



China National Machinery Industry Corporation
Social Responsibility Report

About this report



Description of the logo

- The logo is a solid triangle with two outstretched wings, which reflects the "One Body, Two Wings" development strategy of SINOMACH.
- The "M" element represents the machinery industry led by SINOMACH. The M image also indicates the Group's ambition to revitalize China's machinery industry and become a major player in the world.
- In the logo, the Chinese character "人", namely "human being" in English, highlights SINOMACH's people-oriented philosophy, with talented people gathering together to contribute to the future development of the machinery industry.
- The triangular shape symbolizes the majestic mountain, and the "M" element looks like an eagle expanding its wings and soaring in the peak, which implies that SINOMACH challenges itself unceasingly and seeks for new development.
- The logo, with well-balanced color and symmetry, reflects the unique beauty of harmony and balance as well as the concept of "Harmonious SINOMACH".
- The logo is an interpretation of the Great Wall, representing China's national characteristics. The trapezoid indicates SINOMACH's steadiness, honesty and reliability.

Period scope of the report

The period scope of the report is from January 1, 2014 to December 31, 2014. Some contents may surpass the above scope.

Release cycle of the report

This annual report is the fifth social responsibility report released by China National Machinery Industry Corporation (hereinafter referred to as "SINOMACH").

Organizational scope of the report

This report covers the headquarters and member enterprises of SINOMACH (see "About Us" for organizational structure).

References of SINOMACH

For the convenience of indication and reading, the "China National Machinery Industry Corporation" in this report is also expressed by "SINOMACH", "Group Corporation", "Group" or "We".

Data sources of the report

All the data in this report comes from the official documents, statistical reports and financial reports etc. of SINOMACH, and has been audited by relevant departments.

Compilation basis of the report

This report has been prepared and compiled in accordance with the *Guiding Opinions on the Fulfillment of Social Responsibility by State-Owned Enterprises* directly under the Central Government issued by the State-Owned Assets Supervision and Administration Commission (SASAC) of the State Council, the *Sustainability Reporting Guidelines (G4)* released by the Global Reporting Initiative (GRI), the *ISO 26000-Guidance on Social Responsibility (2010)* published by the International Organization for Standardization (ISO), *Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (CASS-CSR 3.0)* by the Chinese Academy of Social Sciences (CASS), and *Guidelines on Social Responsibilities of Chinese Industrial Enterprises and Industrial Associations* by China Industrial Economic Federation.

Access to the report

This report has both Chinese and English versions, available both in print and electronic formats. If you need the print version, please contact us. You can also download the electronic version from our website.



Website: <http://www.sinomach.com.cn>

Add: No.3 Danling Street, Haidian District, Beijing

P.C: 100080

Contact Person: Li Guang, Strategy Planning Department (Corporate Culture Department)

Tel.: 86-10-82688892

Fax: 86-10-82688890

E-mail: liguang@sinomach.com.cn



Contents

04 Message from the Chairman

06 Key performance indicators

08 About us

18 Corporate culture

20 Corporate strategy

22 Responsibility features:
Promoting international operations and realizing dreams through the “One Belt and One Road” initiative



Responsibility-focused SINOMACH

Deepening responsibility management

Social responsibility management model	28
Social responsibility management system	29
Promoting social responsibility	29
Analysis on substantive social responsibility issues	34
Communication with stakeholders and their engagement	35

Value-focused SINOMACH

Making contributions to real economy

Sound and steady operation and development	38
Strengthening management basis	39
Jointly creating value	42

Innovation-focused SINOMACH

Promoting reform and transformation

Emphasizing scientific innovation	50
Promoting management innovation	60

Green-focused SINOMACH

Building a beautiful China

Improving green management system	64
Encouraging green design	66
Implementing green production and operation	68
Adhering to green application and promotion	71
Advocating green environmental protection	74

Happiness-focused SINOMACH

Building a harmonious society

Common development with employees	78
Safety production lays a solid foundation for SINOMACH	82
Cooperating with partners and seeking win-win results	84
Community building boosts harmony	87

94 Outlook of 2015

96 Reporting index

97 Comparative table with the ten principles of UN Global Compact

98 Rating report

99 Feedback form

Message from the Chairman

“ As a member of the society, an enterprise is not only the creator of social wealth, but also the carrier of social values. In order to achieve sustainable development, an enterprise must incorporate social elements into its business development strategy. ”

— Ren Hongbin, Chairman of SINOMACH



Q: In 2014, in the face of severe and complicated domestic and international situations as well as the heavy task of self-reform, SINOMACH achieved an operating income of nearly 250 billion yuan. Would you please let us know how SINOMACH managed to realize such growth in these adverse conditions?

The business situation of 2014 was indeed severe and complicated, but we firmly enforced the decisions and arrangements of the CPC Central Committee, State Council and SASAC to concentrate on maintaining economic growth, grasp the development trend, adhere to making progress while maintaining stability, and tackle tough problems. Firstly, we have kept deepening the reform, improving the corporate governance structure, developing the mixed ownership economy, improving the internal incentive and restraint mechanisms, and creating a good environment to encourage reform and innovation. Secondly, we have accelerated the transformation and upgrading, optimized product and business structures, deepened business collaboration, and developed strategic emerging industries. Thirdly, we have strengthened the innovation campaign, increased investment in science and technology, as well as fostered scientific and technological personnel. Finally, we have promoted management innovation, improved the Group's management and control, and strengthened the business model innovation. By comprehensively promoting the reform, SINOMACH has effectively solved the problems and difficulties in the development, and exceeded the growth target in every aspect. In 2014, SINOMACH ranked 278 among the Fortune Global 500, and was assessed by SASAC as A-level in performance among state-owned enterprises directly managed by the central government for six consecutive years.

Q: Throughout the international and domestic situations, the world economy has recovered slowly, while China's economic development has entered a "new normal". However, the "One Belt, One Road" strategy provides more opportunities for Chinese enterprises to participate in international cooperation and competition. Would you please let us know how

SINOMACH will react to this new situation and take advantage of these opportunities?

Generally speaking, SINOMACH is facing numerous difficulties and challenges due to the complex situations in both domestic and international markets. However, with close attention and wise judgment, we have found out there are a number of favorable conditions. Firstly, the world economy will continue to recover slowly, and the adjustment of the international division of labor and the international economic order has been accelerated, as a result, enterprises are provided with a stable development environment, and there are more opportunities for them to participate in global resources allocation. Secondly, the pace of China's urbanization has been speeded up and government's spending on people's livelihood has increased, the level of opening up has constantly been improved, the overall plan to deepen the reform has been fully realized, which expands the market and provides the enterprises with more opportunities to participate in international cooperation and competition, and new vitality for development. Thirdly, the state orders the elimination of backward industries and the development of advanced industries, strategic emerging industries, and energy-efficient and high value-added products, which further promotes the healthy development of modern manufacturing services and brings new growth for the machinery industry. Fourthly, China promotes the construction of affordable housing project, strengthens infrastructure development in central and western areas, and improves agricultural technology and equipment, which creates favorable conditions for the Group to achieve the new vision in the "new normal".

Q: Due to climate change, environmental pollution and other severe challenges and problems worldwide, the whole society has a strong demand for low-carbon and environmentally friendly technologies and products. As a large comprehensive equipment manufacturing enterprise, how does SINOMACH perform its environmental responsibility?

The report of the 18th National Congress proposed that China

would make special efforts to push the ecological civilization development and build a "beautiful China" where man and nature could develop in harmony. SINOMACH attaches great importance to the low-carbon development, adheres to improve environmental standards of the industry, and strives to integrate environmental protection into strategic business in the long term. Combined with the industrial characteristics as well as its own advantages in environmental technology R&D and production, SINOMACH advances the use of new energy, actively adopts green design, contracts to build green projects, and meets the social demand for more energy-efficient and environmentally friendly products by strengthening technological innovation. Meantime, SINOMACH helps itself and its customers to create a resource-saving business, promotes the reduction of the environmental load and improves environmental performance. Furthermore, through making full use of our influence in the industry and society, we mobilize more enterprises in the industry and the public to promote environmental protection and implement corporate environmental responsibility.

Q: In accordance with the deployment of the CPC Central Committee, SINOMACH carried out the Party's mass line educational practice since July 2013. Please let us know the actions you have taken, and the main effects you have achieved.

We started the Party's mass line educational practice in 2013 according to the deployment of the CPC Central Committee as well as the supervision of the Central Steering Group and SASAC. The initiative began at a high level, and was practiced with high standard and high-quality. We organized activities to maintain the Party's advanced nature and purity and serve people pragmatically without corruption. We started the practice with implementation of the provisions of the Eight Rules of Political Bureau of the Central Committee, paid attention to the general requirements of "looking into the mirror, keeping clothing tidy, taking a bath and treating diseases". Our top executives always took the lead, made efforts to solve problems, carried out the spirit of rectification, found out and fixed the Four Major Problems (formalism, bureaucratism, hedonism and extravagance), and strengthened the publicity and guidance to further

raise the awareness of politics, purpose, urgency and responsibility of the Party members. We also tried to build closer relationship between the Party and the mass as well as between cadre and the mass, improve the problem-solving ability of the leading groups at all levels and the Party members, and promote reform and development. In addition, we developed the good habits of running business without wasting money and being honest in order to promote the ideological building and provide a strong guarantee for the company's high quality development.

Q: Since SASAC published the *Guiding Opinions on the Fulfillment of Social Responsibility by State-Owned Enterprises directly under the Central Government and the Harmonious Development Strategy Implementation Outline for Central SOEs during the 12th Five-Year Plan Period*, SINOMACH has promoted its corporate social responsibility. Would you please let us know the Group's opinion on corporate social responsibility? How does it promote corporate social responsibility?

SINOMACH believes, as a member of the society, an enterprise is not only the creator of social wealth, but also the carrier of social values. In order to achieve sustainable development, an enterprise must incorporate social responsibility into its business development strategy, and realize the deep integration of social responsibility with the business decisions and the management operation. Over the years, the Group has attached great importance to corporate social responsibility management, enforced SASAC's relevant requirements and deployment, and continued to enhance the corporate social responsibility management. We have adhered to the core value of "Work together, win together", and focus on the two major sectors of "equipment manufacturing industry" and "modern manufacturing service industry". We make special efforts to promote the construction of SINOMACH with five core connotations of value, innovation, green, responsibility and happiness, which enables the improvement of our sustainable development ability. We strive to build a world-class enterprise with international competitiveness, create a new SINOMACH overseas, become the leader of China's equipment industry, and contribute to the progress of human civilization.

Key performance indicators

	2010	2011	2012	2013	2014
Input in scientific research (100 million yuan)	30.0	36.2	38.0	45.0	44.0
Total number of research staff	—	31,144	41,466	48,322	49,134
Academician	—	2	2	2	2
The national level research and development institutes	115	117	122	137	139
Completed national level research projects	67	62	46	70	71
Awards from provincial and ministerial level	224	291	258	347	329
National patents	658	846	924	1,184	1,323
Revisions of national industry standards	658	686	593	889	754
Research conversion rate (%)	—	—	—	>95	>95

	2010	2011	2012	2013	2014
Total assets (100 million yuan)	1,313.0	1,665.0	1,952.0	2,346.0	2,531.3
Operating revenue (100 million yuan)	1,512.0	1,910.0	2,139.0	2,424.0	2,491.5
Equities attributable to equity holders of the parent company (100 million yuan)	235.0	295.7	352.6	418.4	454.6
Performance assessment by SASAC (Level)	A	A	A	A	A
Ranking among Fortune Global 500	—	434	367	326	278
Ranking among the ENR's Top 250 International Contractors	26	26	24	25	25

	2010	2011	2012	2013	2014
Total number of employees (person)	79,109	83,940	93,660	109,245	109,900
Labor contract signing rate (%)	100	100	100	100	100
Safety production input (10,000 yuan)	20,892	15,223	30,456	69,759	46,259
Emergency rescue drill (time)	—	—	1,028	159	1,617
Rectification ratio of hidden danger in production (%)	100.00	100.00	>99.00	99.39	99.30
Major security accidents	0	0	0	0	0
Number of seriously injured employees (person)	2	1	0	2	2
Number of dead employees (person)	0	2	0	0	3
Employees' physical examination rate (%)	100	100	100	100	100
Major complaints from partners	0	0	0	0	0

	2010	2011	2012	2013	2014
Input in environmental protection (10,000 yuan)	—	1,100	970	1,180	1,300
Total energy consumption (10,000 TCE)	33.6036	43.4289	41.1272	34.2200	28.5700
Comprehensive energy consumption for 10,000 yuan of operating revenue(TCE/10,000 yuan)	0.0090	0.0077	0.0072	0.0056	0.0039
Comprehensive energy saving (10,000 TCE)	—	—	—	6.69	13.30
SO2 emissions (ton)	1,344.2	1,257.9	981.2	720.3	599.7
COD emissions (ton)	554.90	459.80	340.87	256.90	44.11
CO2 emissions (1,000 ton)	—	—	—	49.27	68.81
Environmental protection training people (person)	—	—	—	—	55,000
Input in innovation of environmental science and technology (10,000 yuan)	4,070	6,320	4,242	9,055	1,900

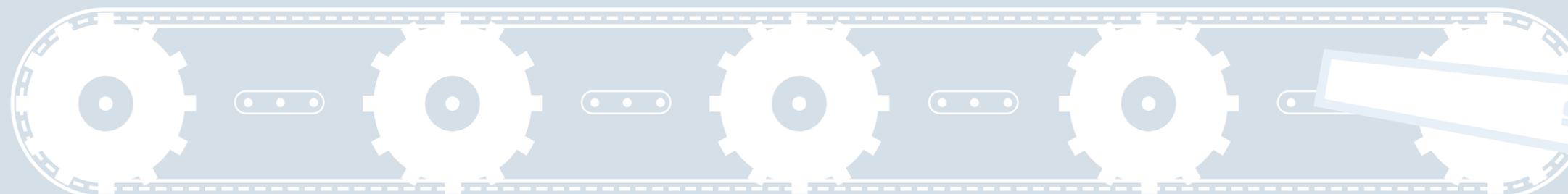
Responsibility-focused SINOMACH

Value-focused SINOMACH

Innovation-focused SINOMACH

Green-focused SINOMACH

Happiness-focused SINOMACH



SINOMACH

About us



Company profile

Established in January 1997, SINOMACH is a large state-owned enterprise (SOE) approved by the State Council and directly administered by SASAC. As one of the Fortune Global 500 companies, SINOMACH is based in Zhongguancun, Beijing-China's Silicon Valley.

As the largest state-owned group with the broadest business scope, SINOMACH boasts the most complete business chains and the strongest R&D capacity in China's machinery industry. It is a diversified, international and comprehensive equipment industry group dedicated to providing quality global services. The group's major business includes the following three sectors: R&D and manufacturing of machinery equipment, project contracting, and trade and services, covering a number of important industrial sectors of the national economy including machinery, electric power, metallurgy, agriculture and forestry, transportation, construction, automobiles, shipbuilding, light industry, electronics, energy, environmental engineering, and aeronautics and astronautics. The group has entered the markets in more than 170 countries and regions around the world.

SINOMACH adheres to the corporate philosophy of "work together, win together" and is devoted to developing a harmonious corporate culture. Centering on the two major sectors of "equipment manufacturing industry" and "modern manufacturing service industry", the Group also makes special efforts to promote the construction of SINOMACH with five core connotations of value, innovation, green, responsibility and happiness. Furthermore, SINOMACH takes the development path of high quality growth, strives to build a world-class enterprise with international competitiveness and become a pacemaker in China's machinery industry, as well as the driving force in the progress of human civilization.

By the end of 2014, SINOMACH has had over 110,000 employees, 40 wholly-owned or holding subsidiaries, 11 listed companies, as well as over 180 overseas service agencies. The Group has kept a healthy and stable growth, achieving operating revenue of 249.15 billion yuan, and ranking 278 among the Fortune Global 500 in 2014. For years, the Group has been ranking first on the list of China's Top 100 Enterprises in machinery industry and assessed by SASAC as "A-level" in performance among central SOEs.

Corporate governance

SINOMACH is a solely state-owned company registered in accordance with the *Company Law of the People's Republic of China*, and SASAC performs the contributor's responsibility according to law upon the authorization of the State Council. The State Council dispatches the Boards of Supervisors to the key large-scale state-owned enterprises to supervise the maintenance and increase in the value of State-owned assets according to *The Interim Regulations on the Boards of Supervisors in State-owned Enterprises*.

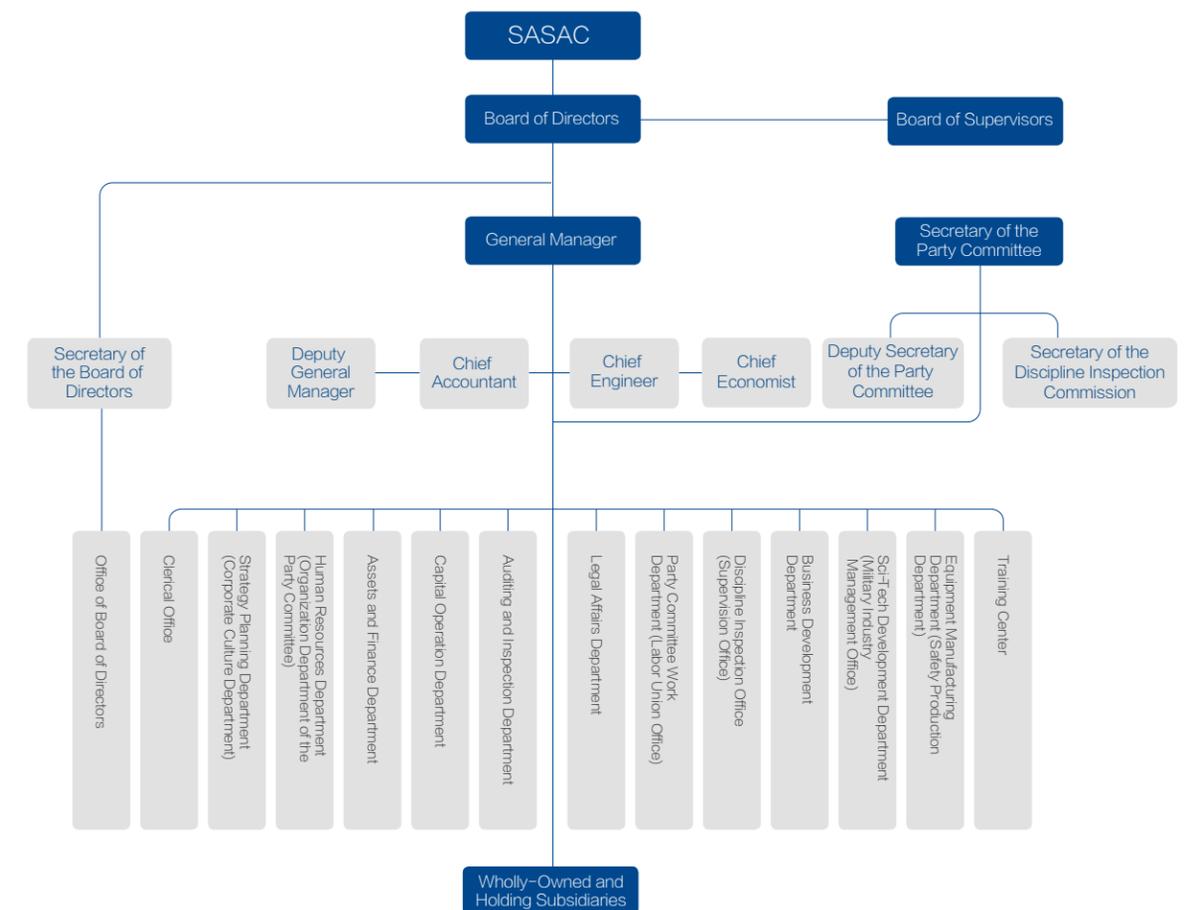
Taking the pilot program of Board of Directors as an opportunity, SINOMACH constantly improves the normalization and effectiveness of the Board. Guided by its corporate culture of Harmony, the Group optimizes the setup of the Board, and its institutional construction, strengthens its day-to-day operation and management, as well as promotes the restructuring of the subsidiary enterprises and the building of the Board in accordance with the requirements of the modern enterprise system, in order to ensure scientific decision-making and sustainable development, as well as the company's law-abiding, compliant and efficient operation.

In 2014, the Group held 5 regular on-site Board meetings and two interim meetings, reviewing and adopting 39 proposals as well as listening to 5 reports of various kinds. The Committees held 10 meetings in total, of which, the Nomination Committee held once, the Remuneration and Appraisal Committee five times, and the Audit and Risk Management Committee four times. Outside directors were organized to do research twice. The Board of Directors strengthens scientific decision-making and supervision about SINOMACH's major issues, including its development plan and operating indicator plan, corporate restructuring and asset restructuring, major projects and investments, important cadre appointment and dismissal, budgeting and financial management, and system building and management. The Board also guides the company to deepen its reform and enhance its core competitiveness and sustainable development ability to ensure steady development.

Board of Directors	
Ren Hongbin	Chairman
Shi Ke	Vice Chairman
Xu Jian	Director
Zhang Lailiang	Outside Director
Wu Xiaogen	Outside Director
Gao Fulai	Outside Director
Sheng Shiyong	Outside Director
Su Weike	Employee Director

Senior Management	
Ren Hongbin	Deputy Secretary of the Party Committee and Chairman
Shi Ke	Secretary of the Party Committee and Vice Chairman
Xu Jian	Member of the Standing Committee of the CPC and General Manager
Sun Derun	Member of the Standing Committee of the CPC and Deputy General Manager
Zeng Xiangdong	Member of the Standing Committee of the CPC and Deputy General Manager
Luo Jiamang	Member of the Standing Committee of the CPC and Chief Accountant
Xie Biao	Member of the Standing Committee of the CPC and Deputy General Manager
Ding Hongxiang	Member of the Standing Committee of the CPC and Deputy General Manager
Wang Kewei	Member of the Standing Committee of the CPC and Secretary of the Discipline Inspection Commission
Liu Jingzhen	Member of the Standing Committee of the CPC and Deputy General Manager
Chen Zhi	Chief Engineer
Liu Dagong	Chief Economist
Liu Bing	Secretary of the Board of Directors
Wang Qiang	General Counsel

Organizational structure



Domestic business layout

Wholly-owned and holding enterprises (40)			
China Machinery Engineering Corporation	CMEC	YTO Group Corporation	YTO
China CAMC Engineering Co., Ltd.	CAMCE	SUMEC Group Corporation	SUMEC
China Foma (Group) Co., Ltd.	CFMC	China Perfect Machinery Industry Corp., Ltd.	CPF
China Ocean Aviation Group Inc.	COAGI	SINOMACH Precision Industry Co., Ltd.	SINOMACH-PI
China Geo-Equipment Corporation	CGE	China United Engineering Corporation	CUC
China Machinery Industry Construction Group Inc.	SINOCNST	China Automobile Industry Engineering Corporation	AE
China National Machine Tool Corp.	CNMTC	SIPPR Engineering Group Co., Ltd.	SIPPR
China National Heavy Machinery Corporation	CHMC	Shenyang Academy of Instrumentation Science Co., Ltd.	SAIS
China National General Machinery Engineering Corporation	GME	China General Machinery Research Institute Co., Ltd.	HGMRI
China National Automation Control System Corp.	CACS	Lanpec Technologies Limited	LANPEC
China SINOMACH Heavy Industry Corporation	SINOMACH HEAVY INDUSTRY	Luoyang Bearing Science and Technology Co., Ltd.	ZYS
SINOMACH Finance Co., Ltd.	SINOMF	Tianjin Research Institute of Electric Science Co., Ltd.	TRIED
SINOMACH Automobile Co., Ltd.	SINOMACH AUTO	China National Electric Apparatus Research Institute Co., Ltd.	CEI
China National Automotive Industry International Corporation	CNAICO	Guangzhou Mechanical Engineering Research Institute Co., Ltd.	GMERI
SINOMACH Capital Management Corporation	SINOMACH-CAPITAL	Jinan Foundry and Metalforming Machinery Research Institute Co., Ltd.	JFMMRI
Chinese Academy of Agricultural Mechanization Sciences	CAAMS	Chongqing Materials Research Institute Co., Ltd.	CIMRI
China IPPR International Engineering Co., Ltd.	IPPR	Chengdu Tool Research Institute Co., Ltd.	CTRI
Beijing Materials Handling Research Institute	BMHRI	China National Heavy Machinery Research Institute Co., Ltd.	SINO-HEAVYMACH
SINOMACH Science and Technology Research Institute Co., Ltd.	SINOMACH-STRI	Suzhou Electromachining Machine Tool Research Institute Co., Ltd.	SEMTI
China National Erzhong Group Co.	CNEG	Guilin Electrical Equipment Scientific Research Institute Co., Ltd.	GLESI



Overseas branches and offices

- USA**
SUMEC North America Inc
U-QUALITY Automotive Products Corporation in the US
C-MEC America Inc
Linhai (America) Power Machinery Co., Ltd.
- Mexico**
YTO Office in Mexico
- Cuba**
CAMCE Office in Cuba
China National Electric Engineering Co., Ltd. Office in Cuba

- UK**
SUMEC UK Co., Ltd.
- Germany**
SUMEC Europe Branch
CMEC Office in Germany
EURO M.E.C Imp & Exp GmbH
- Serbia**
YTO Office in Serbia
CMEC Office in Serbia

- Belarus**
China-Belarus Industrial Park Development Co., Ltd.
CAMCE Office in Belarus
China National Electric Engineering Co., Ltd. Office in Belarus
CMEC Office in Belarus
- Ukraine**
CCEC Ukraine Co., Ltd.
CCEC Office in Ukraine
CMEC Office in Ukraine

- Turke**
CHMC Office in Turkey
CMEC Turkey Branch
CMEC Office in Turkey
- Azerbaijan**
China National Electric Engineering Co., Ltd. Office in Azerbaijan
- Kuwait**
China National Electric Wire & Cable Import & Export Co., Ltd. Office in Kuwait
- Saudi Arabia**
CAMCE Saudi Arabia Branch

- Yemen**
China National Electric Engineering Co., Ltd. Office in Yemen
- Kazakhstan**
CMEC Kazakhstan Branch
- Uzbekistan**
IPPR Office in Uzbekistan
CAMCE Tashkent Co., Ltd.
China National Electric Engineering Co., Ltd. Office in the Central Asia
- Turkmenistan**
CAMCE Turkmenistan Branch

- Iran**
China National Electric Engineering Co., Ltd. Office in Iran
- Kyrgyzstan**
Kyrgyzstan YTO-Trade Expo Company
CAMCE Kyrgyzstan Branch
- Tajikistan**
IPPR Office in Tajikistan
CHMC Office in Tajikistan
- Mongolia**
China SINOCONST Mongolia Co., Ltd.
China CAMC Engineering Mongolia Co., Ltd.
- Pakistan**
CMEC Office in Pakistan
- Nepal**
CAMCE Office in Nepal
- Bangladesh**
CAMCE Office in Bangladesh
CMEC Office in Bangladesh

Overseas service agencies

over **180** overseas service agencies

Markets across

more than **170** countries and regions around the world

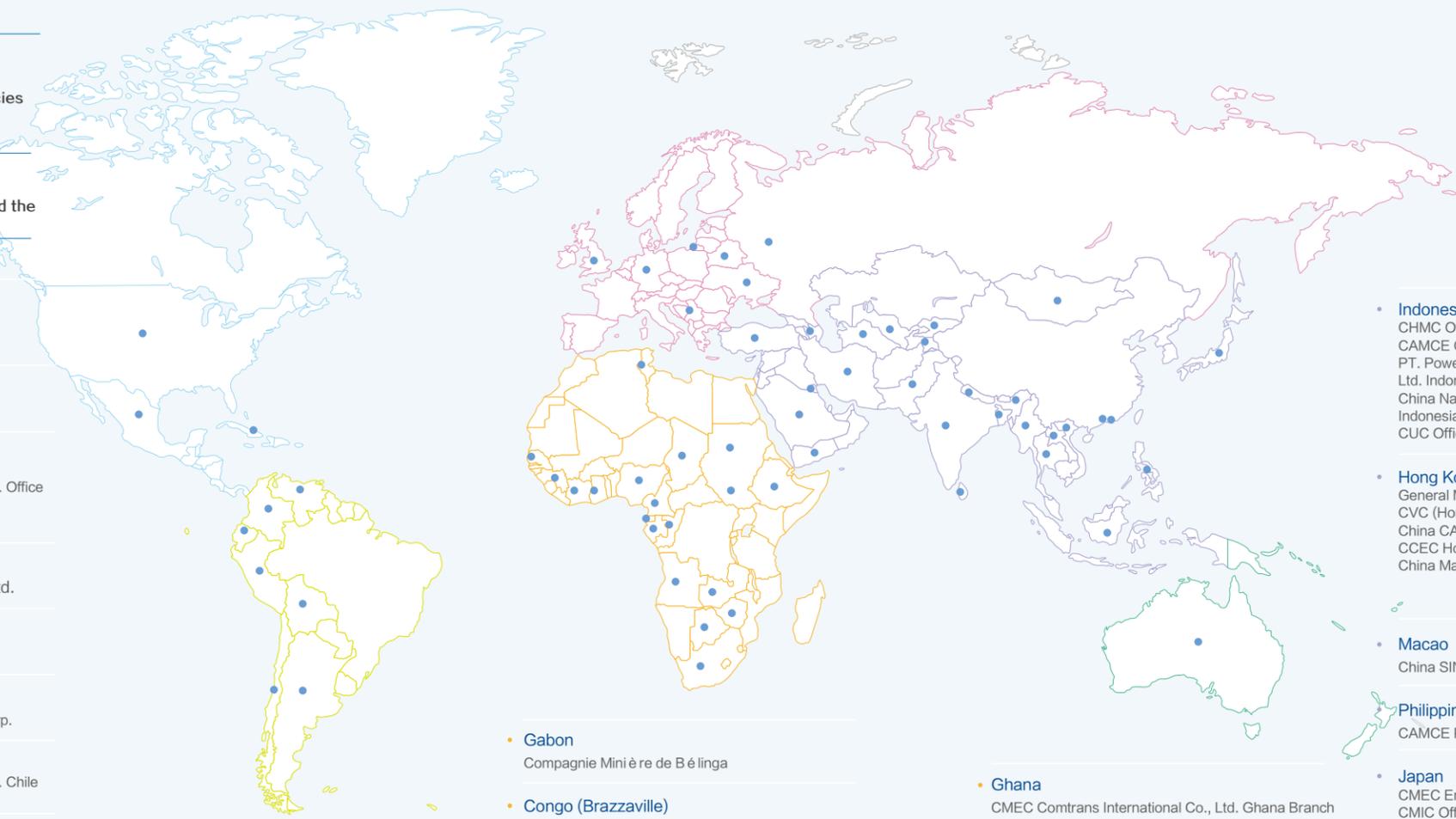
- Venezuela**
CAMCE South America Co., Ltd.
Corporacion Wallong C.A.
- Colombia**
CUC Colombia Branch
- Ecuador**
CAMCE Ecuadorian Branch
China National Electric Engineering Co., Ltd. Office in Ecuador
CMEC Ecuador Branch
- Peru**
CMIC Oriental Machinery Peru Co., Ltd.
- Bolivia**
CMEC Office in Bolivia
- Argentina**
China Machinery Engineering Argentina Corp.
- Chile**
China National Electric Engineering Co., Ltd. Chile Branch
- Sudan**
CAMCE South Sudan Branch
China National Electric Engineering Co., Ltd. Office in Sudan
China National Complete Engineering Co., Ltd. Office in South Sudan
- South Sudan**
CMEC Office in South Sudan
CHMC South Sudan Office
- Ethiopia**
CHMC Office in Ethiopia
- Kenya**
CHMC Office in Kenya
China National Complete Engineering Co., Ltd. Office in Kenya

- Botswana**
China National Electric Engineering Co., Ltd. Office in Botswana
- South Africa**
China - Africa Machinery South Africa Assembly Plant
CHMC Bio-Energy South Africa Branch Africa Lion Heavy Industry Co., Ltd.
- Chad**
CAMCE Office in Chad
CMEC Office in Chad

- Russia**
China National Electric Engineering Co., Ltd. Birobidzhan Branch
- Gabon**
Compagnie Mini è re de B é linga
- Congo (Brazzaville)**
CMEC Office in Congo (Brazzaville)
- Angola**
CAMCE Angola Branch
CMEC Angola Branch
China National Complete Engineering Co., Ltd. Angola Branch
- Zambia**
CAMCE Office in Zambia
China National Complete Engineering Corporation Zambia Branch
China National Electric Engineering Co., Ltd. Zambia Branch
- Zimbabwe**
CAMCE Zimbabwe Branch
CMEC Office in Zimbabwe
- Ghana**
CMEC Comtrans International Co., Ltd. Ghana Branch
- Cote d'Ivoire**
Cote d'Ivoire Agricultural Machinery Co., Ltd.
- Nigeria**
CMEC Nigeria Development Limited (Lagos)
CMEC Nigeria Development Limited
China National Electric Engineering Co., Ltd. Branch in Nigeria
CMEC Nigeria Development Limited in Abuja
- Cameroon**
China National Electric Engineering Co., Ltd. Office in Cameroon
- Equatorial Guinea**
CMEC Office in Equatorial Guinea

- Indonesia**
CHMC Office in Indonesia
CAMCE Office in Indonesia
PT. Power Plant Equipment & Technical Service Co., Ltd. Indonesia Branch
China National Electric Engineering Co., Ltd. Office in Indonesia
CUC Office in Jakarta
- Hong Kong**
General Machinery Development Co., Ltd.
CVC (Hong Kong) Technology Service Co., Ltd.
China CAMC Engineering (Hong Kong) Co., Ltd.
CCEC Hong Kong Co., Ltd.
China Machinery & Equipment (HK) Co., Ltd.
- Macao**
China SINOCONST (Macao) Co., Ltd.
- Philippines**
CAMCE Philippines Branch
- Japan**
CMEC Enmei Co Ltd.
CMIC Office in Japan
CMEC Japan Co Ltd.
CMEC Office in Japan
- Australia**
Ausino Pty Ltd.
- Tunisia**
China Engineering Machinery Co., Ltd. Tunis Branch
- Senegal**
CMEC Senegal Branch
- Guinea**
CHMC Office in Guinea

- Myanmar**
CAMCE Office in Myanmar
China National Electric Engineering Co., Ltd. Office in Myanmar
CHMC Office in Myanmar
- Sri Lanka**
CAMCE Office in Sri Lanka
CMEC Office in Sri Lanka
CHMC Office in Sri Lanka
- Laos**
CHMC Office in Laos
China CAMC Engineering Investment (Laos) Co., Ltd.
China CAMC Engineering Machinery Service Laos Co., Ltd.
China National Electric Engineering Co., Ltd. Office in Laos
- Thailand**
CHMC Office in Thailand
China National Electric Engineering Co., Ltd. Thailand Branch
- Vietnam**
CHMC Office in Vietnam
China National Electric Engineering Co., Ltd. Office in Vietnam
CMEC Office in Vietnam
- Cambodia**
CHMC Office in Cambodia
Representative office of China CAMC Engineering Co., Ltd. Cambodia
Cambodian Tatay Hydropower Co., Ltd.
- Malaysia**
CNB Auto Co., Ltd.
Changlin Engineering Machinery (Malaysia) Co., Ltd.
China National Electric Engineering Co., Ltd. Office in Malaysia
CMEC Office in Malaysia



Contribution to associations

As the largest central enterprise of China's machinery industry, SINOMACH also has the highest capability in research and development, and the highest level of globalization. Therefore, the Group not only focuses on the pursuit of its own development, but also pays more attention to playing a leading role in the industry. Over the years, SINOMACH has strengthened its communication with industrial partners, participated in the development of industry standards, helped to achieve the sustainable development of the industry, and contributed to the revitalization of China's machinery industry.

China Machinery Industry Federation (CMIF)	Vice Chairman Unit
China Enterprise Confederation (CEC)	Vice Chairman Unit
China Enterprise Directors Association (CEDA)	
China International Contractors Association (CICA)	Vice Chairman Unit
China Chamber of Commerce for Import and Export of Machinery and Electronic Products (CCCME)	Vice Chairman Unit
Chinese Mechanical Engineering Society (CMES)	Deputy Director-General Unit
China Association of Agricultural Machinery Manufacturers (CAAMM)	Chairman Unit
China Chamber of International Commerce (CCOIC)	Vice Chairman Unit
China Association of International Engineering Consultants (CAIEC)	Vice Chairman Unit
China National Association of Engineering Consultants (CNAEC)	Vice Chairman Unit
China Exploration & Design Association (CEDA)	Deputy Director-General Unit
China Association for Engineering Construction Standardization (CECS)	Deputy Director-General Unit
Society of Automotive Engineers of China (SAE-China)	Deputy Director-General Unit
China Association of Automotive Manufacturers (CAAM)	Vice Chairman Unit
China Association of Plant Engineering Consultants (CAPEC)	Deputy Director-General Unit
Machiner Polipic (China Association of Machinery Industry Culture, CAMIC)	Vice Chairman Unit
China Machinery Enterprise Management Association (CMMA)	Deputy Director-General Unit
China-Europe Association for Economic & Technical Cooperation (CEATEC)	Deputy Director-General Unit
China Machinery Industry Education Society (CMIES)	Deputy Director-General Unit
China Machinery Industry Auditing Society (CASMI)	Vice Chairman Unit
China Auto Talents Society (CATS)	Deputy Director-General Unit
Machinery Branch of the China Supervision Society	Vice Chairman Unit
Machinery Industry Branch of the Accounting Society of China (ASC)	Chairman Unit
Electric Power Equipment Branch of the China Chamber of Commerce for Import and Export of Machinery and Electronic Products	Vice Chairman Unit
China Electrotechnical Society(CES)	Standing Council Unit
China Association of Work Safety(CAWS)	Standing Council Unit
The China Association for Labor Studies(CALS)	Standing Council Unit
The Shanghai Cooperation Organization (SCO) China Business Council(SCOBC)	Standing Council Unit
Accounting Society For Foreign Economic Relations & Trade of China(ASFETC)	Standing Council Unit

Social recognition

In 2014, SINOMACH achieved stable and continuous development, receiving wide recognition from various sectors of the society.



Corporate culture

Corporate mission

Guiding the development of the machinery industry and promoting the progress of the human society

"Guiding the development of the machinery industry and promoting the progress of the human society" is our indispensable responsibility. With a high sense of political and social responsibility, SINOMACH makes special efforts to explore the development path of China's machinery industry, and strives to become the leader of the industry by carrying out scientific and technological innovation, management innovation and so forth. The Group is also dedicated to meeting the needs of employees, customers, shareholders and the society in order to put into practice the important responsibility entrusted by history.

"Guiding the development of the machinery industry and promoting the progress of the human society" is our forward-looking vision. Standing at the forefront of economic development and strategic height of international competition, SINOMACH aims to be the most outstanding international enterprise and constantly makes improvements to continuously win trust and recognition from customers in its involved fields.

"Guiding the development of the machinery industry and promoting the progress of the human society" is our steadfast confidence. Based on the two major sectors of equipment manufacturing industry and modern manufacturing service industry, SINOMACH focuses on the long-term development and works in a down-to-earth way to press forward various tasks.

Corporate vision

Building a value-focused, innovation-focused, green-focused, responsibility-focused and happiness-focused world leading integrated enterprise in equipment industry

With deep insight into the trend of the times, SINOMACH has established the objectives of building a value-focused, innovation-focused, green-focused, responsibility-focused and happiness-focused world leading integrated enterprise in equipment industry that specializes in two major sectors, namely the equipment manufacturing industry and the modern manufacturing service industry, and three major businesses, including machinery equipment R&D, project contracting, and trade and services.

Culture orientation

Harmony culture

Harmony is fusion and merger

—Consistent in goal, thought and action, employees of SINOMACH are closely united for mutual cooperation and pool efforts to work as one.

Harmony is responsibility

—SINOMACH guides the development of the machinery industry, safeguards the interests of both China and enterprises, progresses with the industry, grows with employees and connects with the society.

Harmony is putting people first

—SINOMACH adheres to the "people-oriented" concept, respects every employee, mobilizes enthusiasm, displays initiative, improves creativity and fosters humanistic harmony.

Harmony is innovation

—SINOMACH makes innovations in its development path for the machinery industry and engages in emancipation of thought, transformation of ideas, independent innovation and pursuit of excellence to enhance its vigor and vitality.

Harmony stands for compatibility in opinion and action

—SINOMACH displays the resultant force of its subordinate enterprises and achieves win-win results internally and externally. SINOMACH people, enthusiastic and enterprising, strive to seek common development with one heart and one mind.

Core value

Work together, win together

The core value of "work together, win together" is the collective value orientation that we share in the practices of cultural integration, reflecting the strong group consciousness and steadfast pursuit of all SINOMACH people.

Cooperation

—Pooling centripetal force, enhancing executive force, and increasing competitiveness

Partnership

—Shouldering responsibility, building up trust, and achieving common development

Innovation

—Relying on key points of development, expanding development orientation, and finding out the development path

Win-win results

—Seeking complementation and win-win results, achieving benefit sharing, and maintaining healthy development

Corporate spirit

Integrity, inclusiveness, inclusiveness

Integrity

—Integrity is our lifeline

Abiding by laws and regulations, rules and institutions, as well as professional ethics; keeping business secrets, safeguarding corporate interests and taking concrete actions to win respect and trust from customers and colleagues; loyal to the enterprise and the cause, willing to dedicate, and ready to shoulder responsibility in the face of problems and challenges; loving to work and devoting wholeheartedly to work.

Inclusiveness

—Openness and inclusiveness are our virtues

Openness and inclusiveness are the intrinsic requirements of the Harmony culture, and the preconditions for innovation and progress. For individuals, they should be far-sighted, have a broaden horizon, and act in a modest and calm manner; for the enterprise, it should respect diversity, adopt inclusive approaches, and incorporate things of diverse natures.

Excellence

—The pursuit of excellence is our long-lasting motivation

Understanding and recognizing the overall development strategy of the Group; setting more challenging objectives in accordance with the development orientation of the Group, and aiming at building a world-class enterprise; keeping confident and boasting the courage to transcend ourselves, breaking the limitations of old thinking and continuously seeking new development and breakthroughs.



Corporate strategy

Development measures

- Deepening system and mechanism reform
- Promoting capital operation
- Strengthening investment management and the integration of industry and finance
- Increasing scientific and technological innovation
- Promoting fine management
- Carrying out international operations
- Promoting collaborative business
- Strengthening human resource development
- Further promoting the building of an information system
- Managing and controlling the risks of business operations
- Strengthening corporate culture and brand building
- Practicing corporate social responsibility

Key strategies

Strategy for capital operation

SINOMACH holds value preservation and increment of the capital as objective, uses capital operation as instrument, and adopts merger and acquisition, asset injection, capital increase and stock expansion, equity replacement, joint venture, strategic alliances and other methods to vigorously expand the extensive development road with connotative growth as the basis.

Strategy for sustainable innovation

SINOMACH pays more attention to the innovation-driven development, enhances technological innovation, management innovation and business mode innovation, promotes the organic integration of technological innovation, management innovation and business mode innovation, and gives full play to the "multiplier effect" of integrated innovation.

Strategy for strengthening enterprise via talents

SINOMACH aims at cultivating and developing a talent contingent featuring great numbers, optimized structure, rational layout, and high quality, establishes comparative advantages in talent competitiveness, and uses first-class employee contingent to build first-class enterprise.

Strategy for transformation and upgrade

SINOMACH promotes the transformation of growth pattern from mainly relying on factor inputs and scale expansion to mainly relying on scientific and technological progress, labor force quality improvement and management innovation, boosts industrial layout to the high-end of industry chain and emerging industries of strategic importance, and advances the property rights structure to the direction of capitalization, diversification, and securitization.

Strategy for brand upgrade

SINOMACH completes the brand management organization, improves brand management institution, and constructs brand management platform, forming a scientific and systematic brand management system. Meanwhile, it explores and boosts the core value of brand, and uses brand to promote corporate development, forming a good interactive relationship between brand operation and the group's core competitiveness improvement, so as to create more excess value.

Strategic orientation

Development orientation

SINOMACH centers on the strategy of becoming stronger and better, adheres to the concept of high quality growth, deepens enterprise reform, and accelerates transformation and upgrading. We will actively develop high-end business, for example, business in major equipment area, enhance innovation, build high value-added sophisticated products and internationally known high-end brands, and improve the competitiveness of equipment manufacturing industry; optimize industrial layout, strengthen the value-added service capability of high-end links of industry chain, and help the modern manufacturing service industry thrive; actively conduct coordinated operations, enhance the coordination effect among main businesses, and constantly strengthen system integration capability of total solution; promote system and mechanism reform, develop a mixed ownership economy, improve the modern enterprise system, enhance operating vitality, increase overall strength, and build the Group into an internationally and domestically known comprehensive equipment industry group with strong industry capital advantages.

Business orientation

The business orientation of the Group refers to the two major sectors of "equipment manufacturing industry and modern manufacturing service industry," and the three major businesses of "machinery equipment R&D, project contracting, and trade and services." SINOMACH will continuously conduct business mode innovation, constantly enhance market position, and consolidate and strengthen the businesses with advantages such as heavy equipment, agricultural and forestry machinery, engineering machinery, key basic parts and components, trade and services of electromechanical products, automobile, general contracting and regional development, and design and consulting. It will foster and develop emerging businesses such as intelligent manufacturing equipment, green emerging industry equipment, and finance and investment service that possess great potential and could play a supporting role in the development of other businesses.

Strategic goal

In the forthcoming three years (2014-2016), SINOMACH aims to remain the number one enterprise among China's top 100 companies in the machinery industry, and raise its ranking among the Fortune Global 500.



Listed in Fortune Global 500



Responsibility features

Promoting international operations and realizing dreams through the "One Belt and One Road" initiative



SINOMACH has pioneered in global operations and expanded overseas market for decades

"Acting locally and thinking globally" is every employee's pursuit and dream. We have adhered to the business philosophy of "work together, win together" and accelerated the strategic deployment of going global, continued to improve its international operations and strived to create a world-class enterprise with international competitiveness.

Starting as several state-owned trading companies affiliated to the former Ministry of Machinery Industry, SINOMACH has been operating globally for decades. It has witnessed the development of its international operations, from normal trade services, complete sets of equipment export, EPC, BOT to BOO. Nowadays, our overseas marketing network is mature with unique advantages that other companies cannot compete with.

By the end of 2014, SINOMACH has owned over 180 overseas service providers in more than 170 countries and regions, forming an international operation pattern of import & export trade, foreign project contracting as well as foreign investment. In 2014, the Group's total value of import and export reached 12.4 billion dollars, and new contract amount 53.6 billion dollars.

Asia

Thailand

- 50 MF454 wheeled tractors were exported to Thailand

Uzbekistan

- Dongfanghong crawler tractors were sent to Tashkent, Uzbekistan

Indonesia

- PT Conch Cement Indonesia 3200 T/ D cement clinker production line (Phase-I) was completed

Pakistan

- Pakistan's first 1.254MWp photovoltaic solar power plant was successfully connected to the grid for power generation

Cambodia

- No.1 generator set of the Tatay Hydropower Station in Cambodia was connected to the grid for power generation
- CHMC's EPC contract for Rural Power Grid Expansion Project (Phase-I) in Cambodia has been put into operation

Sri Lanka

- Ground-breaking ceremony was held for Sri Lanka Gampaha, Attanagalla and Minu-wangoda Integrated Water Supply Project—the country's largest single water supply project

Maldives

- Maldives's largest residential housing project (Phase II) was under construction

Europe

Belarus

- China-Belarus Industrial Park Project—the largest economic and trade cooperation project between the two countries, was under construction in the outskirts of Minsk, capital of Belarus

Malta

- The foreign aid project of the renovation and expansion of Malta's China Garden has been completed



SINOMACH is deeply involved in international competition and contributes to the "One Belt and One Road" initiative

"One Belt and One Road" initiative, a milestone in China's strategic development, is the first move of China's implementation of its all-round opening-up strategy. In 2014, the Group made more efforts to strengthen the international cooperation and expand markets, as a result, the export of manufactured products doubled, and the import and export volume set a new record. Sri Lanka's Puttalam coal-fired power plant project, serving as the new milestone in China and Sri Lanka's friendship, came into use. As the important project of the Silk Road Economic Belt, the China-Belarus Industrial Park Project was upgraded to national level, which has attracted the attention of top leaders of both countries. Cambodia's Tatay Hydropower Station was commissioned and connected to the grid for power generation in advance of the schedule, thus became the first successful overseas BOT project of the Group.



Africa

Algeria

- Algeria's Baraki Stadium Project has been constructed in an orderly manner

Angola

- Angola's first Sludge Treatment Plant in Kifangongdo has been operated successfully

Congo (Brazzaville)

- CMEC signed the contract for the New Lome Water Plant Construction Project in Pointe Noire, Congo (Brazzaville)

Building Sri Lanka's Three Gorges Project – the Puttalam Coal-fired Power Plant Project

Over the years, Sri Lanka's electricity only could be generated by fuel, wind power and hydro power. However, both wind and hydro power are affected by climate, which has led to unstable power supply. In the absence of coal-fired electricity, fuel power generation has become a major source in Sri Lanka, resulting in high electricity bill. In order to solve the problems of electricity scarcity and high cost, the Sri Lankan government and CMEC signed the contract to build the Puttalam coal-fired power plant project, which has seen not only the largest government construction project since the founding of the country, but also the largest economic and trade cooperative project between China and Sri Lanka so far. In September, 2014, witnessed by Chinese President Xi Jinping and Sri Lankan President Mahinda Rajapaksa, the Puttalam coal-fired power plant project was put into operation. After eight years of construction, as Sri Lanka's first coal-fired power station, the plant is the power production base in the country. With a total generating capacity of 600MW, this plant is sufficient to fulfill 45% of Sri Lanka's national power demand, which has not only benefited millions of households, but also effectively safeguarded the local economic and social development. In witnessing the friendship between China and Sri Lanka, the image of the power plant is printed on the 100-rupee note by Sri Lanka government and is affectionately called "the Light of Victoria" by local people.



Chinese President and Sri Lankan President witness the Puttalam Coal-fired Power Plant to be put into operation through video

"There is no doubt that the Puttalam coal-fired power plant will help us to achieve the national development plan for the next decade, which will provide a new driving force for our economic development."

— Mahinda Rajapaksa, President of Sri Lanka

China-Belarus Industrial Park Project: a pearl along the new Silk Road

The China-Belarus Industrial Park is world's new development landmark, reflecting the world economic development trend and carrying the two countries' hope for the future. Relying on the New Silk Road Economic Belt, the Park focuses on developing advanced manufacturing industry, and gradually improves the supporting facilities for life, scientific research and medical care. The two countries aim to build the Park into a new international city with good ecological environment to live and do business, as well as enough vigor and vitality to innovate. As an international platform, the China-Belarus Industrial Park will promote new economic reforms in the two countries. The Park is not only the new Eurasian corridor of industrial development, but also China's overseas industrial Park project with the largest-scale cooperation, the highest development level, and the largest size. As a result, it has attracted great attention from both sides. By the end of 2014, the Park has been upgraded to national level, which confirms the great value of the project. As a new attempt of going global, SINOMACH will be guided by the two governments, take the Park as a platform, use responsibility to win recognition of all parties, realize dreams through mutual benefit, and make efforts to build the Park into not only a new model of economic and trade cooperation between the two countries, but also a bright pearl along the Silk Road Economic Belt.

"With the rapid development of China's relationship with Eurasian countries, the ancient Silk Road is full of energy and promotes the cooperation between China and Eurasian countries to a new historical level."

— Xi Jinping, General Secretary of the Central Committee of the Communist Party of China, Chairman of the Central Military Commission, and President of the People's Republic of China



SINOMACH and Belarus government signed the contract for China-Belarus Project

Building Cambodia's Tatay Hydropower Station into an excellent BOT project

On August 13, 2014 local time, the No.1 generator set of the Cambodia Tatay Hydropower Station was commissioned and connected to the grid for power generation by CHMC, nearly a year ahead of schedule compared to the time stipulated in the Investment Agreement signed between CHMC and Cambodia government. The station is the first offshore BOT project of SINOMACH, therefore, since the beginning of its construction, CHMC has played a leading role, and conquered all kinds of difficulties and obstacles through elaborate arrangement as well as effective management and control. After 1,600 days of hard work, CHMC achieved all the following scheduled progress goals: the construction began and was completed in the same year, the main and auxiliary dams safely passed the rainy season, and reservoir impoundment was successfully realized. The No.1 generators unit realized the grid connection ahead of schedule. All the projects met the quality requirement without any serious or beyond serious quality and safety accidents, and the investment was within the budget. Therefore, CHMC has done a great job for Cambodian government and people. The Tatay Hydropower Station has been by far the largest installed capacity Class A hydro-station invested by Chinese company in Cambodia. The project plays a critical role in promoting the development of Cambodia's agriculture, industry, and service business.

"The Tatay Hydropower Station plays an important role in the overall social and economic development and poverty alleviation in Cambodia."

— Hun Sen, Cambodian Prime Minister



The No.1 generator set of the Tatay hydropower station was connected to the grid for power generation successfully

1

Responsibility-focused SINOMACH

Deepening responsibility management

Enhancing social responsibility management meets the requirement of the development trend of social responsibility at home and abroad as well as the cultivation of competitive world-class central SOEs. It's also the intrinsic requirement for SINOMACH to fulfill corporate strategies and practicing corporate values. The Group attaches great importance to social responsibility management in order to create economic, social and environmental values. We make constant efforts to optimize the social responsibility management model, improve the social responsibility structural management system, strengthen stakeholder management, and promote in-depth integration of social responsibility and business operation. As a result, SINOMACH has established a long-term social responsibility mechanism and a management mode with its own characteristics, which has laid a solid foundation for its sustainable development.



Responsibility-focused
SINOMACH—Deepening responsibility management

Value-focused
SINOMACH—Making contributions to real economy

Innovation-focused
SINOMACH—Promoting reform and transformation

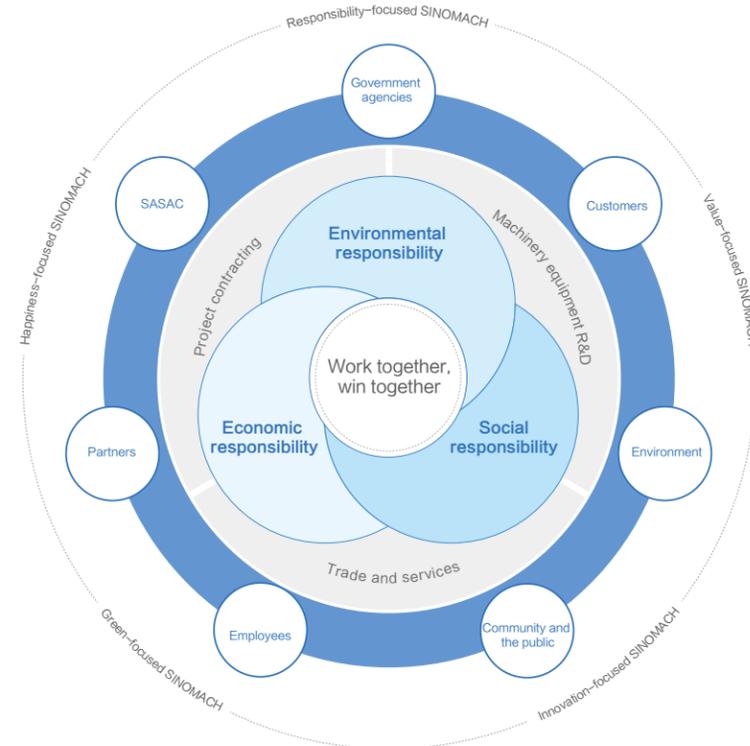
Green-focused
SINOMACH—Building a beautiful China

Happiness-focused
SINOMACH—Building a harmonious society

Social responsibility management model

In accordance with relevant requirements and deployment of SASAC, SINOMACH continues to deepen its awareness and understanding of corporate social responsibility, and incorporate social responsibility into its corporate culture, development strategies and daily operation management. We adhere to the core value of "work together, win together", and take on responsibility for the influence that our decisions and operations exert on stakeholders. Centering on the three major sectors of machinery equipment R&D, project contracting, and trade and services, we make unremitting efforts to achieve the goal of building a value-focused, innovation-focused, green-focused, responsibility-focused, and happiness-focused SINOMACH. We are in pursuit of maximum economic, social and environmental values, and strive to create values for stakeholders including government, employees, customers, partners, and the environment. SINOMACH is also committed to achieving harmonious and sustainable development of enterprise, nature and society, guiding the development of the machinery industry and promoting progress of human society.

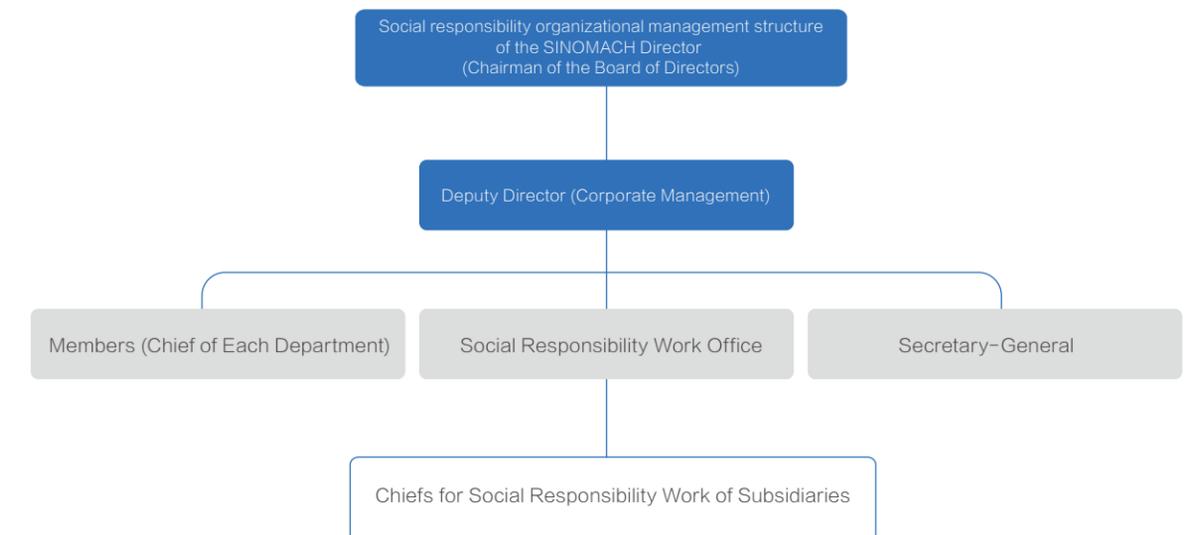
Social responsibility model of SINOMACH



Social responsibility management system

SINOMACH has specified principles, institutions, responsibilities and content for social responsibility management, and promoted integration of social responsibility concept into the Group's functional management and business processes in an all-round and balanced manner. The Group has set up a Working Committee for Social Responsibility, with Chairman Ren Hongbin being the director, the other top executives of the Group being the deputy directors, and top executives of each department in the headquarters being the members. The Committee is the Group's highest decision-making body, responsible for reviewing and making decisions for major issues related to the Group's social responsibility work. The member enterprises have set up specialized department and personnel to carry out the work, forming a social responsibility management system with a complete structure, clear hierarchy, smooth process and efficient operation, which provides a strong organizational guarantee for the Group to promote social responsibility management.

Social responsibility management system of SINOMACH



Promoting social responsibility

SINOMACH attaches great importance to the enhancement of social responsibility management, promotes social responsibility work in an all-round manner, and explores the implementation of social responsibility strategies. The Group also continues to strengthen the capacity building of social responsibility, carry out in-depth social responsibility studies, establish social responsibility brand, and initiate the building of a social responsibility information system. Furthermore, SINOMACH pays attention to innovation and integrates social responsibility concept into the method and process of its decision-making and business operations, and lays a solid foundation for the Group to achieve healthy and sustainable development. In 2014, SINOMACH was awarded the Five-Star Enterprise for Practicing Social Responsibility—the highest-rated award for social responsibility in China's industrial sector.



Implementing social responsibility strategy

As the guideline and ideological basis for the Group to fulfill social responsibility, *SINOMACH Strategic Plan for Social Responsibility 2011-2020* clarifies the Group's idea of social responsibility management. In 2014, SINOMACH upheld the philosophy of "leading green innovation of the industry, dedicating to the sustainability of the society, and creating future for the machinery industry". The Group was guided by the principle of "open and transparency, people-oriented, win-win cooperation, and constant improvement". SINOMACH promoted the integration of social responsibility into its development strategy and corporation culture. In accordance with the time schedule of key projects of social responsibility, SINOMACH further promoted the implementation of social responsibility strategic plan, which effectively enhanced the Group's sustainable development capability so as to achieve its strategic targets.

Strengthening social responsibility capability building

Seizing the opportunity of releasing its social responsibility strategic plan, SINOMACH organizes social responsibility publicity, communication activities and training programs on a regular base. Adhering to the idea of "Going out, Bringing in", the Group strengthens its employees' social responsibility capability building through holding seminars, organizing training sessions, conducting investigation and research, strengthening exchange of domestic and international social responsibility ideas, collecting good social responsibility practices, and establishing external consulting institutions and expert think tanks, so as to improve employees' awareness of social responsibility and ensure sufficient capability support for social responsibility work.

Conducting research on social responsibility

In addition to paying close attention to the latest theoretical and practical development of social responsibility at home and abroad, the Group always, takes good practices of top-class international enterprises as examples, conducts social responsibility activities, organizes specialized research, learns the knowledge and trend in this regard, discovers and analyzes the Group's weaknesses in social responsibilities, and provides experience and guidance for the Group to carry out social responsibility management.



Initiating social responsibility information system building

SINOMACH has started the development of a social responsibility information system to further enhance its social responsibility management. The system is comprised of social responsibility management system, social responsibility publicity system, social responsibility information reporting system and so forth. The system has functions like information filling, reviewing, counting, inquiring and collecting. By the end of 2014, the main frame of the system has been completed and has entered into testing phase.

Building social responsibility brand

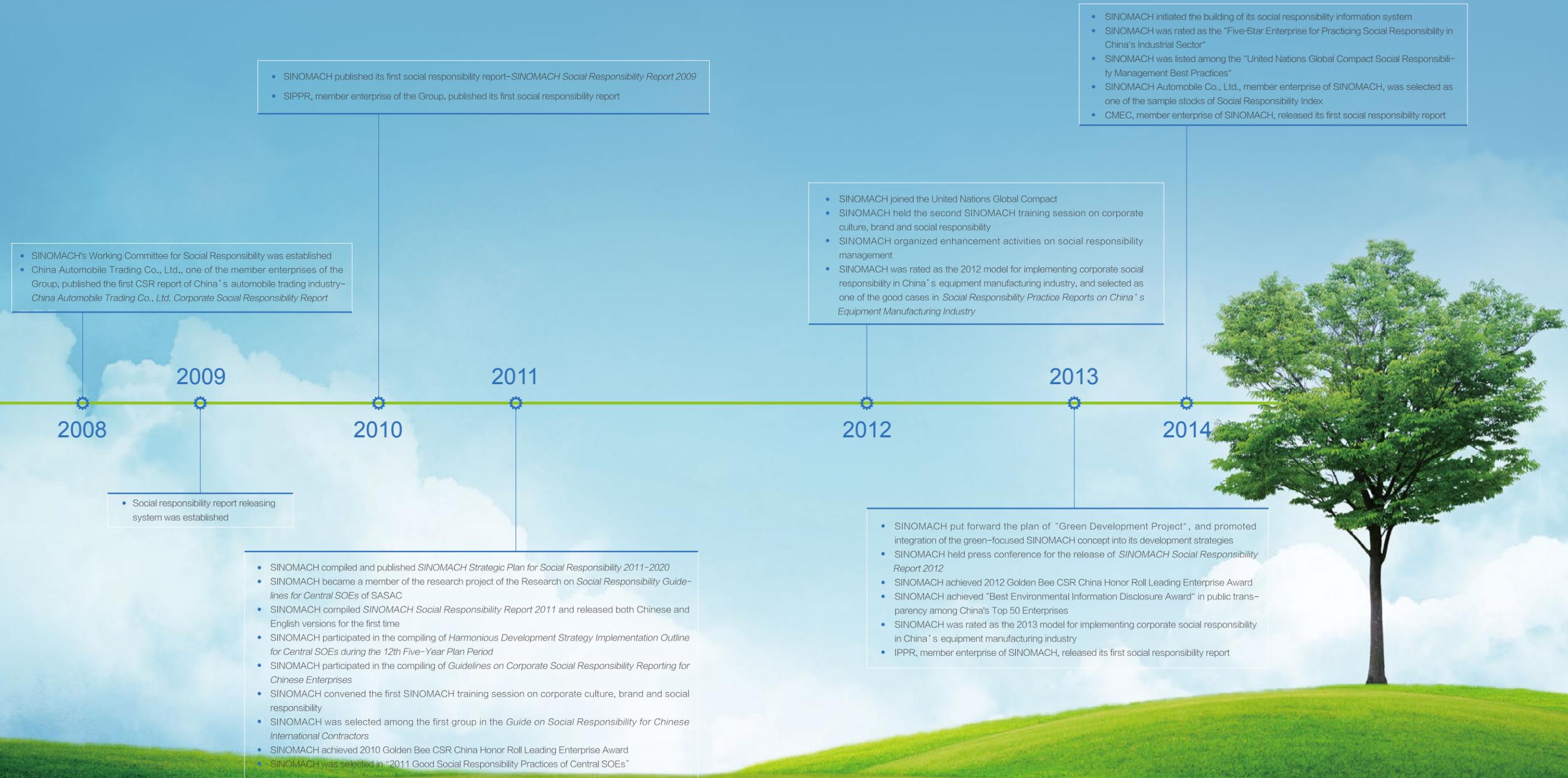
SINOMACH summarizes good ideas and practices about corporate social responsibility. In order to contribute to economic, social and environmental sustainable development, the Group constantly organizes branding campaigns. Through official website, SINOMACH News, and the QQ group "Happy SINOMACH", the Group strengthens the publicity of social responsibility practices, and creates a positive internal atmosphere to build responsible brands; The Group also displays its responsible image to the public via mainstream media like People's Daily, Economic Daily, China News Weekly and the like. Furthermore, SINOMACH strives to enhance the influence of its social responsibility work through exchange and cooperation programs with the United Nations Global Compact, CASS, and GoldenBee. The Group wins recognition from regulatory bodies and associations by constantly reporting to Research Bureau of SASAC and China Federation of Industrial Economics. In addition, SINOMACH strengthens its communication with stakeholders by issuing social responsibility reports on a regular basis.

On July 26, 2014, 2014 China Industrial-Economic Association & Enterprises' Social Responsibility Reports Release Conference and the 1st Model Enterprises of Chinese Industrial Enterprises Responsibility Fulfillment Release Ceremony were held in the Great Hall of the People. SINOMACH released its *SINOMACH Social Responsibility Report 2013* during the event, which has effectively increased the Group's popularity, improved its transparency and reputation, as well as help SINOMACH set up a responsible corporate image.



SINOMACH Social Responsibility Report 2013 was released in the Great Hall of the People

Chronicle of SINOMACH social responsibility progress



Analysis on substantive social responsibility issues

Through analysis on development at home and abroad, national policies, industrial standards and development information, as well as extensive communication with stakeholders, SINOMACH has identified substantive social responsibility issues of key significance to its sustainable development in accordance with its development features in order to fulfill its responsibility in an all-round manner.



Communication with stakeholders and their engagement

SINOMACH upholds the principle of win-win cooperation. Based on effective communication with stakeholders, SINOMACH promotes their participation in corporate decision-making and operations through institutional arrangement, resource protection, and scientific planning to ensure stakeholders' right to know, to supervise and to participate, which contributes to the building of a harmonious relationship with stakeholders.

Stakeholders	Expectations	Ways of communication	Practices
Government agencies	Macro regulation policies implementation Employment promotion Tax payment according to law Local economic development promotion	Top management meetings Communications and exchanges Information reporting Conferences participation	Job creation Tax payment Social wealth creation Local infrastructure improvement Local industries development
SASAC	Law-abiding operation Value Maintenance and appreciation of assets Safe production Environmental protection	Featured report Information submission Conferences participation Company announcement	Law-abiding and honest operation Steady development Safe production management Ecological environment protection
Employees	Occupational health and safety protection Shared growth Pay and benefits Humanistic care Employee localization	Employees' representative meetings Petition Making company affairs public SINOMACH News Social responsibility report Chairman mailbox	Labor protection equipment and facilities Broad employees' career development channels Education and training Competitive pay and benefits Employee care Enhanced overseas staff management
Customers	Honoring commitments Providing premium and inexpensive products Convenient communication channels	Business meeting Service hotline Business visits	Honoring contracts Providing high quality Improving service system
Environment	Energy saving and emissions reduction Economical use of resources Ecological protection Environmental charity	Strengthening information disclosure Reporting to supervision authorities regularly of energy saving and emissions reduction information	Green environmental management Green design Green product Green project Green environmental protection
Suppliers /Contractors	Fair competition Integrity Information confidentiality	Supplier conference Bidding information disclosure Strategic cooperation Cooperation agreement	Consultation on equal footing Honoring contracts Responsible procurement
Partners	Regular communication Long-term stable relationship	Top management visiting Strategic cooperation	Integrity and law observance Mutual benefit and win-win results
Competitors	Fair competition Promoting industrial development	Strengthening communication within the industry Attending industrial forums and meetings Paying exchange visits	Safeguarding the healthy industrial development Participating in the industrial standards development Promoting exchanges and cooperation
Community, general public and NGOs	Improving community environment Respecting community culture Supporting public welfare	Community publicity Communication on community level Community seminar	Participating in community building Social welfare action
Media	Information disclosure and transparency	Company website Social responsibility report Company announcement Interview Press conference	Set up news spokesman system Disclosing information timely

2

Value-focused
SINOMACH

Making contributions to real economy

SINOMACH regards "growing strong, achieving excellence and becoming a world-class enterprise" as its goal. Focused on the two core sectors, namely equipment manufacturing industry and modern manufacturing service industry, SINOMACH is staunchly continuing on the path of high quality development. The Group also strengthens basic management, accelerates transformation and upgrading, and optimizes its product mix. Meanwhile, SINOMACH continues to improve the layout of the industrial chain, contributes to real economic development, strives to become the leader of China's machinery industry and promotes progress of human civilization.



Value-focused
SINOMACH—Making contributions to real economy

Responsibility-focused
SINOMACH—Deepening responsibility management

Innovation-focused
SINOMACH—Promoting reform and transformation

Green-focused
SINOMACH—Building a beautiful China

Happiness-focused
SINOMACH—Building a harmonious society

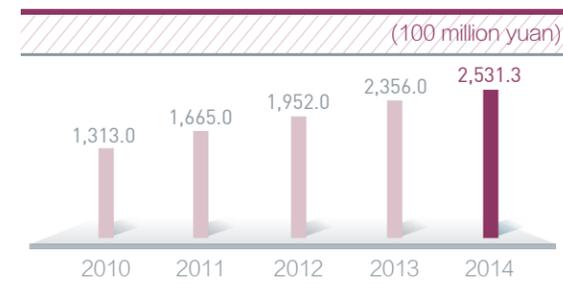
Sound and steady operation and development

In the face of complicated domestic and international economic situations and the daunting task of self-reform and self-development, focused on maintaining growth, the Group grasped the development trend, achieved progress while maintaining stability, and continuously realized high quality growth, exceeding the annual operating revenue target set by SASAC in all respects. In 2014, SINOMACH realized 249.15 billion yuan of operating revenue and 6.07 billion yuan of profits, and was assessed by SASAC as A-level in performance among state-owned enterprises directly managed by the central government for six consecutive years.

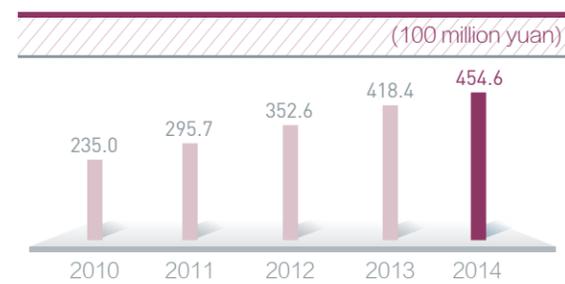
Operating revenue



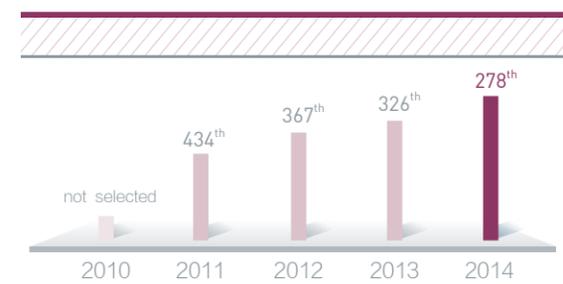
Total Assets



Equities attributable to equity holders of the parent company



Ranking in Fortune Global 500



SINOMACH held colloquia for its member enterprises

Strengthening management basis

Sticking to the goal of maximum value, SINOMACH strives to deepen strategic management, strengthen financial management and control, conduct comprehensive risk management, carry out compliant and honest operation, improve the building of an information system, promote specialized, sophisticated and systemic transition, and enhance modern enterprise management, which provides a solid foundation for the Group to achieve a healthy and sustainable development. In 2014, the Group's management was enhanced effectively, and was rated the "Advanced Unit of Enhanced Management among Central SOEs" by SASAC.

Deepening strategic management

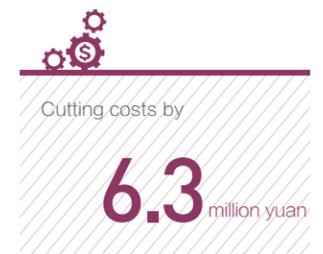
In accordance with domestic and international macroeconomic situations, industrial development and profound changes in operation conditions, SINOMACH steadily promotes its strategic management, improves the Group's management system, and strengthens review of major subsidiaries' strategic plans. In addition, SINOMACH also organizes more seminars and training programs on the Group's development strategy to explore development of business segments and core functions. Furthermore, SINOMACH deepens its strategic cooperation with other countries, and implements signed strategic agreements. In 2014, SINOMACH achieved 100% strategic review and assessment.



SINOMACH held seminars and training programs on its strategies

Enhancing financial management

According to the working philosophy of "laying foundation, controlling risks, creating profits and promoting development", SINOMACH strives to enhance its management on financial value and drive innovation in financial management. The Group constantly reduces costs and increases profits through improving its basic financial management system, strengthening the evaluation on financial maturity, and promoting overall budget management and centralized management of funds. In 2014, SINOMACH saw a fund concentration ratio of 53.3% and achieved economic benefits of 630 million yuan by cutting costs, bringing direct profits of 1.25 billion yuan.



Strengthening overall risk management

With a prudent attitude, SINOMACH continues to strengthen overall risk management, promotes the building of risk management system, and improves risk prevention capacity so as to safeguard its healthy development. SINOMACH also strengthens risk investigation and prevention to build a risk investigation system for international contracting projects in order to prevent and control business risks. In addition, SINOMACH strengthens the supervision and evaluation of investment projects, focuses on process management and regulation to prevent and control investment risk. Furthermore, SINOMACH improves the internal control system, and carries out comprehensive and dynamic identification of risk to prevent and control financial risks.



SINOMACH held video conferences on overall risk management and control

Emphasizing efficiency supervision. The headquarters has carried out comprehensive supervision of execution efficiency with 39 self-examination programs and 16 key follow-up projects. We saw 100% self-examination and follow-up inspection by offices and departments with 17 detailed recommendations raised. We particularly monitored weak links in operations, such as procurement and bidding that had exerted profound impact on corporate development. We set up a total of 209 projects among which 47 were key projects, avoiding economic losses of 28.24 million yuan, recovering economic losses of 31.11 million yuan, saving 22.53 million yuan and directly increasing economic benefits by 77.31 million yuan.

Promoting anti-corruption. We promote the building of a corruption punishment and prevention system and form a long-term mechanism to strengthen anti-corruption, which provides a strong safeguard for the Group's restructuring and development goal. We organize a wide range of publicity, training, and research programs to prevent the corruption risk. Furthermore, we strengthen the supervision on power, and conduct during-event inspections and supervision to prevent corruption risks. In addition, we strengthen the accountability investigation and conduct after-event management. In 2014, SINOMACH formulated 332 anti-corruption regulations, sent a total of 3,744 anti-corruption text messages, carried out 614 anti-corruption education campaigns with 25,509 participants. The Group investigated in 21 cases and punished 64 people according to the Party disciplines and government regulations.



The Group's Party Secretary Shi Ke did research and investigation in Lanpec Technologies Limited Lanbin Base, Shanghai

Promoting the building of an information system

SINOMACH continues to strengthen the building of an information system, and expand the coverage of key management and business processes by the system. The Group constantly promotes the full integration of information technology with SINOMACH's management and businesses so as to achieve standardized management, support collaborative innovation and promote transformation and upgrading. In 2014, SINOMACH was assessed as A-level by SASAC in information technology evaluation for the first time with its overall level of information technology higher than most of the central SOEs.



Self-examination and follow-up inspection by offices and departments

100%

Number of formulated anti-corruption regulations

332



Legal review of rules, regulations, contracts, and major decisions

100%

Law-abiding operation

SINOMACH upholds the principle of "govern the member enterprises according to law", strengthens the supervision on auditing and efficiency as well as promotes anti-corruption to ensure healthy and stable development and become a role model of law-abiding operation in the industry. In 2014, SINOMACH was rated as 3A enterprise in corporate credit rating. No major breach of laws and regulations happened, nor tax evasions throughout the year.

Strengthening legal administration. We provide legal support for major decision-making at the headquarters level, as well as guidance, coordination and supervision for major legal disputes at member enterprise level, which has enhanced the legal risk awareness of all employees. In 2014, the Group achieved 100% legal review of regulations, contracts, and major decisions, 80% of the corporate counsels boast professional certificates, and 80% of the general counsels were full time employees, which has helped enhance its capacity of governing the Group according to law.

Strengthening supervision on auditing. With the focus on internal control and risk-oriented attitude, SINOMACH gives priority to the auditing of economic responsibility, contracted projects and capital projects in order to promote the Group's internal control capacity. In 2014, the Group carried out the auditing of 770 projects with a total value of 237 billion yuan, disclosed 1,436 major issues, and raised 1,036 auditing recommendations.



Information technology evaluation result by SASAC

A level

Jointly creating value

Centering on the two major sectors of equipment manufacturing industry and modern manufacturing service industry, SINOMACH promotes development of the three major business—machinery equipment R&D, project contracting, and trade and services. SINOMACH also accelerates its transformation and upgrading, optimizes its products and business structure, and constantly improves its value-added service ability for key links in the industrial chain. At the same time, the Group enhances business collaboration, strengthens mutual support of machinery equipment R&D, project contracting, as well as trade and services, and forms the Group's overall advantage. In addition, SINOMACH actively fosters the development of strategic emerging industries, such as high-end equipment manufacturing, new energy, new materials, as well as energy saving and environmental protection to effectively cultivate new economic growth point. In 2014, SINOMACH realized 45 billion dollars worth of contract value, an increase of 4.6% from the previous year. The Group also signed new contracts with the total value of 53.6 billion yuan, an increase of 1.9% from the year earlier.

Equipment manufacturing boosts industry upgrading

SINOMACH is one of the most important scientific research and manufacturing enterprises in China's machinery industry and a major national equipment production base. With a strong industrial background and abundant human resources, SINOMACH continues to strengthen its R&D capacity, channel operation and brand building. Furthermore, the Group improves product quality, creates high value-added products of core competitiveness, and moves towards intelligence, digitization, networking and servitization. A number of SINOMACH's products have broken foreign companies' monopoly in the market and filled the gap in China.



The first home-made suspension cableway with corner strips served Qingdao International Horticultural Exposition

The 600-ton steel ingot boosts China's independent manufacturing of nuclear power products

In August, 2014, China National Erzhong Group Co. (China Erzhong) successfully cast a 600-ton steel ingot to produce the motor shaft of Unit 6 of Fuqing Nuclear Power Plant. The 600-ton steel ingot is the key extra-large forging of nuclear power system and has strict requirements on chemical composition and mechanical properties. With limited equipment and technical capacity, the production and casting of extra-large steel ingot are rather difficult. China Erzhong has planned carefully on production, technology, and equipment to provide safeguard for steel ingot casting. The 600 tons of steel ingot has demonstrated China Erzhong's capacity for manufacturing large nuclear power equipment, marking that China Erzhong has mastered the key technology of producing extra-large nuclear power half-speed shafts, which has laid a solid foundation for China's independent and massive manufacturing of nuclear power products.



China Erzhong successfully cast a 600-ton steel ingot

Project contracting boosts the export of products

SINOMACH provides engineering construction service in the global market with complete set of equipment, EPC, BOT and BOO as the main patterns, covering a complete industrial chain of project development, investment and financing, project planning, prospecting, design, construction, complete set of equipment, and operation and maintenance management. We constantly optimize the layout, improve the overall design and systemic integration capacity, strengthen the regional comprehensive development capacity, and explore the integration of investment business and project contracting business. As a result, the export of products has increased. In 2014, SINOMACH ranked the 25th among the ENR's Top 250 International Contractors, and the 72nd among the ENR's Top 225 International Design Firms.



Ecuadorean 911 emergency operation center, constructed by CAMCE, was completed. President Rafael Correa Delgado was present at the completion ceremony

Trade and service optimize resources allocation

SINOMACH is the largest import and export trade enterprise in China's machinery industry, and the important channel for China's export of mechanical and electrical products as well as the import of overseas advanced technology and products. We stick to market-oriented direction, create and satisfy customers' demand, strengthen the building of marketing ability to form systematic service advantages, increase the import of advanced technology, key equipment, as well as components and parts, and promote the export of complete set of equipment, high value-added products and highly relevant products to SINOMACH. Furthermore, led by mechanical and electrical products, a pattern of diversified trade products, various trade modes and trade market globalization has been built. As a result, we have realized optimized resources allocation worldwide. In 2014, SINOMACH achieved a total import and export trade volume of 12.4 billion dollars, an increase of 33.26% from the previous year.



SINOMACH successfully held China (Macau) International Automobile Exposition

"Made in China" along the Aegean Sea

IZDEMIR1 × 350MW supercritical coal-fired power station is located in the Aliaga Industrial Park, IZMIR Province, Turkey—the beautiful Aegean Region. The project contract was signed in January, 2011. After more than 3 years' development and construction by CMEC employees, at 6:05 pm on March 17, 2014 (local time), IZDEMIR1 × 350MW supercritical coal-fired power station was successfully commissioned and connected to the grid at full electrical load after one trial and achieved its design performance. Turkey's IZDEMIR1 × 350MW supercritical coal-fired power station project has started the good export performance of China's 350MW coal-fired generator set and played a significant role in expanding the export production line of CMEC power stations.



Construction Site of CMEC's Turkish IZDEMIR Power Station

Capital operation improves structural layout

SINOMACH adjusts to the needs of national industrial restructuring and its own development, deepens its capital operation and explores to build the Group into a state-owned capital investment company. As a result, capital could become the fourth business segment other than machinery equipment R&D, project contracting, and trade and services, thus could turn "three-wheel drive" into "four-wheel drive". In 2014, SINOMACH enhanced the integration of its internal resources, pushed forward strategic capital investment and merger, promoted its public listing, financing and operation as well as strengthened investment and capital operation ability, which had optimized the Group's industrial structural layout and improved its comprehensive competitive strength.



The signing ceremony of the cooperation agreement between SINOMACH Capital Management Corporation and ChinaEquity

Strategic emerging industry boosts economic growth

SINOMACH has developed high-end equipment manufacturing, new energy, new materials, energy saving, environmental protection and other strategic emerging industries, conducted eight featured researches including "clean city, clean countryside, clean production", robot, high-end equipment and so forth and strengthened R&D of new products and new technology, which has laid a solid foundation for the further development of emerging industry and cultivated new economic growth point for the Group. In 2014, SINOMACH further expanded its strategic emerging industry. CEI's first robot household electrical appliances automatic assembly production line was placed in operation and achieved equipment upgrading. CAMCE signed to undertake China's first forward osmosis technology project and started its commercial application in China.



Strengthening smart manufacturing and launching the first robot production line

Guided by market demand and integrated application, CEI conducted industrial robot application research and increased the scientific research input in robot field. CEI relied on Academia Sinica's advanced technology platform of smart equipment, and the first self-branded CEI industrial robot appeared on the 116th China Import and Export Fair on October 15, 2014, marking CEI's research in robot technology field had yielded practical results and laid a solid foundation for the promotion of self-branded robots at home and abroad.



The robot application technology developed by CEI could provide automatic solutions for household electrical appliance enterprises in links like transportation, assembly, packaging, incasement, stacking, welding and flame plating. Household split air conditioner automatic assembly production takt time could enhance the productivity greatly within 15 seconds.



— Dr Liang Ming, Chief expert at the Robotics Institute of CEI



CEI launched the first robot production line



3

Innovation-focused
SINOMACH

Promoting reform and transformation

Innovation is the new engine driving the development of enterprises under the new circumstances. SINOMACH is determined to encourage scientific and technological innovation, promote transformation and upgrading, and improve growth quality. Therefore, we focus on development through innovation and adopt methods to endow innovation with dynamics, vitality and strength, such as deepening technological innovation and carrying out management innovation, so as to successfully transform SINOMACH from production-driven to innovation-driven. With these efforts, SINOMACH keeps its leading role in China's machinery industry, contributing to the building of an innovation-oriented country.

Emphasizing scientific innovation

SINOMACH firmly believes that scientific and technological innovation is the core of an enterprise's development. To enhance the capacity for independent innovation and pave the way for the building of a new SINOMACH, we promote the system for scientific and technological innovation, improve our capacity for independent innovation, and make efforts to lead technological development throughout the industry. In 2014, SINOMACH achieved breakthroughs in technological innovation with more emphasis on the introduction and training of skilled personnel and the building of an innovative platform. Major scientific projects are in steady progress, and SINOMACH has yielded innovative achievements in science and technology.

Building the system for scientific and technological innovation

SINOMACH strives to improve its technological innovation system, improve its scientific and technological innovation mechanism and build a multi-level platform for innovation in order to lay a solid foundation for the commercialization of research findings.

Optimizing the scientific innovation system

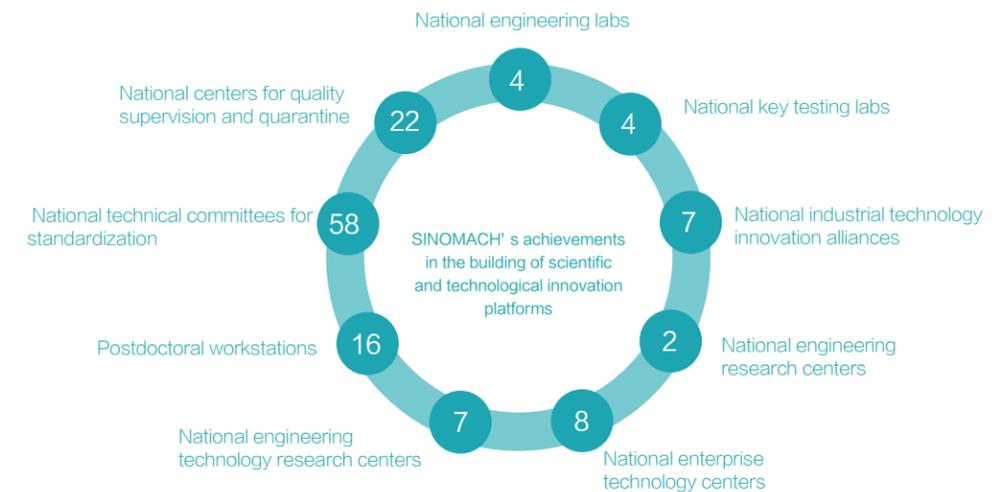
SINOMACH builds and improves its multi-level technological innovation system which covers strategic decision, execution of strategy, products and technology development. We also make preparations for the establishment of a national scientific research institution and a service platform. Due to our efforts in the exploration for technological innovation, we have established a strategy-guided and market-oriented system integrating production, training, research, trading and financing.

Technological innovation system of SINOMACH



Building a scientific and technological innovation platform

SINOMACH pushes ahead with the building of a scientific research service platform and further improves the hardware facilities of the platform with emphasis on the basic research facilities. In 2014, SINOMACH was approved to build 14 platforms above provincial and ministerial level and 5 laboratories specializing in quality control and technology assessment of industrial products. The latter was approved by the Ministry of Industry and Information Technology of the People's Republic of China. The national key laboratory of SINOMACH for compressors was accepted by the Ministry of Science and Technology of the People's Republic of China. SINOMACH's quality supervision and inspection center for engineering machinery and hydraulic products became a national inspection center.

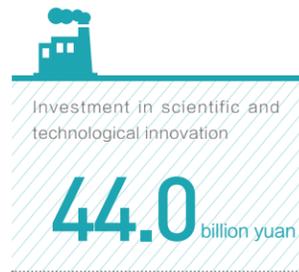


Member enterprises of SINOMACH listed in China Torch Program

In 2014, the names of key hi-tech enterprises listed in China Torch Program were released. Hefei General Machinery & Electrical Products Inspection Institute Co., Ltd., affiliated to HGMRI, and Zhengzhou Research Institute for Abrasives & Grinding Co., Ltd., affiliated to SINOMACH-PI, were selected by the program. These enterprises, both affiliated to SINOMACH, will boast preferential access to various social resources for their development, indicating that they have become the backbone for improving independent innovation capacity, adjusting industrial structure, transforming development mode and leading the leap-forward development of China's hi-tech industry.

Enhancing capacity for independent innovation

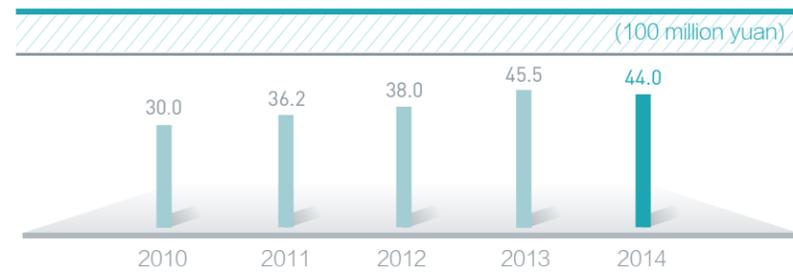
SINOMACH perseveres in improving its independent innovation capacity as well as core competitiveness. It has become the leader of machinery equipment manufacturing technology in China by increasing investment in technological innovation, cultivating innovative talents, promoting important national projects and strengthening the protection of intellectual property rights.



Increasing investment in scientific and technological innovation

SINOMACH keeps increasing its investment in scientific and technological innovation and raises funds through various channels. It endeavors to attract capital investment in major science and technology projects from central SOEs innovation investment fund, government guide fund, venture capital fund and private equity fund. Consequently, the technology content in products and operations is substantially raised. In 2014, innovation investment of SINOMACH reached 4.4 billion yuan and that of technology firms constituted over 7% in their income from major businesses.

Scientific and technological innovation investment of SINOMACH from 2010 to 2014



Chen Zhi and Yang Ladao, with SINOMACH, were awarded the 1st "Outstanding Engineer of the Year" in 2014 by China International Foundation for Exchange of Science and Technology

Cultivating innovative talents in science and technology

SINOMACH pays attention to improving the technological innovation system and aims to build innovative teams that are influential in the industry, in China and even in the world. With the goal in mind, SINOMACH speeds up the cultivation of innovative and skilled personnel and gathers them with various methods, such as introduction of more talents, establishment of a medium and long-term incentive mechanism, implementation of chief expert system and the promotion of innovative culture. By the end of 2014, skilled personnel in different disciplines have reached 49,134, of which 5 are chief experts of the Group, 1,098 are granted special government allowances, 23 are chosen by the national million projects, 28 are national young and middle-aged technology experts with outstanding contributions, 8 are masters of engineering survey design in China, and 2 are masters of engineering supervision in China.

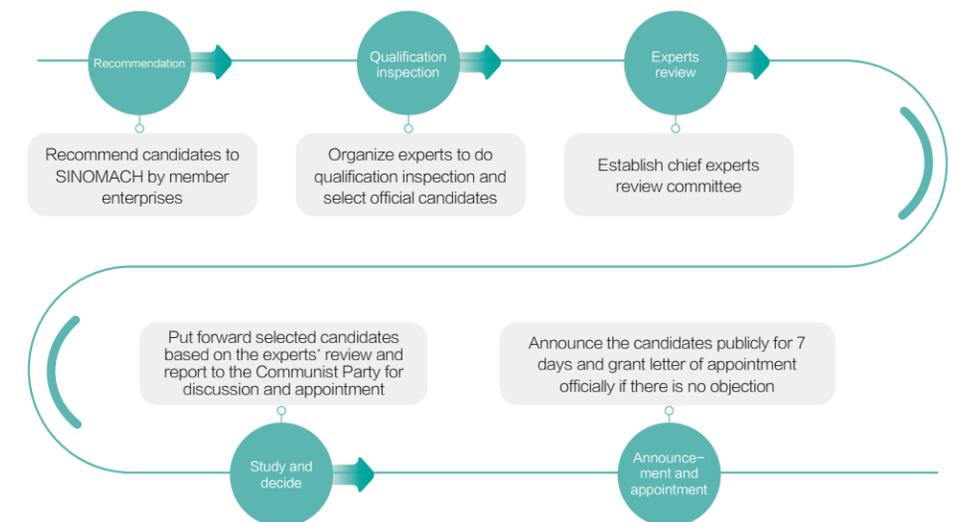


Recruiting more talents and appointing the first batch of chief experts



On April 18, 2014, five experts from SINOMACH, namely Han Zengde, Yang Ladao, Guan Weihe, Liu Yuejin and Li Bing were appointed as the Group's first batch of chief experts. The selection of chief experts started from mid-2013 and ended in January, 2014. After 3 months' deliberation, the aforementioned five experts were elected. Every expert holds office for 3 years. During this period, the benefit package for every expert equals that for senior management in their respective company. Furthermore, if the yearly appraisal result is "qualified" or above, the expert can enjoy an allowance of 100,000 yuan granted by SINOMACH.

The process for selecting and appointing chief experts in SINOMACH





Number of approved national scientific projects

nearly **80**

Carrying out the research for national key projects

As a central SOE, SINOMACH supports the technological development of the industry and the innovation-driven development of the country by promoting key national projects, advancing industrial technological research and improving its independent innovation capacity. In 2014, SINOMACH organized declarations for scientific research projects. As a result, nearly 80 national scientific projects were approved. In addition, 103 projects were completed, including national projects, the Group's technological upgrading projects and technology development funds projects.



Successfully developing the core components in the brake system of high-speed trains

In December, 2014, China Machinery Industrial Products Co. Ltd., affiliated to CMEC, developed and produced highly-purified and highly-efficient brake discs made of alloy cast steel. These brake discs were successfully installed in the brake system of the first automated MU trains in China. Early tests on the brakes were completed, indicating that China has mastered brake system technology on rail transit vehicles and foreign companies' monopoly on crucial technology and components of MU train brake systems have come to an end. This also marks the localization of high-speed brake discs, one of the core components of high-speed trains, has met the goals of the current phase, which will further accelerate the localization of high-speed trains.



World's largest free forging hydraulic press and full hydraulic forging operation machine successfully developed

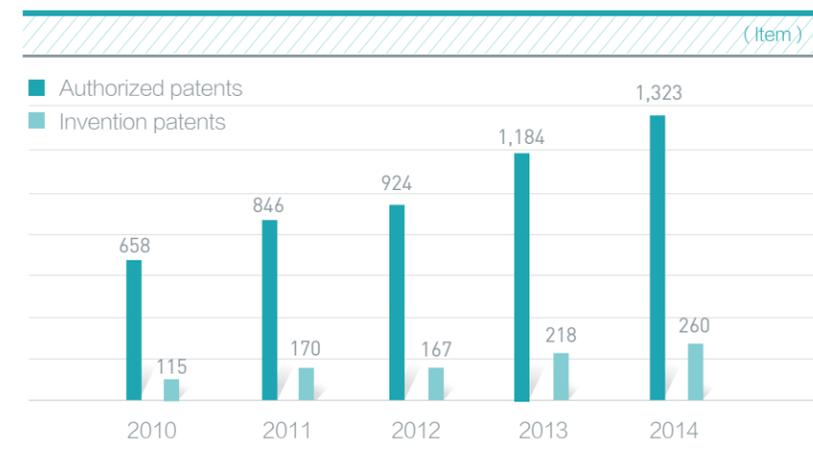
In April, 2014, one set of 19,500 T of free forging hydraulic press and 300 T / 750 T.M of full hydraulic forging operation machine successfully passed the heat-load test. The machines already in operation, with the world's largest tonnage and maximum clamping force/torque, were developed independently by SINO-HEAVYMACH. Their overall installed capacity reached the top level in the world. The project went into production, making breakthroughs in the manufacturing of high quality forgings in fields like large electric power, shipbuilding, metallurgy, chemical industry, aerospace as well as national defense and war industry.



Strengthening protection of intellectual property rights (hereinafter referred to as IPR)

SINOMACH has fully implemented the intellectual property strategy, enhanced the management capabilities in terms of intellectual property creation, application and protection, and grasped a batch of key technologies with independent intellectual property rights. It has been honored as one of the first-batch model enterprises by the State Intellectual Property Office. In 2014, SINOMACH applied for 1,711 patents, among which 661 are invention patents. In addition, SINOMACH was granted 1,323 patents, including 260 invention patents.

SINOMACH's granted patents from 2010 to 2014



SINOMACH among the first batch of national model enterprises of intellectual property

In January, 2014, YTO was honored as the first batch of model enterprises of intellectual property. To enhance its capabilities to create, apply, protect and manage intellectual properties, YTO formulated its own strategic thoughts, strategic plans and implementation schedules in accordance with its sustainable development, contributing to the regulation of intellectual property and embodying the strategy of "integration for growth". As a national platform, it is more convenient for YTO to adopt national intellectual property policies and industrial policies to facilitate the standardization of IPR in the company. Meanwhile, YTO will further improve its management of IPR and integrate the concept of IPR into procurement, personnel management, R&D, production and marketing. It will also explore key technology. In this way, YTO can contribute to the creation and commercialization of IPR.

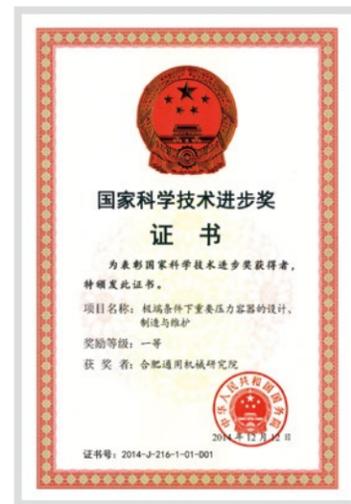


Leading scientific and technological progress of the industry

Aimed at advancing scientific and technological innovation, SINOMACH lays emphasis on R&D of core technology, participates in the formulation of major standards of the industry, as well as increases its industrial cooperation and exchanges in science and technology. With its innovative achievements, SINOMACH leads the way in China's machinery industry.

Strengthening R&D of core technology

By means of its technological advantages, SINOMACH sticks to its idea of "producing, storing and advanced research", and strengthens R&D in cutting-edge technology, key generic technology, basic applied technology, strategic emerging industries and major technology so as to provide technological support and driving force for industrial development. In 2014, SINOMACH won 329 outstanding achievement awards at provincial/ministerial level or nation-wide industry level, among which 117 were scientific and technological awards, and 153 were survey, design, or consulting awards.



The project- "Design, manufacture and maintenance of important pressure vessels under extreme conditions"-won the first prize for progress in science and technology



Striving for new heights, and reaching the highest level

With the increasingly fierce competition in domestic construction industry, qualifications have been important barriers for companies in the bidding for projects. As the only large engineering construction enterprise of SINOMACH, China Machinery Industry Construction Group Inc. (hereinafter referred to as SINOCONST) attaches great importance to applying for the top-level qualification for general contracting of housing construction. From 2008 to July 5, 2014, after prolonged hard work, SINOCONST obtained the top-level qualification for general contracting of housing construction, which has improved SINOMACH's competitiveness in international market and plays an important role in the implementation of "Going Global" strategy. At the same time, it is conducive to adjusting SINOCONST's business structure and improving its designing ability as well as comprehensive competitiveness.

“Normally, I should be wild with joy at the obtainment of the top-level qualification. However, after the initial five-minute excitement, I began to think about the road for SINOCONST in the next three or five years. Questions rushed to my mind, such as how to make full use of the qualification and how to contribute to the construction contracting businesses of SINOMACH. We need to make plans and put them into action immediately.”

— Xu Yanlin, General Manager of SINOCONST

Participating in the formulation of important industry standards

Aware of its leading role in the industry, SINOMACH takes charge of or participates in the formulation and revision of national and industry standards, and promotes the research and formulation of major industry, national and international standards. In 2014, SINOMACH took charge of or participated in the formulation of 754 national and industry standards, among which 220 were national standards, and 436 were editor's standards.



Number of various kinds of national and industry standards

754



China breaks its zero record in proposing and formulating international standard of the industry

On behalf of the Standardization Administration, delegation from Beijing Materials Handling Research Institute (hereinafter referred to as BMHRI) attended the 2014 ISO/TC96 Conference and submitted the first international standard draft *Operational Safety in Remote Controlling of Cranes* at the ISO/TC96/SC5 Conference. It was at this conference that China broke its zero record in proposing and formulating international standard of the industry. More importantly, BMHRI can invite experts and enterprises of the industry to discuss international standards with the aid of the platform, helping our advantageous technology and standards quickly become international standard proposals and thus laying a solid foundation for the sale of more cranes in the international market.

Deepening scientific and technological exchanges and cooperation in the industry

In order to promote technological exchanges and cooperation in the industry, SINOMACH works toward technological exchanges and information sharing by cooperating and exchanging with other companies, higher learning institutions and research institutions, joining industry associations and societies of all kinds, establishing standardization committee and creating platforms for technological exchanges and cooperation.



Chinese Academy of Agricultural Mechanization Sciences helped hold the 18th World Congress of CIGR

Promoting the transformation of scientific and technological achievements

SINOMACH devotes itself to exploring and establishing mechanism and platforms for the transformation of scientific and technological achievements. To facilitate the transformation, SINOMACH makes full use of large engineering projects, adapts itself to market demands to achieve the rapid launch of new products and technology in the market, and serves the defense industry. In 2014, the overall transformation rate of SINOMACH was above 95%.



Chongqing Materials Research Institute Co., Ltd. granted permission to manufacture armament by Chinese PLA General Armament Department



Facilitating the localization of large aircraft manufacture in China

The 12,000 DWT aeronautic aluminum alloy stretcher, co-developed by SINO-HEAVYMACH and other companies, is an important part in the 50,000 T. heavy alloy plate production line of Southwest Aluminum (Group) Co., Ltd. The stretcher adopts several patented and core technology independently developed by CNHMRI and enjoys independent intellectual property rights. It is mainly used in aeronautic and military industry. As the core of the national NO.04 "10,000 T. Aeronautic Alloy Stretcher" project, the technology has filled the void in the manufacture of the above-mentioned stretchers and ended long-term reliance on exported heavy aeronautic alloy plates. It has significant and profound meaning to the development of aeronautic industry, aluminum processing industry and the national economy, serving as a model for the replacement of imported products with domestic ones and for the promotion and application of domestic products.

High-speed detachable grip passenger ropeway cheers for Beijing's bid for the Winter Olympic Games

In 2014, after 10 years' efforts in the production, study and research of high-speed passenger ropeway with large capacity, BMHRI overcame key technological difficulties, managed to develop and promote detachable grip passenger ropeway cabin for 6 or 8 persons, developed its independent designing and manufacturing capability and finally realized the commercialization. The technology reached international advanced level, broke foreign companies' monopoly, helped replace imported ropeway products and filled the void in ropeway area. It also met the urgent demand of tourism industry and skiing sport. The newly-built detachable skiing ropeway in Hebei Wanlong Skiing Resort, one of the key projects in Beijing's bid for the Winter Olympic Games, has been completed and operates properly.



Promoting management innovation

SINOMACH promotes management innovation, improves its management and control of the Group, speeds up business mode innovation and deepens company reform. It requires efficiency, quality and development in the management process, gives full play to innovation strength, and promote innovation in SINOMACH.

Improving management and control of the Group

SINOMACH keeps improving its control ability and overall risk management ability. The Group also promotes risk management building, raises risk prevention awareness and avoids potential accidents and operational danger. SINOMACH steadily introduces international management mode and always lives up to its own investment principles. It never invests in worthless projects, never causes vicious competition by unduly forcing price down and never enters fields with unmanageable risks. It keeps reducing management chain and tries to keep it within four levels. Furthermore, the establishment of new affiliated companies is restricted.



Liu Shunda, President of the Board of Supervisors dispatched by State Council to SINOMACH, visited Tianjin Research Institute of Electric Science Co., Ltd.

Strengthening innovation of business mode

SINOMACH follows the footsteps of world-class enterprises, adheres to customer-centered belief, enhances service and business model innovation, improves its fine management level, stays keen to market trends, responds quickly and efficiently to demand changes, continues to create value for customers, and constantly enhances its value creation capacity. It further promotes the integration of equipment manufacturing industry and service industry, as well as that of traditional industries and information technology, working towards more efficient forms and modes.

Transformation and upgrading: from design to general contracting

Haichuang Park, whose full name is Zhejiang Overseas High-level Talents Innovation Park, also known as Zhejiang Hangzhou Future Sci-Tech City, is listed by the Organization Department of the CPC Central Committee as one of the four future Sci-Tech cities in China. CUC took charge of the construction of the Park, from its design to general contracting, and managed to transform from a design-centered company to a design-led general contractor. In April, 2014, it took CUPEC only 2 years, 5 months and 10 days in total to complete the project, including the 370,000-cubic-meter construction area and 234,000-cubic-meter design area. The construction alone would take 3 or 4 years for average construction companies, as a result, a large number of domestic enterprises came to visit CUPEC and learn from its successful transformation.

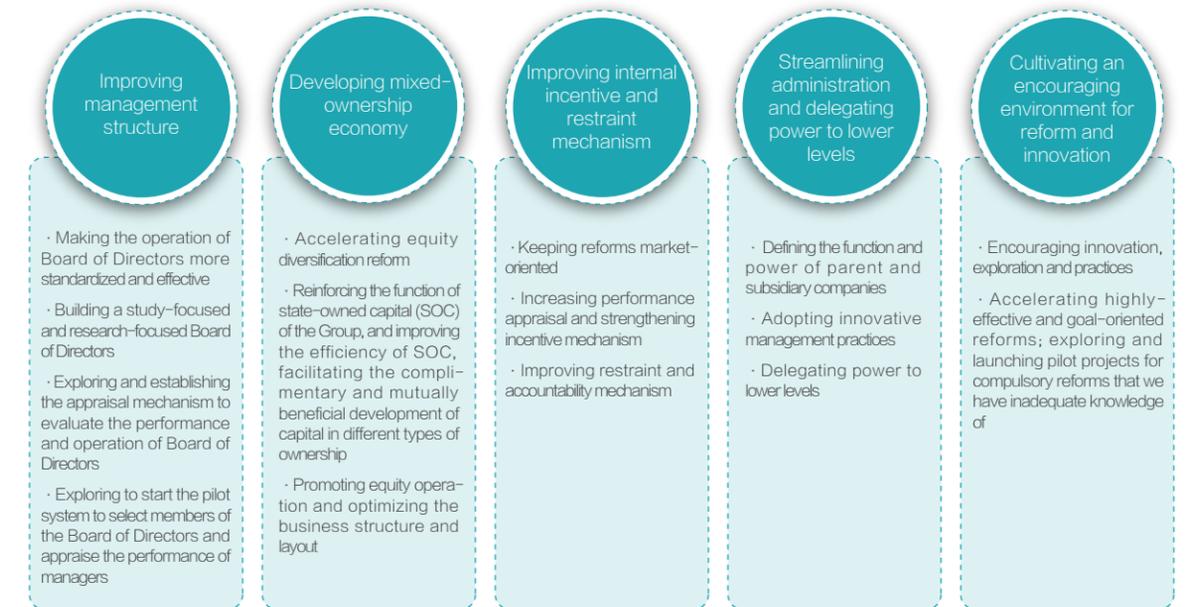
“ The Provincial Party Committee and Provincial Government are satisfied with Haichuang Park’s achievements. ”

— Li Qiang, Governor of Zhejiang Province

Deepening the reform

In accordance with the reform trend of SOEs, SINOMACH deepens its reform and improves its core competitiveness by sticking to its principle “courageously move forward in steady moves”, centering on vigor and efficiency and paying attention to systematic reform and collaboration. In 2014, SINOMACH set up the leading group for comprehensively deepening reforms, followed the reform trend and clarified reform orientation. The Group has constantly improved the regulation and efficiency in the operation of Board of Directors and formed the board culture with SINOMACH’s unique characteristics of honesty and harmony. The building of Board of Directors at each level enjoys stable growth. The Group has dispatched a team of outside directors to the Board of Directors of secondary companies, effectively improving their management capacity. A number of member enterprises have completed corporate restructuring, leading to the development of modern corporate system. Some member enterprises have carried out experimental mixed-ownership reform and achieved positive results.

SINOMACH’s five measures to deepen the reform



Exploring and promoting mixed-ownership reform

SINOMACH earnestly implements the arrangement of SOE reform by SASAC. It carries out exploration and puts the reform into action. SINOMACH not only improves the utilization efficiency, vigor, influence and motive force of state-owned capital, but also applies the policy in light of the industry and the enterprise, endeavoring to build a mixed-ownership enterprise with new system, flexible mechanism and strong competitiveness.

Encouraged by SINOMACH’s implementation of mixed-ownership reform, its member enterprises strive to promote mixed-ownership reform. Bonded by property right relations, Guangzhou Machinery Technology Research Institute Co., Ltd. (GMTRI) has set up a joint-venture with a private company. It starts to manufacture the body of industrial robots, laying the foundation for the transformation and upgrading of GMTRI. YTO has introduced advanced technology and techniques of high-end axles by setting up a joint venture with German ZF Group, the largest transmission components manufacturer in the world, contributing to the upgrading of tractor manufacturing technology. SUMEC has set up a long-term incentive mechanism that allows backbone employees hold shares of the company. In this way, employees, operators, and the company itself are linked together by property rights and form a long-term and unified interest group, ensuring a sustainable and healthy development of the businesses. CAMCE has made a “restricted stock incentive plan”, effectively stimulating employees’ enthusiasm towards work since their wages are closely connected with the company’s financial performance.

In the future, SINOMACH will continue to develop mixed-ownership economy in a safe, legitimate and orderly manner under the guidance of relevant state policies. It will also improve its corporate governance structure, attach importance to information disclosure, highlight auditing, strengthen third party supervision and promote cultural fusion. Moreover, it will steadily push ahead with mixed-ownership reform of the Group by sticking to the principle of “trying, maturing, and implementing” and introducing various types of capital to optimize the Group’s capital structure and layout.

4

Green-focused
SINOMACH

Building a beautiful China

Ecological environment is the green treasure from the nature as well as the foundation for human beings' existence and development. Faced with the severe global challenges on climate change, environmental pollution and so forth, SINOMACH adheres to the philosophy of green and low-carbon development, strives to combine environmental protection and corporate strategy, takes advantage of the industry features and its strength in environmental protection technology research, development and production, strengthens technological innovation, promotes the use of new energy, applies green design, conducts green products research, contracts to build green projects, pushes forward the green environmental protection and supports the formulation of green industry standards. Meanwhile the Group continues to improve its environmental performance to contribute to the environmental and low-carbon development of China's machinery industry and the building of a beautiful China.

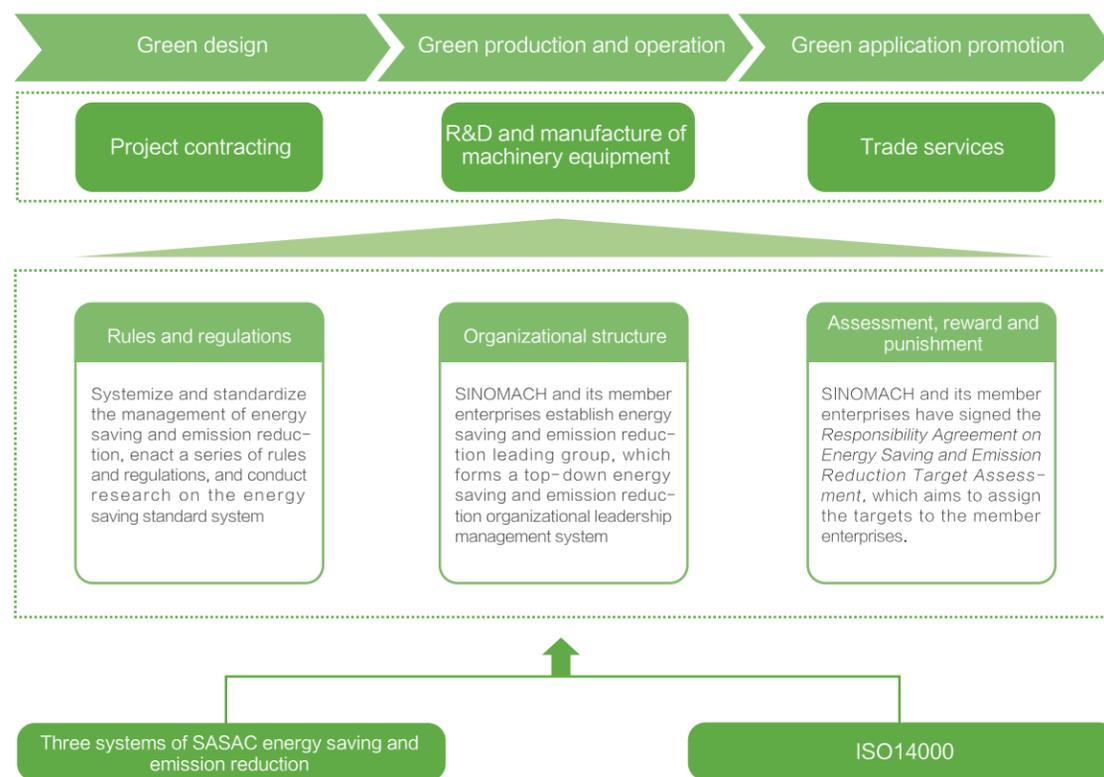


Improving green management system

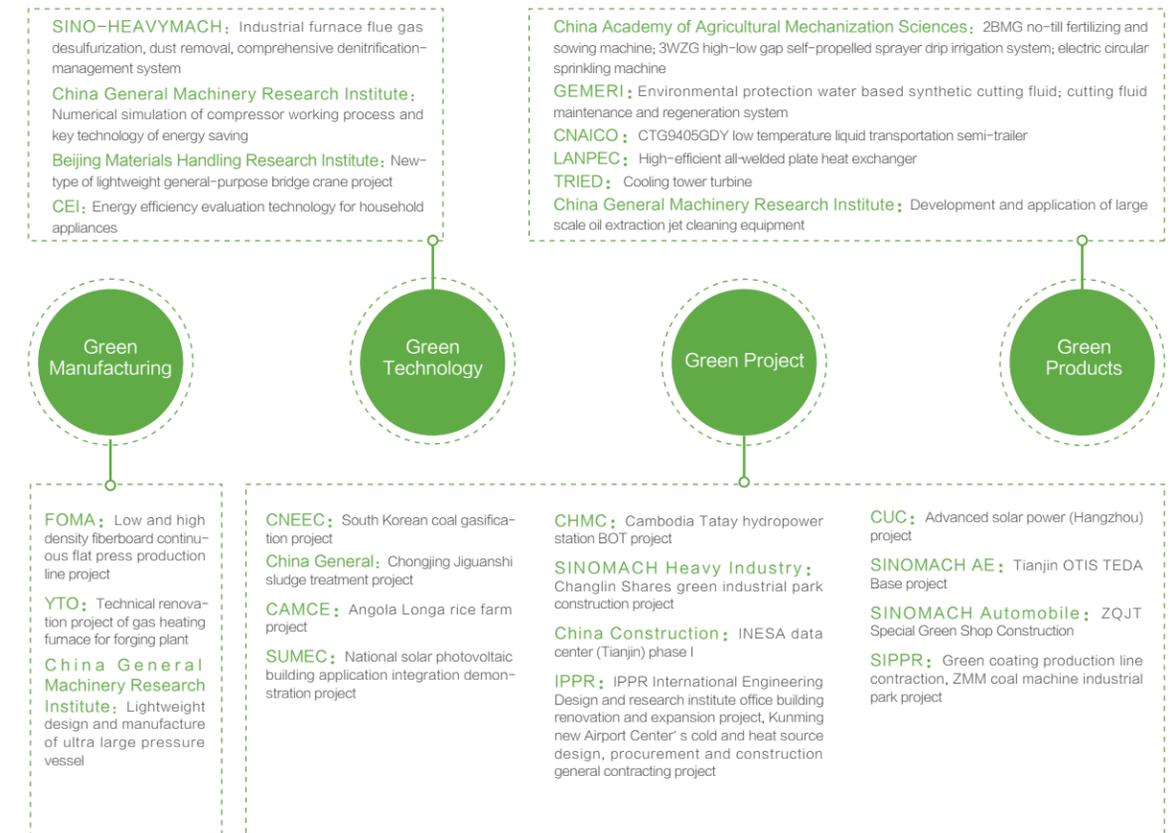
SINOMACH abides by and implements national laws and regulations on energy-saving and emission-reduction, as well as the standard on energy consumption, exploring new green management mode, continuously improving energy-saving and emission-reduction calculation as well as monitoring and evaluation systems, and enhancing the foundation for energy-saving and emission-reduction. Sticking to green mindset in the whole process of operation including design, production and application, SINOMACH is implementing green management throughout the industry chain, and cultivating a "green-focused SINOMACH" brand image of low-carbon environmental protection so as to promote the Group's social influence.

In 2014, SINOMACH consumed 285,700 tons of standard coal, a 16.54% decline on year-on-year basis; comprehensively saved 133,000 tons of standard coal. Comprehensive energy consumption per ten thousand yuan output value (comparable price) is 696 tons of standard coal, a 15.53% decline on year-on-year basis; sulfur dioxide emission was 599.70 tons, a reduction of 16.74% on year-on-year basis; COD emission was 44.11 tons, a reduction of 82.82% from the previous year.

SINOMACH Green Management System



Achievements of SINOMACH's green management



One of the first batch of pilot corporations to pass "two-type" enterprise pre-evaluation in China

To push forward economical and clean development for industrial enterprises and accelerate the transformation of industrial development mode, Ministry of Industry and Information Technology, Ministry of Finance, and Ministry of Science and Technology organized to establish energy-saving and environmentally-friendly enterprises ("two-type enterprises") in 2010. YTO actively participated in the project and achieved advanced level in the industry in terms of product structure, production efficiency, resources saving and environmental protection. In 2014, YTO became one of the first 117 pilot "two-type" enterprises in China.



YTO "Two-type" enterprise pre-evaluation report-back meeting

Encouraging green design

SINOMACH follows three major principles of reducing environmental pollution, decreasing energy consumption as well as recycling or reusing products and spare parts. In addition to fully considering the function, quality, development cycle and cost of the products in their full lifecycle, SINOMACH optimizes various factors and minimizes the negative impact on the environment caused by the products and the production processes so as to make all indexes meet the green standards. Meanwhile, SINOMACH integrates the environmental factors and pollution prevention measures into project design, takes environment performance as the design goal and starting point, and spares no efforts to minimize the project's impact on the environment.

Passing three-star green industrial architecture certification

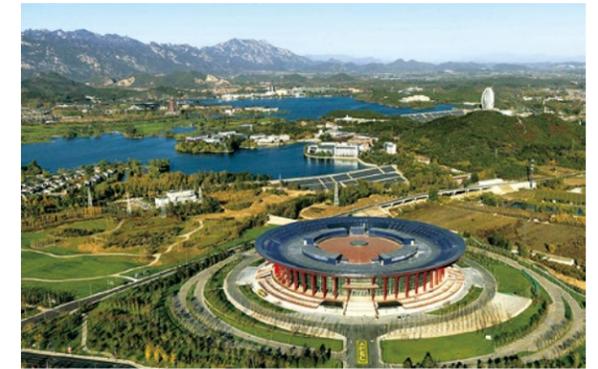
SIPPR applies green philosophy to the consultation and design of the full lifecycle of China Coal Zhangjiakou Coal Mining Machinery's equipment industrial park project (Phase I). This project was awarded China's first and biggest mining equipment manufacturer three-star green industrial architecture certification, and became the first industrial architecture that was awarded the first prize of green architecture innovation by Department of Housing and Urban Rural Construction. This project utilized a number of green industrial technologies and saved the yearly cost of 3.385 million yuan, serving as a good example for Chinese industrial corporations, especially the mining equipment manufacturing industry.

Green technology adopted in the project

Heating recycle	Using water heating bump to recycle construction heating and provide all hot water for the factory's daily life; yearly hot water production is close to 36,000 m ³ , saving about 190,000 yuan of cost
Solar energy street lamp	The whole factory uses solar energy street lamp, saving power of 40,000 kW · h and cost of 28,000 yuan
Waste water recycle system	Set up waste water recycle system, handling everyday 800t waste water, saving almost 1.81 million yuan per year
Large area permeable ground	The factory uses large area permeable ground; architecture recyclable material categories reach 47%
Dust removal system	Set up over 20 PTFE film filter cylinder, activated carbon adsorption bed and other dust removal systems, reach over 99% of purification rate
Infrared radiant heating system	The factory uses infrared radiant heating system, saving about 1.21 million yuan per year
Three grade energy metering management system	Set up three grade energy metering management system, saving about 150,000 yuan per year
Sewage disposal	Set up sewage disposal to realize zero emission of waste water; yearly water recycling rate reaches 95.61%

Solar energy photovoltaic power generation helped in Beijing's "APEC blue"

In the main conference hall of APEC 2014 - Core Island International Conference Center of Beijing Yanqi Ecological Demonstration Zone, power was provided by North Yanqi Lake Reservoir 3.5 Megawatts Solar Photovoltaic Power Generation Project designed by China Sinogy Electric Engineering Co., Ltd. (CSEEC), member enterprise of CPF. This project makes use of the south slope of north Yanqi Lake's reservoir dam, adopts photovoltaic system of poly-silicon components, realizes "zero-consumption" of energy, and reveals the green sustainable development philosophy of ecological demonstration zones.



China Perfect Machinery Industry's 3.5 Megawatts Solar Photovoltaic Power Generation Project

Preserving Amazon rainforest

Bolivia San Buenaventura Refinery Project contracted by CAMCE is close to MADIDI National Forest Park Nature Reservation Area, which is surrounded by the rain forest at the upper reaches of Amazon. To protect the surrounding environment and reduce the use of sulfur (a major contributor to environmental pollution), CAMCE optimized the project design and put forward the internationally advanced ozone bleaching technology, efficiently controlling this project's emission of air and water pollutants as well as the influence on the surrounding Amazon rain forest.



Bolivia San Buenaventura Refinery Project

Implementing green production and operation

SINOMACH pays close attention to the environment, sticking to green low-carbon production and operation philosophy, endeavoring to combine production and operation with environmental protection, and adopting self-developed or imported low-energy-consumption and low-emission technologies and equipment. Meanwhile, SINOMACH aims at internationally advanced level, increasing the input into green technologies, working hard to realize recycling and zero-harm in production and operation, and continuing to create a green and harmonious environment.

Adopting green manufacturing

SINOMACH considers environmental influence and resource efficiency in the production process, continues to improve technologies and procedures and implements pollution control in products' full lifecycle through technological innovation and system optimization, so as to minimize the impact on the environment, maximize resources efficiency and minimize influence on human bodies and the society, endeavoring to realize the coordinated optimization of the Group's economic, environmental and social benefits.

Reforming production equipment to improve energy saving

In 2014, China Erzhong implemented "Comprehensive Reform Project of Industrial Furnace", completed the reform of two furnaces from cast steel room and electric room, built two new 35t/h gas boilers, and adopted for the first time "contracted energy management mode" to implement the reform of the electric room from 20t-VOD steam injection pump system for refining furnace to mechanical vacuum pump system. The project has been put into use and has played a significant role in energy-saving.



China Erzhong 35t/h Gas Boiler Project

Upgrading green technology in casting system to meet European standards

YTO has been implementing the "upgrading project of green technology in casting system". In 2014, after completing the reform project of "cupola to electric furnace", YTO completed lost foam production line and put it into operation. As a result, the emissions of carbon monoxide, carbon dioxide, water and other hydrocarbon gases generated by the burning polystyrene and PMMA are less than the amount stipulated in European standards. By using natural silica sand (without binder) in sand treatment, 100% recycling could be achieved. The coating of the lost foam is made by adding binder and other supplemental materials into water, thus there is no pollution produced in the process.

Making innovations in green technology

SINOMACH invests heavily in the R&D of green technology and continues to make innovations in energy saving and emission reduction. By extending the connotation of green technology, SINOMACH integrates professional competencies of the Group into dynamic system and technological system, provides green services to customers, promotes the application of energy-saving and emission-reduction technologies as well as the utilization of new energy and makes joint efforts with customers to cultivate an energy-saving SINOMACH.

SINOMACH's green technology R&D investment during 2010 - 2014



SINOMACH organized distributed energy project promotion and application seminar and SINOMACH New Energy Research Institute unveiling ceremony



Providing technology for south-west Zhejiang to help with green industry development

Songyang Stainless Steel Industrial Park, located in south-west Zhejiang, is the model base for Zhejiang Province's stainless steel pipe industry and the major driving force for Songyang County's industrial development. However, the high energy consumption and acid mist of the furnace greatly hindered the sustainable development of Songyang County's stainless steel pipe industry. Relying on advanced furnace energy-consumption-reduction technology and acid pickling technology, CUC had in-depth discussion with Songyang government and stainless steel pipe business owners, and the roller hearth furnace heating technology and acid pickling process were well recognized. In June, 2014, CUC and Songyang government signed a strategic cooperation agreement and then established Songyang Technology Service Center, providing advanced roller hearth furnace heating technology and acid pickling process to support Songyang County's green industry development and realize its healthy development.



Developing "mutual benefit of fishing and photovoltaic" and building photovoltaic ecological projects

The 6MW photovoltaic power generation project, located in Longgu Town, Pei County, Jiangsu Province and developed by SUMEC, generates power of 7.2026 million kW · h per year, saves standard coal of 2,448.88 tons, and reduces carbon dioxide emissions of 6,100 tons. This project is also part of the "mutual benefit of fishing and photovoltaic", taking advantage of the coal mining subsidence area's wetland resources, and building photovoltaic power station at the upper reaches and ecological fishing pond at the lower reaches. This saves land and increases power generation, while the battery plate provides protection to fishes and helps them grow. This project forms a benign circle, turning waste to treasure and realizing both great economic and ecological benefits.



Applying advanced technology and creating a milestone project in city central heating

In July, 2014, IPPR signed to undertake Beijing North Haidian Cooling Heating and Power project's heat load and network engineering project. This is China's first large-scale heat storage technology and intelligent network technology project. Heat storage technology is a guarantee of the stable load and economic efficiency of the gas thermoelectric generator and could reduce peak shaving boiler's scale of installed capacity. Intelligent network technology connects the whole eating network, heat plant, and heating exchange station with heating users through fine, diversified and real-time controlling measures. This project starts from energy-saving, environmental protection and innovation, using new multi-interdisciplinary technologies and advanced technologies in the industry, demonstrating the idea of building an intelligent city, achieving historical breakthroughs in terms of both scale and the advancement of the technology, and becoming a milestone project in city central heating industry.



Beijing North Haidian Cooling Heating and Power project's heat load and network engineering project of China IPPR International Engineering Corporation



Adhering to green application and promotion

SINOMACH not only implements energy saving and emission reduction in its production and operation, but also provides green energy-saving products, technology and services to customers so as to promote the joint efforts of the machinery industry and the society to realize green development.

Developing green products

With industrial technology association and other open and innovative modes, the market-oriented SINOMACH is developing green products which are energy and water-saving, low-polluting, low-toxic, renewable and recyclable in the production process and as products, aiming to create greater value for the society in terms of resource using, energy-saving and emission-reduction.

Developing steam turbine cylinder casting and striving to produce clean energy equipment

In May, 2014, China Erzhong and Shanghai Electric Group Co., Ltd. developed the first 620°C 1,000MW ultra supercritical steam turbine cylinder casting in the world. This casting is the core component of the ultra supercritical thermal power unit and could increase the working temperature from 600°C to 620°C by second time heating. Compared with the normal million ultra supercritical unit, it is more environmentally friendly and could reduce over 5% of nitrogen oxide and dust emissions, playing an active role in improving China's electric structure, in the thermal power unit's change to large scale and intensive production, in improving the coal burning efficiency, as well as in reducing air pollution.



The first 620°C 1000MW ultra supercritical steam turbine cylinder casting in the world produced by China Erzhong and Shanghai Electric Group Company Limited

Developing the world's biggest low energy-consumption and low-pollution horsepower electric drive bulldozer D320E

Medium and large size project machine usually adopts hydraulic or mechanical transmission world-wide. Hydraulic torque converter has low transmission efficiency, while mechanical transmission produces loud noise and high fuel consumption. In 2014, SINOMACH Heavy Industry successfully self-developed the world's biggest horsepower electric bulldozer D320E. Compared with traditional hydraulic transmission bulldozer of the same horsepower, it is green and energy-saving, thus could reduce fuel consumption by 15% and the emission of pollutants such as carbon monoxide, carbon dioxide and particles. The successful development of electric bulldozer will lead the new revolution of project machines in the green, energy-saving and environmentally friendly field.



The world's biggest horsepower electric bulldozer D320E from SINOMACH Heavy Industry

Developing the first low temperature waste heat recovery power generation system sample machine based on organic rankine cycle

In January, 2014, CMEC Henan Branch and 712th Research Institute of CSIC successfully developed China's first low temperature waste heat recovery power generation system sample machine based on organic rankine cycle (ORC) after four years of hard work, breaking overseas technological monopoly and filling the domestic void. This equipment will be widely used in fields such as industrial waste heat, geothermal power, and solar thermal power generation, actively pushing forward China's work on energy saving and emission reduction, as well as the reduction of energy consumption per unit product.



China's first low temperature waste heat recovery power generation system sample machine based on organic rankine cycle (ORC) jointly developed by CMEC and other enterprises

Building green projects

As a highly competitive international project contractor, SINOMACH sets the green value as the main tone, meets the basic requirements of project quality and safety, utilizes new energy-saving as well as environmentally friendly technology and equipment in the establishment of projects, optimization of the procedures, choice of equipment and procurement of products, aiming to realize energy-saving, land-saving, water-saving, material-saving, and environmental protection in contracted projects' management and implementation.



Sticking to "environmentally friendly design, energy-saving construction, green operation" and effectively protecting the local environment

The Belarus 400,000-ton pulp mill project contracted by CAMCE did a good job in protecting the nature in the full life-cycle of the project, making sure the project's waste water and other wastes meet the highest standards in China and Belarus, minimizing the environmental pollution in operation, and realizing the harmonious development of project construction and local natural environment through optimized project design and efficiently organized construction.



The clean and standard construction site of Belarus 400,000 tons pulp mill project contracted by CAMCE

Advocating green environmental protection

SINOMACH organizes publicity and education on environmental protection, integrates green and low-carbon concept into the Group's daily operation and each employee's daily work. In the meantime, we actively participate in various environmental protection charity events, try to participate in the environmental protection cause, and become the advocator and disseminator of the environmental protection philosophy so as to make joint efforts with the public to build a beautiful China.

Implementing green office

SINOMACH strengthens the publicity of its environmentally friendly work concept, encourages green office and leads the employees to be thrift on their own job positions, starting from the daily power-saving and paper-saving. The employees should focus on the small to reduce energy consumption, integrate green and low-carbon philosophy into their daily work, turn energy-saving into the conscious behavior, and reduce the office work's impact on the environment.



Save paper

Promote paperless office and double-sided print
Print non-public and non-archived documents in recycled paper



Save power

Shut off the power of all office equipment after work. Make sure that equipment stops working once people leave
Adjust air-condition properly, with room temperature no lower than 26 degree Celsius in summer and no higher than 24 degree Celsius in winter



Save the consumables

Save the office consumables and if they can be fixed, do not discard them



Turn off the printer after use in the office



Green travel

Make a proper travel plan, arrange carpooling travel and try to use public transportation if possible



SINOMACH organized "2014 Energy-Saving Week" event

In June, 2014, in the national energy-saving week and on the national low-carbon day, SINOMACH appealed to all employees to "build a green SINOMACH and a strong machinery industry". With various channels of publicity, such as LED screen, elevator video and energy-saving environmental protection booklets, SINOMACH called for the employees to take actions and actively participate in energy saving and emission reduction so as to promote energy saving and emission reduction. As a result, the event has yielded favorable results.

Participating in green charity activities

SINOMACH responds to environmental protection proposals and participates actively in various environmental protection charity events, spreading the green low-carbon idea to the society through its own action and appealing for the society's action to care for a green future.



Green Environmental Protection of SINO-HEAVYMACH



CMEC spread the idea of green environmental protection and children painted a green future on eco-bags

In July, 2014, CMEC held "Better Tomorrow" Art Competition at Bandaranaike Memorial International Conference Hall in Sri Lankan capital Colombo. With pigment and brush in hands, 50 primary and secondary school students painted a "Better Tomorrow" on the eco bags hand-made by poverty-stricken women from Tsunami-affected areas. After the competition, CMEC organized an exhibition tour to display outstanding works, promote the use of eco bags and reduce the use of plastic bags, as well as spread the green environmental protection idea abroad.



Pupils participated in CMEC "Better Tomorrow" Art Competition

5

Happiness-focused SINOMACH

Building a harmonious society

SINOMACH is grateful for the concerns and support from various stakeholders. During its building of a new SINOMACH, SINOMACH takes the initiative to assume responsibility for the impact of its decisions and operations on the community, performs corporate social responsibility, and promotes the building of a happiness-focused SINOMACH. In addition, it insists on the mutual development with its employees, uses safety production to consolidate its foundation, seeks partnership to achieve win-win solution, helps to boost the community development and growth, and plays an active role in public welfare, making great efforts to achieve common and sustainable development with the nature and the society, contributing to building a harmonious society as well as facilitating the local economic and social development.



Happiness-focused
SINOMACH—Building a harmonious society

Responsibility-focused
SINOMACH—Deepening responsibility management

Value-focused
SINOMACH—Making contributions to real economy

Innovation-focused
SINOMACH—Promoting reform and transformation

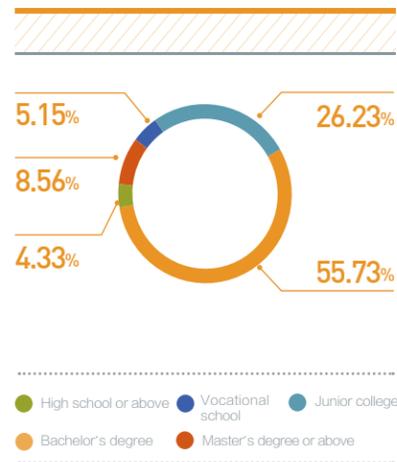
Green-focused
SINOMACH—Building a beautiful China



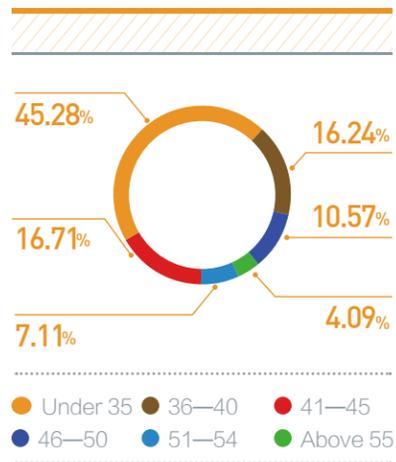
Common development with employees

The vitality for the enterprise takes root in the creativity of the employees and employees are the most valuable wealth for SINOMACH. In the course of corporate management, we always place people first and follow the concepts of "development fruits relying on the employees, for the employees and shared by the employees". Furthermore, we respect human right and labor practices, thus integrate them into the Group strategy and daily management, so that the legal rights and interests of the employees could be guaranteed and more opportunities for employees' development could be created. In addition, we enhance the well-being for the employees and stimulate enthusiasm, initiative and creativity of the employees in order to achieve common development with them. By the end of 2014, SINOMACH has had a total of 119,500 employees, among whom 109,900 were on-the-job employees.

Staff educational structure



Staff age structure



SINOMACH First Training Session for Best Team Leaders

Safeguarding interests and rights of employees

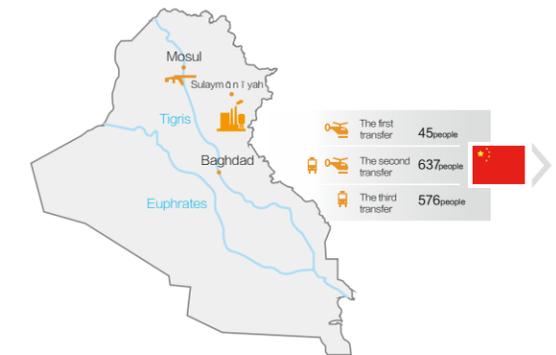
SINOMACH abides by national and local laws, regulations and policies as well as international conventions on human right and labor practices, persists in the principle of equality, standardizes the employment, prohibits all forms of employment discrimination, resolutely eliminates child labor as well as forced and compulsory labor and protects personal information and privacy of the employees. In addition, SINOMACH respects employees' work, follows the principle of economic efficiency first with equality in consideration, and improves linkage mechanism between performance assessment and total wages. Moreover, it attaches great importance to the health and safety of the employees, preventing accidents and occupational hazards. SINOMACH also establishes and improves workers congress and factory affairs publicity system to safeguard their right to know, to participate, to express and to supervise in the process of the corporate management. By the end of 2014, all the regular staff signed labor contract with SINOMACH and received social insurance, 92% of the subordinate companies set up labor union and all the employees were eligible for health check-up.



Ren Hongbin, chairman of SINOMACH, visited Xinjiang to send regards and make an investigation

Safe evacuation from Iraq: responsibility paves the way home

In May, 2014, two unexpected bombings broke the silence of Salah-Aldeen power plant. As the extreme organization Islamic State of Iraq and the Levant (ISIL) captured Northern and Western Iraq successively, Salah-Aldeen project, whose primary contractor was CMEC, was situated in the war front, thus put 1,258 on-site Chinese employees in danger. After being informed of the situation, SINOMACH management paid close attention and CMEC made positive responses by immediately coordinating all the efforts and sending company leaders to discuss with Chinese ambassador to Iraq on the transfer matters. After two weeks of endeavor, 1,258 Chinese employees were evacuated successfully and returned home safely.



Activating staff vitality

SINOMACH attaches great importance to talent development and adheres to the strategy of developing the enterprise through talents. To be specific, taking talent capacity building as the core, talent work mechanism innovation as the impetus and talent environment optimization as the guarantee, SINOMACH further deepens personnel management reform in human resources, labor, distribution and so forth and improves talent overall quality and human resources allocation. Furthermore, SINOMACH develops both internal and social resources, fosters and attracts various best minds, builds a solid and broad platform for staff career development, and works to convert talent advantage into advantages in scientific and technological innovation as well as management innovation. As a result, SINOMACH could grow into a brand enterprise which is able to attract and cultivate talents, while its employees could make more achievements and take delight in work.

2014 SINOMACH Talent Management

Strengthen talent contingent building through talent selection and utilization

- Take assessment as the starting point to strengthen open recruitment and communications with leaders and promote leadership building of its member enterprises
- Strengthen national level talent screening and application on the basis of talent planning
- Select backup and professional talents, and carry out multi-level talents selection among thousands of talents, such as national level talents, chief experts and chief technicians

Optimize the assessment system and improve the incentive and restraint mechanism

- Improve the Group's senior management assessment and promote BSC assessment in Group headquarters
- Improve linkage mechanism between performance assessment and total wages and strive to realize "the better performance, the more wages; the worse performance, the fewer wages"
- Pay attention to the performance of those dispatched shareholders and supervisors
- Explore to promote equity incentive and dividends incentive to stimulate the staff's passion for work

Reform management system and strengthen leadership supervision

- Carry out pilot program for the Board of Directors to select and employ managers to release management vitality
- Explore long-term mechanism for leadership cultivation and training; select 19 leaders from 16 enterprises and appoint them to work in various kinds of enterprises so as to obtain experience in practices and improve their abilities
- Strengthen leadership supervision



SINOMACH held SINOMACH lectures

Caring for employees' life

SINOMACH keeps strengthening its humanistic care by striking a balance between employees' work and life, helping the employees who are in need, and caring for the retired and female staff so as to create an optimistic and harmonious corporate culture as well as a big happy SINOMACH family.

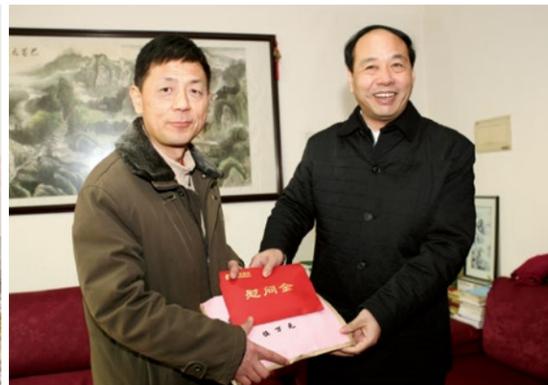


SINOMACH Fund warms the big family

SINOMACH Love Fund adheres to the tenet of never allowing even one SINOMACH employee to be unable to afford the medical expenses and never allowing even one kid of the SINOMACH staff's to be unable to afford tuition fee, and thus gives love and support regularly for the SINOMACH employees. In January, 2012, SINOMACH communist party, government, labor union and communist youth league launched an initiative and defined January 28th, on which SINOMACH was founded, as the SINOMACH Day of Love. The Group established Love Fund Administrative Committee, and improved the Fund management system and procedures twice in order to better standardize the fund management and utilization and thus better serve and meet the needs of the employees. The application for and grant of the fund shall be disclosed within the Group and the subsidiaries to accept the public supervision. By the end of 2014, SINOMACH Love Fund Administrative Committee has received a donation of 13,820,000 yuan, granted 6,169,000 yuan, and helped 1,652 person-time employees at various levels.



Ren Hongbin, chairman of SINOMACH, visited Xinjiang CMEC employee who is in need



Shi Ke, Secretary of Party Committee of SINOMACH, visited China Erzhong employee who is in need

Safety production lays a solid foundation for SINOMACH

SINOMACH sticks to the safety policy of "safety first, prevention foremost and comprehensive governance", and continues to promote safety production management, improve safety production management system, strengthen the cultivation of staff safety capability, enhance security principal responsibility implementation and keep improving the safety level.

Enhancing safety production management

SINOMACH spares no efforts to promote safety production management system building, continuously improves safety production institutional framework and management system, and enacts and improves safety production rules, regulations and operating procedures like *Safety Production Target Assessment Methods*. It also strives to enhance scientific and normalized safety management, makes special efforts to promote general contracting enterprises to constantly improve their vocational health and safety management system and urges manufacturing enterprises to meet the safety production standard and get certified, thus the safety management level of the Group has been raised steadily. In 2014, SINOMACH invested 462,590,000 yuan into safety production, as a result, 117 member enterprises of SINOMACH obtained the OHSAS18000 certification, and 87 member enterprises met the safety production standard and got certified, among which 3 member enterprises achieved the level-one safety production standard, 60 achieved the level-two standard, and 41 achieved the level-three standard.

Creating safety production culture

SINOMACH attaches importance to the guiding role of safety culture, devotes to promoting safety culture building, strengthens staff safety training, arranges safety culture promotion campaigns, and strives to integrate safety culture into employees' daily work. In 2014, themed with "strengthening bottom line awareness and promoting safety development", SINOMACH launched "Safety Production Month" and "Safety Production Long March" cultural activities and took "Emergency Plan Exercise Week" as the opportunity to further intensify emergency plan exercises and improve emergency plan system. Participants in external safety production training were 5,244 persons/times and participants in internal safety production training were 67,465 persons/times. The number of registered safety engineers amounted to 516 and a total of 1,617 times of emergency rescue drills were held, in which participants were 4,366 persons/times.



Fire drill at the general oil depot by China Erzhong Wanlu Transportation Co., Ltd.

Implementing safety production responsibility

SINOMACH assigns safety responsibilities to individuals and strengthens performance assessment on safety production. By holding regular safety production inspection, SINOMACH further promotes specific rectification and hidden hazards governance, and strengthens responsibility target assessment of safety production so as to prevent safety accidents. In 2014, SINOMACH carried out "double responsibility for one position" and deepened special program to crack down on illegal production and operating activities. A total of 3,613 times of special inspection on safety production were organized, of which 15,921 safety production hidden troubles were identified and 15,810 were rectified. The rectification rate of safety production hidden troubles reached 93% and corrective measures were carried out for those non-rectified hidden troubles.



SINOMACH launched overseas project safety production inspection

Cooperating with partners and seeking win-win results

SINOMACH keeps making joint efforts to provide high quality products and satisfying services for customers and creates responsibility value chain with suppliers so as to boost industrial development, achieve a win-win and harmonious result with stakeholders and lead the sustainable development for China's machinery industry.

Creating values for customers

Customers serve as the foundation for the enterprise to survive and develop, thus their needs symbolize the existence value of enterprises. SINOMACH keeps its promises by ensuring product quality, offering premium services and enhancing customer satisfaction so as to help create maximum value for customers. In 2014, SINOMACH integrated requirements of social responsibility into customer relationship management, paid attention to its responses to customers, continued to improve customer service system, and promoted standardized and professional service procedure, preserving information safety for domestic and overseas customers and striving to provide diversified, personalized and all-around services for customers.



Auto import service of SINOMACH auto



Young technicians from YTO conducted research and listened to the advice from the customers

A race with time

In 2014, Lanzhou Power Station & Vehicle Institute Co., Ltd, affiliated to CEI, received a special civilian order "Huatong Square Cabin", and was required to complete the production within 20 days. "Huatong Square Cabin" was characterized by big superficial area, strict flatness and appearance requirements, which was far beyond the ordinary production techniques. Therefore, it was almost impossible to make delivery within 20 days. In order to produce satisfying "Huatong Square Cabins" for the customers, the experienced technicians made innovations. It is remarkable that the company solves the technical problem and delivers "Huatong Square Cabin" on time. With the unremitting efforts by Lanzhou Power Station & Vehicle Institute during day and night, customers got the products after 20 days. When seeing the red- and-blue products, they could not help admiring: with such fast progress, good quality and great innovation, Lanzhou Power Station & Vehicle Institute is indeed an outstanding military products manufacturer!



China Erzong won Alstom on-time delivery award

Creating responsibility value chain

SINOMACH adheres to its responsible procurement policy and system, establishes and improves tendering system, advocates fair competitions, implements disclosed procurement, prefers local procurement under equal conditions and resists any corruption and commercial bribery. In 2014, SINOMACH enhanced its external supplier chain management, meanwhile, it organized communication and exchanges among the member enterprises, especially among those with upstream and downstream businesses and supply-demand relationship so as to meet the demand of customers and create responsibility value chain while fulfilling the social responsibility.



Cooperating with subcontractors to assume social responsibility

Located in the northern province of Zambia, Zambia Highway Upgrading Project, contracted by CAMCE, was to build a 171.9 km long dual-lane two-way asphalt highway from Mbalam to Nakonde. Zambia was subject to the high rate (up to 14%) of HIV infection. In order to prevent and treat AIDS, the international division of CAMCE, together with the subcontractor Jiangxi Construction Engineering Group Corporation, held regular anti-HIV publicity and physical examination for the local workers and residents living next to the highway during project construction.

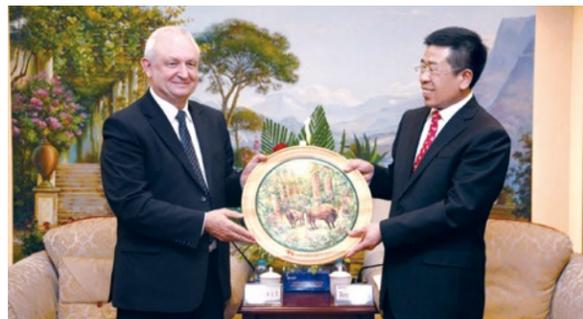


CAMCE carried out anti-HIV publicity for local workers and residents in the neighborhood



Adhering to mutual benefits and win-win result

SINOMACH adheres to the principle of "sincere cooperation and mutual benefits", and attaches importance to communicating and cooperating with stakeholders like local government, financial institutions, colleges and universities, scientific research institutions and their counterparts so as to achieve mutual benefits and win-win result between the enterprise and the stakeholders.



Ren Hongbin, Chairman of SINOMACH, had a discussion with the first deputy minister of Ministry of Economy of Belarus on economic cooperation



SINOMACH signed the strategic cooperation agreement with Bank of China

Community building boosts harmony

SINOMACH integrates corporate development into social responsibility fulfillment, adheres to the thought of righteousness and benefit of "what is worth doing depends on internal peace and social justice", keeps boosting community development and progress, and takes an active part in public welfare. It strives to seek sustainable development while contributing to building a harmonious society and achieving harmonious coexistence between the enterprise and the community.

Community involvement and development

SINOMACH attaches great importance to the sustainable development of public relations in the community, voluntarily fulfills corporate social responsibility, and benefits the society through practical actions. It makes great efforts to create more social wealth for local communities, improve the local infrastructure and increase local employment so as to drive the overall development of local economy and society.

Creating social wealth

SINOMACH increases investment in communities, actively fulfills tax liability, focuses on project-driven development of local economy, helps the community to improve self-development ability and keeps improving living standard for local residents.

Adhering to localized operation and promoting borderless production

In November, 2014, SUMEC established partnership with Lat War Company limited, a local company in Burma, and invested one million dollars to set up Burma Win-Win Apparel Corporation limited. The project will create jobs for 2,000 local people and bring about 25 million dollars of import and export trade volume, which will solve the local employment problem substantially and boost the local economic development.



Factory of Burma Win-Win Apparel Corporation limited started business in Rangoon

Improving local infrastructure

On the basis of its own resource advantage, SINOMACH actively supports the local infrastructure construction in fields like power, traffic, agriculture and irrigation, hospital and housing, which helps the community to deal with practical problems in work and life and create a better living environment for local residents.



Xi Jinping, President of People's Republic of China, and Abdulla Yameen Abdul Gayoom, President of the Maldives, attended opening ceremony of a housing project in Maldives

Renovating Argentina railway to boost local economy

Belgrano Cargo Rail Renovation Project in Argentina, undertaken by CMEC, represents the best of "421" projects for Chinese enterprises going global and is also one of the public development projects that are highly valued and supported by Argentine government. As the model of strategic cooperation with Argentina under China's big diplomacy situation, the contract value totals 2.47 billion dollars. The project is to renovate the railway of more than 1,500 kilometers long, after the renovation, the upgraded railway will be the traffic lifeline covering the major mineral resources exploitation area and crop planting area.



Leaders of both countries witnessed the supplementary loan agreement signing ceremony as well as the opening ceremony of Belgrano Cargo Rail Renovation Project

Creating more jobs

SINOMACH actively promotes the creation of job opportunities. By offering job opportunities, carrying out skills training and so forth, SINOMACH helps to improve the working skills and reduce poverty for the local residents so as to benefit the local community.

Strengthening localized operation and boosting local employment

In addition to deepening localized operation, the overseas affiliated institutions and project teams of CAMCE continuously increase the local recruitment and provide occupational training programs for overseas employees. In the 2014-2016 strategic planning of CAMCE, it has been pointed out clearly that CAMCE will further strengthen its localized operation. In 2014, in the Ecuador hospital projects, about 1,200 local workers were involved in the construction and installment. The local managers accounted for 70% of the project managers, and localized procurement value accounted for 81% of the contract value.



Trainees in Angola project graduated from the training course



CAMCE held technical training on grain drill assembly in Zimbabwe

Enthusiastic about public welfare

The wealth of the enterprises comes from the society, thus it is their responsibility to give back to the society. SINOMACH is enthusiastic about the public welfare, makes efforts to give back to the society, emphasizes on the in-depth integration of public welfare and its mechanical advantages, and establishes strategic public welfare platform. In addition, it actively helps and supports the poor, boosts the development of science and education, participates in disaster relief, organizes volunteer activities and makes contributions to the society.

Helping and supporting the poor

SINOMACH adheres to making use of both development-oriented poverty relief and special aid-the-poor funds to help and support the poor, carries out fixed-point poverty alleviation and promotes the aided construction of infrastructure so as to improve the self-development abilities of the poverty-stricken area and improve the living standard for the poor.

Carrying out fixed-point poverty alleviation and yielding great achievements

Concept of "Double TOs" in poverty alleviation originates from poverty relief plan in Guangdong Province. To be specific, poverty relief plan should take families into consideration and poverty relief responsibility should be assigned to individuals. Guangzhou Mechanical Engineering Research Institute offered partner assistance to Xiaotang Village, Nanxiong Town, which was located in the northern mountainous areas of Guangzhou Province with backward infrastructure and recreational facilities. Before 2013, the annual average income for the villagers was about 5,200 yuan, and for those in poverty, it was even less than 3,300 yuan. By the end of 2014, Guangzhou Mechanical Engineering Research Institute had spent altogether 5.63 million yuan for poverty alleviation in Xiaotang Village and by dispatching village cadres, conducting self-collection, applying for "one discussion for one case" award and subsidy, and striving for industrial capital and "630" directional donation, Xiaotang village took on a new look gradually. The annual average income for the villagers amounted to 8,900 yuan and for those in poverty, it was about 8,272 yuan.



Staff of Poverty relief work stayed with the kids

Supporting educational and cultural development

SINOMACH adheres to the idea of "education being the foundation in the long run", takes the development of science and education as the major part in fulfilling social responsibility, and plays an active role in the education infrastructure construction in poverty-stricken areas, which makes contributions to the development of science and education.



CMEC attended the 6th "Love Knows No Borders" international charity sale, which was held by the Ministry of Foreign Affairs

Love gives birth to a new landmark—CSEEC Sunshine Hope Primary School

In 2014, CSEEC Sunshine Hope Primary School was built by CSEEC which is affiliated to CPF, and became the first primary school that had been completed. CSEEC Sunshine Hope Primary School had about 350 students from kindergarten to grade six and was equipped with library, computer room, lab, painting room, music room, infirmary, psychological counseling room and so forth, which could basically meet the teaching and medical needs. In addition, the school was installed with floor heating equipment in each and every room and allowed kids to spend a warm winter in northwest China where the temperature could drop to 20 degree Celsius below zero, making it one of the best-equipped local schools.



The construction of CSEEC Sunshine Hope Primary School was completed

“ The current conditions of the school were once unimaginable for us. We did not have the chance to enjoy them, but our kids did. ”

— Mr/s Gao, logistics staff of CSEEC Sunshine Hope Primary School

“ This is the good news to educational development and Hope Project of Shandan County. We really appreciate what CSEEC and Sunshine Funds have done for educational development of Shandan County and the healthy growth of kids in rural area. ”

— Mr Ge, administrative head of the county of Shandan County, Gansu Province

Participating in rescue and relief work

In the face of major natural disasters and social emergencies, SINOMACH always step forward bravely and acts immediately to minimize the losses to people's life and property. SINOMACH works together with people in the disaster-stricken areas to get over the difficulties, which indicates what responsibility a large-scale responsible SOE should take on.



Earthquake relief in Ludian County, Yunnan Province



Fire rescue in Guiyang City, Guizhou Province

Micro public good: SINOMACH volunteers collect the power of love



Responding quickly to help Maldives deal with water shortage successfully

On the afternoon of December 4, 2014, generator failure of Maldives Water Supply Company led to the capital Male's city-wide water failure. About 100,000 people were experiencing water shortage. CMEC responded quickly to the news, worked non-stop for 24 hours and coordinated to transport 25 tons of drinking water to Male successfully, making CMEC the first Chinese company that offered help in this water crisis. CMEC's efforts were highly praised by Maldives government and Chinese Embassy to Maldives.



CMEC transferred rescue water to Ministry of Foreign Affairs of Maldives

Organizing volunteer activities

SINOMACH strongly advocates volunteer work by organizing volunteer teams with its subsidiaries to offer help to those who cannot afford tuition fee and who are trapped in poverty, giving a hand to the local community and bringing warmth to the local residents so as to promote the building of a harmonious society. In 2014, SINOMACH organized 65 volunteer teams and 4,474 young employees to participate in the volunteer work.

Outlook of 2015



Responsibility Scope	Responsibility Commitments	Responsibility Action
<p>Responsibility-focused SINOMACH</p>	<ul style="list-style-type: none"> • Optimize social responsibility management model • Improve social responsibility management system • Promote social responsibility work • Strengthen stakeholders management 	<ul style="list-style-type: none"> • Based on its own business features, SINOMACH actively explores substantive issues which are most related to the operation and have significant impact on stakeholders • Strengthen the building of social responsibility information platform and promote timely and effective social responsibility work • Strengthen social responsibility information disclosure, compile and release 2014 SINOMACH social responsibility report, duly compile and release SINOMACH overseas social responsibility report and encourage more member enterprises to release social responsibility reports • Strengthen responsibility brand promotion, enlarge the Group's influence and strive to create a responsible brand image for SINOMACH
<p>Value-focused SINOMACH</p>	<ul style="list-style-type: none"> • Adhere to stable operation and guarantee good operating performance • Continue to strengthen fundamental management and improve management level • Strengthen joint management capacities and create more values 	<ul style="list-style-type: none"> • Actively adapt to the new normal and strive to guarantee steady business growth • Further deepen the reform and activate corporate vitality fundamental management and improve management level • Speed up transformation and upgrading and improve quality and efficiency • Adhere to the principle of "step forward and step back in a flexible manner" and accelerate capital operation • Strengthen risk control and ensure operation safety
<p>Innovation-focused SINOMACH</p>	<ul style="list-style-type: none"> • Strongly strengthen scientific and technological innovation • Continuously promote management innovation 	<ul style="list-style-type: none"> • Strengthen the building of innovation ability in science and technology and create a multi-level innovation network • Pay attention to the R&D of advanced technology, key generic technology, applied fundamental technology, strategic emerging industry and significant technology • Strengthen the building of talents in science and technology • Promote fundamental management innovation • Boost management pattern innovation • Strengthen risk management innovation
<p>Green-focused SINOMACH</p>	<ul style="list-style-type: none"> • Further improve green-focused management system • Further promote green design • Integrate green ideas into operation and production • Continue to promote green application • Continuously advocate the green environmental protection 	<ul style="list-style-type: none"> • Promote clean production, develop clean production innovation system, and strive to achieve the goal of "save energy, lower energy consumption, reduce waste and improve efficiency" • Establish and improve monitoring system for energy saving and waste reduction, strengthen fundamental work in measuring and calculating energy saving and waste reduction, improve monitoring network for energy saving and waste reduction and strengthen the monitoring of production site • Improve energy saving and emission reduction assessment system, incorporate energy saving and emission reduction results into performance assessment system, assign the targets and tasks to subsidiaries, grass-root units and individuals, and implement energy saving and emission reduction responsibility
<p>Happiness-focused SINOMACH</p>	<ul style="list-style-type: none"> • Achieve common development between the staff and the enterprise • Prevent major or above safety accidents • Join hands with partners to achieve mutual benefits and win-win results • Actively create and contribute to a harmonious society 	<ul style="list-style-type: none"> • Carry out talents communication and exchanges, improve compensation assessment system, and strengthen talent development training • Improve safety production rules and regulations, strengthen hidden risks inspection and governance, and reinforce overseas safety risk prevention • Strengthen partnership with stakeholders like government, financial institutions, counterparts, colleges and universities and expand cooperation fields • Support community development, take an active part in public welfare and give back to the society

Reporting index

Table of contents		CASS-CSR 3.0 indicators	GRI (G4) indicators	Page
About this report		P1.1-P1.5 \ P2.3 \ G1.3 \ M1.3	23 \ 28 \ 30-31	封二
Q&A from the Chairman		P3.1-P3.2 \ P5.1	1-2	P4-P5
Key performance table		P5.2 \ M1.4-M1.6 \ M2.4 \ M2.8-M2.9 \ M2.14 \ M3.2-M3.3 \ S1.5 \ S1.7 \ S2.1-S2.2 \ S2.22 \ S2.26 \ S3.4-S3.7 \ S4.12 \ E1.5-E1.7 \ E2.3-E2.4 \ E2.19	9-10 \ EC1-EC3 \ EC7 \ EN3 \ EN5 \ EN15 \ EN21 \ EN31 \ PR5	P6-P7
About us		P4.1-P4.4 \ P4.6-P4.7 \ P5.2-P5.3 \ M1.1	3-10 \ 13-14 \ 16-17 \ 34 \ 38-39 \ 41-48	P8-P17
Corporate culture		G1.1	56	P18-P19
Corporate strategy		G1.3-G1.4		P20-P21
Responsibility columns		P5.1		P22-P25
Responsibility-focused SINOMACH	Social responsibility management model	G1.1 \ G4.1		P28
	Social responsibility management system	G2.1-G2.5	34 \ 45	P29
	Social responsibility work progress	G1.2 \ G1.4 \ G4.3 \ G6.1-G6.4	29	P29-P33
	Social responsibility substantive issues	P2.1-P2.3 \ G1.3	18-19 \ 35	P34
	Stakeholders communication and participation	G2.2 \ G5.1-G5.6 \ G6.1-G6.4	24-27 \ 37 \ 49-50 \ 57-58	P35
Value-focused SINOMACH	Stabilize the operation and management	M1.4-M1.6	EC1	P38
	Strengthen the management foundation	G4.4 \ M3.2 \ M3.4 \ S1.1-S1.4 \ S1.6	SO3-SO5 \ SO7-SO8	P39-P41
	Cooperate to create values	M2.7		P42-P47
Innovation-focused SINOMACH	Emphasize technological innovation	M2.7-M2.10 \ M2.12	EC4	P50-P59
	Promote management innovation	M2.7 \ S1.6		P60-P61
Green-focused SINOMACH	Improve the green management system	E1.1 \ E2.1-E2.4 \ E2.11 \ E2.13 \ E2.18-E2.19	EC2 \ EN3 \ EN5-EN7 \ EN21 \ EN27	P64-P65
	Promote green design	E2.7 \ E2.9-E2.11 \ E2.13-E2.14 \ E2.18 \ E3.5	EN12 \ EN27	P66-P67
	Carry out green production and operation	E2.5 \ E2.7-E2.8 \ E2.13-E2.14 \ E2.18 \ E3.5	EN27	P68-P70
	Adhere to green application and promotion	E1.13 \ E2.7-E2.9 \ E2.18 \ E3.2 \ E3.4 \ E4.1-E4.3	EN27	P71-P73
	Advocate green environmental protection	E1.3 \ E1.6 \ E1.8 \ E1.10-E1.12 \ E2.15 \ E4.5	EN27	P74-P75
Happiness-focused SINOMACH	Common development with employees	P4.5 \ S1.7 \ S2.1 \ S2.3 \ S2.5 \ S2.6 \ S2.9 \ S1.17-S1.18 \ S1.20-S2.22 \ S2.24-S2.29 \ S4.10	11 \ EC3 \ EC5 \ LA4 \ LA10 \ LA16	P78-P81
	Safety production serves as the foundation	S3.1-S3.5		P82-P83
	Cooperate with partners and seek win-win results	G3.2 \ M2.1 \ M2.3 \ M2.5 \ M3.1-M3.8	12 \ EN32-EN33 \ LA15 \ PR3 \ PR5 \ PR8	P84-P86
	Community building boosts harmony	S1.6 \ S4.1 \ S4.4-S4.5 \ S4.7-S4.9 \ S4.11 \ S4.13-S4.14	EC6-EC7 \ EC9 \ SO1-SO2	P87-P93
Outlook of 2015	A1			P94-P95
Reporting index	A3	32		P96
Comparative table with the ten principles of UN Global Compact	G1.2			P97
Rating report	A2			P98
Feedback form	A4			P99

Comparative table with the ten principles of UN Global Compact

UN Global Compact' s Ten Principles		Action Performance in 2014
Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights	Respect and safeguard internationally recognized norms and standards to protect human right and integrate respect for human right and labor practices principle into corporate strategy and daily operation
	Principle 2: Make sure that they are not complicit in human rights abuses	Establish and improve labor union system to promote democratic communication and participation
Labor	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Strictly follow national and local laws, regulations and policies as well as international conventions on human rights and labor
	Principle 4: The elimination of all forms of forced and compulsory labor	Resolutely eliminate child labor, forced and compulsory labor
	Principle 5: The effective abolition of child labor	
	Principle 6: The elimination of discrimination in respect of employment and occupation	Adhere to equality, standardize employment and prohibit all forms of employment discrimination
	Principle 7: Businesses should support a precautionary approach to environmental challenges	Attach great importance to low-carbon environmental protection and get devoted to the integration of environment protection and corporate strategy
Environment	Principle 8: Undertake initiatives to promote greater environmental responsibility	Strengthen technical innovation, strongly promote new energy utilization, actively carry out green design, construct green projects, keep pushing forward environmental protection and enhancing environment performance
	Principle 9: Encourage the development and diffusion of environmentally friendly technologies	
Anti-Corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery	Deepen punishment and prevention system building, establish long-term mechanism of anti-corruption, further promote anti-corruption education and strengthen corruption risk prevention

Rating report



Upon the commission of China National Machinery Industry Corporation (SINOMACH), the research Center for Corporate Social Responsibility under the Economics Division of the Chinese Academy of Social Sciences (hereinafter referred to as "the Center") selected experts from the Chinese Expert Committee on CSR Report Rating to form a rating panel to conduct rating on SINOMACH Social Responsibility Report 2014 (hereinafter referred to as "the Report").

1. Rating standards

Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (CASS-CSR 3.0) & Rating Standards for Corporate Social Responsibility Report of Chinese Enterprises (2014).

2. Rating process

- 1) The process assessment panel conducted interviews with members of social responsibility department of the China National Machinery Industry Corporation;
- 2) The process assessment panel conducted on-the-spot review on the related materials used by China National Machinery Industry Corporation in the process of preparing and compiling social responsibility report;
- 3) The rating panel conducted rating on the management process of the social responsibility report and the contents disclosed by the Report.

3. Rating conclusions

Process (★★★★★)

The Group's corporate culture department took the lead to form the report compilation team, the chairman participated in the promotion work and process review, and the compilation team conducted the stakeholder identification, collecting stakeholders' opinions through investigate and survey at home and abroad as well as interviews; identifying substantial issues in accordance with the development strategy of the Company, relevant national policies, and stakeholders' opinions. The Company planned to hold embedded press conference and the Report will be presented by such forms as print version, electronic version, H5 version and overseas edition, showing an outstanding performance in the aspect of process.

Materiality (★★★★★)

The Report systematically disclosed key issues of the machinery equipment manufacturing industry in details such as "product quality management," "customer service," "safety production," "green design," "energy-saving and water conservation," "Safeguarding interests and rights of employees," and "green production and operation," showing an outstanding performance in the aspect of materiality.

Integrity (★★★★★)

The Report disclosed 78 percent of core indicators of machinery equipment manufacturing industry from such angles of "responsibility-focused SINOMACH," "value-focused SINOMACH," "innovation-focused SINOMACH," "green-focused SINOMACH," and "happiness-focused SINOMACH," showing an excellent performance in the aspect of integrity.

Balance (★★★★☆)

The Report disclosed the Company's negative information such as "number of major safety accidents," "death toll of safety accidents," and "number of major complaints from partners." It also disclosed the company's anti-corruption and potential safety hazards rectification, showing a leading performance in the aspect of balance.

Comparability (★★★★★)

The Report disclosed 31 key performance indicators with historical data of more than five consecutive year "operating revenue," "total number of Employees," and "technological innovation input." It also conducted indicator comparison with global standards from a transverse direction in such aspects of "Ranking in Fortune Global 500" and "Ranking in the ENR's Top 250 International Contractors", showing an outstanding performance in the aspect of comparability.

Readability (★★★★★)

The report boasts clear framework, appropriate structure, smooth language as well as rich presentation forms such as photos, tables and study cases. The use of fresh color in each chapter and the unique industrial pictures in transitional pages are exquisite and inclusive, showing an outstanding performance in the aspect of readability.

Innovation (★★★★☆)

The report sets up the special topic "Promoting International Operations and Realizing Dreams Through the 'One Belt and One Road' Initiative", giving prominence to enterprises' contributions to the exploration of global market. The report lists the work process of corporate social responsibility through an axis diagram to help stakeholders understand. Therefore, the report has revealed its leading performance in innovation.

Overall rating (★★★★☆)

According to the assessment of the rating pane, the rating level of the SINOMACH Social Responsibility Report 2014 is four and a half stars. This is a leading corporate social responsibility report.

4. Improvement suggestions

More disclosure of core industrial indicators could be added to further enhance the integrity of the report.

Rating panel

Leader: Zhong Hongwu, Director of the Research Center for Corporate Social Responsibility under the Economics Division of the Chinese Academy of Social Sciences

Members: Han Bin, Deputy Director of the Employer Work Department, China Enterprise Confederation and Executive Secretary General of Global Compact Network China

Wei Xiuli, Associate Professor of School of Economics and Management, North China University of Technology

Wang Mengjuan, process evaluator of the cent



Chairman of the Chinese Expert Committee on CSR Report Rating and Executive Vice President of the Center

钟宏武

Director of the Research Center for Corporate Social Responsibility under the Economics Division of the Chinese Academy of Social Sciences

钟宏武

Feedback form

Dear readers,

Thank you very much for reading the SINOMACH Social Responsibility Report 2014. We are sincerely expecting you to comment on the social responsibility work of SINOMACH as well as this social responsibility report. Your advice and suggestions will help us to promote social responsibility management and practices and improve social responsibility information disclosure level. You could fill in the following content and send back to us by email or post. Thank you very much!

China National Machinery Industry Corporation

July, 2015

Your comments on the report: (Please mark "√" in the appropriate "□")

1. Content of the report: Very Good Fairly Good Moderate Poor Very Poor
2. Quality of the information: Very Good Fairly Good Moderate Poor Very Poor
3. Statement and presentation: Very Good Fairly Good Moderate Poor Very Poor
4. Design and composition: Very Good Fairly Good Moderate Poor Very Poor
5. Overall evaluation: Very Good Fairly Good Moderate Poor Very Poor

Open questions:

1. What else do you want to know?

2. Do you any suggestions on the content and form of the report?

Contact Us:

China National Machinery Industry Corporation

Add: No.3 Danling Street, Haidian District, Beijing

P.C: 100080

Contact Person: Li Guang, Strategy Planning Department (Corporate Culture Department)

Tel.: 86-10-82688892

Fax: 86-10-82688890

E-mail: liguang@sinomach.com.cn





SINOMACH
wechat



Official website of
SINOMACH



Micro-report of
SINOMACH



Work together, win together



Add: No.3 Danling Street, Haidian District, Beijing
P.C: 100080
Contact Person: Li Guang, Strategy Planning
Department (Corporate Culture Department)
Tel.: 86-10-82688888
Fax: 86-10-82688811
Website: <http://www.sinomach.com.cn>

