and lean production management has been extensively carried out. At the same time, corresponding management systems have been established in terms of product delivery, after sales service and product recycling and reuse for each CIMC segment, in the hope of maximizing value for customers by “service extension”.

1. Containers

The 18 container manufacturing industry parks developed and expanded by CIMC Group nationwide including South China, East China, North China and Chongqing have the supply capacity of annual output of 2.4 million standard containers. By now, the accumulated amount of standard containers that CIMC has produced has reached 15 million.

In terms of technological innovation, CIMC is realizing the effect of light weight through advanced design technology and applying high-strength steel and other non-metal materials. The weight of each standard container may be reduced by 300KG. If such containers are widely used, 900 thousand ton steel materials can be saved each year provided the annual 3 million TEU output. In terms of design ideas, CIMC Group has put forward the idea of new generation container SGIL (S-Secure, G-Green, I-Intelligent, L-Light), the special container supply idea of transforming from product manufacturer to solution provider, and the idea of fully standardized standard container order production for smoothing out rush season and off season in production, constantly striving and

exploring in standardization and individualized supply of the container industry; In terms of production and manufacturing, the CIMC Group has, through the test of the financial crisis, carefully reflect on the developmental direction of the industry and factors constraining industry development, to find out a developmental path of transforming and upgrading towards refined manufacturing guided by Dream Work, and turn constraints to impetus for transformation; in terms of transportation and storage, the CIMC Group has provided its clients with various transportation and storage solutions, for example, the heavy container innovation for European and American inland containers such as North America 53 feet, and container depots all over main ports nationwide; in terms of recycling, the CIMC Group provides services such as replacing old containers with new ones, old container reconstruction, container repair and second-hand container rental, especially it has creatively developed technologies and business of using second-hand containers as modular buildings, which greatly extends the life of containers and expands the applicable field of containers.

At present, CIMC Group is the only container manufacturing and service enterprise able to provide a whole series of container products such as dry containers, reefer containers, tank containers and various other special containers and having full independent intellectual property right. At the same time, the 18 container manufacturing industrial parks developed and expanded by the CIMC Group in coastal and riverside regions nationwide can not only rapidly deliver containers to various container docks and depots in China but also rapidly deliver containers to main ports and clients worldwide by the strength of its comprehensive cost advantage and quality advantage. Besides, the CIMC Group has established container service outlets in major coastal port cities and inland container logistical centers in China, forming a comprehensive container service system, able to provide clients with container products, services and application solutions covering the whole lifecycle of products.

2. Road transportation vehicles

In terms of road transportation vehicles, CIMC has set up 5 overseas manufacturing bases covering North America, Europe, Australia and Asia and 17 manufacturing bases covering China, forming an industrial layout featuring Sino-America interaction, Sino-European interaction, reasonable distribution and mutual support, with an annual production output reaching a scale of over 300 thousands of vehicles, in 11 main series and more than 1000 types, making CIMC the largest special vehicle manufacturer in the world. Through its five major regional sales centers and distribution network covering global mainstream markets, CIMC Vehicle Group's products are well sold in mainstream markets such as Japan and America.

Through strategic review, the strategic vision of "providing first class land logistical equipments and services for global clients by relying on China's advantages" has been established for the CIMC road transportation vehicle segment. The responsibility of CIMC Vehicle Group runs through the whole value chain including product design and development, product manufacturing and delivery, sales and service, client tracking and feedback. As a leader in the special vehicle industry, CIMC Vehicle Group has constantly been creating value for its clients, improving customer satisfaction and leading the healthy development of the industry.

In terms of product design and development: on the strength of its global operation layout, CIMC Vehicle Group always has insight into the developmental trend of the global special vehicle industry and introduces the most advanced design concept of special vehicles into product design and development. In China, when the overloading and overrunning transportation habit is gradually receding, and when low carbon and energy conservation have been part of people's life, CIMC Vehicle Group has already made foresighted judgment on the development of the industry, developed and launched a series of light weight vehicle models to meet customer demands and contribute to the construction of green China. Besides, CIMC Vehicle Group is dedicated to promoting the transportation idea of energy saving, high efficiency and lean, jointly promoting the upgrading of Chinese road transportation equipments with advanced ideas and leading products.

In terms of product manufacturing and delivery: excellent products require vigorous and refined support of the manufacturing link. CIMC Vehicle Group regards product quality as life and has carried out lean production in an all-round manner, with special attention to product quality management. Many subsidiaries regarded 2010 as the enterprise quality year, making great effort to improve product quality. Through the consistent effort of the Group in 2010, the overall product quality of the Group has been constantly improved and maintained a high level.

In terms of product sales and service: CIMC Vehicle Group keeps deepening the construction of sales network to improve the convenience and timeliness of clients' purchase of vehicles and services. The sales and service network of CIMC Vehicle Group was further sunk in 2010 and the network density was further intensified, so that clients can better enjoy the one-station services in the whole product lifecycle from purchase selection, financing, insurance, maintenance, inspection, registration, parts supply and assistance in sites of vehicle accidents.

In terms of client tracking and feedback: client care and callback have become an important normal task of CIMC Vehicle Group. In 2010, spearheaded by the headquarters of CIMC Vehicle Group Marketing Service Company, and with the cooperation of various branches and distribution network all over China, a series of client callback activities have been organized for mixers and semi-trailers, which not only help clients solve problems as soon as possible, but also obtain clients' truest feedback on products and help CIMC in its constant product improvement, thus laying a foundation for providing better products for clients.

3. Energy, chemical and food equipment (CIMC Enric)

In 2009, CIMC rebuilt the related business based on Enric Holdings Ltd., forming a business segment of CIMC energy, chemical and food equipment, which is dedicated to providing main equipments, system solutions and engineering services such as transportation, storage and processing for clients in the energy, chemical and food industry. At present, there are 15 manufacturing bases and R & D centers in China and Europe and other regions, and the industrial layout of internationalized operation has been initially taken shape.

In terms of energy, the Group is able to provide clients with CNG\LNG, LPG and industrial gas transportation and storage equipments with the most comprehensive specifications and most diverse varieties, as well as general contracting service for projects such as design, procurement and construction of LNG receiving terminal storage tank and ethylene tank areas. CIMC has

become a leading major equipment supplier and system solution provider in the related industries of China. Through constant R & D and innovation, CIMC has promoted the sustainable and healthy development of related equipment industries. At present, in all provinces, municipalities and autonomous regions in China except for Tibet, “Enric” brand transportation and storage equipments are in use, so that many regions where pipelines cannot be accessed can use natural gas, which greatly promotes the extensive use of the clean energy of natural gas in China, and fully reflects the CIMC brand development idea of promoting environmental protection and realizing sustainable development.

In the chemical field, the segment closely follows the developmental trend in petrochemical, coal chemical equipment industries, and has established its global leadership in tank container products. At the same time, it is dedicated to intensifying the technical accumulation of pressure container products with high-tech contents. At present, the Group can manufacture key equipments in large-scale coal chemical equipments such as gasifier, carbon washing tower and washing tower, as well as evaporators in seawater desalting equipment and high pressure equipments in large synthetic ammonia installations.

In the liquid food field, on one hand, CIMC keeps consolidating its brand and service advantages in the European market while dedicated to “Sino-European interaction”, combining European advanced technologies and ideas with the relatively low manufacturing cost in China as well as CIMC’s purchase, production and sales resources and experience accumulated over 20 years, providing clients in beer, juice industries and other related industries with stainless steel static storage tanks and proc. Tank with excellent performance/price ratio.

In line with the idea of creating value for clients, the segment is constantly dedicated to the optimization and upgrading of service capabilities and awareness. At present, the service system and process system have been close to perfection. The large client service and management mechanism, client regular communication mechanism and the after-sales service system in which subsidiaries provide according to their product characteristics, have ensured the timely and accurate grasp of client demands, while the extending service network has improved the response speed and ability for client demands and established a maintenance and spare part supply platform, establishing closer partnership with clients while improving after-service income.

4. Offshore (CIMC Raffles)

2010 is the third year after CIMC formally entered the offshore industry, which witnessed excellent results. Three deep-water semi-submersible drilling platforms were delivered for use in the fourth quarter, symbolizing that China has started to break the monopoly of Singaporean and Korean enterprises over high-end offshore products. The Group is the first company able to construct high-end offshore products on a large-scale and industrialized basis. The establishment of the Shanghai CIMC Offshore Research Center and the Yantai Offshore Research Institute and the settlement of the National Energy Offshore Oil Drilling Platform R & D Center in CIMC have substantially improved the Group’s technical ability in terms of high-end manufacturing and have made the Group an important member of the “No. 1 Group Army” of the national offshore industry.

In terms of R & D and engineering, by establishing the Shanghai CIMC Offshore Research

Center and the Yantai Offshore Research Institute, a R & D and design team of about 800 people has been organized, and a R & D and design platform integrating R & D and design has been constructed, running through the whole course of basic design, detailed design and production design of offshore equipments (platforms), covering computation and analysis of stability, structure, overall strength, overall fatigue, hydrodynamic force, vibration and noise, high-pressure pipelines and anchoring, with ability of principle, detail and process design in multiple specialties such as general, structure, electrical, pipeline, outfit, air-conditioning and ventilation. Several DP2 and DP3 product analysis and engineering tasks have been independently completed, winning high praise from ship owners and classification societies. In 2010, CIMC succeeded in its application for the National Energy Offshore Drilling Platform R & D Center, which will further improve CIMC's R & D and design ability in high-end offshore platform field.

In the general assembly and construction field, relying on the largest gantry crane in the world, 20,000 ton Taishan, CIMC Raffles has initiated the offshore equipment (platform) parallel batch building model, which substantially reduces the complexity of construction, reduces construction cost and risk, improves construction efficiency and shortens construction cycle. This more efficient, safe and environmentally friendly construction model is a renovation of the offshore platform construction model in the world. Centered on this construction model, CIMC Raffles has formed three major professional construction bases, "Longkou, Haiyang and Yantai".

In the field of product delivery, three deep-water semi-submersible drilling platforms have been constructed and delivered for use, in which COSL PIONEER is the first deep water semi-submersible drilling platform constructed and delivered in China, which has been designed and constructed according to the relevant laws, regulations, specifications and standards in the Norwegian sea area, meeting the strictest technical requirements and standards in the world such as PSA, NMD, DNV and NORSOK. Comprehensive analysis and effective prevention have been executed on various potential risks that may cause personal casualties, environmental pollution, equipment damage or platform danger. In the drilling course, zero emission is realized and rock detritus can all be sent back to land for disposal, with zero pollution to the environment and providing safe and comfortable working and living environment for working personnel on the platform.

5. Airport facilities (CIMC Tianda)

The airport facilities business of CIMC began in 1990, and now it has become a world leading company in this field. Its main products are passengers boarding bridge, automatic freight logistics and handling system and auto-parking system. Tianda, a member of CIMC, is the only manufacturer in the world capable of manufacturing passengers boarding bridges of three mixed modes, i.e., hydraulic, electromechanical and mechanical hydraulic drives. Our products can meet of demands of aircrafts of different types and in different environments.

At present, the CIMC passengers boarding bridge business network has been gradually expanding worldwide. Based on passengers boarding bridge, the extension into the airport service value chain has entered a substantial stage. After winning the contract on the whole S4 project of the Aero ports de Charles de Gaulle of France, consisting of 39 passengers boarding bridges

(including 7 service seats for A380), it has signed a long-term framework purchase agreement on 5+5 year passenger boarding bridges with Amsterdam Schiphol Airport Group of Holland. The bid-winning enterprise of this project will, in the future 5 to 10 years, become the only supplier for the reconstruction and replacement of the present passenger boarding bridges in the Aero ports de Charles de Gaulle of France, the Paris Orly Airport and Amsterdam Schiphol Airport of Holland, and the amount of PBB to be reconstructed or replaced will be 100.

The long-term objective of CIMC Tianda is to become the largest supplier of airport products and services in the world. Commensurately, product quality, occupational safety and environmental assurance will reach the world's first class level. Product design and development, production and service support will be organized according to the highest quality standard in the world, with comprehensive support of first class product technical specifications (performance and function) by safety and environmental management, and product reliability index will be rated among the first top three in the world.

CIMC Tianda actively carries out full product lifecycle management. According to requirements of related standards, laws, regulations and contracts, safety and environmental protection planning is carried out at product concept development, research and development and the planning starts to be executed from the design phase. Market and technology access planning is carried out to complete professional technical certification. Safety and environmental management is executed in production and manufacturing, warehousing and transportation to ensure the health and safety of employees and related parties. Material resources disposal, reuse or recycling is actively carried out.

The company's management is upgraded by implementing ISO9000 quality management system, ISO14000 environmental management system and OHSAS18000 occupational health and safety management system. Technical and quality standards have been upgraded by passing CE certification, German steel structure welding certification, NFPA417 fire-proof standard certification, UL safety certification and EMC certification. All product tests and inspections carried out by national professional institutions have been passed.

To ensure equipment and personnel safety, the latest science and technology are being constantly developed and applied, and new products launched. Various technical indexes of passenger boarding bridges and products in the automatic air cargo handling system have always been maintained at international advanced level. The product quality is being stably upgraded, and product safety, reliability, stability and maintainability keep being improved.

CIMC Tianda regards it the responsibility of all the staff members to learn customer demands and expectations. By effective customization system, it provides low-cost and high-quality products as compared to its competitors. At the same time, by effective installation and service as well as smooth communication, customer expectation is satisfied and surpassed, thus winning good credit from customers at home and abroad.

IV. Maintain sustained growth of performance, ensure interests and rights of shareholders, and yield good return for shareholders

(i) Establish corporate governance structure in accordance with requirements of modern enterprise management

Characterized by “clearly defining property rights, specifying rights and responsibilities and mutual benefits”, in the balanced interest community of shareholders, directors and managers, the Group always sticks to the decision-making policy of maximizing company benefits, excellent decision-making system of the Board of Directors, performance assessment and incentive and constraint mechanisms of the Board of Directors for the management and the operators’ ability of quick administration of company strategies, which ensure the duty enforcement of the Shareholders’ Meeting, the Board of Directors and the Board of Supervisors, effectively safeguard the interest of shareholders and the Company, create excellent return on investment for shareholders and ensure the sustainable development of the Company in the future.

(ii) Full, law-abiding and fair information disclosure

The Company abides by the laws and regulations on information disclosure, strictly fulfils the listed company’s obligation of information disclosure. It has designated the Secretary to the Board of Directors to be responsible for information disclosure and prepared the Information Disclosure Administration System. Information disclosure follows the principles of “disclosing information fully, disclosing information in compliance with regulations, equal chance for the investors, good faith, high efficiency and low consumption and interactive communication”, which ensure trustful, accurate, complete and timely disclosure of information, and enable constant improvement of the quality of corporate information disclosure.

(iii) Carry out various forms of investor relation activities and exchanges

As one of the first listed companies in China to introduce “investor relationship management”, CIMC has a special department responsible for investor relationship management, which has prepared Investor Relationship Management System and Information Disclosure Management System. With various methods such as telemarketing, spot research, organizing investors’ special collective research activities, participating in brokers’ annual strategy meetings and communication activities and third party network platforms and so on, so that investors and shareholders can have an objective and comprehensive understanding of the Company and investors have in-depth understanding of the current situation and developmental prospect of Company businesses, especially new businesses, and have new understanding of Company values. The market value of the Company this year rose from About 33.3 billion at the end of September to RMB 58.2 billion at the end of the year, rising by 75%.

In 2010, investors’ visits received by and the spot visit and research activities organized by the department responsible for investor relations amounted to over 80 times; the mid-term and annual investment strategy meetings and small meetings of domestic and overseas securities brokers attended amounted to several scores, including Shenyin & Wanguo Securities, China Merchant Securities, Guangfa Securities, Guosen Securities, Essence Securities, Citic China Securities and Standard Chartered Bank, and so on.

(iv) Maintain sustained growth of performance, and yield good return for shareholders

CIMC's B share and A share were both listed in 1994. Over these 16 years, the total assets of the company have grown by 36.42 times, and the net assets grow by 37.58 times. The revenue of primary business grows by 37.58 times, the net profit by 31.11 times. The accumulated financing on the stock amounts to RMB 2.466 billion, and dividends to RMB 4.667 billion (before tax). As the performances keep growing, CIMC has planned stable and long-term distribution policy and method of profit distribution and prepared a reasonable dividend scheme to reward the shareholders.

See the following table for dividends payable in the past years.

Year	EPS (RMB <i>yuan</i>)	Dividend (tax included)	Dividend granting rates (%) (dividend/EPS)	Dividend yield ratio (%) (dividend/closing prices on pay day)
1994	1.05	4 <i>yuan</i> for every 10 shares; Every 4 shares for every 10 shares	38.10	2.61
1995	1.11	3 <i>yuan</i> for every 10 shares; Every 3 shares for every 10 shares	27.03	1.85
1996	1.08	1 <i>yuan</i> for every 10 shares; Every 3 shares for every 10 shares	9.26	0.32
1997	0.74	3 <i>yuan</i> for every 10 shares; Every 1 shares for every 10 shares	40.54	1.62
1998	0.72	2 <i>yuan</i> for every 10 shares	27.70	1.01
1999	0.76	2 <i>yuan</i> for every 10 shares	26.42	0.70
2000	1.36	2 <i>yuan</i> for every 10 shares	14.70	0.66
2001	1.60	Every 5 bonus shares for every 10 shares; 5 <i>yuan</i> for every 10 shares	31.33	2.00
2002	0.91	—see note)	—	—
2003	1.08	6 bonus shares for every 10 shares; 3.8 <i>yuan</i> for every 10 shares	35.08	1.73
2004	2.37	10 bonus shares for every 10 shares; 5 <i>yuan</i> for every 10 shares	21.10	1.48
2005	1.32	1 bonus shares for every 10 shares; 3.8 <i>yuan</i> for every 10 shares	28.72	0.97
2006	1.25	2 bonus shares for every 10 shares; 4.3 <i>yuan</i> for every 10 shares	34.40	0.47
2007	1.19	5 <i>yuan</i> for every 10 shares	42.02	3.94
2008	0.53	1.5 <i>yuan</i> for every 10 shares	28.30	1.63
2009	0.36	1.2 <i>yuan</i> for every 10 shares	33.33	0.95

2010	1. 13	3 <i>yuan</i> for every 10 shares	26. 55	—
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Note: As A share issuance was added in 2003, dividend was not paid due to the requirement of project approval.

Section Two Social Responsibilities

V. Take into account of staff's interests and development, and harmonize labor relations

The Company adheres to the principle of people-centeredness, diversity and equality and complies with laws and regulations. Following a realistic and pragmatic approach, it makes improvement step by step. In the enterprise development, it gives consideration to the interests of employees and provides staff with a good platform of career development, to implement the concept of *a powerful country, a welfare society, and mutual development*.

(i) Staff employment

In recent three years, according to the actual condition of business development, CIMC keeps a proper number of employees. At the end of 2008, the amount of domestic staff was over 47,000, and at the end of 2009, CIMC had more than 50,370 employees in China, while the figure turned to 69,900 at the end of 2010.

1. Classification of employment contracts

65.2% of the employees (more than 45,550) are with full-time work contracts, while part of the workers at the production line of some enterprises sent by labor service agencies, accounting for about 32.44% (more than 22,650). Moreover, 2.36% of the employees (more than 1,600) have signed work contracts with subsidiaries in terms of task worker and employment system. Among the full-time employees, about 3.9% (more than 2,730) of them have signed a non-fixed-term labor contracts with the Company.

2. Ratio of male staff and female staff

There are about 63,560 male employees enrolled, amounting to 90.9% of the total staff, and about 6,340 females, accounting for 9.1% of the total. The wide gap between male and female employees is mainly because that most of the subsidiaries of CIMC are machinery manufacturing enterprises, where a great number of physical workers are needed at the production line.

3. Staff in overseas enterprises

CIMC adopts the open and international people strategy. In the construction and management of Sino-US and Sino-Euro interactive platforms, people in the acquired companies or in the host countries are still the main human resources. Apart from the general managers and some medium and senior management personnel, staff are all employed locally, which are normally more than 87% of the total employees. The subsidiaries of CIMC in North America, Thailand, Europe and Australia have about 1,620 overseas staff members, all of whom have established employment relations in line with laws

4. Turnover of employees

In 2009, the monthly average staff turnover rate is about 12.2 % $\{ \text{leaving staff of the month} / [(\text{on duty staff at the beginning of the month} + \text{on duty staff in the end of the month}) / 2] \}$. Most of the left ones are male under 30.

5. No use of child labor or forced labor

The enterprise controls the recruitment procedures to make sure that the employed people meet the requirements of the national laws and regulations and the requirements of international human rights treatment. Child labor is not used.

The Company respects the personal freedom of employees and their rights for choosing their work. Even when the Company is under delivering pressure of orders and overload production, it still arranges overtime work after asking for the opinions of Labor Union and employee representatives, adopting a consultation mechanism and in line with the principle of voluntariness, and pay no less than the standard pay provided by the local laws and regulations. No forced labor or corporal abuse is allowed.

The company also guarantees legitimate employment with internal employment checks and professional supervision by on site labor and social security department.

6. Work time

CIMC sets up working hours based on national and local laws and regulations. Meanwhile, according to the characteristics of the industry, after government approval, some subsidiaries adopts the piece-rate system and integrated working hours system, which guarantees that the average daily working hours and average weekly working hours basically comply with legal standards. On the premise of negotiation among enterprise, staff and labor union, as well as the voluntary work principle, the Company arranges staff to work overtime according to the actual number of orders; and at the same time, it pays overtime work with remuneration regulated by local laws and regulations.

(ii) Remuneration and benefits

The remuneration system of CIMC follows the principles of “competitive efficiency, competitive people and competitive salaries”. Through scientific and effective remuneration management, CIMC promotes the competitiveness of the enterprise, encourages ability upgrading and sticks to being oriented by performance, to attract, stimulate and retain talents. The staff remuneration and welfare are competitive in local regions. In addition, according to the economic performance of the Group, CIMC reviews remuneration, and increases its employees’ remuneration and bonus every year.

Apart from remuneration, CIMC also provides the staff with a large variety of welfare, including social insurance, supplementary pension plan, commercial insurance, free lunch, single child subsidies, health examination, cultural and sports activities, travel, holiday greeting, birthday greeting, greeting to employees’ newborn babies, visiting sick employees, training subsidy and paid vacation, etc.

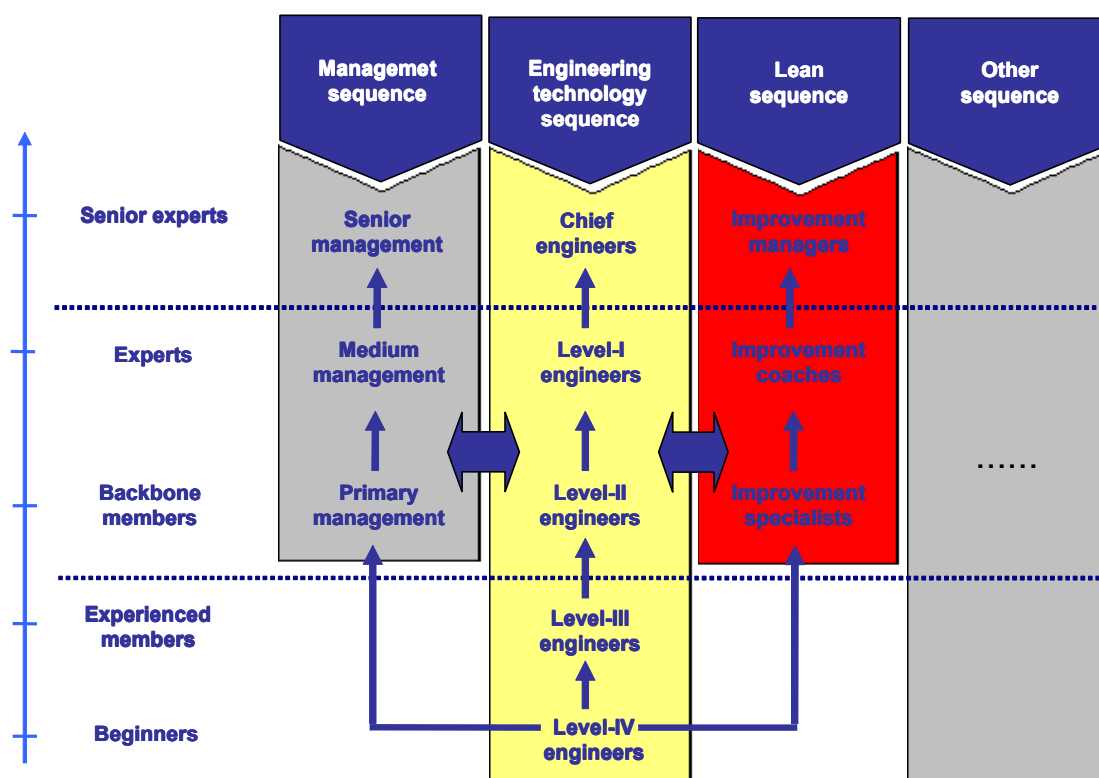
In terms of long-term incentives, CIMC finished the first term of Ownership Trust Plan in CIMC Vehicle Group in 2007, which benefits medium and senior managers and backbone

members of vehicle group headquarter, group headquarter and department managers. By 2010, CIMC completed the arrangement of the second term.

The composition of remuneration and welfare are as follows:

Annual basic salary Comp1	Annual fixed salary Comp2	Annual total cash revenue Comp3	Annual total remuneration Comp5
Annual fixed bonus (in the form of cash)			
Merit pay plus special awards			
Long-term incentives			
Welfare (social insurance plus enterprise supplementary welfare)			

(iii) Training and development



“People construct the future of CIMC”. People are the most important assets and competitive advantage of CIMC, which constantly adheres to the human resources development concept of “a powerful country, a welfare society and mutual development”. The continuous development of CIMC business also provides its employees with more opportunities for career development. By constructing a personnel training system with CIMC characteristics, CIMC promotes the realization of the goal of “concentrating and training excellent professionals in the industry”.

According to the requirements of strategic development on personnel, CIMC has built employees’ career development channels (such as management, engineering technology and lean etc.), to define employees’ career development direction with job qualifications and lead the

upgrading of employees' ability.

Employees' ability upgrading starts from learning and ends in practice. CIMC has constructed a multi-level composite personnel training system, including new employee induction training, general skill training, professional training, leadership development plan and international personnel training plan etc. In 2010, the input of the Group in improvement of employees' personal knowledge and skills to upgrade their ability of career development amounted to RMB 9.412 million.



The CIMC leadership development plan was carried out in depth in 2010. While continuing the “CIMC Sailing Series training program addressed to development of leadership of medium and senior management, the “new manager training camp” on the theme of “Sailing · Journey of Leadership” was started in August 2010, as organic supplement to the “CIMC Sailing Series training program. At present, this training has carried out for terms. While helping managers grasp and apply leadership knowledge, and upgrade their personal leadership, we have realized that the upgrading of personal leadership must be combined with the team and organization, to drive the development of the organization. We have started the A, B and C program for leadership development, centering on three main threads, centralized upgrading, personal development tutoring and work practice. The A, B and C program of CIMC leadership development is upgrading of the CIMC leadership development course; starting from this program, CIMC will build an environment and mechanism for cadre training and development, combining the goal leadership training with the organization's developmental goal, cadres' key work with business development and leadership development, promoting organizational reform by development and promoting cadre development through organizational reform.

(iv) Corporate culture

1. Diversified culture

Through 28 years' arduous pioneering and continuous development, CIMC has achieved remarkable performance, and gradually developed and formed its corporate culture characterized by “lofty ideal, pursuit of excellence, performance-oriented, cherishing talents, team synergy, tolerance and pragmatism”, which has become a strong spiritual drive to stimulate the imitativeness of staff, enhance their cohesion and create harmonious organizational atmosphere and labor relations.

In the recent 5 years, in particular, with acceleration of international M & A and domestic acquisitions, as well as CIMC's own business development, the Group features industry diversification, geographic complexity, staff diversity and cultural pluralism. In face of cross-cultural management and regional culture conflicts, CIMC follows the cultural integration policy of "tolerance, inclusiveness and progressing step by step", and respects cultures of different countries and areas, different social systems, different races, different nations and different economic development stage. To seek common grounds while reserving differences, and to complement each other's advantages, CIMC attaches importance to localization under a common vision. Through using the experienced staff from the acquired companies, recruiting local employees, publicizing, training and communication of corporate culture, counterpart department business exchange in the Group and Group cultural activities, newly merged enterprises are able to shortly integrate into the big family of CIMC.

2. Colorful and diversified cultural activities

CIMC carries out a variety of culture activities to promote communications and cultural integrations of enterprises in the Group and staff, form a good organizational atmosphere and harmonious labor relations within the Group.

Corporate cultural activities are mainly on two levels, the Group and its members. The Group is mainly in charge of planning and organizing group-level cultural activities, like CIMC quiz contest, dialogues with the President and regional Group sports games. On September 22nd, 2007, CIMC successfully held the first celebration of "CIMC Day", and from then on, September 22nd of every year is set as the Corporate Day of CIMC. On that day every year, each subsidiary holds colorful cultural events like "raising the same flag and singing the same song", "dialogues between President Mai Boliang and staff" as well as other events. 2010 was the 28th anniversary of CIMC. The enterprise organized subsidiaries to hold various cultural celebrations, such as "Milestone Picture Exhibitions on 28 Years' Development of CIMC" and "CIMC Knowledge Online Quiz Contest", etc.

In every subsidiary, cultural activities are held at the grassroots level. On every major festival, subsidiaries hold comprehensive art performances and sports competitions. Also, each workshop and each company has individual team sports activities each month. Activities are in the forms of painting exhibition, dance party, sports game, speech contests, tug of war, excursion, debate and salon and so on. A number of activities have won numerous regional awards. In the course of activities, not only the level of the activities are valued, but also employees' involvement and implicated team cultural values of the team.

(v) Labor union

CIMC headquarter established labor union within the enterprise abiding by the law, and all employees have the right to join in the labor union. 98% of the staff now is in the union.

The labor union safeguards employees' legitimate rights and interests according to law, and plays its due role. As to matters related to employees' immediate interests like wages, welfare, labor safety and health, social insurance and rewards and punishments, the labor union would listen to the suggestions of staff representatives through forms of E-mail, notice billboard, questionnaires

and meetings. The Shenzhen collective contract has been signed.

The labor union support the sports associations to carry out a variety of recreational activities in accordance with the requirements of being people-oriented and promoting harmony, such as badminton, table tennis, basketball, employee tours, granting holiday greeting money; visits and greetings of staff's newborn babies or sick staff, helping and supporting staff in difficulties and giving them economic subsidies.

VI. People oriented, production safety and labor protection

(i) Production safety

In 2010, the safety management in CIMC has gradually marched towards the goal of a safe and lean management ability platform with accruable and sustained improvement on the basis of promoting safety compliance project in 2009. In 2010, CIMC stuck to the principle of “safety foremost, prevention first and comprehensive control”, and stuck to the core idea of “paying attention to safety and valuing employees’ life”. On the basis of forming a set of safety and lean management system meeting the characteristics of production safety in CIMC, which has been implemented in the form of “safety compliance project” in all manufacturing enterprises in the Group, various safety management tasks of the enterprises have been effectively fulfilled, gradually marching towards the essential safety goal of the optimum coordination of “people’s safe behaviors-materials’ safe conditions-management mechanism”, laying a foundation for creating a healthy and safe working and living environment for employees, minimizing accidents in the course of work and preventing occupational hazards.

1. Improve production safety regulations and responsibility system

CIMC has established a production safety management committee (abbr: SMC) mainly consisting of medium and higher level managers. It has also formed and improved the Group safety management organization and production safety responsibility system, standardized the operation mechanism of the Group production safety committee to ensure that organizations at various levels such as the Group, industrial segments and enterprises can work in coordination and cooperate effectively.

All manufacturing subsidiaries of the Group have established an enterprise safety committee headed by the general manager. Safety committees of all levels have clearly defined responsibility for production safety management and are equipped with professionals to engage in safety supervision and check and management. Also the safety responsibilities of each department are assigned to each employee, with the management concept of “involvement of all employees, independent management, sustained improved and building safety jointly”. The safety management goal of the Company is realized by enhancing each employee’s safety awareness, improving each employee’s skills in safety and emphasizing that production must be improved together with safety.

At the same time, the Group has gradually improved its internal regulation and system on production safety. On the Group level, systems such as the “CIMC Measures for Personal Injury Incident Reporting and Investigation and Treatment” the “CIMC Group Safety Compliance Project Certification and Examination Management Procedure” and the “CIMC Group Safety Regular

Meeting Management System” have been prepared, as well as the “CIMC Group Measures on Collection of Safety Laws and Regulations Information and Management”, have been prepared to regulated the preparation and improvement of safety management systems on the Group level. On the enterprise level, according to the requirements on “Enterprise Safety Management System” in the “Safety Compliance Project”, 28 safety systems such as “Measures on Identification of Hidden Hazards” “Production Safety Accident Emergency Plan”, “Hazardous Chemical Safety Management System” “Safety Reward and Punishment Management Procedure” and “Regulations on Management of Articles for Labor Protection” have been prepared and improved, which have been fulfilled in each enterprise’s safety management sites, so that each safety management task has “rule to follow”, and employees’ safe operation is regulated.

2. Establish occupational safety and health management system, and comprehensively start enterprise safety compliance activity

In 2010, on the basis of summarizing safety management experiences of excellent transnational corporations in safety management, CIMC has summarized a set of safety management systems meeting the characteristics of CIMC subsidiaries, which covers safety management system and site safety activities required by CIMC enterprises. PDCA cycle of various tasks in enterprise safety has been realized by “involvement of all staff and sustained improvement”, which is advanced and scientific as compared with other manufacturing enterprises in China. In the form of “safety compliance project”, the systems are promoted and replicated in all manufacturing enterprises of the Group. Each year, each enterprise is subject to certification and examination as to their method of promotion. By different compliance levels, enterprises are led to make continuous improvement.

In 2010, through the in-depth implementation of the safety compliance project, employees’ safety awareness has been enhanced, and major and key sources of hazard have been identified and controlled, the side safe working environment has been obviously improved and the “safety-lean” management system has been preliminarily established, laying a solid foundation for the sustained improvement of the following Group occupational safety and health system. At present, the safety management in some enterprises of CIMC is leading among local manufacturing enterprises, and they have become production enterprises trusted by local enterprises and governments.

3. Strengthen emergency management of production safety

To guarantee the staff’s safety of life and property of, to prevent the occurrence of safety accidents and to ensure that in case of any accident, it can be controlled and treated orderly and efficiently, the Company follows the principles of “being people-oriented, safety first, prevention-based, self-help first, centralized command, distribution of responsibility”, to prevent and minimize emergencies and the loss of accident if any occurs, to guarantee the stable proceeding of production and operation and employees’ life and property safety, and to promote the sustainable development of the Group. At present, all enterprises have prepared Production Accidents Emergency Plan addressing emergency management of production safety, and established comprehensive emergency plan management system and emergency plan flowchart. The system requires that emergency plan and response procedure shall be specially prepared for emergencies such as in

electricity, oil explosion in depot, typhoon prevention, flood prevention, toxic chemical leak and major injury and accidents. CIMC organizes related personnel to study the emergency response procedures and conduct emergency response rehearsals every year, and organizes professional emergency rescue teams and reserves emergency rescue materials. After the treatment of an emergency, the enterprise will review and evaluate the appropriateness of the established emergency play and procedure.

(ii) Labor protection

1. Create safe manufacturing and working environment

While the group is devoted to promoting productivity, close attention is paid to creating safe and healthy manufacturing and working environment for the staff. The Group's manufacturing enterprises mobilized all the staff to improve working site and environment through strengthening safety management system upgrading, and starting from 3S basis, which has greatly reduced hidden danger at working sites. Meanwhile, the Group encourages skill innovation to decrease the working intensity of the employees working at production line and monitors harmful working sites with smoke, dust, exhaust, noise and heavy metals. What's more, the Group strives to reduce the hazard sources of welding fumes, benzene emissions and noise which are harmful to staff health.

As to newly-established production enterprises, they follow *Three Simultaneous* and other national laws and regulations. Since construction design, full consideration is given to working environment and working conditions, which indeed improve working environment for production safety from in terms of optimal coordination of "people-machine-environment".

2. Proper labor protection appliances

An allotment standard for labor protection appliance has been established, and corresponding qualified labor protective appliances have been stored, according to the requirement of national safe production laws and regulations, and according to the environmental features of production posts and time requirement of production. Meanwhile, the quality, proper wear and use of labor protective appliances are strictly supervised. As to the situation where any staff improperly wears or uses any labor protective appliance, correction will be carried out by way of training, education and assessment etc.

The enterprises must purchase the labor protection appliances such as helmets, electrician shoes, dust masks, ear plugs, etc. with special protective functions in line with the national regulation of Three Certificates and One Mark (Three Certificates refer to fixed production certificate or production ratification certificate, quality certificate, security identification certificate and safety mark), and the copies of fixed production certificate would be filed and recorded with the relative department of safety management.

3. Labor protection measures for special environment and special types of work

According to the state Labor Protective Appliances Supervision and Management Regulations (No. 1 decree, Security Supervision Bureau), all the enterprises in the Group have specially prepared the Labor Protective Appliances Management Regulations, which have further strengthened the management of labor protective appliances, reorganized the management process

of the labor protective appliances, clarified the management responsibilities of each link, ensured the quality and proper distribution of labor protection appliances, thus effectively preventing injury and occupational diseases. At the same time, the staff's proper and overall wearing of protection appliances is part of three levels spot inspection of the safety lean management system, as well as one of the verification and examination contents of the enterprise safety compliance project of the Group.

As to workers at special or harmful posts defined by the national regulations, each subsidiary has prepared scientific and proper production processes, operational procedures and standards for organizing production according to a fixed number of workers and quota, and rationally distributed the operational personnel of each procedure. As to the personnel engaged in special operations, in addition to granting special job allowances, personal career health and safety files as well as regular health examination and appropriate adjustment system of posts have also been established.

VII. Mutual benefits and mutual development with business partners such as suppliers

(i) Establish and improve the SOP for purchasing, and ensure regulated and fair trade

CIMC has prepared and implemented the management process for centralized purchasing of materials, and realized the centralized purchasing of main materials for container and vehicle businesses. CIMC has reasonably set the responsibility allocation of purchase management of centralized-purchased materials between the group purchase department and that of subsidiaries, and made clear the responsibility of every post in the Group's purchase department. As to procurement of important strategic materials, CIMC has particularly prepared purchase management regulations, and continued to optimize the management of supply chain. The personnel cannot decide purchase intentions alone, which has effectively avoided the risk of business bribery and damage of the enterprise interests. Meanwhile, in the course of transaction, the personnel should comply with national and governmental laws and regulations to ensure fair trade and to protect suppliers' interests.

CIMC has also established strategic partnership with its main suppliers (such as BaoSteel, WISCO, AnSteel and TISCO). In line with the principle of mutual trust and benefits, CIMC propels the communication and cooperation in the fields of technology and new product development. For example, they have jointly developed steel of high-strength and high-performance to substitute imported products, which has promoted the added value of homemade steel; meanwhile, these national large-scale iron and steel groups have taken advantage of their own strength, together with the R&D team of CIMC, to supply solutions for the development of new products and application of new materials, and to promote the technological contents and product performance values of CIMC. Similarly, in terms of application of new equipment and new technologies, CIMC has also established project teams to undertake technical research together with suppliers and share intellectual property rights with them to enhance market competitiveness, and to cope with market challenges together.

(ii) Establish a supplier access and certification system, and include corporate social responsibility into assessment

CIMC has established a supplier assessment and certification system to regularly assessed the suppliers and organize on-site certification. Moreover, the Group gives feedbacks to the suppliers on items to be improved and supervises their improvement. By constantly putting forward requirements on environmental protection, suppliers' awareness of environmental protection has been constantly improving. Especially in terms of casting, all suppliers have passed the secondary use of ZFS, which has greatly reduced the emission of waste sand and promoted the improvement of the overall environmental protection of the industry. To reduce emissions, some suppliers started to use investment casting, which has greatly improved workers' operating environment.

In the second half of 2010, CIMC started cooperation with iron and steel plants to recycle waste steel of the container specialty, which can minimize emissions. Through half a year's practice, remarkable emission reduction effect has been achieved in this kind of circular economy.

In the access and regular assessment of suppliers, environmental protection, production safety and employees' occupational health have been included into assessment, which has enhanced suppliers' awareness of corporate social responsibility and promoted them to take further measures for optimization and improvement.

VIII. Independent innovation to lead sustainable development of the industry

CIMC has always been advocating the core value of Unlimited Innovation, taking innovation as a way of survival and development and constantly improving the innovation management system, through independently technological innovation, to promote the technological progress and value enhancement of the whole industry, and to promote the sustainable development of the industry. In November 2006, CIMC was awarded the title of The Best Innovative Enterprise in China by the magazine of *IT Managers World* and the School of Economics and Management of Tsinghua University. Presently, there are already 15 subsidiaries recognized as *Hi-Tech Enterprise* of national or provincial level, such as Zhangjiagang Sanctum Low Temperature Equipment Company, Yangzhou CIMC Tonghua Special Vehicle Company, Wuhu CIMC Ruijiang Automobile and Shenzhen CIMC Tianda Airport Equipment Co., Ltd.

(i) A sound technology innovation management system

1. R & D system combining “research institute” and “technological center”

According to the characteristics of development of various segments and the requirements of strategic upgrading of the Group, in recent two years, CIMC has, on the basis of gradually optimizing the original technical organization centering on various technical centers of the bases, gradually promoted and established a research institute system guided by “technology” and aiming at accelerating research in innovative products, technologies and process equipments, which lay a solid foundation for developing new market and new businesses. The “industrial research institutes” and “enterprise technical centers” have clear division of labor and supplement each other, which not only guarantee the rapid response to and support for market by technology, but also guarantee the development of basic R & D and foresighted R & D with major significance to the long-term development of the Group.

The CIMC Group Technical Center was rated as a national enterprise technical center in 2001.

In 2010, the National Energy Offshore Oil Drilling Platform R & D Center was settled in CIMC. At present, under the CIMC Group Technical Center there are 5 research institutes, 15 technical sub-centers, 5 national postdoctoral research stations and 1 postdoctoral innovation base, in addition to over 20 laboratories including engineering laboratories and material laboratories, among which 7 technical sub-centers are provincial or municipal technical centers and 2 laboratories are CNAL certification laboratories.

In 2010, altogether 856 new products were developed in various CIMC segments, and the sales volume of new products and products with major improvement accounted for over 20%. The Group supported and participated in the preparation of over 20 international, national and industrial technical standards; applied for over 280 patents, including 90 invention patents.

2. Systematic and comprehensive system for technical personnel development

Technical personnel are the source of innovation. To promote the growth and development of technical personnel, CIMC has established a sound professional technical level certification management system and dual passage career development path. Since 2010, CIMC has further stepped up efforts in training of technical personnel. It is now gradually establishing a “whole lifecycle technical personnel training system” centering on “engineering technical degree education” and “skill education and training”, paving the path for the growth and development of technical personnel. At the same time, technical personnel are led and encouraged to keep innovating through the technical level index system and the training and selection mechanism for technical personnel, and a fine atmosphere of unlimited innovation has been created among employees.

3. A sound innovation achievements discovering, assessing, incentive and promoting mechanism

Since 2002 when CIMC for the first time carried out technical innovation achievements assessment, and 2004 when CIMC for the first time carried out managerial innovation achievements assessment, CIMC has held these two kinds of innovation achievements assessment, and group innovation meeting every year. With the continuous development of business and renovation of the Group, to regulate innovation evaluation and incentive management, in 2010, CIMC optimized and revised related system documents such as CIMC Group R & D Fund Management Measures, CIMC Group Innovation Proposal Management Measures, CIMC Group Science and Technology Innovation Incentive Measures and CIMC Group Science and Technology Results Promotion Management Measures. A system of different levels, including Group, segment and enterprises, has been established, forming an organic comprehensive system from up to down and mutually supplementary. By improving the innovation incentive standard, more support is given to scientific and technological innovation to encourage the initiative for innovation. By 2010, CIMC totally awarded over 1100 technical innovation projects, such as side plate automatic production line, underbed black paint automatic spray, automatic sand blasting outside container, welding smoke and dust control and development and use of water paint and austenitic stainless steel strain hardening. These innovation activities were cultivated, promoted, encouraged and popularized through the Group innovation management mechanism, which have upgraded productivity, substantially reduced employees' labor intensity, and improved working environment, creating

enormous economic and social benefits.

4. CIMC post-doctoral research station integrating production, study and research

Currently, there is a national postdoctoral research station and one innovation base under the Group Company and 4 subsidiaries. CIMC has given full play to the role of personnel exchange and training of the postdoctoral research stations, and 6 postdoctors have been introduced to engage in key problem tackling and research in solutions for product and manufacturing technologies, to step up research efforts in new materials, automatic technologies, environmental protection and energy saving technologies, and to promote the upgrading of technical level of the whole machine manufacturing industry.

(ii) The technological innovation path of Introduction, Digestion, Breakthrough and Subversion

In 1996, the introduction of reefer technology from Germany marked CIMC's substantial progress in mastering key technology of the industry. From then on, along the independent innovation path of Introduction, Digestion, Breakthrough and Subversion, CIMC has achieved breakthroughs and leaping development in key and core technologies of fields like reefer container, flatrack container, tank, container flooring, SGIL container, dry cargo container manufacturing technology, PBB, road transportation vehicle, logistics and storage equipment, energy equipment, compressor, and offshore. In each work day 2 new products are developed on average, and 1 new patent is applied for. Up to now, CIMC has applied for about 2280 independent patents, of which more than 880 are invention patents and 158 overseas applications. Several tens of projects have been nominated as National Torch Program, national key new product planning project, national high-tech product export project or national export electromechanical research and development project of the Ministry of Commerce.

(iii) Participate in industry standards

CIMC has participated in the preparation and amendment of ISO/TC104 international container standard and amendment of a number of national industry standards. As a member of ISO/TC104, COA, IICL, the National Container Standardization Technical Committee, the National Automobile Standardization Technical Committee, the National Boiler and Pressure Vessel Standardization Technical Committee, etc., CIMC has been actively taking part in preparation and amendment of industry regulations and standards. Presently, in 6 product areas including container, special vehicle, energy and chemical equipment and offshore, CIMC has participated in the preparation of more than 100 international, national and industrial standards, of which 46 have been formally incorporated into national and industrial standards. In 2010, CIMC spearheaded the sub-project of the MIIT "Offshore Construction" Project, the "Research in Offshore Technical Specification". The national standard GB18564.1-2006, the preparation of which CIMC has spearheaded, has won the first prize of National Standard Innovation Award, and the industry standard JB/T4782-2007 won the Innovation Award of the Shenzhen "Standard Innovation Contribution Award".

(iv) Foresighted deployment to lead sustainable development of the industry featuring

intelligence, security, environmental protection, high efficiency and energy saving

CIMC has always been devoted to the technical R & D and application in intelligence, security, environmental protection, high efficiency and energy saving of its products, leading the sustainable development of the industry.

In 2010, further results have been achieved in the research of the new generation CIMC container (SGIL, that is, Secure, Green, Intelligence, Light). CIMC started to explore the use of environmentally friendly paint on containers from 2003, and by 2010, some environment friendly paint spray production lines have been reconstructed and small batch production experiments have been carried out; in 2010, the CIMC “Dream Work” design plan was launched and put into implementation, predicting the birth of a brand new, advanced and automatic container manufacturing plant, which will surely promote the realization of new leaps and bounds in terms of safety, environmental protection, quality, response and cost in the whole container industry.

CIMC has mastered the core technologies of a series of special vehicle products such as tanker, dump truck, semi-trailer, pump truck, sanitation truck and developed a series of light vehicle products by using CAE analysis technology and the only whole vehicle road simulation test in China, etc. In 2010, the light semi-trailers developed and successfully launched to market are over 20% lighter than traditional semi-trailers. In 2010, six kinds of special vehicles became economical and environmentally friendly vehicles recommended by the Ministry of Transportation. In December 2010, CIMC launched the C & C truck integrating intelligence and efficiency. Relying on the professional advantages of CIMC reassembly, C & C Truck puts forward the concept of integrated design. Truck chassis and wagon are designed and developed at the same time, realizing seamless connection of the whole vehicle and the optimal match of whole vehicle performance, avoiding modification and damage to chassis in vehicle commissioned modification, guaranteeing the special purpose of vehicle chassis, greatly improving product reliability, optimizing vehicle overall performance, reducing refitting cost and shortening refitting cycle.

CIMC’s R & D in terms of clean gas cylinders and wrapped gas cylinders has enriched high voltage product varieties and maintained its leading position in domestic and overseas markets of high voltage gas cylinder products and technologies. The CIMC new hydraulic CNG refueling stations have made new progress in energy saving and noise reduction. The liquid tank container products and technologies developed by Nantong CIMC Tank Equipment Company have constantly won the title of “championship products” in the world. In the field of medium and high pressure compressors, CIMC has a dedicated R&D institution and strong technical equipment force.

On the basis of introducing, digesting and absorbing advanced product technologies of Austria and West Germany, the Company has independently researched and developed a high emission screw—high pressure piston compressors in series and a variety of power flow compressors, CNG refueling station compressors and military compressors, which have made a significant contribution to the country and the national defense and economic construction. Natural gas is in great demand in the market, which provides a good opportunity for the development of the natural gas equipment industry. CIMC’s low temperature equipment manufacturing subsidiaries have been launching new products and new technologies meeting customer demands while adjusting product lines and layout and upgrading production capacity. CIMC energy, chemical and food equipment subsidiaries have

stepped up inputs in technical reconstruction of boilers, thermal treatment furnaces, sandblasting rooms and paint production line used in production lines, to reduce energy consumption, upgrade production capacity and make pollutant emission meet requirements of environmental protection. The successful application of small LNG liquefaction plants/devices has provided effective channels for the liquefaction of coal bed gas and recycling of well head gas and light hydrocarbon, turning wastes into useful materials and conducive to environmental protection. The application of austenitic stainless steel strain hardening in cryogenic containers can effectively save raw materials.

The airport facility products of CIMC –passenger boarding bridges, on the strength of their technology, have won high recognition of the European market renowned for its stress on safety and environmental protection, winning all PPB replacement contracts for the future five years + five years in the joint bid invitation of Amsterdam Schiphol Airport Group of Holland and French Charles de Gaulle Airport. Another product—Passenger Ship Boarding Bridge has won the title of national key new product in 2010. The automatic air cargo treatment system continues to maintain its leading position in the industry and has won the second prize of science and technology in Guangdong. After the mechanical parking system won the title of national key new product, the product series were improved in 2010, and a high—end mechanical parking system saving the most space in China has been developed, well received in the market.

IX. Contribute to community culture and social charities

CIMC has long been enthused in social charity. Not for fame or fortune, CIMC has been quietly donating money to education, health, protection of natural environment, helping the poor, disaster relief and other social undertakings. CIMC has also been taking initiative to relieve difficulty and anxiety for the country and society, and truly shouldering corporate social responsibility. In 2010, the charity donation of the Company exceeded RMB 1.7 million.

1. Support the culture and education activities. Over many years, CIMC has been providing scholarships and teaching awards in Shenzhen Yucai Education Group and domestic famous universities like Tsinghua University, Peking University, Shanghai Jiaotong University, South China University of Science and Technology and Jilin University. In 2010, CIMC financial support for South China University of Science and Technology and Yucai Group amounted to RMB 350,000 yuan. According to incomplete statistics, from 1995 to 2010, CIMC donated money and materials to various public charities for culture, hygiene, disaster prevention and disaster relief, totaling tens of millions Yuan.

2. After the occurrence of the Yushu Earthquake in 2010, the CIMC headquarters and leaders and employees of various subsidiaries took quick action to donate money and materials totaling over RMB 1.275 million.

3. Take an active part in social activities. The South China Distribution Center of the CIMC Vehicle Distribution Department has sponsored the Fifth Badminton Invitation Championship of the Shenzhen container transportation industry; the CIMC Vehicle Distribution Company sponsored the whole course of the first Scania Truck Driver Contest”; the environmentally friendly containers developed and manufactured by Nantong CIMC provided core equipment for the waste

treatment during the Shanghai World Expo; in the National Tennis Center, Shenzhen CIMC Investment Holdings Ltd. made use of waste containers (green, environmentally friendly, and recycling) to undertake the Beijing China Open supporting facilities construction; the container rebuilt into building project “Beijing Qingdao Beer Festival” Container Modular Hardware Facilities undertaken by Xiamen CIMC Haitou Logistics and Container Service Company showed up besides the Bird’s Nest in Beijing, providing a comfortable platform for football fans to enjoy the football feast of World Cup; Southern CIMC has built the Shenzhen Pingshan New Area Youth Occupation Probation Base; Nantong CIMC organized employees to support the publicities on drug control, advocating employees and the public to “cherish life, keep away from drugs, support public welfare and lead a healthy life”; the first phase of the Shenzhen municipal government key environmental project green channel project in the charge of Southern CIMC Service Company has been delivered, and the quality and progress of the project have won high praise from the Shenzhen municipal government and the Guangdong provincial government. Besides, various subsidiaries of the Group have taken active part in social projects in the forms of event sponsorship, and equipment and service provision, and so on.

4. Care for staff, and start an enterprise internal emotional interaction center to provide a channel for relieving employees’ emotional troubles and living pressure, to promote employees’ emotional and psychological health and provide professional psychological counseling. The Group Headquarters and subsidiaries such as Southern CIMC have provided single employees with Singles’ Friendship Activities by cooperating with other companies; subsidiaries carry out a variety of care and parent-child activities during the Women’s Holiday and Children’s Holiday; Shenzhen CIMC Special Vehicles have also held “August 1st” demobilized and transferred army men colloquia to celebrate the festival of soldiers; Qingdao CIMC, Qingdao Cool Storage Base, Taicang CIMC and CIMC Liangshan and others have organized a variety of cultural festivals; Taicang CIMC and Yangzhou Runyang and others have carried out “Red Song Contest”, drawing extensive attention from the society and enriching employees’ life in their spare time.

X. Support and coordinate with governmental and non-governmental organizations to build a harmonious society

(i) Involvement with associations

By the end of 2010, CIMC has joined 18 associations and NGOs, in which it served as director, vice president, director-general, etc., and paid a total membership fee of RMB 830,700 yuan.

NO.	Association Name	Office
1	CCIA	Director-general
2	CFIE	Executive chairman
3	CEC& CEDA	Vice-chairman
4	CCCME	Vice-chairman
5	CCTA	Vice-chairman

6	CANSI	Vice-chairman
7	CAAM	Vice-chairman
8	CBCSD	Founding director
9	ShenZhen Association of Listed Company	Vice-chairman
10	COA	Member
11	PPAC	Member
12	CAS	Member
13	"Container" of the Council Magazine	Director
14	CFEMM	Director
15	SZPA	Vice-chairman
16	SZPEC	Director
17	SZAS	Director
18	ShenZhen Publishing Association	Member

Group President Mr. Mai Boliang serves as the director-general of China Container Industry Association, President of the Presidium of China Federation of Industrial Economics, Vice President of CEC-CEDA, Vice President of China Chamber of Commerce for Import & Export of Machinery and Electronic Products, Vice President of China Society of Economic Reform, Vice President of Communications and Transportation Association of China, Founding Director of China Business Council for Sustainable Development, etc.. Currently Mr. Mai is a member of the 10th CPPCC National Committee of Guangdong Province and a member of the 4th Shenzhen Municipal CPPCC.

(ii) Actively participate in decision making of associations, carry out activities consistent with the associations' constitution, and contribute to social and industrial development in cooperation with the associations and societies.

CIMC takes an active part in the decision making of associations, carries out work and activities consistent with association missions, and plays the role of a bridge between enterprise and industry and the government. In September 2010, CIMC and CNOOC engineering Company jointly undertook the third strategic forum for offshore oil and gas equipment, which was held by China Federation of Industrial Economics in Qingdao. As a platform for communication and cooperation between the government, offshore enterprises and institutes of higher education, the forum offered in-depth discussion on developmental strategies for offshore oil and gas equipments in China, and played an active role in promoting the cooperation between oil enterprises, offshore equipment manufacturers and research institutes and promoting the development of the offshore oil and gas equipment industry in China.

(iii) Undertake key national research project to contribute to social development

On July 23, 2010, the National Energy Administration granted to CIMC the “National Energy Offshore Oil Drilling Platform R & D Center”. From then on, CIMC would strengthen the construction of large-scale offshore oil platform equipment GA building process research ability, the special offshore material experiment ability, and the deepwater oil platform whole lifecycle digital engineering ability on the strength of the Yantai CIMC Offshore Research Institute and CIMC offshore engineering construction ability and with a view to the deep sea and abyssal oil drilling equipment. At the same, led by the project, CIMC has organized systematic technological breakthroughs to drive the upgrading of domestic production of supporting equipments for offshore equipments.

(iv) Support and respond to the government policy of implementing scientific development concept and building a harmonious society. Actively put forward constructive proposals to the government, and support the government to improve governance and public service capacity

In 2010, CIMC received the special investigation launched by the Counselor Office of the State Council, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Economic and Information Commission of Guangdong Province and other departments, and participated in the discussions on the “Twelfth Five-Year” Plan of the related industries organized by related state departments, putting forward constructive comments and suggestions for the healthy development of the industries.

Section Three Environment Responsibilities**XI. Concern about global environmental protection and resource saving, and construct a beautiful and harmonious society**

As an industry leader supplying products to the global market with global resource allocation, the Company always places the social responsibility for environmental protection and resources conservation on an important position of corporate development. To lead the industry’s sustainable development, we have been making great efforts to achieve harmonious co-existence between economic growth and ecological environment.

(i) Implement the environment management system, improve the environment management regulations, and improve the environment assessment system

With reference to the ISO14000 environment management system, CIMC has gradually set up environment management organization from 2005 to 2010, constructing and improving the environmental target performance assessment system and environmental management regulations.

By issuing the “Group Environmental Management Planning” and the “Organic Waste gas Processing Guidance”, and introducing the “Index Assessment System of Environmental Management of CIMC Manufacturing Enterprises” and the “Index Assessment System of Energy Saving and Consumption Reduction of CIMC Manufacturing Enterprises” to the assessment system of the enterprise, CIMC has gradually increased the proportion of these two index systems.

Appropriate environmental protection assessment system has been adopted to evaluate enterprises' environmental performance and to improve their environmental management. By 2010, 18 enterprises had passed the assessment of "three simultaneous" environmental protection and five enterprises have passed the ISO14001 environmental management system certification.

(ii) Increase investment in environmental protection and treatment

CIMC had invested more than RMB 300 million by the end of 2010. From 2005 to 2010, investment had amounted to RMB 180.38 million in processing waste gas and waste water, and RMB 41.88 million in purchasing equipments for welding smoke and dust treatment and noise control. The investment in environmental protection in 2010 was about RMB 58 million.

(iii) Use innovative technological means, develop new environmentally friendly and energy conserving products, and realize environmental protection and energy saving in manufacturing process

1. Develop new environmentally friendly and energy conserving products

(1) Reefer container with zero damage to ozonosphere

CIMC has incorporated the most advanced container technology and environmental protection concept. In 2006, it successfully developed environment-friendly containers with the cyclopentane foaming technology, which does not cause damage to the ozone layer; also cyclopentane material, which is less costly, but with better bubble forming and insulation, is a dual environment friendly material

In 2010, according to the centralized deployment of the national and industrial 141B elimination plan, CIMC decided to carry out cyclopentane foaming production line reconstruction on the reefer container plant in Shanghai. At present, the Group has completed the related technical scheme and approved of the feasibility analysis, and the equipment model selection and project bidding will follow.

(2) High-strength light-weight container and light-weight vehicles

CIMC has taken the lead to adopt high-strength steel in container and vehicle products by working together with iron and steel enterprises, starting with the design and research. The company has also promoted the design of light structure and application of new materials. Light-weight containers and special vehicles have been developed, which have not only decreased in dead weight but also saved many raw materials.

In particular, the dead weight of high-strength light-weight dry cargo containers decreases by 5% and material cost reduces by 5%, while the requirement on strength is met. Such containers are also conducive to resource conservation and load capacity expansion. With the advanced technique of reinforcement stainless steel, for a 50m³ liquid storage tank, steel consumption is saved by 30%. With the advantages of high standardization, light dead weight, large load capacity, excellent safety performance and low energy consumption, the ultra-light vehicles can reduce steel consumption by over 100,000 tons and increase transportation of 24 billion ton kilometers cargoes each year, which equals to reducing CO₂ emissions by 920 thousand tons. (Note: the calculation is based on *The Handbook on Reducing Greenhouse Gas Emissions by Conserving Energy*). In its whole cycle life,

the vehicle can save fuel by 32 thousand tons and reduce the CO₂ emission by 11.9 tons each year

(3) Container modular buildings

Container modular building refers to a new kind of building pre-built (including household electrical appliances, furnishings, etc.) with special-sized container steel-structure in the plant and then transported and assembled on site.

The modular building is based on the steel structure in design, and the modules can be dismantled and recycled. The steel material in the module also can be utilized again after tens of years' usage. Every module is produced from the assembly line in a plant and all materials are under collective control to minimize consumption. The energy required during transportation is less than that in traditional construction methods. Also, such building features short construction period and noise and dust reduction. The walls and floor after assembly are of double layers, which result in better heat insulation and energy saving than those of traditional buildings.

To sum up, the design, manufacturing and assembling on site of the modular building reflect the new concept of environmental protection, which has been accredited by Reuter's News Agency as a great innovation in the history of construction of the recent century, representing one of the developmental trends of future housing.

In May 2010, CIMC successfully won an exclusive strategic supply contract for five-year camp housing of the BHPB Western Australian Iron Ore Project Department, and CIMC is to supply residential housing and related supporting public facilities for about 10 thousand people of the BHPB Western Australian Iron Ore Project, which is a new milestone of CIMC's modular housing business, symbolizing that CIMC has formally become a mainstream supplier of the Australian camp housing market.

(4) The environment friendly container project in World Expo 2010 Shanghai

CIMC Nantong has been involved in the project of environmental friendly containers since 2006. The Company has independently developed the environmental friendly container, with auto-door and high water-tightness requirement, which effectively reduces secondary pollution during transportation. Nantong CIMC was listed in the first group of major suppliers of environment friendly containers for World Expo Shanghai.

2. Develop environment friendly coating, to solve a key problem of sustainable development of the industry

In 2003, CIMC set up the first laboratory of waterborne paint in the industry. Together with the suppliers, CIMC has successfully developed waterborne paint containers. By 2009, the trial production of waterborne paint containers was carried out successfully on a small scale, making a breakthrough in the field. The waterborne paint replaces the traditional organic solvent (such as lacquer thinner, containing hazardous materials such as formaldehyde and benzene). It has the advantages of safety and environmental protection. The development and application of waterborne paint is a technical breakthrough in the industry of container manufacturing, which can greatly reduce the emission of VOC and thoroughly solve the problem of waste gas pollution of paint.

In January 2010, the first reconstruction of waterborne paint spray production line was carried out in CIMC Taicang. A small experiment of 100 containers was carried out, probing into a large amount of experimental data, which laid a solid foundation for the manufacturing of waterborne

paint containers in the next step. On this basis, the CIMC Dalian Plant started the waterborne paint container production line reconstruction project in May, and the project design scheme was completed within the year, including two sets of technical schemes, double-layer and triple-layer; at the end of July 2010, the project technical scheme review meeting was completed; at the end of September, the cooperation design institute completed the production line reconstruction design scheme; in November, the project reconstruction project was formally started, and the project is now under construction; it is estimated that batch trial production of waterborne paint containers can be realized in March 2011. This project symbolizes that the environment friendly product that CIMC has been developing for 8 years will be launched to the market.

3. Environmental protection and energy saving in manufacturing process

(1) Container “Dream Work”

The approval and preliminary implementation of the CIMC Container “Dream Work” adumbrated the birth of a brand new, advanced and automatic container manufacturing plant, and also signified a solid and forceful step forward in the upgrading of the CIMC Group manufacturing technologies. In the design scheme of the “Dream Work”, on the basis of summarizing many years’ advanced container manufacturing technologies, the advanced technologies and experiences of auto manufacturing plants have been extensively introduced, which have been digested and improved. Not only has the part automatic processing center been further optimized, the automatic elements of the whole production line will be substantially increased. The goal of the “Dream Work” is to created a “five-best” enterprise in the industry, that is: S: best safe operating environment in the industry (safety); E: best energy conservation and consumption reduction in the industry (environmental protection); Q: best process equipment quality in the industry (quality); R best delivery response efficiency in the industry (response); C: best assets profitability in the industry (cost).

(2) Reducing the emission of waste gas and dust

CIMC has invested to build an automatic paint spraying system, which transforms the paint production line from high pollution, high consumption and low efficiency to high efficiency, energy conversation, and low emission of waste gas. This system can reduce the total amount of waste gas emission by 300 thousand m³/h and paint consumption by 25 thousand tons each year.

In 2007, CIMC invested nearly RMB 100 million Yuan to develop the patented technology of treating organic waste gas by adsorption, desorption and catalytic combustion purification, making the waste gas treatment in container manufacturing companies meet national environmental standards, with a reduction of 12,000 tons emissions of organic waste. In 2010, CIMC successfully adopted the technology of organic waste paint solvent recovery, which can recycle the waste gas of painting in production process. For container manufacturing enterprises alone, over 7,000 tons of organic solvent can be recycled each year.

CIMC also cooperates with domestic experts in the smoke and soot control field and has launched the project of comprehensive welding soot treatment. By adopting the high-tech ventilation and air conditioning system and air-purifying system, the problem of welding soot has been solved thoroughly.

(3) Recycling treatment of wastewater

Advanced wastewater treatment process has been adopted, which has not only controlled the discharge of industrial wastewater, but also made good use of the treated water for cleaning and greening, realizing recycling of water resources

(4) Noise control

Noise control at work site has been greatly improved by using sound-absorbing materials, improving component processing accuracy, and changing the means of workpiece transmission. In 2010, CIMC set up a major project in research on noise control, and noises outside workshops and within plants were studied. The method of sound insulation is adopted for outside workshops, sound reverberation cancellation supplemented by sound insulation is adopted for inside workshops, to reach the purpose of reducing noise and controlling noise.

(iii) Future outlook

CIMC has been making unremitting and conscientious efforts to fulfill its commitment as a responsible industry leader, taking initiative in terms of environmental protection and energy saving, with success.

CIMC will continue to follow the principle of “being based on reality, taking initiative, sustained improving, leading the sustainable development of the industry and building a harmonious and beautiful home”, continue to improve the ISO14001 environmental management system within the whole Group, implement the environmental performance assessing system; upgrade the enterprise environmental management level; and further increase investment in environmental protection, control the pollution sources within the standards, further improve the enterprise production environment; strive to realize the renewable forest tree replacing of the container flooring board, application of waterborne paint on over 30% containers and lightweight of all container and vehicle products, and environmental friendly application on all reefer containers and building containerization in some special fields. With a view to CIMC’s industry and product features, we will continue to introduce and develop more advanced environment-friendly and energy-saving techniques and products, spearheading the sustainable development of the industry

We have only one earth. In face of the global environmental deterioration and resource shortage, CIMC is firmly convinced that mankind is able and obliged to solve these problems. Let us join hands and take action to build a beautiful and harmonious home, and to create a better future together.

China International Marine Containers (Group) Ltd.
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