



CFO Value and Leadership Building

—The Practice of China South

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1. Brief Introduction

2. CFO Value — Risk Management and Value Creation

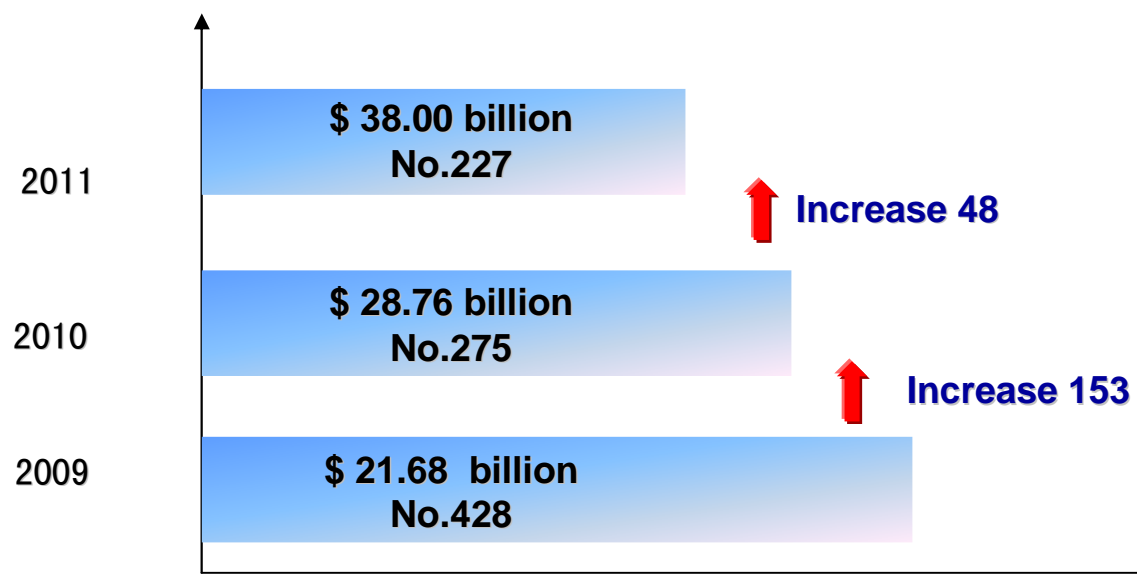
3. CFO Leadership Building

1.1 Brief Introduction — History of Development



□ The ranking float on “Fortune 500”

In 2009, China South Industries Group Corporation (China South) was listed on “Fortune 500” ranking 428 for the first time in its history, with a sales revenue of \$21.68 billion. This historical moment marks that China South joins competition with its international counterparts.

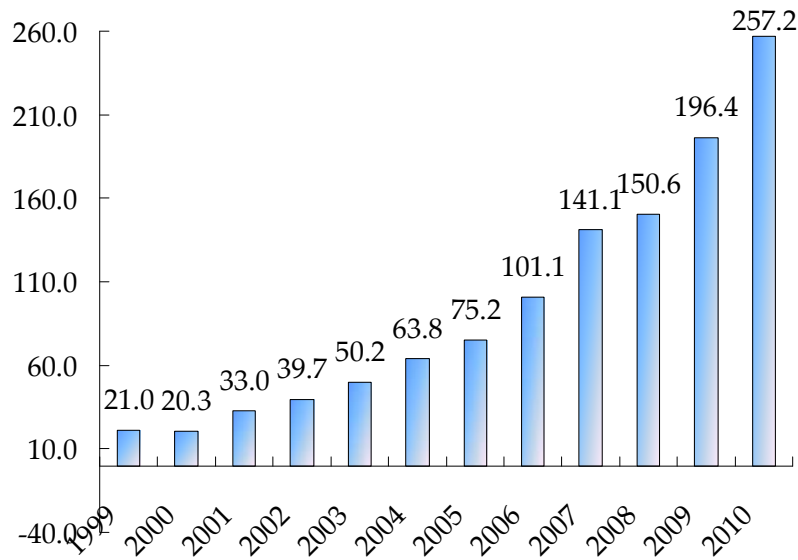


1.1 Brief Introduction — History of Development

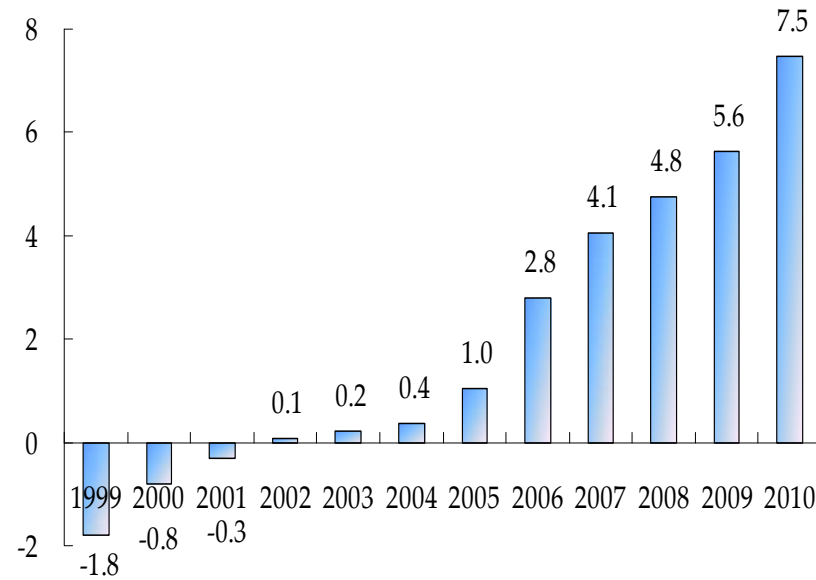


- Comparative graphics of main operational indexes

Sales Revenue (billion RMB)



Profit (billion RMB)



1.2 Brief Introduction — Leading Products



Automobiles: Sales Volume: **No.4** nationwide
Annual Vehicle Production: 2.6 million
Joint Ventures: Ford-Mazda Chang'an, Suzuki Chang'an, PSA Chang'an
Leading Models: Mondeo, Focus, M3, Suzuki Tianyu, Suzuki Swift, Changan Benben, Changan Jiexun, etc



Motorcycles: Output and Sales Volume: **No.1** in the world
Annual Sales: 6 million
Main Brands: Jia Ling, Jian She, Da Yang, Qin Qi, etc
Partnerships with a number of multinationals, e.g.: Honda, Yamaha, Suzuki



Power transmission and transformation: Production Capacity: 180 million KVA
Owned a national level technology center, with world's **leading R&D and manufacturing technology** of transformer



New energy: The **only** one in China who has owned a complete industrial chain from silicon materials, casting, slicing, battery cells, modules to photovoltaic systems



Photoelectric products: The sales volume of optical glass: **No.1** in the world
Customers: Japan, South Korea, Germany, USA, etc

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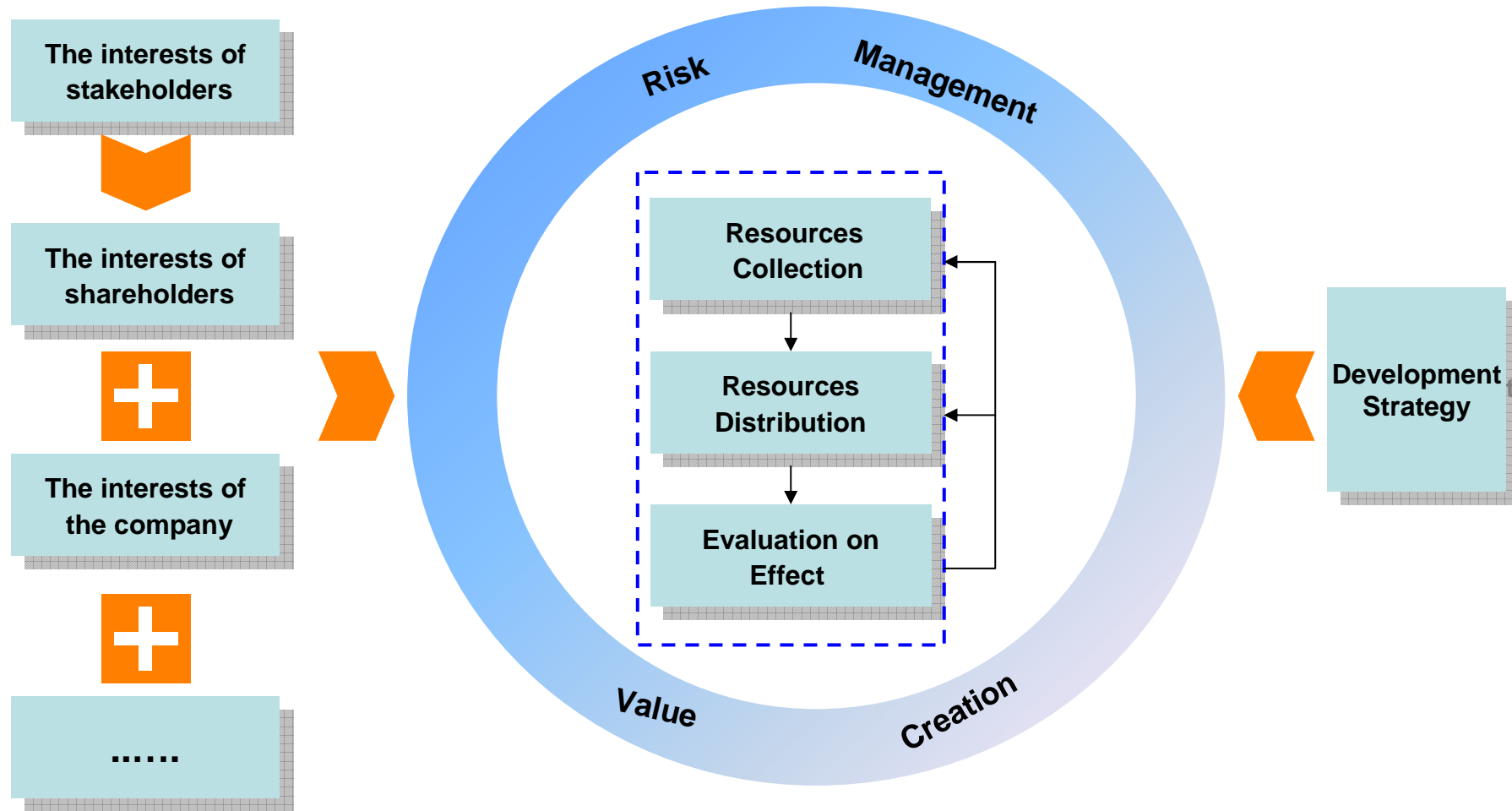


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3. CFO Leadership Building

2.1 CFO's Mission and Responsibility



2.2 “SRRV” Mode for Group Financial Management and Control



“S” : Corporation **Strategy** as the leading force

“R” : Financial **Resource** Optimization as the core

“R” : Efficient Financial **Risk** Management as the key point

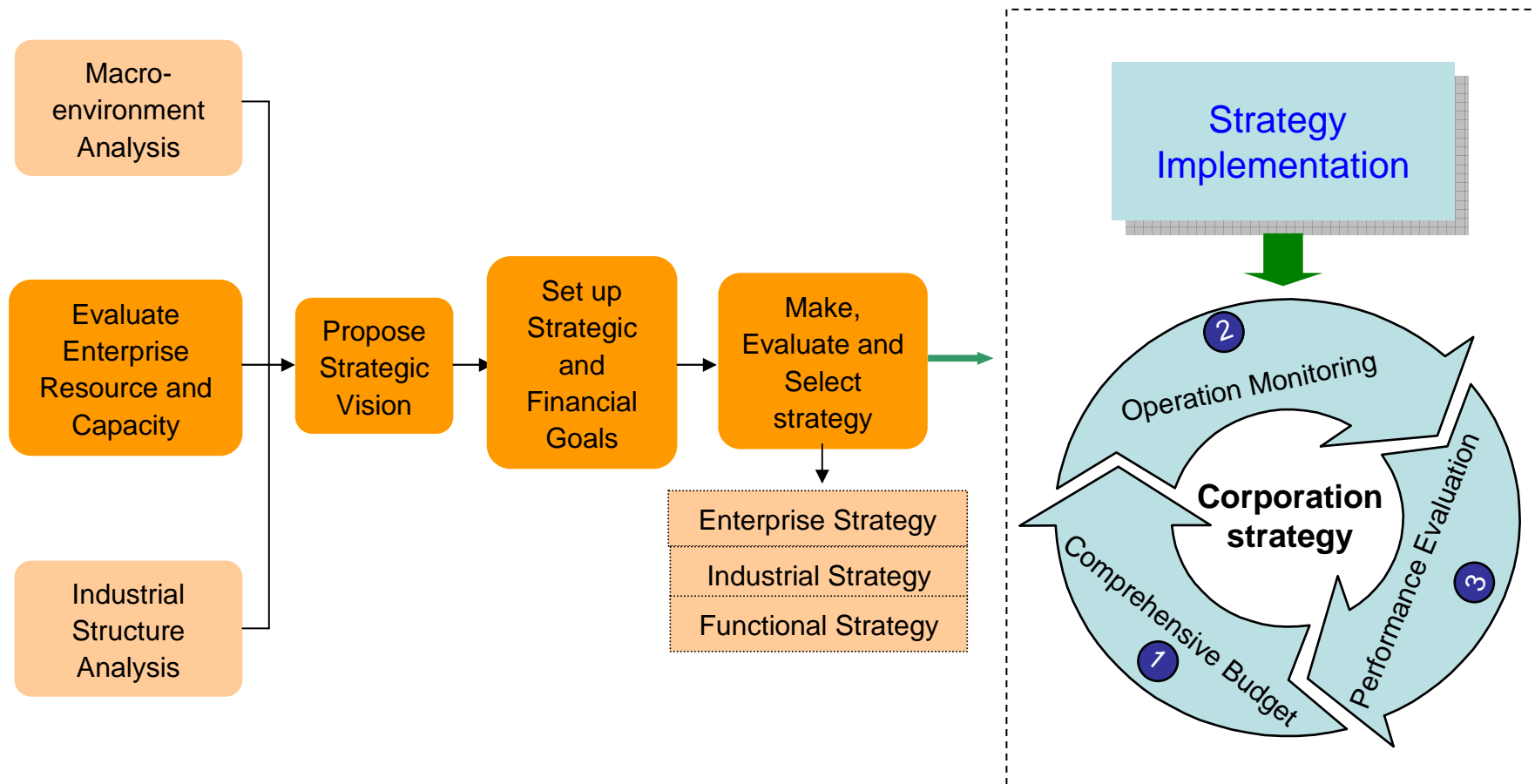
“V” : Continuous Creation of Corporation **Value** as the goal



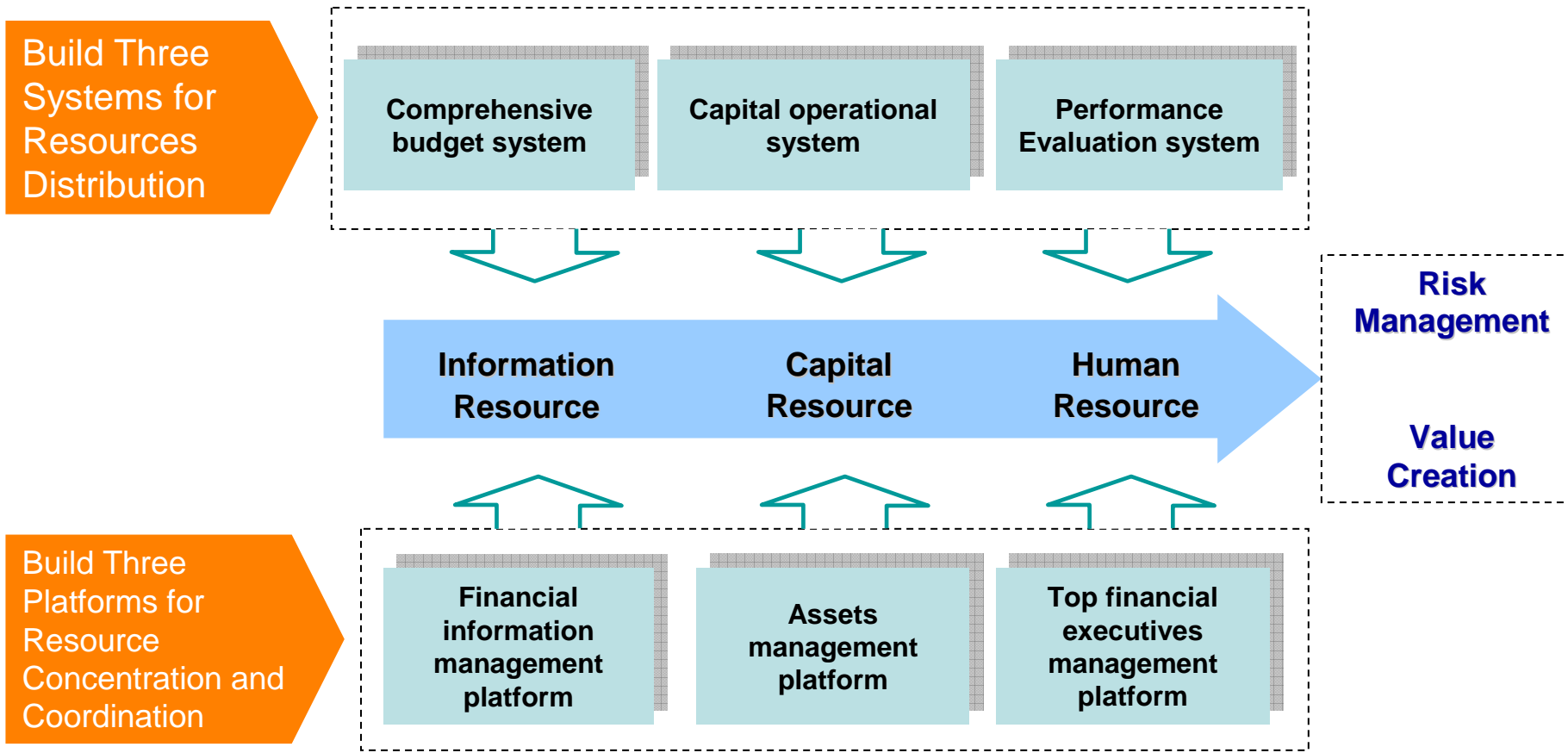
“SRRV”
Group Financial
Management and
Control Mode

2.3 Strategy Orientation

CFO: Participant of making Strategic Plan and Important Performer



2.4 Resource Distribution



2.4 Resource Distribution



— Coordinate Three Resources and build Management Platforms

Coordinate Information Resource and build Financial Information Management Platform

- Solve the problem of information integration
- Build integrated and unified information system
- Bring about efficient operation of information system
 - ☆ Real-time monitoring and management of subsidiaries
 - ☆ Build decision support system based on financial information

Coordinate Capital Resource and build Capital Management Platform

- Implement Centralized Capital Management
 - ☆ Establish a Finance Company to Coordinate Capital Resources
- Determination is the key to a Centralized Capital Management
- Efficiency is the goal for a Centralized Capital Management
 - ☆ 2010, China South saved ¥ 0.48 billion in finance expense
 - ☆ 2010, the assets amount of the Finance Company is ¥ 25.2 billion

Coordinate Human Resource and build Top Financial Executives Management Platform

- Implement the regulation of appointing the Chief Accountant (CA)
 - ☆ Unified Appointment and Rotation in wild range (can not take the same position in the same company longer than 6 years)
- Enhance the responsibility of chief accountant
 - ☆ Member of board of directors
 - ☆ Joint Signatures by President and CA on key financial issues
- Promote Capacity Building of CA
 - ☆ High level training of CA
 - ☆ Implement the system for CA to report work

2.4 Resource Distribution



Innovate Three Systems and optimize financial resource

Innovate Comprehensive Budget System and conduct resource distribution management plan	Innovate Capital Operation System and improve resources distribution capability	Innovate Performance Evaluation System and improve resources distribution evaluation capability
<ul style="list-style-type: none"> ● Insist on preparing budget according to strategy <ul style="list-style-type: none"> ☆ “Three Time Up and Down” method for making comprehensive budget ● Insist on goal oriented budget implementation <ul style="list-style-type: none"> ☆ Strategic goal as orientation and budget goal as benchmark ☆ All staff take part in the whole process of making comprehensive budget 	<ul style="list-style-type: none"> ● Carry out professional integration of subsidiaries <ul style="list-style-type: none"> ☆ Four civilian businesses are managed by specialized company or multidivisional structure ● Promote M&A ● Expand demutualization and shareholding reform <ul style="list-style-type: none"> ☆ 11 listed companies: Chang’an Automobile、 Tianwei Group, etc 	<ul style="list-style-type: none"> ● Carry out two-stage assessment <ul style="list-style-type: none"> ☆ Budget making(50%) and budget implementation(50%) ● Bring in Industry Benchmark <ul style="list-style-type: none"> ☆ Set the industry benchmark as the evaluation reference value, reward excellence and decrease points for failure ● Reward as a stimulus and decrease points as a heavy punishment <ul style="list-style-type: none"> ☆ Pressure oriented to ensure an advanced budget goal ● withdraw assessment provision <ul style="list-style-type: none"> ☆ Withdraw provision for AR and Inventory by account and storage age ● EVA assessment

2.5 Risk Management

- Improve the structure of the board of directors, enhance the management of directors and facilitate to make important decisions more scientifically
 - the proportion of outside director is more than 50%
 - assign the full-time chairman as the investors' representative
 - enhance the report system before and after the meeting of the board
 - evaluate the annual performance of the directors
- Establish the system of board of supervisors dispatched by board to supervise important issues and daily operations
 - implement the board of supervisors joint meeting system
 - grant the board of supervisors of overall supervision rights
 - emphasize on the in-time and in-depth of supervising

Improve Corporation Governance System and prevent **Governance Risk**

Improve Operation Monitoring System and prevent **Operation Risk**

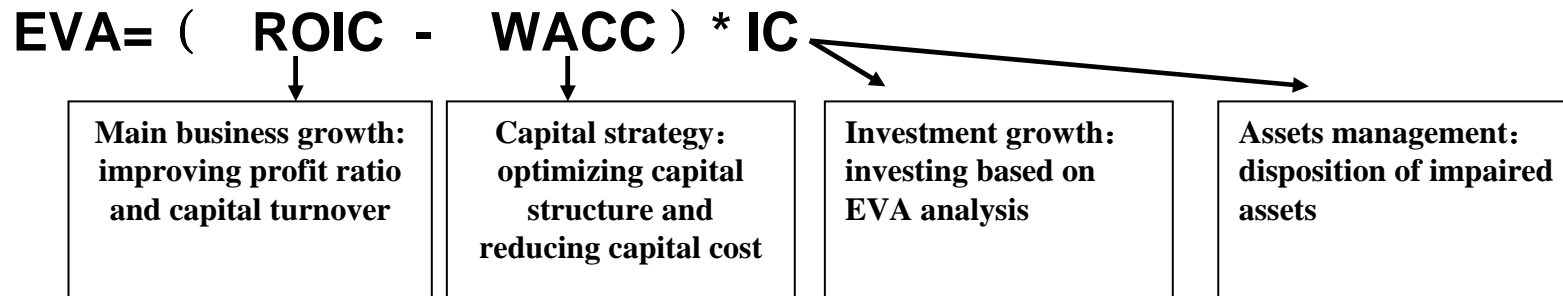
- Insist on combination of operation analysis and early radar warning
 - monthly operation analysis meeting, weekly market information analysis, daily information update
- Insist on combination of deadline rectification and financial diagnosis
 - rectification of existing problem are requested
 - establish the working mechanism of tracing, feedback and reanalysis
- Insist on combination of performance flyers and financial benchmark
 - announce performance board quarterly, encouraging by “ 🚩 ” and remanding by “ 🔔 ”
 - establish financial benchmarking database in different industries

- Improve Risk Management System and prevent **Overall Risk**
- Enhance the risk management system
 - enhance overall risk management, emphasize on prevention with regulations as its basis
 - establish evaluation system of risk pre-alarmed
 - establish market supervision department
 - Enhance the building of internal control system
 - establish power balance system of important position and internal control inspection system
 - link directly the inspection with the leadership performance evaluation
 - establish the general counsel system
 - Enhance internal auditing supervision
 - establish independent audit department
 - carry out three-year rotation for intermediary and audit quality assurance fund system
 - bring in middle term responsibility audit

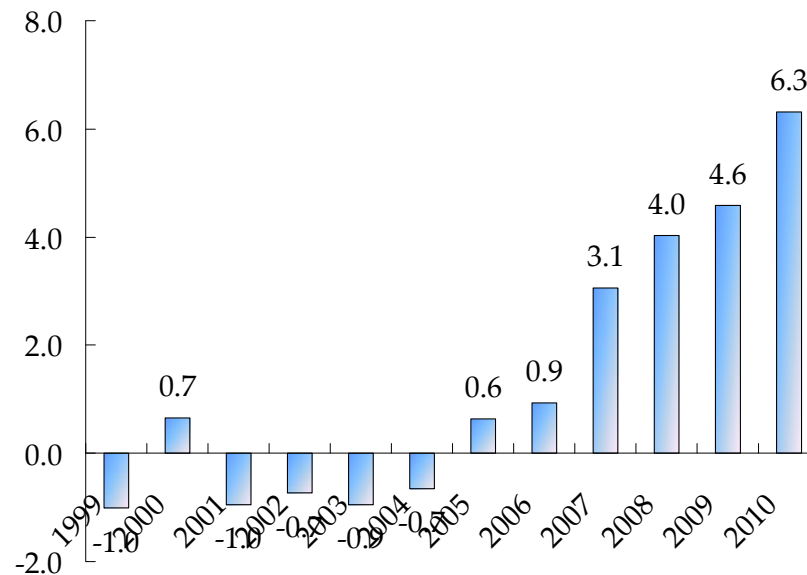
2.6 Value Creation



—Integrate the value based management of decision making and operation



EVA of China South from 1999 to 2010 (billion RMB)



2.6 Value Creation



— Financial services facilitate to boost industry development and value increase

- ✓ **Indirect financing sees a stable growth.** Comprehensive credit from banks reaches more than 100 billion RMB in total. By 31st, December, 2010, the Finance Company had offered nearly 50 billion RMB as credit support to subsidiaries and 32.9 billion RMB as automobile finance credit.
- ✓ **Direct financing boosts an continuing expanding.** A 9.2 billion RMB equity financing and a 28.4 billion RMB direct debt financing have been completed since 2004. The China South Industry Investment Fund finished the first-period recruitment of 3.2 billion.
- ✓ **Investment enjoys a fast development.** From 2004 to 2010, the China South AMC and the Finance Company have created a net profit of 32.17% in the overall net profit of the whole Corporation and a 40.63% net profit and management fees in the whole handed-over to the headquarter.

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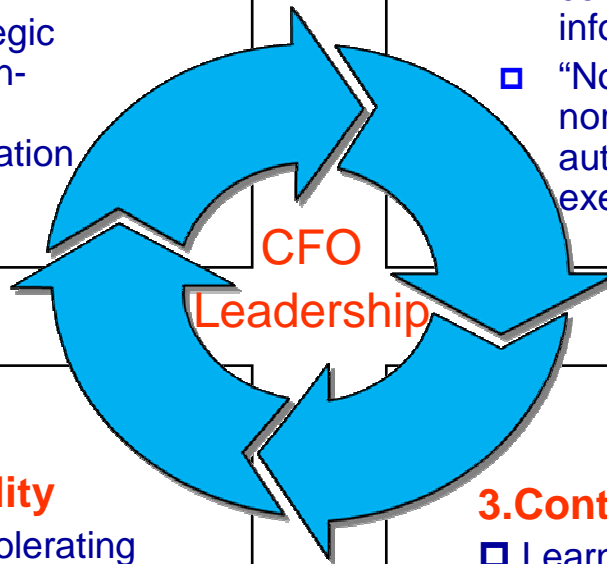
3. CFO Leadership Building

1.Strategy decision-making Capability

- Participant of strategic planning: balancing between corporate strategy and resources
- Important performers of strategic planning: presenting decision-making and organizational capacity in resources optimization

2.Communication and Coordination Capability

- “Know yourself and the enemy and you will never be defeated”:
comprehensive, accurate and in-time information control
- “Nothing can be accomplished without norms or standards”: Scientific authorization system and efficient executive capability



4.Team Innovation Capability

- Encouraging innovation and tolerating failure
- Educating in advance and enhancing experience
- Finance creates value, only the people with contributions deserves the position

3.Continuous Learning Capability

- Learn theories and practices, strategies and tactics and manage new knowledge more effectively
- “No one can command others who cannot command himself”, promoting personal brand

Thank you !