CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) CO., LTD.
(Incorporated in People's Republic of China)

ANNUAL REPORT 2005 (SUMMARY)

Ended Dec. 31, 2005

1. Important Statement

1.1 The Board of Directors and the directors of the Company guarantee that there are no significant omissions, fictitious or misleading statements carried in the Report and we will accept individual and joint responsibilities for the truthfulness, accuracy and completeness of the Report.

1.2 None of the directors, supervisors, and senior executives demonstrated uncertainty or disagreement about the truthfulness, accuracy, and completeness of this report.

1.3 All of the eight directors presented the board meeting.

1.4 Deloitte Touche Tohmatsu CPAs audited the current Financial Report of the Company and issued standard Auditors' Report without qualified opinions.

1.5 Mr. *Li Jianhong* – Chairman of the Board, Mr. *Mai Boliang* – President of the Company, Mr. *Jin Jianlong* – the General Manager of Accounting & Administration Dept. declares: The truthfulness and completeness of the report are guaranteed.

2. Company Profile

2.1 Basic information

Short form of the stock	CIMC
Stock code	000039、200039
Listed stock exchange	Shenzhen Stock Exchange
Registered address	R&D Center of CIMC, No. 2 Gangwan Avenue, Shekou Industrial Zone, Shenzhen, Guangdong Province, P.R.C
Office address	R&D Center of CIMC, No. 2 Gangwan Avenue, Shekou Industrial Zone, Shenzhen, Guangdong Province, P.R.C
Post code	518067
Internet web site of the Company	www.cimc.com
E-mail of the Company	shareholder@cimc.com

2.2 Liaison person and liaison method

	Secretary of the Board of Directors	Authorized Representative in Charge of Securities Affairs
Name	*Yu Yuqun*	*Wang Xinjiu*
Liaison address	R&D Center of CIMC, No. 2 Gangwan Avenue, Shekou Industrial Zone, Shenzhen, Guangdong Province, P.R.C	R&D Center of CIMC, No. 2 Gangwan Avenue, Shekou Industrial Zone, Shenzhen, Guangdong Province, P.R.C
Telephone	0755-26691130	0755-26802706
Fax	0755-26826579	0755-26813950
E-mail	shareholder@cimc.com	shareholder@cimc.com

3. Summary of Accounting Data and Financial Indexes

3.1 Primary accounting data of the year *(Prepared under International Financial Reporting Standards ["IFRS"])*

RMB *'000*

Items	Amount
Profit before taxation	3,172,223
Profit attributable to: Equity shareholders of the Company	2,807,466
Gross profit	4,695,539
Other net income	236,179
Profit from operations	3,282,637
Net cash generated from operating activities	5,232,159
Cash and cash equivalents at 31 December	2,828,223

3.2 *Three-year Financial Information Summary* *(Prepared under International Financial Reporting Standards ["IFRS"])*

RMB'000

Items	Year 2005	Year 2004	Year 2003
Sales of Containers (TEU)	1,361,358	1,570,809	1,173,293
Sales of Vehicles (Units)	53,055	37,926	8,991
Revenue	30,938,522	26,557,657	13,705,212
Profit attributable to: Equity shareholders of the Company	2,807,466	2,464,992	694,051
Total Assets	17,020,469	16,986,385	10,258,356
Total equity attributable to equity shareholders of the Company	9,613,787	7,521,276	5,295,653
Earnings per share (**EPS**, diluted)	1.39	2.44	1.33
Net asset per share (*RMB yuan*)	4.77	7.46	8.40
Rate of Return on Shareholders' Equity (**ROE**, diluted)	29.20%	34.17%	13.11%
Net Cash flow per share generated from operating activities	2.76	1.49	1.21

Dividend (per share)	Cash dividend of RMB 0.38, converting public reserve into share capital at the rate of 0.1 share	Cash dividend of RMB 0.50, converting public reserve into share capital at the rate of 1.0 share	Cash dividend of RMB 0.38, converting public reserve into share capital at the rate of 0.6 share

3.3 Reconciliation of the Group's profit and total equity attributable to equity shareholders of the Company prepared under International Financial Reporting Standards ("IFRSs") and the PRC Accounting Rules and Regulations

√*Applicable* □*Non-applicable*

	Profit attributable to equity shareholders of the Company for the year ended ***31 December 2005*** RMB'000	*Total equity attributable to equity shareholders of the Company at* ***31 December 2005*** RMB'000
Prepared under the PRC Accounting Rules and regulations	2,669,141	9,455,913
Adjustments to align with IFRSs:		
(i) Adjustment to minority interests	(1,494)	8,059
(ii) Adjustment to deferred tax assets	35,450	85,843
(iii) Adjustment to goodwill and negative goodwill	7,703	(22,185)
(iv) Adjustment to interest capitalisation	5,706	24,796
(v) Adjustment to trading securities	39,595	39,595
(vi) Others	51,365	21,766
Prepared under IFRSs	2,807,466	9,613,787
	========	========

4. Changes in Share Capital and Particulars about Shareholders

4.1 Statement of change in share capital

In shares

	Before the change	Changed in current term (+,-)		After the change	Share portion (%)
		Placing of non-current foreign shares	Capitalizing of common reserves		

I. None negotiable shares					
Promoter's shares	363,781,013	－200,079,557	+163,701,456	327,402,912	16.23
Including:					
Overseas legal person shares	363,781,013	－200,079,557	+163,701,456	327,402,912	16.23
Total of non-negotiable shares	363,781,013	－200,079,557	+163,701,456	327,402,912	16.23
II. Negotiable shares					
1． RMB common shares	302,933,219		+302,933,219	605,866,438	30.04
Incl. Executive shares	312,312		+312,312	624,624	0.03
2． Foreign shares listed at home	341,769,121	+200,079,557	+541,848,678	1,083,697,356	53.73
Total of negotiable shares	644,702,340	+200,079,557	+844,781,897	1,689,563,794	83.77
III. Total of capital shares	1,008,483,353		+1,008,483,353	2,016,966,706	100.00

Note 1: Changes shown above were caused by dividend distribution & capitalizing of common reserves carried out for year 2004 and placing of non-current foreign shares.

Note 2: Shares held by senior executives amounted to 624,624 shares are those which have been frozen.

4.2 Statement of shares held by the top ten shareholders

4.2.1 the top ten shareholders

Total shareholders at the end of report year					133,888
Total shareholders at the end of report year					
Name of Shareholder	Properties of shareholder	Share proportion (%)	Shares held at the end of term (shares)	Negotiable shares	Number of share pledged or frozen
1． COSCO Container Industries Limited	Foreign	16.23%	327,402,912	327,402,912	0
2. China Merchants (CIMC) Investment Ltd.	Foreign	16.23%	327,402,912	0	0
3. China Merchants (CIMC) Holdings Ltd.	Foreign	6.52%	131,547,830	0	0
4． PROFIT CROWN ASSETS LIMITED	Foreign	1.66%	33,508,869	0	0
5． TOYO SECURITIES ASIA LIMITED-A/C CLIENT	Foreign	1.10%	22,144,318	0	0
6． LONG HONOUR INVESTMENTS LIMITED	Foreign	0.95%	19,183,414	0	0
7． GALAXY－CHARTER－CITIGROUP GLOBAL MARKETS LIMITED	Domestic	0.91%	18,306,605	0	0
8． NAITO SECURITIES CO., LTD	Foreign	0.79%	15,911,942	0	0
9． JPMBLSA RE FTIF TEMPLETON CHINA FUND GTI 5497	Foreign	0.76%	15,307,142	0	0
10． CMBLSA RE FTIF TEMPLETON ASIAN GRW FD GTI 5496	Foreign	0.76%	15,289,705	0	0

The top ten shareholders of circulating share		
Name of Shareholder	Shares held at the end of term (shares)	Category of share
1. China Merchants (CIMC) Investment Ltd.	327,402,912	B shares
2. China Merchants (CIMC) Holdings Ltd.	131,547,830	B shares
3． PROFIT CROWN ASSETS LIMITED	33,508,869	B shares
4． TOYO SECURITIES ASIA LIMITED-A/C CLIENT	22,144,318	B shares
5． LONG HONOUR INVESTMENTS LIMITED	19,183,414	B shares

6. GALAXY-CHARTER-CITIGROUP GLOBA MARKETS LIMITED	18,306,605	A shares
7. NAITO SECURITIES CO., LTD	15,911,942	B shares
8. JPMBLSA RE FTIF TEMPLETON CHIN FUND GTI 5497	15,307,142	B shares
9. CMBLSA RE FTIF TEMPLETON ASIAN GR\ FD GTI 5496	15,289,705	B shares
10. HSBC BROKING SECURITIES (ASIA LIMITED-CLIENTS A/C	14,417,914	B shares
Explanation on associated relationship among the top ten shareholders or consistent action	1. *Among the top 10 shareholders, the 1st and 6th shareholder are regarded as related and act-in-concert parties. COSCO Container Industries Limited is an entire subsidiary of COSCO Pacific Ltd., COSCO Pacific Ltd. is under the controlling of COSCO Group; while Long Honour Investments Limited is an entire subsidiary of COSCO (Hong Kong) Group, COSCO (Hong Kong) Group is under the controlling of COSCO Group. Neither of the two shareholders is acting-in-concert with any other shareholders in the list as described by Administrative Rules on Information Disclosure about Changing of Shareholding Status.* *The 2nd and 3rd shareholders are regarded as related and act-in-concert parties. Both of China Merchants (CIMC) Investment Ltd. and China Merchants (CIMC) Holdings Ltd. are the entire subsidiaries of China Merchants International Ltd., which is the controlled subsidiary of China Merchants Group Ltd. Neither of the two shareholders is acting-in-concert with any other shareholders in the list as described by Administrative Rules on Information Disclosure about Changing of Shareholding Status.* *It is unknown whether there is any relationship among other shareholders, or whether there is any action-in-concert among them as described by Administrative Rules on Information Disclosure about Changing of Shareholding Status.* *2.Among the top ten shareholders of circulating share, There exists associated relationship between China Merchants (CIMC) Investment Ltd. and China Merchants (CIMC) Holdings Ltd.: Both of China Merchants (CIMC) Investment Ltd. and China Merchants (CIMC) Holdings Ltd. are the wholly-owned subsidiaries of China Merchants International Ltd.* *The Company is not aware of any associated relationships among other shareholders.*	

4.3 Particulars about controlling shareholders and actual controller of the Company

4.3.1 Particulars about change in controlling shareholders and the substantial controller of the Company

√ Applicable ☐Non-applicable

4.3.2 Introduction of controlling shareholder and other actual controller

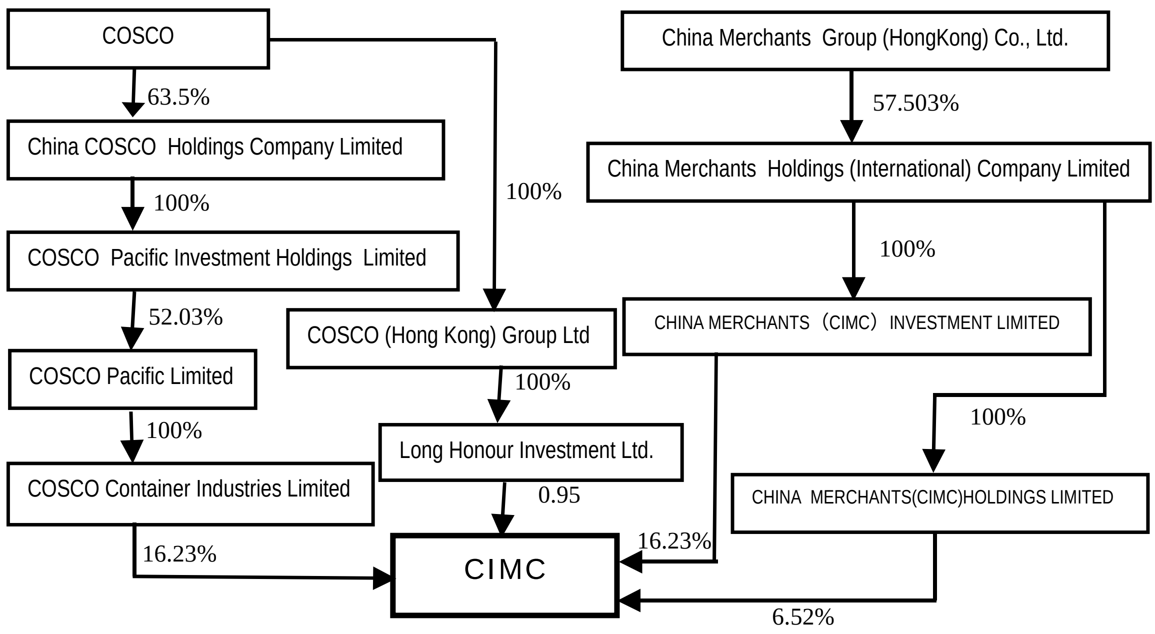
Legal person shareholders holding 10% or above of the total shares
There isn't any shareholder (controlling shareholder) holding 30% or above of the total shares.

Name of the shareholder	Share proportion %	Director	Date of Incorporation	Registered capital	hare structure	Business Scope
COSCO Container Industries Limited	16.23%	*Wangzhi, Chen Keng, Ying Haifeng*	2004.4.26	USD1	Fully owned by COSCO Pacific Ltd.	nvestment, holding
China Merchants (CIMC) Investment Ltd.	16.23%	*Du Yongcheng, Wang Zhixian, Liu Jie*	1995.1.17	HKD10,000	Fully owned by CMHI	nvestment, holding

(1) COSCO Container Industries Limited is a limited company incorporated in British Virgin Islands, and it is a wholly owned subsidiary of COSCO Pacific Limited. COSCO Pacific Investment & Holdings Co., Ltd. is holding 52.03% of share equity of COSCO Pacific Ltd., while COSCO Pacific Investment & Holdings Ltd. is the wholly-owned subsidiary of COSCO Holdings Ltd. COSCO is holding 63.5% of the shares of COSCO Holdings Ltd. Ended Dec. 31, 2005, COSCO Container Industries Ltd. held 16.23% equity of the Company; Long Honour Investments Limited is an wholly-owned subsidiary of COSCO Hong Kong, and held 0.95% equity of the Company.

(2) China Merchants (International) Investment Co., Ltd. (formerly China Merchants Container Industry Co., Ltd.) is the wholly-owned subsidiary of China Merchant Holdings (International) Company Limited ("CMHI"). China Merchants Group held 57.503% equity of CMHI. China Merchants Container Industries Co., Ltd. held 16.23% equity of the Company, at the same time, China Merchants Holdings (International) Co., Ltd. (formerly Fair Oaks Development Limited), a wholly-owned affiliated company of CMHI, held 6.52% equity of the Company, China Merchants (International) Investment Co., Ltd. and China Merchants Holdings (International) Co., Ltd. are the wholly-owned subsidiaries of CMHI, thus, CMHI is actually holding 22.75% equity of the Company.

4.3.3 Chart of shareholding relationships among the substantial holders and the Company



5. Particulars About Director, Supervisor, Senior Executive

5.1 Particulars about changes in shares held by Directors, Supervisors and senior executives

Name	Position	Gender	Age	Job term	Shares at the beginning of year	Shares at the end of year	Cause of change	Annual Remuneration (RMB 0'000)	Whether or not get paid by shareholding parties
Li Jianhong	Chairman	M	50	2004.4.21—2007.4.21	0	0		0.00	Yes
Zhao Luxiang	Vice Chairman	M	50	2004.4.21—2007.4.21	0	0		0.00	Yes
Mai Boliang	Director	M	47	2004.4.21—2007.4.21	0	0		0.00	Not
Mai Boliang	President	M	47	2004.3.16—2007.3.16	187,387	374,774	Capitalizing of common reserves	275.60	Not
Sun Jiakang	Director	M	45	2005.4.8—2007.4.21	0	0		0.00	Yes
Wang Zhixian	Director	M	40	2005.4.8—2007.4.21	0	0		0.00	Yes
Xiao Zhuoji	Independent Director	M	72	2004.4.21—2007.4.21	0	0		8.00	Yes
Han Xiaojin	Independent Director	M	51	2004.4.21—2007.4.21	0	0		8.00	Yes
Zhang Limin	Independent Director	M	51	2005.4.8—2007.4.21	0	0		8.00	Yes
Du Yongcheng	Chief Supervisor	M	57	2005.4.8—2007.4.21	0	0		0.00	Yes
Shi Jingwei	Supervisor	M	41	2005.4.8.—2005.12.29	0	0		0.00	Yes
Ying Haifeng	Supervisor	M	34	2005.12.29--2007.4.21	0	0		0.00	Yes
Feng Wan'guang	Supervisor	M	59	2005.5.25—2007.4.21	0	0		119.60	Not
Zhao Qingsheng	Vice President	M	53	2004.3.16—2007.3.16	0	0		109.20	Not
Li Yueting	Vice President	M	58	2004.3.16—2007.3.16	124,925	249,850	Capitalizing of common reserves	106.44	Not
Wu Fapei	Vice President	M	47	2004.3.16—2007.3.16	0	0		106.35	Not
Li Yinhui	Vice President	M	38	2004.3.16—2007.3.16	0	0		75.20	Not
Liu Xuebin	Vice President	M	47	2004.3.16—2007.3.16	0	0		106.44	Not
Jin Jianlong	Financial GM	M	52	2004.3.16—2007.3.16	0	0		75.20	Not
Yu Yuqun	Secretary of the Board	M	40	2004.3.16—2007.3.16	0	0		61.18	Not
Total	-	-	-	-	312,312	624,624	-	1,059.21	-

6. Report of the Board of Directors

6.1 Discussion and analysis of the whole operation in the report period

(I) Business Analysis

1. Reviewing of Operation in Report Period

(1) Analysis on overall operation status

In 2005, a year full of opportunities and challenges, the board of directors and executives of the Company firmly held the strategy of providing equipment and services for modern transportation, found a foothold in global market, seized good opportunities of steady increase in the world trade, gave full play to all-round competitiveness advantages, aggressively forging ahead, which made such indices as the company incomes, profits jumped to a record high from the level of dramatic increase in 2004. In 2005, the Company's Revenue reached 30,939 million Yuan, and net profit 2,807 million Yuan, which respectively increased by 16.50% and 13.89% over the same period last year, and the yield of net asset reached 29.20%.

The analysis on income from major business and profit variation is shown in the following table

Unit: *RMB' 000 Yuan*

Items	At current period	At same period of last year	Rate of increase (%)
Revenue	30,938,522	26,557,657	16.50%
Gross Profit	4,695,539	4,396,273	6.81%
Net profit	2,807,466	2,464,992	13.89%

The Revenue enjoys a year-on-year increase of 16.50%. The main reasons include: the average price of containers increased; the number of products with relatively high technical contents, such as tank containers, reefer containers and special containers, rose rapidly; and the sales volume of road transport vehicles jumped.

Gross Profit enjoys a year-on-year increase of 6.81%, and the net profit has a year-on-year increase of 13.89%. The main reason is the sales volume and prices of containers rose dramatically. The rate of gross profit of container product is 16.51%, which remains at a close level to that of same period in last year. The profitability of containers remains leading place in this industry.

--- Macro economy increases steadily, and operating environment changes greatly

Based on the continuous growth of global economy, every business of our Group increased to certain extent.

In 2005, the global economy was still in upward cycle of steady booming, and the global economic growth was 3.2%. The economy of China, with an increase rate of 9.9%, was still in the speedy development period. The growth rate of world trade and that of containers trade were 6.2% and 10.8% respectively, which still remains in steady increasing. The trade volume of global marine containers was 105 million TEU, and the throughput of containers was about 378 million TEU (Statistics from CLARKSON). In China, the yearly throughput of containers trade in 2005 was 75 million TEU, with a year-on-year increase of about 22%.

In the first half of 2005, the market demand of containers keeps prosperous, and the price of dry van containers keeps rising. Owing to the overbuying during 14-month long continuous blooming demand since the second quarter in 2004, the market demand of dry van containers entered into slack season in advance in the second half of 2005. Meantime, under the influence of macroeconomic regulation measures, the price of steels started to fall back, from US$700 per ton in Quarter 1 to US$400~450 per ton in Quarter 4. The price of containers went down in turn, and dropped down to US$ 1450~1550/TEU in Quarter 4.

Against the above-mentioned background, the quantity of newly purchased containers in the world in 2005 fell back considerably, from 3 million TEU in the first half year to around 2.40 million TEU. It is mainly because the decrease of sale quantity and its price of dry van containers. However, the demand and price of reefer containers, tank containers and other special containers remained stable.

In 2005, considerable amount of new capital was input to the production of dry van containers, and the expansion speed of production capacity accelerated. According to the statistics from China Container Industry Society, the newly added production capacities of dry van containers in China were 530,000 TEUs, 300,000 TEUs and 550,000 TEUs respectively during 2003~2005. It may reach 5.80 million TEUs in 2007.

During 2003~2004, the demand on road transport vehicles for highway logistics increased rapidly. Moreover, for pushing forward the structural optimization of vehicle products, the state issued a blanket of policies including unifying and normalizing the technical standards of road transport vehicles, lowering the level of road fee rate charged on large vehicles, and bringing the overrun and overload under control. These measures normalized the market entry and product standards for road transport vehicles in China, further improved the market environment for road transport vehicles.

In 2005, considerable influences were brought about to the road transport vehicles industry, thanks to the macroscopic readjustment and control policies for restraining high demand for investment in China, and the change of work process for bringing the overrun and overload under control, the once specific administration has turned to the establishment of the long-term effective system. Having experienced explosive increase in 2004, the market demand in 2005 fell back considerably. The year-on-year demand on heavy trunk dropped by 36% in China.

--- Tendency of diversified business and product structure is evident; and ability to resist the periodical fluctuation is constantly rising

Main product series in the Company include normal dry van containers, reefer containers, tank containers, other special containers and road transport vehicles. Every business achieved sound increase in 2005. The proportion of normal dry van containers in the sales income dropped to 64.57%, while that of reefer containers, tank containers, special containers and road transport vehicles rose to 9.56%, 3.49%, 7.16%, and 13.72% respectively, which strengthened the Company's ability to resist the risk of industry periodic fluctuation due to single product.

--- Strengthen existing advantage and uplift system competitive power

Having developed for more than 20 years, under the edification of the unique Group culture, a team with a good sense of mission and objective has formed, which has the enterprise spirit of "constantly striving to become stronger, challenge the best" and the professional qualities of "working with your heart and soul to become better". This is the indispensable part of core competitive power and the most valuable asset to the Company.

Directed by the concept of "Good faith first, Customers foremost", the Company achieved high recognition and satisfaction of leading companies in the world for its quality products and perfect services provided to customers. In the course of connecting with the operation system of global customers, we have learned advanced management experiences, which speed the industry development and promote ourselves.

The Company further upgraded its ability to judge the tendency of price-changing of raw materials, guaranteed the quality of raw materials, optimized the transport schemes, simplified the transportation chains; therefore, its management level and operation efficiency are improved. A highly effective and complete management system for supply chains came into being.

The Company with healthy and speedy development as well as the good reputation has been recognized by domestic and global capital markets, and a sound financing ability has been cultivated.

An effective internal management system has been formed, including the quality management system (QMS) aimed to improve customers' satisfaction, the information management system (IMS) with a core application of MAS system, the designing and manufacturing platform taking the PDM system as a bond, the gauge rod management system driven by the performance signboard, and the experience sharing system in the form of "outstanding center".

Through establishing a technical development system of "centralized management, and distributed R&D", a technical innovation system guided by the idea of "innovation pushing forward the value-adding" had come into being. The Company has developed 493 items of new products in the whole year, participated in the formulation of 29 items of various industry standards, and applied for more than 300 patents. The Smart Secure Container (SSC) project is listed in the national "863" Program. The Company has participated in the ISO, COA, IICL, China Container Standardization Committee, National Automobile Standardization Technology Committee, National Boiler Pressure Container Standardization Technology Committee, and part of their work in the formulation (revision) of standards and regulations.

--- Orient value-creation for customers, and strengthen strategic cooperation relationship with customers

The Company firmly sticks to the concept of "Good faith first, customer foremost" toward customers, striving to satisfy customers' demand; expands the industry chain, insisting on providing the customers with "one stop" service and concept of lifecycle services for products; constantly creates values for customers, always giving top priority to the benefits of customers.

In the respect of container business, in 2005, the Company preliminarily established a relatively complete service network system in the major port across the whole country, and was able to provide the container maintenance service, storage yard service for containers, spare parts and fittings provision service, and other related service.

In the respect of vehicle business, the Company has, step by step, established the 4S center stores, and the widely distributed marketing and service network with all-round functions in major areas of China, providing the customers with sales, repairs, and parts, as well as the financing and mortgage, insurance agent, automobile lease, examination for safety, and other value-added services.

--- Actively respond to the call of constructing "harmonious society" and "abstemious society", and try to achieve the object of sustainable development and become a responsible enterprise according to the scientific developmental viewpoint

The Company put RMB 56.5 million Yuan into the increment and supplement of environmental protection equipment, added 18 sets of dust catchers and exhaust emission treatment equipment, which reduce the impact to environment. Actively responding to government calls and consider people's livelihood without thought of gain, the Company closed the Shanghai CIMC Far East Container Factory, which is not suitable for further producing because of surrounding change. The Company won good comments by consensus.

Actively adopt new technology and process to develop new environment protection materials such as environment protection wooden floor, refrigerated container vesicant and vehicle lightweight design, and lead the industry to healthy development.

Actively improve labor protection conditions for the employees.

Support social services through contributing various social services, and support education development through setting up scholarships for students and teachers in several colleges and universities.

--- Strengthen the management of relationship with investors and improve images in capital market

The Company is one of listed companies that introduce the "Investors Relationship Management" in early times in China. It enhances and improves the service for investors continuously. The Company keeps a good communication with investors, securities analysts and medium with such means as telephone consultation, company investigation, road show on the network, spot recommendation and the company websites.

The investor relation management of the Company has won consensus recognition from the market and investors. The Company won the "Best Company Award" in the appraisal of 2004 Chinese A-share company investor relation, the Fifth place and "Best Public Image Directorate Award" in the appraisal of 2nd (2005) Chinese listed company directorate golden round table award. It was selected as the "Chinese Most Admired Listed Company" and "Top 100 of Chinese Listed Company Best Corporate Governance" in the appraisal of 2005 Chinese company corporate governance structure, and selected as Top 50 of Chinese Most Potential Listed Company in China Securities - Asia Business.

(2) Major business range, industry background and operation state

The Company dedicates itself to providing equipment and services for modern traffic and transportation. Its major business includes the design, manufacturing, sales and services of such traffic and transportation equipment as containers, road transport vehicles and airport equipment. In addition, a small quantity of real estate is included in the business of the Company.

The Company is the only manufacturer which can produce all of the series of container production and own independent intellectual property rights in the world. Dry van container, reefer container, special container and tank container are major products. The container output of the Company keeps No. 1 in the world for 10 years since 1996. Road transport vehicle is the new business the Company stress to exploit. The Company has become the No. 1 manufacturer of semi-trailer transportation vehicle in China.

The products of Containers and road transportation vehicle are over 10% of major business income or profit amount of the Company.

The analysis on the structure and variation of major business income and profit is as follows:

Unit: RMB 1 Million Yuan

Business	Income	Cost	Gross Margin (%)
Container	26,572	22,275	16.17
Road transport vehicle	4,244	3,644	14.15
Airport equipment	160	100	37.43
Others	13	16	-19.48
Consolidated	-51	-141	—
Total	30,938	25,894	16.30

Region	Income	Proportion (%)	Year-on-year increase (%)
USA	8,631	27.90	30.66
Europe	12,307	39.78	-10.48
Asia	9,447	30.54	64.90
Other regions	553	1.79	16.56
Total	30,938	100.00	16.50

Container Business

In 2005, the income and net profit of container business increased greatly and the sale income was 26.572 billion Yuan, with a year-on-year increase of 10.41%. 1,304,500 TEU were produced and 1,361,400 TEU were sold in total, with a year-on-year decrease by 20.44% and 13.34% respectively. Up to the end of the year, 22 containers manufacturing factories were owned by the Company, distributing at 11 major coastal ports or cities in China.

--- Normal dry van containers

In 2005, 1,204,736 TEU of normal dry van containers were sold in total and sales income was 19.977 billion Yuan, with a year-on-year decrease of 16.76% and 0.89% respectively. The average price of dry van containers increased by 10% compared with the same period last year.

The layout of containers industry base was further optimized, and the Company was consolidated and improved in the industry. In 2001, the Company seized the opportunity and rapidly finished the layout of manufacturing base and output when it predicted there would be an explosive increasing demand of normal dry van containers during 2003 to 2005. The preparation including the construction of Shenzhen East Phase 2, Jiangsu Taicang and the adjustment of dry van containers manufacturing bases in Shanghai near port was finished in 2005, which was part of established planning of base layout.

Up to the end of the year, the output of normal dry van containers reached 1.8 million TEU.

--- Reefer containers

Reefer containers widely apply to storage and long-distance transportation of primary products such as fruits and vegetables, and foods such as beverages, dairy products and meats. In 2005, the Company sold 45,160 vehicles in total and reached a new record in history, with a year-on-year increase of 28.38%. The Company achieved sales income of 2.959 billion Yuan, increased by 34.89% compared with the same period last year. The sales income was 11.09% of container business, while it was 9.06% for the same period of last year. The manufacturing bases distributed in Shanghai and Qingdao, and the output is over 50,000 vehicles. The Company kept the leading place in this industry.

--- Tank containers

As one of major storage and transportation vehicles for liquid cargo of oil, chemical and food industries, tank containers have the advantages of high technical contents, safe and environment-friendly, and can be used for combined transport by rail and sea, and even for door-to-door service. Tanker transportation is the first choice to substitute barreled and liquid boat transportation for liquid products. It is booming in Asia and other areas. In 2005, The sales income of Nantong CIMC Tank Equipment Co., Ltd. was 1.081 billion Yuan, increased by 105.11% over the same period last year. It was 4.05% of sales income of containers, compared with 2.18% during the same period last year. The Company was boosting business of tank equipment actively.

--- Special containers

Other special container business include standard special container, area special container, folding container, special reefer container and pallet container (including the tank pallet). In 2005, 63,992 TEU (excluding the tank pallet) were sold in total and achieved a year-on-year increase of 25.94%. The Company achieved sales income of 2.216 billion Yuan with a year-on-year increase of 93.74%. It took 8.31% of sales income of containers, compared with 4.73% during the same period of last year. The work went well for industry structure optimization of tank pallet, folding container, special reefer container. Through product chain extension and resource integration in the manufacturing bases like Dalian, Tianjin, Nantong, Xinhui and Qingdao, the Company established cooperation of manufacturing and sales for multiple products.

--- Container Wooden floor

With the wooden floor production bases (in Xinhui of Guangdong, Jiashan of Zhejiang and Yakeshi of Inner Mongolia) put into production, the area layout strategy of wooden floor was initiatively established in 2005. The advantage of resource inter-supplement was formed and strong support for container and vehicle industry was provided. In 2005, it achieved sales income of RMB 0.663 billion Yuan. The Company participates in preparing wooden floor industry standards. It actively seeks for new environment-friendly material while strengthening container business core competence, which embodies its social responsibility.

--- Container comprehensive service

While further improving network layout of container production bases, the Company concentrated on and mastered the development trend of global container industry, kept the point of providing customers with the concept of one-stop and lifecycle service for products, extended the value chain of business and exploited container comprehensive service business quickly. The Company has built storage yards and service bases for containers in Shenzhen, Xiamen, Shanghai, Dalian, Ningbo and Qingdao, and provided services such as transfer, storage, repair, maintenance and retread and reconstruction of dry van container, reefer container and special container for customers. In 2005, the Company completed 150,000 TEU of container repair and 1,280,000 TEU of storage yard treatment with net profit.

Road transport vehicle business

In 2005, the Company sold 53,055 vehicles in total, which represents a 39.89% rise over the same period last year, and achieved sales revenue of RMB 4.244 billion, an increase of 81.53% compared with the same period last year. The production base of CIMC in North America alone manufactured and sold 4,875 vehicles and made profits with the sales revenue of RMB 0.823 billion.

The Company has established eight production bases, including Shenzhen CIMC Special Vehicle, Yangzhou CIMC Tonghua, Zhumadian CIMC Huajun, Shandong and Qingdao CIMC Special Vehicle, Zhang Jiagang CIMC Sanctum, Xinhui CIMC Composite Material, and CIMC VANGUARD in USA. The Company has started to construct production bases in Baiyin City, Gansu Province and Yingkou City, Liaoning Province. Meanwhile, the Company has made investigations on setup of a production base in the southwest region of China.

The Company offers a variety of products, including five categories such as semi-trailers (container semi-trailer, flat semi-trailer, and van semi-trailer), tankers (powder tanker, refueling truck, cement-stirrer vehicle, pressure tanker, low temperature tanker, and tank semi-trailer), dump trucks, vans (ordinary van and refrigerated van), and special vehicles (such as car transport vehicles and emergency communication vehicle).

The Company has made outstanding achievements in technical innovation. The Company completed the Phase 1 technical innovation project for Shenzhen Special Vehicle and Phase 2 technical innovation project for Yangzhou CIMC Tonghua, and completed the construction of Section 1 of CIMC Huajun Industrial Park Phase 2. CIMC Huajun has made an investment on foundry capacity expansion project Phase 1. CIMC has set up a new plant for Phase 1 vehicle production base in Shandong and put it into operation. CIMC Sanctum has improved most of the product lines for the low temperature tanker and tank container. Qingdao CIMC Special Vehicle Co., Ltd. was set up and put into operation. CIMC production base in North America has gone through a successful technical innovation. The composite material product line in Xinhui City, Guangdong Province has been put into operation, which manufactures spare parts for vehicles.

The Company has set up vehicle 4S stores in Shanghai, Beijing and Shenzhen and put them into operation.

The Company strengthened its position as one of the market leaders. In order to promote the sound development of road transportation vehicle industry in China and offer safe, environment-friendly and energy-saving road transportation equipment, CIMC has taken an active role in many activities that aim to maintain sound development of the industry and blaze a way for technological progress. CIMC organized and participated in the topics Research on Development Trend and Industrial Restructure of Special Vehicle and Trailer in China and Research on Mid and Long Term Development Trend and Strategies for Automotive Industry in China sponsored by the National Development and Reform Commission. It participated in the formulation of Special Eleventh Five-Year Development Plan for Special Vehicles in China. It participated in the project Research on Standard and Regulatory System for Special Vehicle and Trailer, which was sponsored by the Special Vehicle Subcommittee and the Trailer Subcommittee under the National Automotive Technical Committee. As the major drafting unit, it participated in the formulation and revision of more than 20 national standards for vehicle and trailer, especially the Technical Requirements for Safety of Vehicles for Transportation of Exploder and Highly Toxic Chemical and the Tanker for Road Transportation of Dangerous Liquid Goods Part 1: Technical Requirements for Metallic Tank with Normal Pressure, which provide a basis for the competent authorities to formulate provisions on design, manufacturing and inspection of tankers for transportation of dangerous goods. By participating such activities, the Company not only considerably boosted the industrial restructure and the industrial technologies, but also sharpened the competitive edge of its vehicles.

CIMC made use of its existing advantages for the vehicle business in the course of vehicle development.

In management of supply chain, the Company achieved centralized procurement of 90% of the steel products and universal parts by adopting the centralized procurement and domestic production of raw materials (such as steel product) and universal parts.

In technical cooperation, the Company fully exerted its advantages as the national technical center and organized strong technical forces to design and develop the universal products in the automotive industry with other companies. A product manager was appointed in such cases and the achievements were shared between the cooperated companies.

In marketing, the Company exploited the markets in USA and Japan by making full use of its overseas customer resources and secured the major customers in China. Furthermore, it set up three 4S stores in Shanghai, Beijing and Shenzhen according to the current status of the domestic automotive industry and characteristics of special vehicles. It explored regional integration in the marketing field and offered one-stop, full lifecycle services consistently.

With the support of pertinent ministries and commissions, the Company actively promoted group operation and achieved outstanding success. Moreover, it actively promoted the certification of automotive quality system for enterprise (ISO16949) in the Company.

In exploiting overseas market, the Company boosted "Sino-US Interaction" and increased the competitive advantage of the products from the production base of CIMC in North America by stepping up the proportion of domestically supplied parts in the production base of CIMC in North America, as well as making an effort to export more products to the overseas market.

By virtue of the above measures, the Company witnessed a growth of vehicle business in 2005 and laid a foundation for sound development in the future.

Airport support equipment

Shenzhen CIMC - Tianda Airport Support Ltd. (hereinafter referred to as "CIMC Tianda") is principally engaged in manufacture, marketing and maintenance services of airport support equipment (including passenger boarding bridge, air goods handling system), ship boarding bridge, and urban multistory parking garage. CIMC Tianda achieved favorable business growth in 2005, with the sales revenue of RMB 160 million and the net profit of RMB 26.19 million, which respectively represent 12.46% and 15.08% increases over last year.

In 2005, CIMC Tianda maintained its lion's share in the domestic market by taking advantage of the opportunity that many airports are under construction in China, and doubled the orders from the international market. CIMC Tianda has obtained most of boarding bridge orders for Beijing Capital International Airport Phase 3 built for 2008 Olympic Games, and all boarding bridge orders for the Shanghai Pudong International Airport Phase 2 built for the World Exposition Shanghai China 2010. By the end of 2005, the Company has obtained orders for 228 passenger boarding bridges at home and abroad, which accounts for 40% of global passenger boarding bridge orders and rises to Number one for the first time.Among the overseas orders for 39 boarding bridges, 8 boarding bridges will be provided for France De Gaulle Airport (2 boarding bridges are specially used for upper layer passenger cabin in A380 passenger plane). The Company obtained the order for 2 ship boarding bridges from Sinorail Bohai Train Ferry Co., Ltd. and became the first manufacturer of ship boarding bridge in China.

(3) Suppliers and customers

The purchase amount to the first five suppliers from CIMC amounted to RMB 0.661 billion , which accounts for 50.38% of annual total purchase amount. The sales revenue to the first five customers was RMB 0.806 billion in total from CIMC, which accounts for 26.03% of annual total sales revenue in report period. The chief related parties and shareholders who hold 5% shares of CIMC have no interest in the abovementioned suppliers and customers.

(4) Variation analysis for company assets and expense structure

Unit: RMB million

Items	2005	2004	Increase or decrease (%)
Total assets	17,020	16,986	0.20
Total liabilities	6,509	8,610	-24.40
Trade and other receivables	4,410	6,038	-26.97
Inventories	3,435	4,587	-25.11
Property, plant and equipment	4,185	3,104	34.85
Short term bank loans	502	1,692	-70.37
Long term bank loans	436	8223	-47.05
Distribution costs	-684	-428	60.00
Finance costs	-127	-65	94.58
Income tax	-225	-273	-17.74
Ratio of liabilities to total assets	38.25%	50.69%	-12.45%

CIMC maintained favorable main assets indices in 2005: the ratio of liability to assets decreased continuously and the turnover of accounts receivable was accelerated.

Trade and other receivables and inventory decreased in 2005 largely because the production and sales volumes in the fourth quarter of 2005 are lower than the same period last year.

Property, plant and equipment increased sharply mainly because of more mergers and addition of investments on renovation and reconstruction.

Short term and long term bank loans decreased substantially because production and sales volumes decreased in the fourth quarter of 2005, occupation to fund decreased appropriately while funds returned from sales within a shorter time and a large amount of funds were paid back to banks.

Distribution costs increased considerably because the ratio of special container, reefer container and vehicles increased and the ratio of business expense for these products in its sales revenue was comparatively higher in 2005. Another reason is that new companies were acquired.

Financial expense increased greatly mainly because U.S. dollar interest was increased unceasingly in 2005 and the ratio of U.S. dollars loan for CIMC Tianda was relatively larger.

Income tax decreased distinctively mainly because some newly built container plants that were put into operation enjoyed tax-free or half-tax policy and the ratio of profit was relatively large.

(5) Analysis for cash flow structure

In the report period, the Company had RMB 5.562 billion net cash flow from operating activities, an increase of 26947% from RMB 1.448 billion net cash flow in the same period last year. Per share represents RMB 2.76 net cash flow from operating activities, as opposed to RMB 1.49 over the same period last year.

According to the characteristics of container industry, more funds will be used in production peak period and cash flow status is relatively bad; but less funds will be used in production slack period and business cash flow status is relatively favorable. In the fourth quarter in 2005, the slack period for container production, the Company adopted such measures as account receivable management and centralized management of funds, so as to substantially increasing the net cash flow from operating activities.

(6) Business situation and business performance of major holding companies and joint-stock companies

The Company operates small quantity of real estates through holding companies and joint-stock companies as well as chief businesses such as container, road transportation vehicle and air support equipment, etc.

The real estate business for the Company is distributed in Shanghai, Jiangmen and Shenzhen in 2005. Shanghai Haide Garden project and Jiangmen Zhongtian International Project are under construction. Shenzhen CIMC Real Estate Co., Ltd. that CIMC holds 100% interest has achieved sales revenue of RMB 17.72 million.

2. Company Outlook

According to the development strategy of "Providing Equipment and Services for Modern Transportation", CIMC focuses its future development path on establishing global operation system based on China's advantages. This mainly contains the following three aspects. Firstly, eye on the world, especially the mainstream market in North America, Europe and Asia, and develop transportation products and services with comparative advantages. Secondly, fully exert China's advantages, especially those advantages that CIMC itself possesses. Finally, make the whole operation system comply with the internationally accepted business operation rules, so that it will be in line with the operation systems of customers around the world.

Even though factors influencing the world economy become more complex and periodic fluctuations still exist, growth and development remain the mainstreams of world economy.

CIMC has an optimistic outlook for future development, and expect to expand and strengthen the existing business in the coming three to five years:

Further consolidate the leading position in the industry of container business, and strengthen the development of reefer containers and special reefer containers;

Properly speed up the development of vehicle industry and accelerate the development towards internationalization, for the sake of making further progress in the mainstream market in North America, Europe and Asia and realizing the output of 150,000 vehicles in the year of 2008;

Based on the existing tank equipment industry, the Company will actively integrate relative resources from home and abroad and build a development platform for Chinese and global mainstream markets, to make it become another main business of the Company as soon as possible;

In the aspect of airport support equipment, it will continuously exploit the international market, strengthen technology research and development, and strive to expand new products business.

In addition, CIMC will still follow the established development strategy to energetically utilize the advantages of the Company and to seek new breakthroughs in relative industries. In order to realize the above goals, it is required to construct perfect management system, focus on management and technology innovation, and further strengthen and improve the competitive power of core system.

(1) Industry Development Trend and Market Outlook

— International trade will still maintain a high-speed growth in 2006

International Monetary Fund (IMF) and other relative organizations forecast that international trade will still maintain a good momentum, and the growth rate will be 7.4%, an increase from 7% in 2005. According to the forecasts by Ministry of Commerce of China, China's foreign trade volume is expected to exceed $1.6 trillion and the growth rate will be up to more than 15%. CLARKSON forecasts that the maritime trade volume will hit 117 million TEU and the growth rate will be about 10.1%. As a whole, container trade will still maintain a high-speed growth in 2006, while the growth rate will be lower than that in 2005.

— Steadily growing demand for containers, and serious superfluity for dry van containers may lead to severe competition

Based on the above judgments, the whole demand for containers will still maintain a momentum of steady and small growth. The reefer containers and special reefer containers market will still maintain a good momentum of continuous and healthy development. However, the dry van containers market, which is influenced by serious superfluity, will face increasingly tough competition.

— Tank equipment market will maintain a steady growth

With the steady development of the global economy, tank equipments will be applied more widely. Therefore, the year 2006 will witness a steady growth of the tank equipment market.

— Road transportation vehicles market will maintain a steady growth

According to the forecasts, the demand in home market will be gradually increased in 2006, the effect of government's policy that encouraging to develop advanced road transportation vehicles will further show up, the measures that using mandatory technology standards and governing over limit and over load will play a much more important role, and the industry development environment will continue to get improved. The demand in overseas market is in a period of a steady growth, which is expected to continue.

— Airport support market has larger development space

In the year of 2006, many air stations will be constructed in China, the international market will maintain a steady growth, and the shift of manufacture of airport support equipment to China will be accelerated.

(2) Overall operation measures for business development

With regard to the container business, the Company will continue to strengthen its industry position, quicken the development of reefer containers and special reefer containers business, and further enhance the ability to resist the risk of industry fluctuation.

Accelerate the development in various aspects (such as containers products development, manufacturing technology and basic research and development), and promote the key basic research and development projects (such as smart containers, environment protection, energy saving and labor protection) that will influence sustainable development.

The Company will fully exert advantages of base network layout that has been established by Container Flooring, to give powerful support to the development of container and vehicle industry.

Expand the service field; speed up constructing operation platform of storage yard service for containers; promote the ability and expand the business scope; foster professional and network overall competitive forces; build up a service brand; and enlarge the market share.

With regard to the tank equipment business, the Company will speed up constructing business platform in mainstream markets at home and abroad; actively exploit internationalization channels and ways in the aspects of new products and new projects; and cooperate with overseas advantageous enterprises.

With regard to road transportation vehicle business, the layout of production base in northeast, northwest and southwest areas will be improved. Meanwhile, layout of overseas bases will be actively discussed and the construction will be accelerated.

Speed up the construction of sales and marketing service network to increase overseas market share.

Actively seek to use the existing predominance of the Company for vehicle business to enhance the Company management of supply chain.

Considerably increase the level of technology development and promote industrial technology innovation and introduction and development of new material and environment-friendly vehicles.

Actively comply with polices of the state to promote construction of standard regulations and laws on vehicles and maintain healthy development of the industry.

With regard to the airport support equipment business, the Company will try to become the world's leading supplier in the industry, speed up progress of technology and continue to explore international market. Continue to explore the market in air cargo processing system, gangway and other relevant fields at the same time.

According to development strategy of providing equipment and service for modern transportation, CIMC is confident to be the major supplier of world's leading modern transportation equipment and relevant services in response to customer's requirements in the global market, build up a renowned brand that customers trust, and maintain healthy development and continuous value appreciation of the Company, so as to provide favorable return for shareholders and employees as well.

(3) Increasingly strong competitive advantage will provide powerful support for the future development

As the establishment of the goal of "global operation system based on China's advantages", CIMC has a clearer development strategy towards "providing equipment and services for modern transportation".

As the earliest competitor in international market and a company of comparatively strong international competitiveness, CIMC is experiencing internalization in its development history. In this process, the Company has established a team that boasts expertise and internalization experience, which will ensure the establishment of this system.

The facts prove that in the process of development, CIMC will change every challenge into opportunity, further expand development space and lead the development of the industry all the time by means of global customer resources, perfect management of supply chain, favorable financing capability, strong technical innovation ability, stable management basis and other system competitiveness. It will also be the powerful support for the establishment of global operation system and entry to world-class companies for CIMC in the future.

Based on the summary of 20 years development experience and after reasonable research, CIMC has established development strategy with clear direction and specific goal, which will stably promote the expansion and development of future industry.

(4) Capital expenditure and financing plan

According to the market situation, it is estimated that capital expenditure of main projects are investment of about RMB 800 million in container manufacture business, RMB 480 million in container business and RMB 800 million in road transportation vehicle.

Relevant financing channels are mainly from its own capital and loan from the bank.

(5) Risk factors faced in the future development

The industry of common dry van container is and will be expanding quickly, and the production capacity will probably reach 5.8 million TEU by 2007, according to statistics of China Container Industry Association. Although competent authorities for state macro-control is taking active countermeasures against the risks, the severely superfluous production capacity has already formed. The competition in production of common dry van container will become tougher in 2006 or even in the years to come, but other business of the Company will witness favorable development. It is predicted that the proportion of income from the common dry van container in the total business income of the Company will be reduced to less than 50%, while the operation risk caused by the business fluctuation of common dry van container will be greatly reduced as other businesses grow.

It is difficult to achieve an ultimate improvement of dispersive, disordered and poor conditions of vehicle industry in a short term; and the effects of relevant policies, regulations and laws of the state vary with areas and periods, which may negatively affect the healthy development of vehicle industry. Therefore, CIMC will promote the industrial restructure and industry consolidation by actively complying with polices of the state.

The challenges bought by the future global operation include difference of culture and operation environment in different areas, reasonable and effective allocation of global resources, etc. The Company will speed up the construction of "global operation system based on China's advantages" and enhance effort in training global operation talents in the future.

6.2 Statement of main business classified according to industry or product

Unit: RMB 1 Million Yuan

Business	Income	Cost	Gross Margin (%)
Container	26,572	22,275	16.17
Road transport vehicle	4,244	3,644	14.15
Airport equipment	160	100	37.43
Others	13	16	-19.48
Consolidated	-51	-141	—
Total	30,938	25,894	16.30

6.3 Particulars about main business classified according to region

Region	Income	Proportion (%)	Year-on-year increase (%)
USA	8,631	27.90	30.66
Europe	12,307	39.78	-10.48
Asia	9,447	30.54	64.90
Other regions	553	1.79	16.56
Total	30,938	100.00	16.50

6.4 Application of the raised funds proceeds

√ Applicable ☐Non-applicable

Units：RMB'0000

Raised capital amount	177,090.00		Raised capital amount that have been used in the report period		13,360.00	
			Accumulated amount of raised capital that have been used		160,085.00	
Committed projects	Planned investment	Whether it the project changed	Planned amount of investment in the period	Actual amount of investment of the period	Progress of completion	Amount of income
Transform of dry van container plant	32,906.00	No	32,906.00	Profit Increase	Yes	Yes
Improvement of the productivity of container for district purpose and container for special purpose	41,350.00	No	30,191.00	Profitable	Yes	Yes
Remolding for improving the productivity of the reefer container	22,106.00	No	18,206.00	Profitable	Yes	Yes
Tank Container	14,539.00	No	14,539.00	Profit Increase	Yes	Yes
Compartmental semi-Trailer	23,156.00	No	23,156.00	Profitable	Yes	Yes
Container chassis	19,021.00	No	19,021.00	Profitable	Yes	Yes
Compartmental semi-Trailer for the processing of overseas raw materials	24,012.00	No	22,066.00	Banlance	Yes	Yes
Total	177,090.00	-	160,085.00	-	-	-

6.5 Application of the proceeds not raised by issuing share

√ Applicable ☐Non-applicable

Units：RMB'million

Items	Planned investment (Translated to RMB)	Year 2005 Progress of the project	Profit of project
1. Taichang CIMC Container Co., Ltd.	16,100.00	Put into production in June	Not Profitable yet
2. Xinhui CIMC Container Co., Ltd.	8,900.00	Started in Jan, and put into production in Dec.	Not Profitable yet
3. Purchasing of 30% share equity of Dalian Jilong Logistics Co., Ltd.	1,500.00	Completed	None
4. Purchasing of 80% share equity of Qingdao Hengfeng Logistics Co., Ltd.	2,600.00	Completed	None
5. Investing in Qingdao CIMC Yulong Logistics Co., Ltd.	4,800.00	Completed	None
6. Acquisition of Shanghai Donghua Logistics Co., Ltd.	5,800.00	Completed	None
7. Incorporation of Ningbo CIMC Logistics Co., Ltd.	3,000.00	Completed	None
8. Incorporation of Xiamen	690.00	Completed	None

CIMC Haitou Logistics Co., Ltd.			
9. Shenzhen CIMC Yantian Port Containers Co., Ltd.	1,100.00	Completed	Not Profitable yet
10. Capital enlarging of CIMC Vehicle (Group) Co., Ltd. by the Company and its wholly-owned subsidiaries	26,100.00	Completed	---
11. CIMC Vehicle Base in Shandong	15,600.00	Put into operation in Feb. 2005	Loss
12. Enlarging project of Zhangjiagang CIMC Sanctum Machinery Co., Ltd.	11,400.00	Started in May 2005, will be completed in June 2006	None
13. The 1st phase of Qingdao CIMC Special Vehicle Co., Ltd.	7,000.00	Put into production in June 2005	Not Profitable yet
14. 4S Service Center of Shanghai CIMC Vehicle Logistic Equipment Co., Ltd.	11,000.00	Completed in June 2005 and put into trial operation	Not Profitable yet
15. 4S Service Center of Beijing CIMC Vehicle Logistics Equipment Co., Ltd.	4,800.00	Started in July 2005, completed in Jan 2006	None
合计	120,390.00	-	-

6.6 Explanation of the "Non-standardized Opinion" of Certified Public Accountants by the Board of Directors

□Applicable √Non-applicable

6.7 The preplan of profit distribution and capital public reserve

√Applicable □Non-applicable

As audited by Deloitte Touche Tohmatsu CPAs, the domestic public accountant, the Company has realized a consolidated net profit of RMB2,669,140,758.72 after deducting of tax and minority shareholders' equity. Upon the total capital share of 2,016,966,706 shares as of December 31st 2005, the earnings per share was RMB1.3233. The profit allocation and dividend preplan is proposed as: According to the Articles of Association and current accounting standard, 10% of the net profit (RMB2,707,991,725.48) will be provided as statutory surplus reserves, 5% of the net profit will be provided as statutory public welfare, therefore the attributable profit of the year will be RMB2,301,792,966.66 (there was no attributable profit retained at the beginning of year). Upon the total capital share of 2,016,966,706 as of December 31st 2005, a cash dividend of RMB3.8 (tax included) will be distributed to each 10 shares with adopting of the optional surplus reserves. Totally RMB766,447,348.28 is about to be distributed.

Preplan on conversion of public reserve into share capital: suggest converting public reserve into share capital at the rate of 1 share for every 10 shares. After the conversion, the total share capital of the Company increases from 2,016,966,706shares to 2,218,663,377 shares.

The above preplan shall only be executed after being approved by the Shareholders' General Meeting 2005. Related articles of the Articles of Association of the Company shall be revised by the Board of Directors as soon as it is proposed and approved by the Shareholders' General Meeting.

7. Significant Events

7.1 Purchase of assets

□Applicable √ Non-applicable

7.2 **Sales of assets**

□Applicable √ Non-applicable

7.3 **Material guarantee contracts**

√ Applicable □ Non-applicable

(1) The Company has not provided guarantee for any company and person outside the Group and only provided guarantee for the operational capital of the auxiliary subsidiaries of the Group.

(2) Resolutions are made by the Board of Directors at the beginning of each year upon the issues regarding financing operations and guarantees provided to the subsidiaries according to the budget of the current year. No providing of external guarantee is conducted beyond the resolutions as adopted by the Board of Directors.

(3) Ended Dec. 31st, 2005, the balance of guarantees the Company provided for its subsidiaries was RMB275 million, taking by 2.91% of net assets at the end of 2005 amounted to RMB9456 million.

7.4 **Important related transaction**

7.4.1 **Related transaction of business operaing**

□Applicable √ Non-applicable

7.4.2 **Related credits and liabilities transaction**

√ Applicable □ Non-applicable

Unit：RMB'0000

Related Parties	Credit for the Company		Liability form Related Parties	
	Amount	Balance	Amount	Balance
KYH Steel Holding Ltd.	0.00	0.00	14,768.70	47.55
Yangzhou Maxi-CUBE Tong Composite Co.,Ltd.	0.00	0.00	350.68	18.01
Jiangmen CIMC Tianyu Real Estate Co.,Ltd.	1,800.00	3,150.00	0.00	0.00
Qingdao CIMC Transportation equipments Co.,Ltd.	251.55	311.32	0.00	0.00
Qingdao CIMC Transportation equipments Co.,Ltd.	8,000.00	0.00	0.00	0.00
Total	10,051.55	3,461.32	15,119.38	65.56

Among：The volume of funds that CIMC supply for its big shareholders and their subsidiaries is none.

7.5 Entrusted assets

☐Applicable √ Non-applicable

7.6 Commitment issues made by the Company or shareholders holding over 5% of the shares and status of fulfilling

7.6.1 Commitment on the time of share equity relocation

The share equity relocation is predicted to be in progress in March 2006.

7.6.2 The Other commitment issues.

☐Applicable √ Non-applicable

7.7 Significant lawsuit and arbitration

☐ Applicable √ Non-applicable

8. Report of the Supervisory Committee
(Omitted)

9. Financial Report

9.1 Auditor's Opinion

KPMG Certified Public Accountants audited 2004 Financial Report of the Company, and issued unqualified Auditor's Report.

9.2 Income Statement, Balance Sheet and Cash Flow are as follows:

9.2.1 Consolidated income statement for the year ended 31 December 2005

	2005	*2004*
		(restated)
	RMB'000	RMB'000
Revenue	30,938,522	26,557,657
Cost of sales	(26,242,983)	(22,161,384)
Gross profit	4,695,539	4,396,273
Other revenue	149,193	79,293
Other net income	236,179	211,796
Distribution costs	(684,157)	(427,604)
Administrative expenses	(1,013,964)	(1,072,874)

Other operating expenses	(100,153)	(300,096)
Profit from operations	3,282,637	2,886,788
Finance costs	(126,699)	(65,113)
Share of profits less losses of associates	16,285	21,489
Profit before taxation	3,172,223	2,843,164
Income tax	(224,624)	(273,060)
Profit for the year	2,947,599	2,570,104
Attributable to:		
Equity shareholders of the Company	2,807,466	2,464,992
Minority interests	140,133	105,112
Profit for the year	2,947,599	2,570,104
Dividends payable to equity shareholders of the Company attributable to the year:		
Final dividend proposed after the balance sheet date	766,447	504,241
Earnings per share (RMB Yuan)		
Basic	1.39	1.22

9.2.2 Consolidated balance sheet at 31 December 2005

	Note	*2005* RMB'000	*2004* RMB'000
Non-current assets			
Property, plant and equipment	13	4,185,522	3,103,926
Lease prepayments - non-current portion	14	638,800	486,007
Construction in progress	15	236,765	446,778
Timber concession rights	16	73,905	81,237
Intangible assets	17	28,649	9,870
Goodwill	18	105,068	80,997
Interest in associates	19	159,456	94,248
Finance lease receivable	20	68,006	77,146
Prepayment for investments	21	38,830	4,471
Deferred tax assets	29(b)	85,843	52,373
Other financial assets	22	291,536	287,264
		5,912,380	4,724,317
Current assets			
Lease prepayments - current portion	14	15,590	13,460
Trading securities	23	419,401	140,081

Inventories	24	3,435,181	4,587,044
Trade and other receivables	25	4,409,694	6,038,248
Cash and cash equivalents	26	2,828,223	1,483,165
		11,108,089	12,261,998
Current liabilities			
Trade and other payables	27	4,891,039	5,343,023
Bank loans	28	501,520	1,692,529
Current taxation	29(a)	129,202	200,110
Provisions	30	552,086	552,150
		6,073,847	7,787,812
Net current assets		5,034,242	4,474,186
Total assets less current liabilities		10,946,622	9,198,503
Non-current liabilities			
Bank loans	28	435,650	822,728
NET ASSETS		10,510,972	8,375,775

	Note	*2005* RMB'000	*2004* RMB'000
CAPITAL AND RESERVES			
Share capital	31	2,016,967	1,008,483
Reserves	32	7,596,820	6,512,793
Total equity attributable to equity shareholders of the Company		9,613,787	7,521,276
Minority interests		897,185	854,499
TOTAL EQUITY		10,510,972	8,375,775

9.2.3 Consolidated cash flow statement for the year ended 31 December 2005

	Note	*2005* RMB'000	*2004* *(restated)* RMB'000
Operating activities			
Profit before taxation		3,172,223	2,843,164
Adjustments for:			
Depreciation		305,229	226,714
Impairment losses of property, plant and equipment		-	76,505
Impairment losses of unlisted equity securities		-	3,694
Impairment losses of prepayment for investments		5,414	6,044
Impairment losses of timber concession rights		-	90,687
Impairment losses of positive goodwill		14,447	-
Amortisation of positive goodwill		-	14,607
Amortisation of negative goodwill		-	(5,452)
Amortisation of other intangible assets		2,945	1,733
Amortisation of timber concession rights		5,839	3,205
Amortisation of negative goodwill included in share of profits less losses of associates		-	(255)
Gain on recognition of negative goodwill		(5,917)	(4,776)
Net loss on sale of property, plant and equipment		10,516	9,274
Bank interest income		(58,858)	(14,457)
Finance costs		126,699	65,113
Net realised and unrealised gains on trading securities		(26,056)	(18,527)
Dividend income from equity securities		(10,367)	(13,377)
Share of profits less losses of associates		(16,285)	(21,489)
Operating profit before changes in working capital		3,525,829	3,262,407
Increase in lease prepayments		(162,625)	(161,075)
Decrease / (increase) in long-term receivables		3,402	(47,498)
Decrease / (increase) in trade and other receivables		1,464,108	(659,931)

Decrease / (increase) in inventories	1,064,751	(2,707,690)
(Decrease) / increase in trade and other payables	(347,471)	1,650,927
Increase in provisions	14,188	168,304
Cash generated from operations	5,562,182	1,505,444
Tax paid	(330,023)	(181,955)
Net cash generated from operating activities	5,232,159	1,323,489

	Note	*2005* RMB'000	*2004 (restated)* RMB'000
Investing activities			
Interest received		59,379	17,307
Payment for the purchase of property, plant and equipment		(239,227)	(175,073)
Payment for the purchase of intangible assets		(15,670)	-
Payment for construction in progress		(996,642)	(903,252)
Payment for purchase of trading securities		(517,357)	(291,694)
Payment for acquisition of associates		(45,021)	(13,816)
Prepayment for investments		(44,244)	(7,640)
Payment for acquisition of minority shareholdings		(42,786)	(1,998)
Loan to an associate		(18,000)	-
Payment for acquisition of subsidiaries, net of cash acquired	4	(6,470)	(109,745)
Payment for dissolution of subsidiaries, net of cash disposed of		-	(13,973)
Dividend received from investments in equity securities		10,367	13,486
Dividend received from an associate		2,257	-
Proceeds from sales of property, plant and equipment		23,998	2,599
Proceeds from sale of partial interest in subsidiary		-	1,739
Proceeds from dissolution of interest in an associate		8,219	-
Proceeds from sales of equity securities		253,607	353,606
Repayment of advances to minority interests		7,769	17,486
Advances to minority interests		(5,374)	(2,405)
Net cash used in investing activities		(1,565,195)	(1,113,373)

	Note	2005	2004 (restated)
		RMB'000	RMB'000
Financing activities			
Interest paid		(117,408)	(54,640)
Other borrowing costs paid		(7,191)	(8,293)
Proceeds from new bank loans		11,841,263	12,232,448
Repayment of bank loans		(13,399,538)	(10,892,959)
Repayment of advances from Receivables Framework Agreement		-	(414,000)
Capital injection from minority interests		10,171	24,856
Dividends paid to equity shareholders of the Company		(504,241)	(239,515)
Dividends paid to minority interests		(81,391)	(81,452)
Net cash (used in) / generated from financing activities		(2,258,335)	566,445
Net increase in cash and cash equivalents		1,408,629	776,561
Cash and cash equivalents at 1 January		1,483,165	706,604
Effect of foreign exchange rate changes		(63,571)	-
Cash and cash equivalents at 31 December	26	2,828,223	1,483,165

9.3 **There are not any changes in Accounting Policies & Accounting Estimates or settlement methods compared with the latest annual report.**

□ Applicable √ Non-applicable

9.4 **Important Accounting error: content, correction of errors, causes of errors and its effects**

□ Applicable √ Non-applicable

9.5 **Explanation of change of consolidation scope in the report period compared with the latest annual report.**

√ Applicable □ Non-applicable

In the report year, the subsidiaries brought into the consolidation scope are as following:

Name	The Date to be brought into the consolidation scope	Registered capital	Equity held (%)

Newly incorporated company ：

Qingdao CIMC Yulong Logistics Co., Ltd. 2005.01.07 RMB 48,780,000.00 59%
Shenzhen Southern CIMC Containers Service Co., Ltd. 2005.01.11 USD 5,000,000.00 100%
Yangzhou CIMC Tonghua Tank Equipment Co., Ltd.2005.01.13 USD 10,000,000.00 100%
Shanghai CIMC Vehicle Logistic Equipment Co., Ltd. 2005.01.21 RMB 80,000,000.00 98%
Shenzhen Southern Zhongji East Logistic Equipment Manufacture Co., Ltd. 2005.04.07 USD 16,600,000.00 100%
Yangzhou Runyang Logistic Equipment Co., Ltd. 2005.04.19 USD 5,000,000.00 100%
Tianjin CIMC Container Co., Ltd. 2005.05.31 USD 23,000,000.00 100%
Tianjin CIMC Logistic Equipment Co., Ltd. 2005.07.07 USD 5,000,000.00 100%
Shenzhen CIMC Yantian Port Containers Co., Ltd. 2005.07.11 RMB 20,000,000.00 55%
Ningbo CIMC Logistics Co., Ltd. 2005.08.01 RMB 30,000,000.00 100%
Shanghai CIMC Yangshang Container Service Co., Ltd. 2005.09.06 USD 5,000,000.00 100%
Shanghai CIMC Yangshang Logistic Equipment Co., Ltd. 2005.09.20 USD 20,000,000.00 100%
Shanghai Hedmark Logistic Service Co., Ltd. 2005.10.25 RMB 500,000.00 100%
Shanghai CIMC Vehicle Logistic Equipment Co., Ltd. 2005.10.10 RMB 20,000,000.00 100%

Purchased company：
Qingdao Hengfeng Logistics Co., Ltd. 2005.10.01 RMB 20,000,000.00 80%
Yangzhou Xincheng Tonghua Auto Parts Co., Ltd. 2005.10.01 RMB 500,000.00 90%