



**CHINA INTERNATIONAL MARINE
CONTAINERS (GROUP) CO., LTD**

2006

Semi-Annual Report

Chairman of the Board: *Li Jianhong*

Important Statement

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.

None of the directors, supervisors and senior managements declared that he is not able to guarantee or disagree with the accuracy, authentic and completeness for the Semi-Annual Report.

7 of the 8 directors presented the board meeting. Independent Director Mr. *Han Xiaojing* absented the meeting and empowered Mr. *Zhang Limin* to vote on behalf of him.

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.

The Semi-Annual Report 2006 is not audited.

Definitions

1. CIMC: CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) CO., LTD.
2. The Group: CIMC and its subsidiaries
3. TEU : Twenty-foot equivalent unit. Standard unit basing on 20-foot container.
4. Semi-trailer: trailers that can move only when drawn by trucks. Used to transport people or cargos.

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I. Company Profile

China International Marine Containers (Group) Co., Ltd. (referred as “the Company” hereinafter) is a sino-foreign joint shareholding company with limited liabilities. The Company and its subsidiaries (referred as “the Group” hereinafter) are devoted mainly in manufacturing and trading of modern transportation equipment, namely designing, manufacturing and maintaining of international standard dry-cargo containers, refrigerate containers, special containers, airport facilities and vehicles.

(I) Company profile

1. **Legal Name in Chinese :** 中国国际海运集装箱 (集团) 股份有限公司
Legal Name in English: CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) CO., LTD.
Abbreviation in English: CIMC
2. **Stock Exchange in where the stocks are listed:** Shenzhen Stock Exchange
Stock ID and Stock Code: G CMIC (G 中集) 000039
CMIC B (中集 B) 200039
3. **Registered Address:** R&D Center, CIMC, No.2 Gangwan Road, Shekou, Nanshan, Shenzhen, Guangdong.
Office Address: R&D Center, CIMC, No.2 Gangwan Road, Shekou, Nanshan, Shenzhen, Guangdong.
Post Code: 518067
Official Website: <http://www.cimc.com>
4. **Legal representative:** Mr. *Li Jianhong*
5. **Secretary of the Board:** Mr. *Yu Yuqun*
Contact Address: R&D Center, CIMC, No.2 Gangwan Road, Shekou, Nanshan, Shenzhen, Guangdong.
Tel: (86) 755-2669 1130
Fax: (86) 755-2682 6579
Email: shareholder@cimc.com
Securities Affairs Representative: Mr. *Wang Xinjiu*
Tel: (86) 755-2680 2706
Fax: (86) 755-2681 3950
6. **Official Presses of the Company as Designated by China Securities Regulatory Commission:**
Securities Times and *Ta Kung Pao* (HK)
Website Designated by China Securities Regulatory Commission: <http://www.cninfo.com.cn>
The Semi-Annual Report is available for enquiry at: Secretariat of the Board of Directors, Accounting & Administration Dept. of the Company.
7. **Misc. Info.**
Date of latest alteration on business registration: May 19th 2006
Place of latest alteration of business registration: Shenzhen Industry & Commerce

Administrative Bureau

Reiterative No. of Business License: 企股粤深总字101157号

Taxation Registration No.: National Taxation 440301618869509

Municipal Taxation 440305618869509

CPAs employed by the Company and their addresses:

Domestic: Deloitte Touche Tohmatsu CPAs Shenzhen Office

Address: 13/F, China Resources Building, 5001 Shennan Rd. East, Shenzhen, Guangdong, China

Overseas auditor: KPMG CPA

Address: 8/F Prince's Building 10 Chater Road Central, Hong Kong

(II) Financial Highlights

In RMB '000

	Ended this report term	Ended previous year	Increase/decrease (%)
Current Assets	16,701,541	11,108,089	50.35
Current Liabilities	11,570,776	6,073,847	90.50
Gross Assets	22,867,202	17,020,469	34.35
Total equity attributable to equity shareholders of the Company	10,072,646	9,613,787	4.77
Net asset per share (RMB yuan)	4.54	4.77	-4.75
	Report term (Jan-Jun)	Same period last year	Increase/decrease (%)
Net profit	1,328,339	2,051,852	-35.26
Basic earnings per share (RMB yuan)*	0.60	0.92	-35.26
Return on equity (ROE)	13.19%	21.34%	8.16
Net cash generated from operating activities	277,049	782,191	-64.58

*The calculation of basic earnings per share for the six months ended 30 June 2006 is based on the profit attributable to equity shareholders of the Company of RMB1, 328,339,000 (six months ended 30 June 2005: RMB2, 051,852,000) and the weighted average of 2,218,663,000 shares (six months ended 30 June 2005: 2,218,663,000 shares after adjusting for the share premium capitalisation issue in 2006) in issue during the period from 1 January 2006 to 30 June 2006.

Difference in net profit, net asset under the two accounting standards:

	<i>Profit attributable to equity shareholders of the Company for the period ended</i>	<i>Total equity attributable to equity shareholders of the Company at</i>
	<i>30 June</i>	<i>30 June</i>
	<i>2006</i>	<i>2006</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Prepared under the PRC Accounting Rules and regulations	1,350,673	9,950,862
Adjustments to align with IFRSs:		
(i) Adjustment to minority interests	368	8,427
(ii) Adjustment to deferred tax assets	(23,307)	61,832
(iii) Adjustment to goodwill and negative goodwill	(43,926)	(66,231)
(iv) Adjustment to interest capitalisation	176	24,972
(v) Adjustment to trading securities	38,999	76,749
(vi) Others	5,356	16,035
Prepared under IFRSs	1,328,339	10,072,646
	=====	=====

II. Movement of Capital Share and Major Shareholders

(I) Changing of Share Capital

	Before the change		Changed in Current Term (+/-)				After the change	
	Amount	Ratio (%)	Issuing of new shares	Bonus shares	Capitalizing of common reserves (Note)	Sub-total	Amount	Ratio (%)
I. Total of conditional shares	328,027,536	16.26			32,802,753	32,802,753	360,830,289	16.26
1. State-owned shares								
2. State-owned legal person shares								
3. Other domestic shares	624,624	0.03			62,462	62,462	687,086	0.03
Incl. Management shares	624,624	0.03			62,462	62,462	687,086	0.03
4. Foreign shares	327,402,912	16.23			32,740,291	32,740,291	360,143,203	16.23
Incl. Foreign legal person shares	327,402,912	16.23			32,740,291	32,740,291	360,143,203	16.23
II. Total of unconditional shares	1,688,939,170	83.74			168,893,917	168,893,917	1,857,833,087	83.74
1 . Common shares in RMB (A-shares)	605,241,814	30.01			60,524,182	60,524,182	665,765,996	30.01
2 . Foreign shares listed at home(B shares)	1,083,697,356	53.73			108,369,735	108,369,735	1,192,067,091	53.73
3 . Foreign shares listed overseas								
4 . Others								
III. Total of capital shares	2,016,966,706	100.00			201,696,670	201,696,670	2,218,663,376	100.00

Note: On July 20th 2006, the Company implemented dividend distribution and capitalizing of common reserves for year 2005. Basing on the total capital shares of 2,016,966,706, 1 share was added upon each 10 shares. After the capitalizing of common reserves, the total capital shares were increased from 2,016,966,706 up to 2,218,663,376 shares.

(II) Shareholders

1. Total of shareholders at the end of report term.

Ended June 30th 2006, there were 76,952 shareholders in total, including 60,044 A-share holders, and 16,908 B-share holders.

2. The Top Ten Shareholders

Name of the shareholder	Changed in the report term	Total shares	Share proportion (%)	Negotiable or not	Pledged or frozen	Properties of shareholder
1 . COSCO Container Industries Limited	0	327,402,912	16.23	conditional	0	Foreign
2. China Merchants International (CMIC) Investment Ltd.	0	327,402,912	16.23	Negotiable	0	Foreign
3. China Merchants International (CMIC) Holdings Ltd.	0	131,547,830	6.52	Negotiable	0	Foreign
4. BBH BOS S/A FIDELITY FD-CHINA FOCUS FD	36,009,932	36,009,932	1.79	Negotiable	N/A	Foreign
5 . PROFIT CROWN ASSETS LIMITED	0	33,508,869	1.66	Negotiable	N/A	Foreign
6 . HTHK-TARGET ASIA FUND LIMITED	14,285,004	26,786,593	1.33	Negotiable	N/A	Foreign
7 . Galaxy - Charter - CITIGROUP GLOBAL MARKETS LIMITED	1,664,600	19,971,205	0.99	Negotiable	N/A	Public shares
8. China Industrial & Commercial Bank – Southern Security Value-adding Foundation	19,896,020	19,896,020	0.99	Negotiable	N/A	Public shares
9 . LONG HONOUR INVESTMENTS LIMITED	0	19,183,414	0.95	Negotiable	0	Foreign
10 . DRAGON BILLION GREATER CHINA MASTER FUND	18,175,386	18,175,386	0.90	Negotiable	N/A	Foreign

Holders of conditional shares

In shares

No.	Name of the holder	Amount of conditional shares	Date when the shares can be traded	Shares newly added to be traded (Note 1)	Conditions
1	COSCO Container Industries Ltd.	5% of total capital shares	May 24 th 2007	110,933,168	Note 1, 2
		10% of total capital shares	May 24 th 2008	221,866,337	
		360,143,203	May 24 th 2009	360,143,203	
2	Mai Boliang	412,251	—	—	Senior management shares
3	Li Ruiting	274,835	—	—	Senior management shares

Note 1: COSCO Container Industries Ltd. promises that, according to related regulations, none of the original non-negotiable shares under its posses will be placed and traded in Shenzhen Stock Exchange in 12 months from the 1st trading day after the implementation of share relocation plan.

Note 2: When the term said above expires, COSCO Container Industries Limited promises not to put more than 5% of the total capital share of CMIC into trading within another 12 months, and no more than 10% within 24 months.

3. Top 10 holders of unconditional shares

Top 10 A-share holders

Name of the shareholder	Amount of unconditional shares
1. Galaxy-Charter-CITIGROUP GLOBAL MARKETS LIMITED	19,971,205
2. China Industrial & Commercial Bank – Southern Security Value-adding Foundation	19,896,020
3. Communication Bank – Kerui Securities Investment Fund	14,687,698
4. Communication Bank – Kehui Securities Investment Fund	9,430,000
5. Communication Bank – E FUND Value Collection Stock Investment Fund	9,159,618
6. Bank of China – Huaxia Returning Securities Investment Fund	7,566,969
7. National Social Insurance Fund – Portfolio 109	6,775,316
8. Jiujia Securities Investment Fund	6,138,422
9. Yulong Securities Investment Fund	6,049,815
10. Bank of China – E FUND Shenzhen Stock 100 Open Index Securities Investment Fund	5,578,117

Note: Among the top ten shareholders, Kerui Securities Investment Fund and Kehui Securities Investment Fund were two close funds under the control of E FUND Management Co., Ltd. While E FUND Value Collection Stock Investment Fund and E FUND Shenzhen Stock 100 Open Index Securities Investment Fund are two open funds under the control of E FUND Management Co., Ltd.

Top 10 B-share holders

Name of the shareholder	Amount of unconditional shares
1. China Merchants (CMIC) Investment Ltd.	327,402,912
2. China Merchants (CMIC) Holdings Co., Ltd.	131,547,830
3. BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	36,009,932
4. PROFIT CROWN ASSETS LIMITED	33,508,869
5. HTHK-TARGET ASIA FUND LIMITED	26,786,593
6. LONG HONOUR INVESTMENTS LIMITED	19,183,414
7. DRAGON BILLION GREATER CHINA MASTER FUND	18,175,386
8. TOYO SECURITIES ASIA LIMITED-A/C CLIENT	16,153,277
9. CMBLSA RE FTIF TEMPLETON ASIAN GRW FD GTI 5496	15,289,705
10. HSBC BROKING SECURITIES (ASIA) LIMITED-CLIENTS A/C	13,353,764

Note: The 1st and 2nd shareholder are regarded as related and act-in-concert parties. Both of China Merchants (CMIC) Investment Ltd. and China Merchants (CMIC) Holdings Co., Ltd. are whole subsidiaries of China Merchants International Co., 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.

In the report term, as the 2 largest shareholders of the Company, China Merchants (CMIC) Investment Ltd. and COSCO Container Industries Limited were not changed.

III. Particulars about the Directors, Supervisors, and Senior Management

(I) Shareholding position of directors, supervisors and senior executives

Ended June 30th 2006, Mr. *Mai Boliang* and Mr. *Li Ruiting* were holding 374,774 shares and 249,850 shares respectively. For implementing of capitalizing of common reserves for year 2005 on July 20th 2006, their shares have increased up to 37,477 shares and 24,985 shares respectively. None of the shareholding positions of other directors, supervisors or senior managements has been changed.

(II) Replacing of Directors, Supervisors, and Senior Managements

There is no movement occurred to the directors, supervisors or senior managements of the Company

IV. Business Analysis of the Management

(I) Analysis on financial statements and major issues

1. Business performance and financial data

In the first half of year, the global economy remained in good growth. Chinese economy was running steadily at a high level. The whole country has realized international trades of USD795.7 billion, which was a 23.4% growth over the same period of last year. The export has increased by 25.2%. Lead by the growth of export, the cross-board cargo has reached up to 757 million tons for the whole country, which was a 14.9% of increasing over the same period of last year. The throughput of containers was totalled up to 42.12 million TEU, which was a 22.4% of growth over the same period of last year. For the past 2 years, containers were at a high circulation rate, which has brought up the demands on new containers. On the other side, for the limitation of capacity, a lot of ports in Europe, west coast of US, and some Asian countries were overloaded since 2004, and with no sign of improving in an observable future. This has become another positive fact for the growth of demands on containers. Following with the major decline in the 2nd half of last year, the demand of containers was released quickly in the 2nd quarter of this year. Due to limited supply of raw materials like steel and wooden floors, etc, there began to show signs of lack of efficient capacity in the container industry. Steel price also rose fast, resulting in the corresponding rise of container prices.

As shown by the industrial statistics of the first half of 2006, the market of heavy-duty trucks has breakthrough from the stagnancy period, which has lasted for 1 year. Pushed by aspects such as major investment on fixed assets, the market has entered another growing stage. Domestic market of road transport vehicles boomed again. The Group has also realized a breakthrough in the overseas market. Orders from both domestic and overseas markets were increasing significantly. Most of the factories were in full workload. As the result, profit from vehicle businesses has increased geminately.

Contrasts with the extraordinary high rising in the 1st half of 2005, the major business income, profit, and net profit were declining significantly in the 1st quarter of 2006, for the production, sales, and prices of containers were at a lower level.

In the 2nd quarter of the year, the major business turns flourishing. For the increasing of raw material purchasing, increasing of account receivable, and expanding of capital occupation, the net cash flow from business operation has decreased by 64.58% from that of the same period of last year.

The total liability/ asset ratio was 52.50% for the 1st half of year, where the liability/equity ratio was 119.18%. Which indicates the Company was in a healthy capital/liability structure.

In RMB'000

Items	Current term	Same period of last term	Ratio of change (%)
Income from main operations	14,578,921	18,038,919	-19.18%
Profit from main operations	1,998,935	3,215,346	-37.83%
Net profit	1,328,339	2,051,852	-35.26%
Net cash generated from operating activities	277,049	782,191	-64.58%
Net increase in cash and cash equivalents	3,762,776	1,876,973	100.47%

2. Particulars about major issues

(1) Trend of steel prices

Containers are mainly made by hot rolled weathering steel (a kind of special alloy steel featured high intensity and resistance of cauterization by atmosphere and ocean), which is also called Corten Steel Plate. Influenced by macro economical control, prices of steel products were declining significantly in the 2nd half of 2005. After touching the bottom of the circle, it started to restore in the first quarter of 2006. Meanwhile, the price of Corten steel was increasing rapidly from around USD400/ton at the end of the 1st quarter up to USD600/ton at the end of the 2nd quarter. Impacted by the vibration of market demand and costs of iron ore, the price of Corten steel was vibrating dramatically, which therefore impacted the price and profitability of dry-cargo containers directly.

(2) Productivity growth of container manufacturing industry

In year 2005, new capitals were swarming into the industry of dry-cargo container manufacturing. Overall productivity was expanding rapidly. In the beginning of 2006, releasing of productivity was limited by the short of market demand and steel supply. The growth of productivity for the whole year 2006 will be lower than expected. But it is still possible to be relatively concentrated and brought certain competition in the market.

(3) Influence of macro economy and national policies on domestic road transportation market

Vibration of road transportation market is mainly decided by the macro economy, infrastructure construction, land controlling measures, bank credit policies and changing of laws and standards.

The macro economy is not expected to vary dramatically in the 2nd half of 2006. The national government has adopted a series of policies to regularize the transportation market and lead it into a healthy track of development. During March 2006, Ministry of Transportation published "The instructional opinion on implementing of weight-based toll system", which will lower the toll charge on heavy trucks and increase the charge on overloading. It is reflecting the national policy of encouraging and promoting of recommended truck models and multi-shafts large vehicles. The policies will effectively eliminate the motivations of illegal overload trucking. Following with the implementing of strict transportation regulations, along with the inclining of fuel prices, the costs of land transportation will be increasing constantly. Customers are becoming more and more care about economical efficiency in aspects of energy saving and environmental protection. On the other side, the rapid growth of international trade has brought up the market of trailers. These are positive factors that will flourish the market of heavy trucks and road transportation.

As shown by data published by the Ministry of Transportation, for the whole year of 2005, road-trucking volume and cargo turn over volume were accounted for 72.35% and 10.95% respectively in the entire transportation system. The overall road trucking had increased by 6.7% over that of the previous year. This is indicating that both of road trucking volume and cargo turn over volume were increasing constantly, and the market is well expected. On the other side, European and American markets are still in good condition.

(II) Business operation

1. Main business range and business operation

(1) Formulating of income and profit of major businesses

RMB'000

On Industries	Major business income	Major business cost	Gross profit ratio (%)
Containers	11,392,500	10,032,507	11.94
Road vehicles	3,154,054	2,645,106	15.53
Airport facilities	45,690	29,897	34.76
Others	49,548	33,658	32.07
Inter-segment elimination	- 62,871	- 161,182	—
Total	14,578,921	12,579,986	13.71
On Territories	Major business income	Portion in major business turnover (%)	Change of major business turnover (%)
America	4,150,326	28.47%	-1.39%
Europe	4,502,948	30.89%	-22.17%
Asia	5,835,008	40.02%	-25.45%
Others	90,639	0.62%	-58.41%
Total	14,578,921	100%	-19.18%

(2) Business operations of the Company in the report term are summarized as the followings:

The major businesses of CIMC are including designing, manufacturing, sales and services of such traffic and transportation equipment as containers (including manufacturing of containers, wood floor of containers, and container services), road transport vehicles and airport equipment.

The road vehicle business of the Company is including manufacturing, sales and service of semi-trailer and other specialized vehicles. Furthermore, the Company is also involved in developing of real-estates.

The container output of the Company keeps No. 1 in the world for 10 years since 1996. Up to present, the Company is possessing over 50% of the global market share. The Company has become the No. 1 manufacturer of cargo vehicles in China since 2004.

Against its constantly improving experience in manufacturing and business operation, the Company keeps upgrading the logistics products base and supply chain. A number of development platforms have been established, which are connected to each other. 3 major business bases have been built in Pearl Rive Delta, Yangtze River Delta, and Bohai Sea Coast Areas and is expanding toward the western areas of the country. As of overseas, the Company has a vehicle production base in US. Each of the 3 major domestic business bases is made up by several product units including container manufacturing and logistic vehicles. They are arranged to be able to operate correspondingly by efficiently share resources in aspects of investment, sales, supply chain, production, costs, R&D, and public relations.

For the first half of 2006, the Company realized great achievement in technical innovation. 169 patents were applied, 80 of them were invention patents. Till the end of the 1st half of 2006, the Company has applied for 966 patents accumulatively. 145 new products were developed, including 32 involved in containers and another 105 in vehicles. Technical innovation is greatly supporting the profitability of the Company.

On the Technical Innovation Meeting of the Company held in July, 325 technical innovations were declared, which was a 92% of increase over the same period of last year. New technologies have brought the Company USD65.799 million of turnovers, which was a 103% of increase over the same period of last year. Through promoting of “3+1” innovation activities, “311” technical

stuff training programs, product manager mechanism, and construction of outstanding center and laboratory center, technical innovation is pushing the Company toward a full range, open, and high quality development.

Business income and profit of containers and road vehicles are the major business of the Company that account for over 10% of the total income and profit of the Company. Incomes and profits of the major products in Jan-Jun 2006 are listed in the above table.

Container business

The Company has realized sales income of RMB11,392,500,000 in the first half of year, which was a 28.51% of decrease from the same period of last year. The sales of containers were totaled to 7.703 million TEUs, which was a 7.34% of decrease from the same period of last year.

As of the end of 1st half year, the Company is possessing 22 container factories spread in 11 major port cities along the coast of the country. The total annual output reached up to 2 million TEU.

For the first half of year, sales of dry-cargo containers has reached up to 6.824 million TEUs, brought RMB8.05 billion of income, which were 9.01% and 37.64% of decrease from the same period of last year respectively. But in the report term, the price of dry-cargo containers has risen by some 30%. The portion of dry-cargo containers in the total of major business income has decreased significantly from 71.22% in the 1st half of 2005 down to 55.22% in the 1st half of 2006. It will keep declining following with the rapid growth of other businesses of the Company.

In the report term, the sales of reefer containers was totaled to 0.339 million TEUs, which was a 17.41% of decrease from the same period of last year. The sales income was RMB1,146,633,000, which was a 20.84% of decrease from the same period of last year. Its portion in the total major business income was 7.87%, which was basically at the same level as last year. The Company possesses the productivity of reefer containers by over 50 thousand TEU. The manufacturing bases are located in Shanghai and Qingdao.

The Company also produces specialized containers such as tanks, localized containers, folding containers, and pallet (including tank pallets). The sales of the report term was totaled to 0.54 thousand TEUs (pallets not included), which was a 33.78% of increase over the same period of last year. The sales income was RMB2,062,408,000, which was a 34.99% of increase over the same period of last year. The portion in total major business income was increased from 8.43% of the same period of last year up to 14.15% at present. Among them, 3,669 units of tanks with sales income of RMB626,472,000, this was a 24.06% of increase over the same period of last year. Following with the expanding of advantages achieved in the world market, manufacturing of tank containers will keep moving to China, which will gradually open a remarkable market scope for the Company's business.

In the report term, the Company has realized RMB716,656,000 of sales income by wooden floor business, which was a 109.7% of increase over the same period of last year. The Company keeps enforce the construction of manufacturing bases for its wooden floor business. As of the end of 2006, the Company is possessing manufacturing bases in Jiangmen Guangdong, Jiashan Zhejiang, and Yakeshi Inner-Mongolia.

In aspect of container services, the Company was focusing on the global market of containers, kept providing "one-stop" and "whole life circle" services to the clients to extend the value chain. Since 2004, the Company has launched the construction of container stacking operation platform, to provide container maintenance, stock, administration, rent, spare parts supply and other services. The service base has been basically accomplished during the 1st half of 2006. Container service companies have been established in Dalian, Tianjin, Qingdao, Shanghai, Ningbo, Xiamen, and Shenzhen in terms share controlling or shareholding.

Road transportation vehicle business

Both domestic and overseas orders were increasing significantly in the report term. The recovering of market demands was faster than expected. The productivity appeared to be short to meet with

the demand. The sales of road vehicle has reached up to 41,539 units and brought sales income of RMB3, 154,054,000, which had increased by 63.33% and 52.44% respectively other those of the same period of last year. The portion of vehicle business in the total major businesses has increased from 11.43% at the first half of 2005 up to 21.63% at the first half of this year. Through the reorganizing performed in the latest 3 years, vehicle business has brought the net profit of RMB155, 331,000 for the first half of year, which increased by 5.17 times over the same period of last year. Vanguard National Trailer Corporation – the Company's vehicle manufacturing base in North America has formed the productivity of 10 thousand compartment semi-trailers per annum. It has realized the sales of 3,471 units in the 1st half of this year, and sales income of RMB599, 767,000, which was a 42.21% of growth and realized net profit of RMB5, 618,000.

The Company was doing its domestic market with a globalize point of view. With reference to the international market, basing on the national standard and practice of the domestic market, the Company was enforcing the adopting of new technologies and materials to reduce the weight and fuel consuming of vehicles, and help the customers to reduce their costs thereof. Product lines were enriched and upgraded in the field. And remarkable breakthrough has been done in technical innovation.

In April, the Ministry of Transportation first recommended 24 types of road transportation vehicles. Except for 18 models from automobile manufacturers, all of the other 6 models were the Company's specialized products. They are 2 types of riveted compartment semi-trailers, 2 types of bulk cement semi-trailers, 2 types of container semi-trailers. The recommendation has been focusing on the power efficiency, economical efficiency, safety, coziness, energy saving, and convenient for overload controlling. Local transportation administrative departments and bodies are clearly required to provide convenience to the recommended types of vehicles and favorable charges.

The Company was further improving the layout of manufacturing bases, and speeding up the investment. A production network with 8 bases has been constructed covering central, eastern, southern, and northern parts of the country and extended abroad to North America. The whole business now possesses productivity of 90 thousand vehicles of various models per annum.

In February 2006, the northwest base was started to construct in Baiyin City, Gansu. In March, the northeast base was started to construct in Yingkou, Liaoning. Both of the two new manufacturing bases will be put into production in August this year. In April, the 1st phase extending project was launched by Sanctum Cryogenic Equipment Co., Ltd., which includes the production line of Cryogenic Liquid Tank Vehicle and Cryogenic Liquid Tank Container with 1000 units per annum. The 2nd phase will be the production line of cryogenic tank (over 100 M³) at 400 units per annum. In July, CIMC Vehicle Group entered a joint venture contract with Shanxi Heavy Truck Company to establish a new company with registered capital of RMB50 million. CIMC Vehicle Co., Ltd. and CIMC Vehicle Investment & Holding Co., Ltd. will take 75% of the shares in the new company in total.

In aspect of vehicle service business, four 4S centers have been finished and put into operation in Shenzhen, Shanghai, and Beijing. Several other 4S centers are under negotiation and preparation in Hangzhou, Ningbo, Shandong, and Guangzhou. An integrated vehicle agent and service system has been primarily established. Additional services such as financing, renting, and used-car trading will be launched one after another.

The globalization effort on vehicle service system was under merit progress. An interactive business operation has been established between the Company and its partners in the US. In 2003, through taking over of semi-trailer manufacturer, the Company has entered the market of US. Along with the practice in international operation regarding technical reforming, integrated supply chain, and sharing of R&D platform, the Company has obtained the advantage in cost in US market. This business operation will be further promoted in the future.

Airport equipment business

Shenzhen CIMC Tianda Airport Equipment Co., Ltd. (CMIC Tianda) is engaged in manufacturing, sales and services of airport equipment. For the report term, the company has realized the sales income of RMB45,690,000, which was a 1.60% of growth over the same period of last year. For the composing of sales structure, the net profit was RMB2,917,000, which has decreased by 66.6% from the same period of last year.

CIMC Tianda was always following with the market trend and establishing a technical innovation system by integrating of business operation and R&D. At present, CIMC Tianda is possessing 18 patents regarding boarding bridge. Its products have been leading the global standard both in technologies and quality. In recent years, the CIMC Tianda is possessing over 90% of domestic market share.

In March 2006, CIMC Tianda won the order of 96 boarding bridges for Beijing International Airport (including related monitoring system). The order is amounted to RMB168 million. In year 2006, CIMC Tianda also won the order of the entire boarding bridges for the 2nd phase of Pudong International Airport in Shanghai. Till April, the 4 boarding bridges built for Airport Charles de Gaulle and specialized for Airbus A380 have passed the tests of ADP and started business operation.

2. Business performance of major shareholding and share controlling subsidiaries

Other than the major businesses regarding marine containers, road transportation vehicles and airport equipment, the Company is also involved in real-estate business through its shareholding or share controlling subsidiaries.

The real-estate businesses were spread out in Shanghai, Jiangmen, and Shenzhen. Among them, Shanghai Haide Garden project and Jiangmen Zhongtian International project are under construction. For the report term, the real-estate businesses brought the Company RMB5,248,100 of sales income, which was a 2783.55% of increase over the same period of last year.

3. Problems and difficulties

(1) Problems and difficulties

Flourished by speedy growth of national economy, the investments on fixed assets were increasing quickly in the whole country. Comparing with that of in 2005 and early 2006, steel price was going up rapidly. Vibration of steel price has brought certain pressure to the Company's purchasing and cost controlling.

(2) Countermeasures

Facing with the rapid movement of national policies and market environment, the Company kept controlling the inventory and costs efficiently by close observing the market trend, adjusting of purchase strategies, and fully develops the advantage of supply chain management.

(III) Investment**1. Operation of fund raised from share placing**

On November 20th 2003, the Company issued 120 million of new A-shares, which brought RMB1.751 billion of proceeds (publication expenses excluded). Utilizing of the proceeds was on schedule and realized the profitability as expected.

In RMB'000

Total of proceeds	1,770,900		Total of fund raised and utilized	3,999		
			Accumulated fund used	1,604,849		
Committed projects	Planned investment	Changed or not	Practical investment	Income generated	Schedule fulfilled or not	Profit prediction fulfilled?
Reconstruction of dry-cargo container factory	329,060	No	329,060		100%	Yes
Production expanding of regional special containers and special containers	413,500	No	30,596.74		74%	Yes
Reforming of refrigerating container production lines	221,060	No	182,060		82%	Yes
Tank container	145,390	No	145,390		100%	Yes
Compartment Semi-trailer	231,560	No	231,560		100%	Yes
Container chassis	190,210	No	190,210		100%	Yes
Overseas OEM compartment semi-trailer	240,120	No	220,662		92%	Yes
Total	1,770,900	—	1,604,849		90%	Yes

At the end of report term, there still was RMB150, 803,000 of fund raised from placing of shares not in operation. It was used as current capital temporarily.

2. Using of fund from sources other than share placingIn RMB *million*

Items	Direct / indirect shareholding portion of the Company	Progress in the 1 st half of 2006	Accumulated investment in the 1 st half of year
1. Purchasing equity of Yangzhou Tonglee Reefer Container Co., Ltd.	51	Accomplished	0.799
2. Purchasing equity Of Xinhui CIMC Container Wooden Floor Co., Ltd.	100	17.06% of equity purchased	39.63
3. Purchasing equity Of Xinhui CIMC Container Co., Ltd.	60	20% of equity purchased	44.70
4. Shareholding of Xinyang Timber (HK) Co., Ltd.	20	Shareholding accomplished	6.55
5. Establishing of Dalian CIMC Special Transportation Equipment Co., Ltd.	100	Company established	11.99
6. Establishing of Shanghai CIMC Yangshan Logistics Equipment Co., Ltd.	100	Company established	135.86
7. Establishing of Tianjin CIMC Container Co., Ltd.	100	Company established	15.02
8. Purchasing equity of Nantong CIMC Special Transportation Equipment Co., Ltd.	71	9% of equity purchased	11.15
9. Purchasing equity of Nantong CIMC Shunda Container Co., Ltd.	71	9% of equity accepted	18.55
10. Purchasing equity of Nantong CIMC Tank Storage Equipment Co., Ltd.	100	38% of equity accepted	26.85
11. Establishing of Ningbo CIMC Container Service Co., Ltd.	100	Investment almost finished	4.70
12. Purchasing equity of Donghua Transportation Container Services Co., Ltd.	70	Completed	65.05
13. Establishing of Shenzhen Southern CIMC Container Services Co., Ltd.	100	Completed	39.96
14. Establishing of Beijing CIMC Vehicle Logistics Equipment Co., Ltd.	100	Completed	20.00
15. Establishing of CIMC Vehicle (Liaoning) Co., Ltd.	100	Completed	40.00
16. Increase of investment in Shanghai CIMC Vehicle & Logistics Equipment Co., Ltd.	100	Completed	10.00
17. Purchasing equity of Zhumadian CIMC Huajun Vehicle Co., Ltd.	75	50% completed	39.20
18. Establishing of Jiaxing CIMC Wood Co., Ltd.	100	Completed	39.96
19. Purchasing equity of Shanghai Vehicle Testing & Repairing Co., Ltd.	98	Completed	1.13
20. Establishing of Beijing CIMC Vehicle Sales Co., Ltd.	98	Completed	5.00
21. Establishing of Ningbo Zhongze Import & Export Co., Ltd.	100	Completed	5.00
22. Establishing of Shanghai CIMC Vehicle Sales Co., Ltd.	98	Completed	5.00
23. Establishing of Shanghai Second-hand Motor Vehicle Broker Co., Ltd.	98	Completed	1.00

(IV) Amendment of business plan for the 2nd half of year

The Company will push all businesses forward as planned; no amendment has been made on the annual plan.

(V) Alarm on major changing of net profit for the term Jan-Sept. 2006.

None.

V. Significant Events

(I) Practice of company management in the report term

In the report term the Company was strictly abiding the Company Law of PRC, the Securities Law of PRC, Public Company Administration Rules, and regulations newly issued by China Securities Regulatory Commission. The internal administrative system was further standardized and fine organized.

To further improve the administrative system, the Company revised the Articles of Association in accordance with the newly published Company Law, Securities Law, “The notification on publishing of ‘Guidance for the Public Companies about the Articles of Association’”, and the Share Listing Rules (ver. 2006).

In the report term, the Company was doing its best to communicate with the major shareholders and current share holders to compose the share relocation plan. The share relocation process was accomplished in May.

(II) Implementing of dividend plan for year 2005

“The Dividend Distribution and Capitalizing of Common Reserves Plan for Year 2005” was passed by the Shareholders’ Meeting 2005 held on June 30th 2006. Basing on the total share capital of 2,016,966,706 shares at December 31st 2005, a cash dividend of RMB3.8 (tax included) was about to be distributed upon each 10 shares.

Plan of capitalization of capital reserves 2005: based upon the total 2,016,966,706 shares as at the end of 2005, 1 share will be capitalized from capital reserves for each 10 shares. After the capitalization, the total share number of the Company will climb to 2,218,663,376 shares from 2,016,966,706 shares.

The announcement about dividend distribution and capitalizing of common reserves was disclosed by Securities Times and Ta Kung Pao (HK) on July 13th 2006 respectively. Share registration day for A shares was July 19th 2006 (for B shares, it was the last trading day). The ex-dividend and ex-equity day was July 20th 2006. Till the end of the report term, all of the dividend distributing works has been completed.

(III) Interim dividend distribution of 2006

The Company will make no dividend distribution or capitalizing of common reserves for the semi-annual term of 2006.

(IV) No major lawsuit or arbitration issue occurred in the report term.

(V) No major purchasing or disposing of assets occurred in the report term.

(VI) No major related transaction occurred in the report term.

(VII) Major contracts and fulfilling

1. Major consigning, contracting or leasing of assets

For details about contracted businesses with subsidiaries of the Company, please refer to the notes of the financial statements.

2. Major guarantee agreements

During six months ended 30 June 2006, Total guarantee amount occurred that the Company provided for its subsidiaries was RMB1422million. Ended June 30th, 2006 the balance of guarantees the Company provided for its subsidiaries was RMB1100.00million.

CIMC Vehicle Group – the fully controlled subsidiary of the Company, was cooperating with China Construction Bank Shenzhen Branch and Communication Bank Shenzhen Branch respectively to provide buyer's credit service to the clients of CIMC Vehicle Group and its subsidiaries.

Ended June 30th 2006, the above external guarantees provided by CIMC Vehicle Group and its subsidiaries in term of buyer credit of selling their vehicle products were totaled to RMB39.8744 million.

Ended June 30th, 2006 the balance of guarantees the Company provided for its subsidiaries and external guarantees was RMB1139.8744million, taking by 11.32% of net assets at the 30 June 2006 amounted to RMB10,073 million. There are not exist guarantees against the law or regulations.

3. In the report period, the Company did not commissioned others to manage cash assets.

4. Other major contracts

On February 7th 2006, the Company entered an agreement with Burg Industries B.V. (Netherlands), by which the Company will indirectly takeover 75% of the equities of Burg Industries. (For details of this issue please refer to "The announcement on taking over of a European enterprise" [CIMC]2006-001 published on February 7th 2006 issues of *Securities Times* and *Ta Kung Pao (HK)*).

This transaction is subject to the examination of European Union. If successfully carried out, it will be flourishing the business of the Company in aspect of tank equipment. On July 20th 2006, according to the judgment of the Company and Burg Industries on the result of the examination, the both parties decided to abandon the aforesaid transaction through negotiation. In the future, the Company will keep following with the preplan of business development regarding tank equipment, continue to expand the product lines, and seek for business opportunities in Europe in fields of static tank equipment and port equipment for tanks. (For details please refer to "The Announcement of CIMC" published on March 15th 2006 issues of *Securities Times* and *Ta Kung Pao (HK)* [CIMC]2006-004, "The Announcement about the Progress of Taking Over of a European Enterprise" published by April 25th 2006 issues of *Securities Times* and *Ta Kung Pao (HK)* [CIMC]2006-016, as well as "The Announcement of CIMC" published on July 21st 2006 issues of *Securities Times* and *Ta Kung Pao (HK)* [CIMC]2006-030).

(VIII) Special commitment of holders of original non-negotiable shares in the share relocating process and status of fulfilling

(1) COSCO Container Industries Limited committed that it will not sell the non-negotiable shares, neither by placing in Shenzhen Stock Exchange nor by any other means, within 12 months since the 1st trading day (May 24th 2006) after implementation of the share relocation plan.

(2) When the above term expires, COSCO Container Industries Limited promises not to put more than 5% of the total capital share of CMIC into trading within another 12 months, and no more than 10% within 24 months.

(IX) Engaging and dismissing of CPAs

On June 30th 2006, the Company held its Shareholders' Meeting 2005 and it was agreed to extend the services of Deloitte Touche Tohmatsu Certified Public Accountants Ltd. as domestic auditor and KPMG CPA as overseas auditors of the Company.

(X) None of the Company, the Board of Directors, or the directors were criticized or condemned by any superior governing bodies.

VI. Financial Report

Consolidated income statement for the six months ended 30 June 2006 (unaudited) (*Expressed in Renminbi*)

	Note	Six months ended 30 June 2006	2005
		RMB'000	RMB'000
Revenue	4&11	14,578,921	18,038,919
Cost of sales		<u>(12,579,986)</u>	<u>(14,823,573)</u>
Gross profit		1,998,935	3,215,346
Other revenue	5	207,512	36,262
Other net income	5	289,715	120,108
Distribution costs		(407,544)	(300,827)
Administrative expenses		(397,569)	(601,363)
Other operating expenses		<u>(111,179)</u>	<u>(62,123)</u>
Profit from operations		1,579,870	2,407,403
Finance costs	6(a)	(47,898)	(110,439)
Share of profits less losses of associates		<u>8,272</u>	<u>4,916</u>
Profit before taxation		1,540,244	2,301,880
Income tax	7(a)	<u>(95,018)</u>	<u>(195,691)</u>
Profit for the period		<u>1,445,226</u>	<u>2,106,189</u>
Attributable to:			
Equity shareholders of the Company		1,328,339	2,051,852
Minority interests		<u>116,887</u>	<u>54,337</u>
Profit for the period		<u>1,445,226</u>	<u>2,106,189</u>
Earnings per share (RMB Yuan)			
Basic	10	<u>0.60</u>	<u>0.92</u>

The notes on pages 29 to 89 form part of these consolidated financial statements.

Consolidated balance sheet at 30 June 2006 (unaudited)
(Expressed in Renminbi)

	Note	At 30 June 2006 RMB'000	At 31 December 2005 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	12	4,298,774	4,185,522
Lease prepayments - non-current portion	13	676,256	638,800
Construction in progress	14	326,217	236,765
Timber concession rights	15	70,214	73,905
Intangible assets	16	27,369	28,649
Goodwill	17	188,610	105,068
Interest in associates	18	144,676	159,456
Finance lease receivable	19	63,652	68,006
Prepayment for investments	20	-	38,830
Deferred tax assets	28(b)	61,832	85,843
Other financial assets	21	308,061	291,536
		<u>6,165,661</u>	<u>5,912,380</u>
Current assets			
Lease prepayments - current portion	13	17,000	15,590
Trading securities	22	294,741	419,401
Inventories	23	5,430,265	3,435,181
Trade and other receivables	24	7,196,759	4,409,694
Cash and cash equivalents	25	3,762,776	2,828,223
		<u>16,701,541</u>	<u>11,108,089</u>
Current liabilities			
Trade and other payables	26	9,307,811	4,891,039
Bank loans	27	1,597,888	501,520
Current taxation	28(a)	70,172	129,202
Provisions	29	594,905	552,086
		<u>11,570,776</u>	<u>6,073,847</u>
Net current assets		<u>5,130,765</u>	<u>5,034,242</u>
Total assets less current liabilities		<u>11,296,426</u>	<u>10,946,622</u>
Non-current liabilities			
Bank loans	27	434,000	435,650
NET ASSETS		<u>10,862,426</u>	<u>10,510,972</u>

The notes on pages 29 to 89 form part of these consolidated financial statements.

Consolidated balance sheet at 30 June 2006 (unaudited) (continued)
(Expressed in Renminbi)

	Note	At 30 June 2006 RMB'000	At 31 December 2005 RMB'000 (audited)
CAPITAL AND RESERVES			
Share capital	30	2,218,663	2,016,967
Reserves	31	<u>7,853,983</u>	<u>7,596,820</u>
Total equity attributable to equity shareholders of the Company		10,072,646	9,613,787
Minority interests		<u>789,780</u>	<u>897,185</u>
TOTAL EQUITY		<u><u>10,862,426</u></u>	<u><u>10,510,972</u></u>

The notes on pages 29 to 89 form part of these consolidated financial statements.

Consolidated statement of changes in equity
for the six months ended 30 June 2006 (unaudited)
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company									
	Share capital RMB'000 <i>Note(30)</i>	Share premium RMB'000 <i>(note 31(a))</i>	Property revaluation reserve RMB'000	Exchange reserve RMB'000	Surplus reserve RMB'000 <i>(note 31(b))</i>	Statutory public welfare fund RMB'000 <i>(note 31(c))</i>	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2005	1,008,483	1,866,561	13,950	7,720	3,655,048	352,084	617,430	7,521,276	854,499	8,375,775
Opening balance adjustment in respect of goodwill	-	-	-	-	-	-	13,250	13,250	-	13,250
As 1 January 2005, after opening balance adjustments, carried forward	1,008,483	1,866,561	13,950	7,720	3,655,048	352,084	630,680	7,534,526	854,499	8,389,025
Capitalisation of share premium	1,008,484	(1,008,484)	-	-	-	-	-	-	-	-
Dividends approved in respect of the previous year (note 9(b))	-	-	-	-	-	-	(504,241)	(504,241)	-	(504,241)
Dividends paid to minority interests	-	-	-	-	-	-	-	-	(81,391)	(81,391)
Exchange difference on translation of financial statements of foreign operations	-	-	-	(223,964)	-	-	-	(223,964)	-	(223,964)
Profit for the year	-	-	-	-	-	-	2,807,466	2,807,466	140,133	2,947,599
Acquisition of additional interests in existing subsidiaries	-	-	-	-	-	-	-	-	(29,297)	(29,297)
Capital injection	-	-	-	-	-	-	-	-	10,171	10,171
Acquisition of new subsidiaries	-	-	-	-	-	-	-	-	675	675
Repayment of advances to minority interests	-	-	-	-	-	-	-	-	7,769	7,769
Advances to minority interests	-	-	-	-	-	-	-	-	(5,374)	(5,374)
Transfer from retained profits	-	-	-	-	335,894	138,224	(474,118)	-	-	-
At 31 December 2005	2,016,967	858,077	13,950	(216,244)	3,990,942	490,308	2,459,787	9,613,787	897,185	10,510,972

The notes on pages 29 to 89 form part of these consolidated financial statements.

Consolidated statement of changes in equity for the six months ended 30 June 2006 (unaudited)
(continued)
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company									
	Share capital RMB'000 (note 30)	Share premium RMB'000 (note 31(a))	Property revaluation reserve RMB'000	Exchange reserve RMB'000	Surplus reserve RMB'000 (note 31(b))	Statutory public welfare fund RMB'000 (note 31(c))	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2006	2,016,967	858,077	13,950	(216,244)	3,990,942	490,308	2,459,787	9,613,787	897,185	10,510,972
Capitalisation of share premium	201,696	(201,696)	-	-	-	-	-	-	-	-
Dividends approved in respect of the previous year (note 9(b))	-	-	-	-	(766,447)	-	-	(766,447)	-	(766,447)
Dividends paid to minority interests	-	-	-	-	-	-	-	-	(29,983)	(29,983)
Exchange difference on translation of financial statements of foreign operations	-	-	-	(103,033)	-	-	-	(103,033)	-	(103,033)
Profit for the period	-	-	-	-	-	-	1,328,339	1,328,339	116,887	1,445,226
Acquisition of additional interests in existing subsidiaries	-	-	-	-	-	-	-	-	(187,641)	(187,641)
Capital injection	-	-	-	-	-	-	-	-	204	204
Acquisition of new subsidiaries	-	-	-	-	-	-	-	-	(26,853)	(26,853)
Disposal of partial interest in subsidiary	-	-	-	-	-	-	-	-	12,708	12,708
Repayment of advances to minority interests	-	-	-	-	-	-	-	-	7,273	7,273
Transfer from statutory public welfare fund	-	-	-	-	490,308	(490,308)	-	-	-	-
Transfer from retained profits	-	-	-	-	75,795	-	(75,795)	-	-	-
At 30 June 2006	<u>2,218,663</u>	<u>656,381</u>	<u>13,950</u>	<u>(319,277)</u>	<u>3,790,598</u>	<u>-</u>	<u>3,712,331</u>	<u>10,072,646</u>	<u>789,780</u>	<u>10,862,426</u>

The notes on pages 29 to 89 form part of these consolidated financial statements.

Consolidated cash flow statement
for the six months ended 30 June 2006 (unaudited)
(Expressed in Renminbi)

	<i>Six months ended 30 June</i>	
	2006	2005
Note	RMB'000	RMB'000
Operating activities		
Profit before taxation	1,540,244	2,301,880
Adjustments for:		
Depreciation	160,755	132,694
Impairment losses of prepayment for investments	-	5,414
Impairment losses of positive goodwill	55,938	14,549
Amortisation of other intangible assets	1,651	885
Amortisation of timber concession rights	2,866	2,936
Gain on recognition of negative goodwill	(120)	(366)
Net loss on sale of property, plant and equipment	1,615	3,865
Bank interest income	(31,839)	(6,784)
Finance costs	41,461	76,833
Net gains on disposal of partial interests in subsidiaries	(237)	-
Net realised and unrealised (gains) / losses on trading securities	(149,317)	9,971
Dividend income from investments in equity securities	(10,991)	-
Share of profits less losses of associates	<u>(8,272)</u>	<u>(4,916)</u>
Operating profit before changes in working capital	1,603,754	2,536,961
Increase in lease prepayments	(42,667)	(109,606)
Decrease in long-term receivables	327	3,557
Increase in trade and other receivables	(2,769,249)	(732,894)
Increase in inventories	(1,910,202)	(2,154,724)
Increase in trade and other payables	3,498,879	1,410,427
Increase in provisions	<u>27,358</u>	<u>66,602</u>
Cash generated from operations	408,200	1,020,323
Tax paid	<u>(131,151)</u>	<u>(238,132)</u>
Net cash generated from operating activities	<u>277,049</u>	<u>782,191</u>

The notes on pages 29 to 89 form part of these consolidated financial statements.

**Consolidated statement of cash flows for the six months ended 30 June 2006
(unaudited) (continued)**

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2006	2005
		RMB'000	RMB'000
Investing activities			
Interest received		35,189	6,382
Payment for the purchase of property, plant and equipment		(103,170)	(119,775)
Payment for the purchase of intangible assets		(1,447)	-
Payment for construction in progress		(233,372)	(518,843)
Payment for purchase of equity securities		(15,055)	-
Payment for purchase of trading securities		(574,167)	(83,649)
Prepayment for investments		-	(12,617)
Payment for acquisition of minority shareholdings		(227,800)	(4,968)
Loan to an associate		-	(18,000)
Cash acquired, net of payment, from acquisition of subsidiaries	3	127,936	-
Dividend received from investments in equity securities		10,991	-
Dividend received from an associate		2,153	-
Dividend received from trading securities		2,026	-
Proceeds from sales of property, plant and Equipment		28,818	15,711
Proceeds from sale of partial interest in subsidiary		12,945	-
Proceeds from sales of trading securities		844,517	114,320
Repayment of advances to minority interests		7,273	5,112
Advances to minority interests		<u>-</u>	<u>(1,366)</u>
Net cash used in investing activities		(83,163)	(617,693)
		-----	-----

The notes on pages 29 to 89 form part of these consolidated financial statements.

**Consolidated statement of cash flows
for the six months ended 30 June 2006 (unaudited) (continued)**

(Expressed in Renminbi)

		<i>Six months ended 30 June</i>	
		<i>2006</i>	<i>2005</i>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financing activities			
Interest paid		(40,438)	(59,386)
Proceeds from new bank loans		4,237,867	9,154,230
Repayment of bank loans		(3,394,233)	(8,334,586)
Capital injection from minority interests		204	1,600
Dividends paid to equity shareholders of the Company		-	(504,241)
Dividends paid to minority interests		<u>(29,983)</u>	<u>(28,307)</u>
Net cash generated from financing activities		<u>773,417</u>	<u>229,310</u>
Net increase in cash and cash equivalents		967,303	393,808
Cash and cash equivalents at 1 January		2,828,223	1,483,165
Effect of foreign exchange rate changes		<u>(32,750)</u>	<u>-</u>
Cash and cash equivalents at 30 June	25	<u>3,762,776</u>	<u>1,876,973</u>

The notes on pages 29 to 89 form part of these consolidated financial statements

Notes to the consolidated financial statements

1 Background

China International Marine Containers (Group) Co., Ltd. (the “Company”) is a joint stock company established in the People’s Republic of China (the “PRC”) with limited liability.

The Group is principally engaged in the design, manufacturing, marketing and maintenance of containers, trailers, and airport support equipment, property development, and timber logging and trading businesses.

2 Significant accounting policies

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and their interpretations issued by the International Accounting Standards Board (“IASB”).

The Company also prepares a set of financial statements which complies with the PRC Accounting Rules and Regulations. A reconciliation of the Group’s profit and total equity attributable to equity shareholders of the Company prepared under IFRSs and the PRC Accounting Rules and Regulations is presented on Appendix I.

The IASB has issued a number of new and revised IFRSs that are effective for accounting periods beginning on or after 1 January 2006. The Board of Directors has determined the accounting policies expected to be adopted in the preparation of the Group’s annual financial statements for the year ending 31 December 2006, on the basis of IFRSs currently in issue.

The IFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 December 2006 may be affected by the issue of additional interpretations or other changes announced by the IASB subsequent to the date of issuance of these interim financial statements. Therefore, the policies that will be applied in the Group’s financial statements for that period cannot be determined with certainty at the date of issuance of these interim financial statements.

The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies applied in these financial statements for the periods presented.

2 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements of the Company for the six months ended 30 June 2006 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for certain property, plant and equipment (see note 2(h)), trading securities (see note 2(f)) and derivative financial instrument (see note 2(g)) which are stated at fair value as explained in the accounting policies set out below.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by the management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next period are discussed in note 38.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

2 Significant accounting policies (continued)

(c) Subsidiaries (continued)

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the period between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(d) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the period, including any impairment loss on goodwill relating to the investment in associates recognised for the period (see notes 2(e) and 2(l)).

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

2 Significant accounting policies (continued)

(e) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment as well as when there are indications of impairment (see note 2(l)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in profit or loss.

On disposal of a cash generating unit or an associate during the period, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries and associates are as follows:

Investments in securities held for trading are classified as current assets and are initially stated at fair value. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 2(l)).

Other investments in securities are classified as available-for-sale securities and are initially recognised at fair value plus transaction costs. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except for impairment losses (see note 2(l)) and, in the case of monetary items such as debt securities, foreign exchange gains and losses which are recognised directly in profit or loss.

Investments are recognised / derecognised on the date the Group commits to purchase / sell the investments or they expire.

2 Significant accounting policies (continued)

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(h) Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost less accumulated depreciation and impairment losses (see note 2(l)) and remeasured at revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(w)).

Revaluations are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

Changes arising on the revaluation of properties, plant and equipment are generally dealt with in reserves. The only exceptions are as follows:

- when a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and
- when a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

2 Significant accounting policies (continued)

(h) Property, plant and equipment (continued)

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- Freehold land is not depreciated.
- Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 30 years after the date of completion.
- Machinery and equipment 10 - 12 years
- Motor vehicles 3 - 8 years
- Office furniture and other assets 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Construction in progress

Construction in progress represents buildings, various plant and equipment under construction and pending installation, and is stated at cost less impairment losses (see note 2(l)). Cost comprises cost of materials, direct labour, borrowing costs capitalised (see note 2(w)), and an appropriate proportion of production overheads incurred during the periods of construction and installation. Capitalisation of those costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use. No depreciation is provided in respect of construction in progress.

(j) Intangible assets (other than goodwill)

Expenses incurred for the acquisition of patents, trademarks and technological know-how by the Group, are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is other than indefinite) and impairment losses (see note 2(l)).

Timber concession rights represent costs incurred to acquire the rights to extract timber from forest concession areas for an approved duration and are stated in the balance sheet at cost less accumulated amortisation and impairment losses (see note 2(l)). Cost includes cost of purchase and expenses exclusively related to the acquisition of timber concession rights.

Amortisation of intangible assets is charged to profit or loss on a straight-line basis over the assets' estimated useful lives unless such lives are indefinite. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

2 Significant accounting policies (continued)

(j) Intangible assets (other than goodwill) (continued)

- Patents and trademarks 5 -10 years
- Technological know-how 10 years

Timber concession rights are amortised over the remaining licence period until the expiry of the timber licences.

(k) Leased assets

(i) Assets leased out under finance leases

Where assets are leased out under finance leases, an amount representing the net investment in the lease is included in the balance sheet as a receivable. Finance income implicit in the lease payments is credited to the income statement over the period of the leases so as to produce an approximately constant periodic rate of return on the outstanding net investment in the leases for each accounting period.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(l) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

- For unquoted equity securities and current receivables that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for current receivables are reversed if in a subsequent period the amount of the impairment loss decreases. Impairment losses for equity securities are not reversed.

2 Significant accounting policies (continued)

(l) Impairment of assets (continued)

(i) *Impairment of investments in equity securities and other receivables (continued)*

- For financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets).

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

- For available-for-sale equity securities, the cumulative loss that had been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- lease prepayments;
- construction in progress;
- intangible assets;
- timber concession rights;
- prepayment for investments;
- investments in associates; and
- goodwill

2 Significant accounting policies (continued)

(l) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

2 Significant accounting policies (continued)

(m) Inventories

(i) Products manufacturing

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

- Property under development for sale

The cost of properties under development for sale comprises specifically identified cost, including borrowing costs capitalised (see note 2(w)), aggregate cost of development, materials and supplies, wages and other direct expenses and an appropriate proportion of overheads. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

- Completed properties for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

2 Significant accounting policies (continued)

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 2(l)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 2(l)).

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest method.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(r) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

2 Significant accounting policies (continued)

(s) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

No temporary differences are recognised on the initial recognition of goodwill. In addition, the following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

2 Significant accounting policies (continued)

(s) Income tax (continued)

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 Significant accounting policies (continued)

(u) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Sale of properties

Revenue from the sale of properties is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under forward sales deposits and instalments received.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Dividend income

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Finance lease income

Finance lease income is recognised on a basis of a pattern reflecting a constant periodic rate of return on the lessors' net investment outstanding in respect of the finance lease.

(vi) Repair and maintenance service income

Revenue is recognised when the related service has been rendered to the customer.

(v) Translation of foreign currencies

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

2 Significant accounting policies (continued)

(v) Translation of foreign currencies (continued)

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Renminbi Yuan at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Renminbi Yuan at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(w) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 Significant accounting policies (continued)

(x) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and / or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(y) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

3 Acquisitions of subsidiaries

Acquisitions

On 31 January 2006, the Group acquired 98% shareholding interest in Shanghai CIMC Vehicle Testing Co., Ltd. ("SHVT") for RMB1,237,360, satisfied in cash. The principal activities of SHVT are testing of vehicle and related services. During the period, SHVT contributed net profit of RMB55,000 to the consolidated profit for the period.

On 31 May 2006, the Group acquired 70% and 63% shareholding interests in Donghua Container Transportation Service Co., Ltd. ("DCTS") and Shanghai Dunhua Container Co., Ltd. ("SHDC") respectively for a total consideration of RMB62,600,693, which was fully prepaid in 2005. The principal activities of DCTS and SHDC are containers handling, storage and related services. During the period, DCTS and SHDC contributed net profits of RMB778,000 and RMB506,000 to the consolidated profit for the period respectively.

On 30 June 2006, the Group acquired 51% shareholding interest in Yangzhou Tonglee Reefer Container Co., Ltd. ("YZTRC") for RMB799,200, satisfied in cash. The principal activities of YZTRC are manufacturing and sales of containers and related services.

3 Acquisitions of subsidiaries (continued)

Effect of acquisitions

The acquisitions had the following effects on the Group's assets and liabilities:

	<i>Note</i>	Six months ended 30 June 2006 RMB'000
Property, plant and equipment	12	96,730
Lease prepayment - non-current portion		2,362
Intangible assets	16	327
Investment in an associate		2,366
Other financial assets		1,073
Lease prepayment - current portion		429
Inventories		127,132
Trade and other receivables		86,223
Cash and cash equivalents		129,973
Trade and other payables		(189,013)
Current taxation	28(a)	(834)
Bank loans		(259,724)
Provision	29	<u>(20,778)</u>
Net identifiable assets and liabilities		(23,734)
Minority interests		26,853
Goodwill on acquisition		61,519
Consideration paid in 2005, satisfied in cash		<u>(62,601)</u>
Consideration paid in current period, satisfied in cash		2,037
Cash acquired		<u>(129,973)</u>
Net cash inflow		<u>(127,936)</u>

4 Revenue

Revenue represents the sales value of goods supplied to customers and income from sales of property. The amount of each significant category of revenue recognised in revenue during the period is as follows:

	<i>Six months ended 30 June</i>	
	<i>2006</i>	<i>2005</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of containers	11,331,482	15,936,410
Sales of trailers	3,152,201	2,055,810
Sales of airport support equipment	45,690	44,970
Gross proceeds from properties sold	<u>49,548</u>	<u>1,729</u>
	<u>14,578,921</u>	<u>18,038,919</u>

5 Other revenue and net income

	<i>Six months ended 30 June</i>	
	<i>2006</i>	<i>2005</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Other revenue		
Dividend income from investments in equity securities	10,991	-
Finance lease income	2,008	2,169
Tax refunds from capitalisation of subsidiaries' earnings	-	5,639
Compensation income	158,581	9,033
Bank interest income	31,839	6,784
Others	<u>4,093</u>	<u>12,637</u>
	<u>207,512</u>	<u>36,262</u>

5 Other revenue and net income (continued)

	<i>Six months ended 30 June</i>	
	<i>2006</i>	<i>2005</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Other net income		
Net gains on sale of scrap materials and spare parts	113,774	102,186
Net realised and unrealised gains on trading securities	149,317	-
Net repair and maintenance service income of containers and trailers	16,604	12,194
Gains on recognition of negative goodwill	120	366
Net gains on disposal of partial interests in subsidiaries	237	-
Others	<u>9,663</u>	<u>5,362</u>
	<u>289,715</u>	<u>120,108</u>

6 Profit before taxation

Profit before taxation is arrived at after charging / (crediting):

	<i>Six months ended 30 June</i>	
	<i>2006</i>	<i>2005</i>
	<i>RMB'000</i>	<i>RMB'000</i>
(a) Finance costs		
Interest expense on bank loans	42,333	82,438
Other borrowing costs	<u>6,437</u>	<u>33,606</u>
Total borrowing costs	48,770	116,044
Less: borrowing costs capitalised into construction in progress * (note 14)	<u>(872)</u>	<u>(5,605)</u>
	<u>47,898</u>	<u>110,439</u>

*: The borrowing costs have been capitalised at a rate of 4.15% per annum (2005: 2.84%).

	<i>Six months ended 30 June</i>	
	<i>2006</i>	<i>2005</i>
	<i>RMB'000</i>	<i>RMB'000</i>
(b) Staff costs#		
Salaries, wages and other benefits	747,589	921,405
Contributions to defined contribution plans	<u>67,791</u>	<u>51,372</u>
	<u>815,380</u>	<u>972,777</u>

6 Profit before taxation (continued)

		<i>Six months ended 30 June</i>	
		<i>2006</i>	<i>2005</i>
		<i>RMB'000</i>	<i>RMB'000</i>
(c)	<i>Other items</i>		
Amortisation#			
-land lease prepayment		8,296	6,364
-other intangible assets		1,651	885
-timber concession rights		2,866	2,936
Depreciation #		160,755	132,694
Impairment losses			
-positive goodwill		55,938	14,549
-prepayment for investments		-	5,414
Increase in provisions		49,020	73,469
Net losses on sale of property, plant and equipment		1,615	3,865
Net realised and unrealised losses on trading securities		-	9,971
Operating lease charges: minimum lease payments – hire of property#		54,515	44,463
Share of associates' taxation		1,771	602
Cost of inventories # (see note 23(b))		12,530,966	14,750,104

Cost of inventories include RMB852,769,000 (RMB739,131,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7 Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	<i>Six months ended 30 June</i>	
	<i>2006</i>	<i>2005</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax – PRC income tax		
Provision for the period	101,465	195,233
Over-provision in respect of the prior years	<u>(37,623)</u>	<u>(3,655)</u>
	63,842	191,578
	-----	-----
Current tax – Overseas		
Provision for the period	7,869	1,137
	-----	-----
Deferred tax		
Origination and reversal of temporary differences	23,307	2,976
	<u>95,018</u>	<u>195,691</u>
	=====	=====

The charge for PRC income tax of the Company is calculated at the rate of 15% (2005: 15%) on the estimated assessable income of the period determined in accordance with relevant income tax rules and regulations.

The income tax rates applicable to the Company's principal subsidiaries in the PRC range from 7.5% to 33%, and some subsidiaries have been granted a tax holiday for not more than five years.

The income tax rates applicable to the Company's overseas subsidiaries range from 17.5% to 40%.

7 Income tax in the consolidated income statement (continued)

(b) Reconciliation of tax expense and accounting profit at applicable tax rates:

	<i>Six months ended 30 June</i>	
	<i>2006</i>	<i>2005</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	1,540,244	2,301,880
Notional tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	627,745	557,197
Effect of tax incentive	(107,573)	(220,714)
Tax effect of non-deductible expenses	16,721	17,517
Tax effect of non-taxable income	(421,093)	(177,789)
Tax effect of unused tax losses not recognised	16,841	23,135
Over-provision in prior years	(37,623)	(3,655)
Actual tax expense	95,018	195,691

8 Key management personnel compensation

The key management personnel compensation is as follows:

	<i>Six months ended 30 June</i>	
	<i>2006</i>	<i>2005</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Short-term employee benefits	1,525	2,980
Post-employment benefits	75	67
	1,600	3,047

Total compensation is included in “staff costs” (see note 6(b)).

9 Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the period

The Board of Directors does not recommend the payment of any interim dividend for the six months period ended 30 June 2006 (2005: RMB Nil per share).

(b) Dividend payable to equity shareholders of the Company attributable to the previous financial year and approved during the period

	<i>Six months ended 30 June</i>	
	<i>2006</i>	<i>2005</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividend in respect of the previous financial year and approved during the period, of RMB0.38 (2005: RMB0.50) per share.	766,447	504,241

10 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2006 is based on the profit attributable to equity shareholders of the Company of RMB1,328,339,000 (six months ended 30 June 2005: RMB2,051,852,000) and the weighted average of 2,218,663,000 shares (six months ended 30 June 2005: 2,218,663,000 shares after adjusting for the share premium capitalisation issue in 2006) in issue during the period from 1 January 2006 to 30 June 2006, calculated as follows:

	<i>Six months ended 30 June</i>	
	<i>2006</i>	<i>2005</i>
	<i>'000</i>	<i>'000</i>
Issued shares at 1 January	2,016,967	1,008,483
Effect of capitalisation issue (note 30(b))	<u>201,696</u>	<u>1,210,180</u>
Weighted average number of shares at 30 June	<u>2,218,663</u>	<u>2,218,663</u>

(b) Diluted earnings per share

There were no diluting potential ordinary shares in existence during the six months ended 30 June 2006 and 2005.

11 Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

Containers: the manufacture and sale of marine containers, dry-freight containers, refrigerated containers and special types of containers, and the logging and sale of timber for containers business.

Trailers: the manufacture and sale of trailers.

Airport ground facilities: the manufacture and sale of airport ground facilities.

Other operations: the construction and development of properties for sale.

	Containers		Trailers		Airport ground facilities		Other operations		Inter-segment elimination		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	11,331,482	15,936,410	3,152,201	2,055,810	45,690	44,970	49,548	1,729	-	-	14,578,921	18,038,919
Inter-segment revenue	<u>61,018</u>	<u>-</u>	<u>1,853</u>	<u>13,275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(62,871)</u>	<u>(13,275)</u>	<u>-</u>	<u>-</u>
Total	<u>11,392,500</u>	<u>15,936,410</u>	<u>3,154,054</u>	<u>2,069,085</u>	<u>45,690</u>	<u>44,970</u>	<u>49,548</u>	<u>1,729</u>	<u>(62,871)</u>	<u>(13,275)</u>	<u>14,578,921</u>	<u>18,038,919</u>
Segment result	1,204,822	2,491,092	257,579	46,843	5,793	7,089	14,213	(3,120)	-	-	1,482,407	2,541,904
Unallocated operating income and expenses											<u>97,463</u>	<u>(134,501)</u>
Profit from operations											1,579,870	2,407,403
Finance costs											(47,898)	(110,439)
Share of profits less losses of associates	7,685	4,880	418	356	-	-	169	(320)	-	-	8,272	4,916
Taxation											<u>(95,018)</u>	<u>(195,691)</u>
Profit after taxation											1,445,226	2,106,189
											=====	=====

11 Segment reporting (continued)

Business segments (continued)

	<i>Containers</i>		<i>Trailers</i>		<i>Airport ground facilities</i>		<i>Other operations</i>		<i>Inter-segment elimination</i>		<i>Consolidated</i>	
	<i>Six months ended 30 June</i>		<i>Six months ended 30 June</i>		<i>Six months ended 30 June</i>		<i>Six months ended 30 June</i>		<i>Six months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation and amortisation for the period	141,993	118,007	30,247	17,113	1,050	1,160	278	235	-	-	173,568	136,515
Impairment losses of												
-positive goodwill	55,938	2,334	-	12,215	-	-	-	-	-	-	55,938	14,549
-prepayment for investments	-	-	-	5,414	-	-	-	-	-	-	-	5,414
Capital expenditure incurred during the period	391,160	461,769	117,468	176,467	1,228	206	174	176	-	-	510,030	638,618
	<i>Containers</i>		<i>Trailers</i>		<i>Airport ground facilities</i>		<i>Other operations</i>		<i>Inter-segment elimination</i>		<i>Consolidated</i>	
	<i>At</i>	<i>At 31</i>	<i>At</i>	<i>At 31</i>	<i>At</i>	<i>At 31</i>	<i>At</i>	<i>At 31</i>	<i>At</i>	<i>At 31</i>	<i>At</i>	<i>At 31</i>
	<i>30 June</i>	<i>December</i>	<i>30 June</i>	<i>December</i>	<i>30 June</i>	<i>December</i>	<i>30 June</i>	<i>December</i>	<i>30 June</i>	<i>December</i>	<i>30 June</i>	<i>December</i>
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	17,353,485	13,141,525	4,185,915	3,220,115	147,882	105,209	408,581	321,485	(13,809)	(13,164)	22,082,054	16,775,170
Interests in associates	90,316	105,596	9,321	8,990	-	-	45,039	44,870	-	-	144,676	159,456
Unallocated assets											<u>640,472</u>	<u>85,843</u>
Total assets											22,867,202	17,020,469
											=====	=====
Segment liabilities	(7,278,076)	(4,491,316)	(1,626,161)	(851,639)	(154,923)	(80,120)	(46,538)	(33,214)	13,809	13,164	(9,091,889)	(5,443,125)
Unallocated liabilities											<u>(2,912,887)</u>	<u>(1,066,372)</u>
Total liabilities											(12,004,776)	(6,509,497)
											=====	=====

11 Segment reporting (continued)

Geographical segments

The Group's business is managed on a worldwide basis, but participates in three principal economic environments. USA and Europe are the major markets for the containers business. Asia is a major market for trailer business, and to a lesser extent the property development, and manufacturing and sale of airport ground facilities. In Suriname, the only business is the logging and sale of timber.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	USA		Europe		Asia		Other regions		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	4,150,326	4,208,871	4,502,948	5,785,376	5,835,008	7,826,762	90,639	217,910	14,578,921	18,038,919
Capital expenditure incurred during the period	9,260	6,619	-	-	500,391	631,946	379	53	510,030	638,618
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
	At	At	At	At	At	At	At	At	At	At
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	471,435	416,378	76,195	60,452	21,492,361	16,081,561	42,063	216,779	22,082,054	16,775,170
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

12 Property, plant and equipment

	<i>Land and buildings</i> RMB'000	<i>Machinery and equipment</i> RMB'000	<i>Motor vehicles</i> RMB'000	<i>Office furniture and other assets</i> RMB'000	<i>Total</i> RMB'000
Cost or valuation:					
At 1 January 2005	1,937,171	1,960,816	149,721	250,768	4,298,476
Additions					
-through acquisitions of subsidiaries	18,359	71	490	150	19,070
-others	49,206	125,370	20,340	81,789	276,705
Transfer from construction in progress (note 14)	636,691	538,266	15,979	17,370	1,208,306
Disposals	(17,517)	(57,344)	(5,404)	(7,267)	(87,532)
Exchange adjustments	<u>(49,963)</u>	<u>(53,332)</u>	<u>(3,818)</u>	<u>(7,006)</u>	<u>(114,119)</u>
As 31 December 2005	<u>2,573,947</u>	<u>2,513,847</u>	<u>177,308</u>	<u>335,804</u>	<u>5,600,906</u>
	=====	=====	=====	=====	=====
Representing:					
Cost	1,819,242	1,637,895	123,739	260,496	3,841,372
Valuation	<u>754,705</u>	<u>875,952</u>	<u>53,569</u>	<u>75,308</u>	<u>1,759,534</u>
	<u>2,573,947</u>	<u>2,513,847</u>	<u>177,308</u>	<u>335,804</u>	<u>5,600,906</u>
	=====	=====	=====	=====	=====
At 1 January 2006	2,573,947	2,513,847	177,308	335,804	5,600,906
Additions					
-through acquisitions of subsidiaries	54,794	75,674	40,895	7,041	178,404
-others	9,617	65,683	13,265	9,086	97,651
Transfer from construction in progress (note 14)	64,865	56,491	1,713	20,068	143,137
Disposals	(24,877)	(17,683)	(1,721)	(3,837)	(48,118)
Exchange adjustments	<u>(20,083)</u>	<u>(21,614)</u>	<u>(1,531)</u>	<u>(2,929)</u>	<u>(46,157)</u>
At 30 June 2006	<u>2,658,263</u>	<u>2,672,398</u>	<u>229,929</u>	<u>365,233</u>	<u>5,925,823</u>
	=====	=====	=====	=====	=====
Representing:					
Cost	1,910,872	1,807,508	177,517	293,373	4,189,270
Valuation	<u>747,391</u>	<u>864,890</u>	<u>52,412</u>	<u>71,860</u>	<u>1,736,553</u>
	<u>2,658,263</u>	<u>2,672,398</u>	<u>229,929</u>	<u>365,233</u>	<u>5,925,823</u>
	=====	=====	=====	=====	=====

12 Property, plant and equipment (continued)

	<i>Land and Buildings</i> RMB'000	<i>Machinery and equipment</i> RMB'000	<i>Motor vehicles</i> RMB'000	<i>Office furniture and other assets</i> RMB'000	<i>Total</i> RMB'000
Accumulated depreciation and impairment losses:					
At 1 January 2005	287,165	709,170	78,586	119,629	1,194,550
Through acquisitions of subsidiaries	46	14	99	54	213
Charge for the year	67,453	169,569	23,055	45,152	305,229
Reversal of impairment losses on disposals	(2,398)	(3,848)	-	(402)	(6,648)
Disposals	(2,023)	(33,581)	(4,488)	(6,278)	(46,370)
Exchange adjustments	<u>(7,434)</u>	<u>(18,570)</u>	<u>(2,128)</u>	<u>(3,458)</u>	<u>(31,590)</u>
At 31 December 2005	<u>342,809</u>	<u>822,754</u>	<u>95,124</u>	<u>154,697</u>	<u>1,415,384</u>
At 1 January 2006	342,809	822,754	95,124	154,697	1,415,384
Through acquisitions of subsidiaries	16,962	32,075	28,835	3,802	81,674
Charge for the period	43,050	89,347	9,651	18,707	160,755
Disposals	(564)	(11,858)	(2,137)	(3,126)	(17,685)
Exchange adjustments	<u>(1,125)</u>	<u>(9,606)</u>	<u>(868)</u>	<u>(1,480)</u>	<u>(13,079)</u>
At 30 June 2006	<u>401,132</u>	<u>922,712</u>	<u>130,605</u>	<u>172,600</u>	<u>1,627,049</u>
Net book value:					
At 30 June 2006	<u>2,257,131</u>	<u>1,749,686</u>	<u>99,324</u>	<u>192,633</u>	<u>4,298,774</u>
At 31 December 2005	<u>2,231,138</u>	<u>1,691,093</u>	<u>82,184</u>	<u>181,107</u>	<u>4,185,522</u>

12 Property, plant and equipment (continued)

(a) The Group's buildings are mainly located in the PRC.

(b) The Group revalues its property, plant and equipment on a rolling basis so that within a seven-year period all the assets are revalued at least once. Based on a revaluation performed by senior management of the Group as at 30 June 2006 under this program, the carrying value of the revalued property, plant and equipment did not differ materially from their fair value. Fair values were determined having regard to replacement cost or recent market transactions for similar property, plant and equipment in the same location or industry.

Had each class of the revalued property, plant and equipment been carried at cost less accumulated depreciation and impairment losses, the carrying amounts would have been:

	At 30 June 2006 RMB '000	At 31 December 2005 RMB '000 (audited)
Land and buildings	2,247,286	2,221,012
Machinery and equipment	1,749,686	1,691,093
Motor vehicles	99,324	82,184
Office furniture and other assets	<u>192,633</u>	<u>181,107</u>
	4,288,929	4,175,396
	=====	=====

(c) At 30 June 2006, land use rights, and land and buildings with a carrying amount of RMB 58,309,000 (2005: buildings of RMB23,408,000) were secured for two bank loans (note 27).

13 Lease prepayments

Lease prepayments represent the land use rights of the Group in respect of land located in the PRC for a period of 11 to 70 years from the respective dates of grant. The remaining lease periods of these land use rights range from 3 to 66 years.

14 Construction in progress

	At 30 June 2006 RMB'000	At 31 December 2005 RMB'000 (audited)
At 1 January	236,765	446,778
Additions	233,372	996,642
Transfer to property, plant and equipment (note 12)	(143,137)	(1,208,306)
Interest capitalised (note 6(a))	872	6,783
Exchange adjustments	<u>(1,655)</u>	<u>(5,132)</u>
At 30 June	326,217	236,765
	=====	=====

14 Construction in progress (continued)

Construction in progress at 30 June 2006 is analysed as follows:

	At 30 June 2006 RMB'000	At 31 December 2005 RMB'000
Projects		
Machinery and equipment	110,706	87,264
Buildings and factories	<u>215,511</u>	<u>149,501</u>
	326,217	236,765
	=====	=====

15 Timber concession rights

	RMB'000
Cost:	
At 1 January 2005	298,548
Exchange adjustments	<u>(5,799)</u>
At 31 December 2005	<u>292,749</u>
	=====
At 1 January 2006	292,749
Exchange adjustments	<u>(3,342)</u>
At 30 June 2006	<u>289,407</u>
	=====
Accumulated amortisation and impairment losses:	
At 1 January 2005	217,311
Amortisation charge for the year	5,839
Exchange adjustments	<u>(4,306)</u>
At 31 December 2005	<u>218,844</u>
	=====
At 1 January 2006	218,844
Amortisation charge for the period	2,866
Exchange adjustments	<u>(2,517)</u>
At 30 June 2006	<u>219,193</u>
	=====
Net book value:	
At 30 June 2006	70,214
	=====
At 31 December 2005	73,905
	=====

15 Timber concession rights (continued)

These rights represent the cost of acquisition of the timber concession rights in respect of designated areas of land in the Republic of Suriname (“Suriname”) and Kingdom of Cambodia (“Cambodia”) with terms expiring between 2016 to 2023.

The Ministry of Agriculture, Forest and Fisheries (“MAFF”) of Cambodia has suspended logging activities of all concessionaires, including those of the Group since 2001. The directors are of the opinion that it is unlikely that the above-mentioned suspension will be uplifted in the foreseeable future. In view of this, full impairment loss was made on the carrying value of the related concession rights in the Group’s financial statements for the year ended 31 December 2004.

The timber concession right in respect of designated areas of land in Suriname is amortised using the straight line method over 14 years.

16 Intangible assets

	<i>Technological know-how</i> RMB'000	<i>Patents</i> RMB'000	<i>Trademarks</i> RMB'000	<i>Total</i> RMB'000
Cost:				
At 1 January 2005	22,420	3,439	7,727	33,586
Addition	-	22,207	-	22,207
Disposals	(15,315)	-	-	(15,315)
Exchange adjustments	(256)	(408)	-	(664)
At 31 December 2005	6,849	25,238	7,727	39,814
	=====	=====	=====	=====
At 1 January 2006	6,849	25,238	7,727	39,814
Addition	135	141	-	276
Additions through acquisitions of subsidiaries (note 3)	327	-	-	327
Exchange adjustments	(55)	(211)	-	(266)
At 30 June 2006	7,256	25,168	7,727	40,151
	=====	=====	=====	=====
Accumulated amortisation:				
At 1 January 2005	18,368	1,717	3,631	23,716
Charge for the year	1,295	708	942	2,945
Disposals	(15,315)	-	-	(15,315)
Exchange adjustments	(181)	-	-	(181)
At 31 December 2005	4,167	2,425	4,573	11,165
	=====	=====	=====	=====
At 1 January 2006	4,167	2,425	4,573	11,165
Charge for the period	17	1,164	470	1,651
Exchange adjustments	(13)	(21)	-	(34)
At 30 June 2006	4,171	3,568	5,043	12,782
	=====	=====	=====	=====
Net book value:				
At 30 June 2006	3,085	21,600	2,684	27,369
	=====	=====	=====	=====
At 31 December 2005	2,682	22,813	3,154	28,649
	=====	=====	=====	=====

The amortisation charge for the period is included in “other operating expenses” in the consolidated income statement.

17 Goodwill

	<i>Goodwill</i> RMB'000	<i>Negative goodwill</i> RMB'000	<i>Total</i> RMB'000
Cost:			
At 1 January 2005 before opening balance adjustment	213,265	(57,063)	156,202
Opening balance adjustment in respect of IFRS 3			
- Derecognition of negative goodwill	-	13,250	13,250
- Elimination of accumulated amortisation	<u>(119,018)</u>	<u>43,813</u>	<u>(75,205)</u>
At 1 January 2005 after opening balance adjustment	94,247	-	94,247
Acquisitions through business combinations	27,904	-	27,904
Exchange adjustments	<u>(5,919)</u>	<u>-</u>	<u>(5,919)</u>
At 31 December 2005	116,232	-	116,232
	=====	=====	=====
At 1 January 2006	116,232	-	116,232
Acquisitions through business combinations	<u>140,967</u>	<u>-</u>	<u>140,967</u>
Exchange adjustments	<u>(1,934)</u>	<u>-</u>	<u>(1,934)</u>
At 30 June 2006	<u>255,265</u>	<u>-</u>	<u>255,265</u>
	=====	=====	=====
Accumulated amortisation and impairment losses:			
At 1 January 2005 before opening balance adjustment	119,018	(43,813)	75,205
Opening balance adjustment in respect of IFRS 3			
- Elimination of accumulated amortisation	<u>(119,018)</u>	<u>43,813</u>	<u>(75,205)</u>
At 1 January 2005 after opening balance adjustment	-	-	-
Impairment losses	14,447	-	14,447
Exchange adjustments	<u>(3,283)</u>	<u>-</u>	<u>(3,283)</u>
At 31 December 2005	11,164	-	11,164
	=====	=====	=====
At 1 January 2006	11,164	-	11,164
Impairment losses for the period	55,938	-	55,938
Exchange adjustments	<u>(447)</u>	<u>-</u>	<u>(447)</u>
At 30 June 2006	<u>66,655</u>	<u>-</u>	<u>66,655</u>
	=====	=====	=====
Carrying amount:			
At 30 June 2006	188,610	-	188,610
	=====	=====	=====
At 31 December 2005	105,068	-	105,068
	=====	=====	=====

17 Goodwill (continued)

In accordance with the transitional provisions set out in IFRS 3 Business Combination, the accumulated amortisation of positive goodwill as at 1 January 2005 has been eliminated against the cost of goodwill as at that date. In addition, the carrying value of negative goodwill brought forward from 31 December 2004 has been derecognised as at 1 January 2005, with a corresponding adjustment to the opening balance of retained profits as at that date.

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to the business segment as follows:

	<i>At</i> <i>30 June</i> <i>2006</i> RMB'000	<i>At</i> <i>31 December</i> <i>2005</i> RMB'000 (audited)
Containers	144,145	74,437
Trailers	<u>44,465</u>	<u>30,631</u>
	188,610 =====	105,068 =====

Containers / trailers

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use actual operation data for the six month ended 30 June 2006, actual averaged gross margin rate and growth rate over the previous five years, and pre-tax market rate for discounting as the key parameters stated below.

Key parameters used for value-in-use calculations:

	<i>At</i> <i>30 June</i> <i>2006</i> %	<i>At</i> <i>31 December</i> <i>2005</i> %
- Gross margin	13.50%	13.50%
- Growth rate	12.00%	12.00%
- Discount rate	5.85%	5.85%

The impairment loss recognised during the period relates to the Group's container manufacturing activities based in the PRC. As the CGU has been reduced to its recoverable amount, any adverse change in the parameters used in the calculation of recoverable amount would cause the carrying value to be less than the recoverable amount.

18 Interest in associates

	At 30 June 2006 RMB'000	At 31 December 2005 RMB'000 (audited)
Unlisted associates		
Share of net assets	106,884	119,518
Goodwill	6,292	8,438
Loans to an associate	<u>31,500</u>	<u>31,500</u>
	144,676	159,456
	=====	=====

Loans to an associate are unsecured, interest-free and expected to be recovered in one year.

The following list contains only the particulars of associates, all of which are unlisted corporate entities, which principally affected the results or assets of the Group:

<i>Name of associate</i>	<i>Place of establishment/ incorporation /operation</i>	<i>Proportion of ownership interest held by subsidiary</i>	<i>Principal activity</i>
KYH Steel Holdings Limited (“KYH”)	The British Virgin Islands / Hong Kong	31.83%	Investment holding with subsidiaries principally engaged in trading of steel products
Jiangmen CIMC Skyspace Real Estate Co., Ltd. (“JMSR”)	PRC	45%	Property development
Yangzhou Maxi-Cube Tong Composites Material Co., Ltd. (“YMTC”)	PRC	37.77%	Manufacturing and sales of composite materials for vehicle products
Dalian Jilong Logistics Co., Ltd.	PRC	30%	Container handling, storage and related services
Xiamen CIMC Hai Tou Logistics Co., Ltd.	PRC	45%	Container handling, storage and related services
Ningbo Donghua Container Service Co., Ltd.	PRC	21%	Container handling, storage and related services

18 Interest in associates (continued)

Summary financial information on associates

	Assets RMB'000	Liabilities RMB'000	Equity RMB'000
At 30 June 2006			
100 per cent	712,847	(394,392)	318,455
Group's effective interest	245,697	(138,813)	106,884
	=====	=====	=====
At 31 December 2005			
100 per cent	756,040	(397,506)	358,534
Group's effective interest	256,387	(136,869)	119,518
	=====	=====	=====

For the six months ended 30 June

	Revenues RMB'000	Profit RMB'000
2006		
100 per cent	718,506	24,412
Group's effective interest	234,541	8,272
	=====	=====
2005		
100 per cent	539,401	12,892
Group's effective interest	176,902	4,916
	=====	=====

19 Finance lease receivable

The Group has the following interests in finance lease:

	At 30 June 2006 RMB'000	At 31 December 2005 RMB'000 (audited)
Gross investment	86,521	92,771
Unearned finance income	<u>(15,566)</u>	<u>(17,574)</u>
Net investment	70,955	75,197
Current portion (note 24)	<u>(7,297)</u>	<u>(7,185)</u>
	63,658	68,012
Unguaranteed residual values	<u>(6)</u>	<u>(6)</u>
	63,652	68,006
	=====	=====

19 Finance lease receivable (continued)

The finance lease receivable is as follows:

	Minimum lease payments at 30 June 2006 RMB'000	Interest at 30 June 2006 RMB'000	Principal at 30 June 2006 RMB'000	Minimum lease payments at 31 Dec 2005 RMB'000	Interest at 31 Dec 2005 RMB'000	Principal at 31 Dec 2005 RMB'000
Less than one year	10,704	3,407	7,297	10,807	3,622	7,185
Between one and five years	42,811	9,665	33,146	43,230	10,590	32,640
More than five years	<u>33,000</u>	<u>2,494</u>	<u>30,506</u>	<u>38,728</u>	<u>3,362</u>	<u>35,366</u>
	86,515	15,566	70,949	92,765	17,574	75,191
	=====	=====	=====	=====	=====	=====

The Group's interest in finance lease represents lease of containers to third party, which has been classified as finance, rather than operating leases under IAS 17. The lease terms are for periods of 10 years where substantially all the risks and rewards lie with the lessee. Where the Group enters into such a lease, the Group records a disposal of the containers concerned and recognises an interest in the subsequent finance lease. No contingent rent is receivable.

20 Prepayment for investments

Prepayment for investments in 2005 represented proceeds prepaid by the Group for certain investments which have not been completed at balance sheet date.

21 Other non-current financial assets

	At 30 June 2006 RMB'000	At 31 December 2005 RMB'000 (audited)
<i>Available-for-sale equity securities, at cost less impairment losses</i>		
Unlisted equity securities	283,899	270,469
<i>Car / housing loans to staff / senior management, at amortised cost</i>		
	<u>24,162</u>	<u>21,067</u>
	308,061	291,536
	=====	=====
		=

The car / housing loans are unsecured, interest free and to be settled within 5 years after 30 June 2006.

22 Trading securities

	At 30 June 2006 RMB'000	At 31 December 2005 RMB'000 (audited)
Trading securities (at market value)		
Listed equity securities		
- in PRC	233,495	149,792
- in Hong Kong	<u>61,246</u>	<u>269,609</u>
	294,741	419,401
	=====	=====

23 Inventories

(a) Inventories in the consolidated balance sheet comprise:

	At 30 June 2006 RMB'000	At 31 December 2005 RMB'000 (audited)
Container, trailer, airport support equipment manufacturing and timber logging and trading		
Raw materials	3,416,973	1,941,608
Work in progress	477,487	399,435
Finished goods	1,231,110	819,246
Spare parts and consumables	<u>60,343</u>	<u>48,609</u>
	5,185,913	3,208,898
	-----	-----
Property development		
Property under development for sale	231,826	183,764
Completed property held for sale	<u>12,526</u>	<u>42,519</u>
	244,352	226,283
	-----	-----
	5,430,265	3,435,181
	=====	=====

The carrying value of PRC land use right held for property development for sale already included in the carrying value of inventories, of which the relevant lease period is 70 years, amounted to RMB144 million (2005: RMB114 million).

At 30 June 2006, property under development for sale with a carrying amount of RMB169,442,000 (2005: Nil) was secured for a bank loan (note 27).

23 Inventories (continued)

(b) The analysis of the amount of inventories recognised as an expense is as follows:

	<i>Six months ended 30 June</i>	
	<i>2006</i>	<i>2005</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount of inventories sold	12,774,214	14,749,535
Write down of inventories	4,123	1,255
Reversal of write-down of inventories	<u>(247,371)</u>	<u>(686)</u>
	12,530,966	14,750,104
	=====	=====

The reversal of write-down of inventories made in prior years arose due to subsequent sale of inventories.

The amount of properties under development expected to be recovered after more than one year is RMB162 million (2005: RMB129 million). All of the other inventories are expected to be recovered within one year.

24 Trade and other receivables

	<i>At</i>	<i>At</i>
	<i>30 June</i>	<i>31 December</i>
	<i>2006</i>	<i>2005</i>
	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(audited)</i>
Trade receivables	5,391,498	3,446,478
Finance lease receivable – current portion (note 19)	7,297	7,185
Deposits, prepayments and other receivables	<u>1,797,964</u>	<u>956,031</u>
	7,196,759	4,409,694
	=====	=====
		=

All of the trade and other receivables, apart from rental and utility deposits of RMB18 million (2005: RMB12 million), are expected to be recovered within one year.

The Group's credit policy is set out in note 32(a).

24 Trade and other receivables (continued)

Included in trade and other receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

		<i>At</i> <i>30 June</i> <i>2006</i> <i>'000</i>		<i>At</i> <i>31 December</i> <i>2005</i> <i>'000</i> (audited)
Renminbi	RMB	629,723	RMB	473,348
United States Dollars	USD	58,569	USD	42,209
Hong Kong Dollars	HKD	19,547	HKD	16,018
Japanese Yen	JPY	578,787	JPY	583,517
Euros	EUR	1,077	EUR	348
		=====		=====

25 Cash and cash equivalents

	<i>At</i> <i>30 June</i> <i>2006</i> RMB'000	<i>At</i> <i>31 December</i> <i>2005</i> RMB'000 (audited)
Deposits with banks and other financial institutions	334,903	58,952
Cash at bank and in hand	<u>3,427,873</u>	<u>2,769,271</u>
Cash and cash equivalents in the consolidated balance sheet and consolidated cash flow statement	3,762,776 =====	2,828,223 =====

Included in cash and cash equivalents in the consolidated balance sheet are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

		<i>At</i> <i>30 June</i> <i>2006</i> <i>'000</i>		<i>At</i> <i>31 December</i> <i>2005</i> <i>'000</i> (audited)
Renminbi	RMB	842,748	RMB	907,149
United States Dollars	USD	37,293	USD	24,802
Hong Kong Dollars	HKD	2,557	HKD	2,252
Japanese Yen	JPY	1,321,053	JPY	1,333,979
Australian Dollars	AUD	1,682	AUD	1,571
Euros	EUR	809	EUR	20,364
		=====		=====

26 Trade and other payables

	<i>At</i> <i>30 June</i> <i>2006</i> RMB'000	<i>At</i> <i>31 December</i> <i>2005</i> RMB'000 (audited)
Trade payables	4,119,213	2,395,121
Other payables and accruals	1,264,399	871,901
Staff salary and bonus payable	871,779	1,025,050
Deposits received	323,915	190,589
Bills payable	1,962,058	408,378
Dividend payable	<u>766,447</u>	<u>-</u>
	9,307,811	4,891,039
	=====	=====

All of the other trade and other payables are expected to be settled within one year.

Included in trade and other payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

		<i>At</i> <i>30 June</i> <i>2006</i> '000		<i>At</i> <i>31 December</i> <i>2005</i> '000 (audited)
Renminbi	RMB	1,615,218	RMB	1,295,310
United States Dollars	USD	17,970	USD	29,435
Hong Kong Dollars	HKD	6,488	HKD	2,497
Japanese Yen	JPY	256	JPY	8,546
Euros	EUR	861	EUR	171
		=====		=====

27 Bank loans

At 30 June 2006, the bank loans were repayable as follows:

	<i>At</i> <i>30 June</i> <i>2006</i> RMB'000	<i>At</i> <i>31 December</i> <i>2005</i> RMB'000 (audited)
Within 1 year or on demand	1,597,888	501,520
After 1 year but within 2 years	368,000	419,650
After 2 year but within 5 years	66,000	16,000
	434,000	435,650
	2,031,888	937,170
	=====	=====

At 30 June 2006, bank loans of RMB174,845,000 (2005: RMB116,948,000) were secured by mortgage over the Group's land use rights, buildings and property under development for sale with a total carrying value of RMB 227,751,000 (notes 12(c) & 23) (2005: buildings of RMB23,408,000).

Included in bank loans are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	<i>At</i> <i>30 June</i> <i>2006</i> '000	<i>At</i> <i>31 December</i> <i>2005</i> '000 (audited)
Renminbi	RMB 904,050	RMB 8,500
United States dollars	USD 141,107	USD 11,075
	=====	=====

Interest rates are within the range of 3.39% to 6.25% per annum (2005: 2.57% to 6.12% per annum).

Part of the Group's bank loans totalling USD25,500,000 (equivalent to RMB203,796,000) are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the bank loans would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 32(b). As at 30 June 2006 none of the covenants relating to bank loans had been breached (2005: None).

28 Income tax in the consolidated balance sheet

(a) Current taxation in the consolidated balance sheet represents:

	<i>At</i> <i>30 June</i> <i>2006</i> RMB'000	<i>At</i> <i>31 December</i> <i>2005</i> RMB'000 (audited)
Provision for income tax for the period	109,334	305,369
Over-provision in respect of the prior years	(37,623)	(45,295)
Additions through acquisitions of subsidiaries (note 3)	834	6
Provisional income tax paid	(1,949)	(129,913)
Exchange adjustments	<u>(424)</u>	<u>(965)</u>
	70,172	129,202
	=====	=====

28 Income tax in the consolidated balance sheet (continued)

(b) Deferred tax assets recognised:

The components of deferred tax assets recognised in the consolidated balance sheet and the movements during the period are as follows:

Deferred tax arising from:	Revaluation and impairment losses for property, plant and equipment RMB'000	Write down of inventories RMB'000	Impairment losses for bad and doubtful debts RMB'000	Allowance for salary and bonus RMB'000	Tax losses RMB,000	Others RMB'000	Total RMB'000
At 1 January 2005	9,228	2,320	14,119	95	21,535	5,076	52,373
(Charged) / credited to profit or loss	(1,888)	25,582	(6,869)	15,044	642	2,939	35,450
Exchange adjustment	(199)	(530)	(231)	(280)	(557)	(183)	(1,980)
At 31 December 2005	7,141	27,372	7,019	14,859	21,620	7,832	85,843
	=====	=====	=====	=====	=====	=====	=====
At 1 January 2006	7,141	27,372	7,019	14,859	21,620	7,832	85,843
(Charged) / credited to profit or loss	(186)	(25,866)	2,933	3,755	(5,044)	1,101	(23,307)
Exchange adjustment	(60)	(123)	(91)	(165)	(182)	(83)	(704)
At 30 June 2006	6,895	1,383	9,861	18,449	16,394	8,850	61,832
	=====	=====	=====	=====	=====	=====	=====

28 Income tax in the consolidated balance sheet (continued)

(c) Deferred tax assets not recognised

	<i>At 30 June 2006 RMB'000</i>	<i>At 31 December 2005 RMB'000 (audited)</i>
Tax losses	84,428	103,987
Deductible temporary differences		
- Impairment losses of timber concession rights	67,638	70,076
- Impairment losses of prepayment for investments	1,713	1,754
- Allowance for salary and bonus	<u>48,119</u>	<u>49,530</u>
	201,898	225,347
	=====	=====

The above-mentioned deferred tax assets relating to unutilised tax losses and deductible temporary differences have not been recognised as it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

The tax losses in respect of the Company's PRC subsidiaries expire in 2008, 2009, 2010 and 2011. The tax losses in respect of certain overseas subsidiaries expire in 2024 and 2025. The deductible temporary differences do not expire under current tax legislation.

29 Provisions

	<i>Warranties RMB'000</i>
At 1 January 2006	552,086
Net additional provisions made	49,020
Addition through acquisition of subsidiary (note 3)	20,778
Provisions utilised	(21,662)
Exchange adjustments	<u>(5,317)</u>
At 30 June 2006	594,905
	=====

The provision for warranties mainly relates to containers sold within the three years prior to the balance sheet date. The management consider that the provision is based on estimates made from historical warranty data associated with similar products.

30 Share capital

(a) Authorised, issued and paid up capital

	At 30 June 2006 RMB'000	At 31 December 2005 RMB'000 (audited)
<i>Authorised, issued and paid up capital</i>		
360,143,203 legal person shares (2005: 327,402,912 shares) of RMB1 each	360,143	327,403
666,453,082 "A" shares (2005: 605,866,438 shares) of RMB1 each	666,453	605,867
1,192,067,091 "B" shares (2005: 1,083,697,356 shares) of RMB1 each	<u>1,192,067</u>	<u>1,083,697</u>
	2,218,663	2,016,967
	=====	=====

Movement in authorised, issued and paid up capital is as follows:

	At 30 June 2006 RMB'000	At 31 December 2005 RMB'000 (audited)
<i>Authorised, issued and paid up capital</i>		
At 1 January	2,016,967	1,008,483
Capitalisation issue	<u>201,696</u>	<u>1,008,484</u>
At 30 June	2,218,663	2,016,967
	=====	=====

The holders of all the shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

30 Share capital (continued)

(b) Capitalisation issue

Pursuant to a resolution passed at the directors' meeting on 2 March 2005 and approved at the Annual General Meeting on 8 April 2005, the Company increased its share capital from RMB1,008.5 million to RMB2,017.0 million through capitalisation of share premium amounting to RMB1,008.5 million.

Pursuant to a resolution passed at the directors' meeting on 16 March 2006 and approved at the Annual General Meeting on 30 June 2006, the Company increased its share capital from RMB2,017.0 million to RMB2,218.7 million through capitalisation of share premium amounting to RMB201.7 million.

31 Reserves

(a) Share premium

The application of the share premium account is governed by Article 169 of the Company Law of the PRC.

(b) Surplus reserve

Surplus reserve comprises a statutory surplus reserve of RMB1,474,215,000 (2005: RMB940,042,000) and a discretionary surplus reserve of RMB2,316,383,000 (2005: RMB3,050,900,000).

According to the Company's articles of association, the Company is required to transfer not less than 10% of its profit after taxation to the statutory surplus reserve until the surplus reaches 50% of the registered capital. For the purpose of calculating the transfer to reserve, the profit after taxation shall be the amount determined under PRC accounting rules and regulations. The transfer to this reserve must be made before distribution of dividend to shareholders.

Statutory surplus reserve can be used to make good previous years' losses, if any, and for capitalisation issue provided that the balance after such issue is not less than 25% of the registered capital.

The transfer to discretionary surplus reserve from the retained profits is subject to the approval of shareholders at general meetings. Its usage is similar to that of statutory surplus reserve.

(c) Statutory public welfare fund

Pursuant to the revised Company Law of the PRC, the Company is not required by law to make appropriations to statutory public welfare fund commencing from 1 January 2006. The balances of the statutory public welfare fund as at 1 January 2006 were transferred to surplus reserve.

32 Financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. The credit evaluations are reperformed periodically for the existing customers. The Group chases the customers to settle outstanding balances and monitors the settlement progress on an ongoing basis. Normally, the Group does not obtain collateral from customers. The impairment losses on bad and doubtful accounts are within management's expectation.

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer terms.

(c) Interest rate risk

The Group borrowed bank loans denominated in US dollars at interest rates of USD LIBOR plus certain range of percentages.

To manage this interest rate risk, the Group uses interest rate swap. The swap matures every three months over the next year and has fixed swap rates at 5.68% per annum. At 30 June 2006, the Group has interest rate swap with a notional contract amount of USD 26,000,000 (2005: USD188,400,000).

The Group classifies interest rate swap as trading derivative financial instrument and states it at fair value in accordance with the policy set out in note 2(g).

The interest rates and terms of repayment of bank loans of the Group are disclosed in note 27 of the consolidated financial statements.

(d) Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales, purchases and borrowings that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Renminbi, United States dollars, Hong Kong dollars, Euros and Japanese Yen.

To manage this foreign currency risk, the Group uses currency swap. The swap matures every six months over the next 3 years at a certain conversion rate of US dollars against Japanese Yen. At 30 June 2006, the Group has currency swap with a notional contract amount of USD 27,000,000 (2005: Nil).

32 Financial instruments (continued)

(d) Foreign currency risk (continued)

In respect of other trade receivables and payables held in currencies other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

Most of the Group's borrowings are denominated in the functional currency of the entity taking out the loan.

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 30 June 2006 and 31 December 2005.

(f) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments as mentioned in 32 (e) above.

(i) Securities

Fair value is based on quoted market price at the balance sheet date without any deduction for transaction costs.

(ii) Derivatives

The fair values of interest rate swap and currency swap are based on broker quotes. Those quotes are back tested using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for similar instruments having a similar maturity at the balance sheet date. Where other pricing models are used, inputs are based on market related data at the balance sheet date.

(iii) Bank loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

32 Financial instruments (continued)

(iv) Interest rates used for determining fair value

The Group uses the market rate of similar interest-bearing bank loans announced by the People's Bank of China and USD LIBOR-BBA as of 30 June 2006 to discount financial instruments. The interest rates used are as follows:

	At 30 June 2006	At 31 December 2005
Derivatives	5.93%	4.98%
Receivables	0.72%-5.48%	0.72%-4.54%
Loans and borrowings	3.38%-6.03%	3.56%-5.76%

33 Commitments

(a) Capital commitments outstanding not provided for in the consolidated financial statements were as follows:

At 30 June 2006, the Group had contractual commitments for the acquisitions of property, plant and equipment amounting to RMB103,019,000 (2005: RMB223,626,000).

(b) At 30 June 2006, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2006 RMB'000	At 31 December 2005 RMB'000 (audited)
Within 1 year	43,429	34,308
After 1 year but within 5 years	81,805	94,856
After 5 years	<u>50,388</u>	<u>53,641</u>
	175,622	182,805
	=====	=====

The Group leases certain pieces of land, a number of offices, and a factory under operating leases. The leases run for an initial period between 1 to 50 years, with an option to renew the lease after the expiry date. None of the leases includes contingent rentals.

34 Contingent liabilities

At 30 June 2006, the Group had bills issued to suppliers totalling RMB1,091 million with maturity dates ranging from 4 days to 96 days in respect of purchase orders placed but the goods yet to be delivered (2005: RMB513 million).

This kind of bills payable represents contingent liability of the Group. The obligation to settle the bills will arise only when the goods are delivered. A bill is recognised as a liability upon the delivery of the goods by the suppliers or the maturity of the bill, whichever is earlier.

35 Material related party transactions

(a) The Group has undertaken transactions with the following related parties for the six months period ended 30 June 2006:

	<i>Relationship With the Company</i>	<i>Six months ended 30 June</i>	
		<i>2006</i> RMB'000	<i>2005</i> RMB'000
Sale of containers to Florens Container Services Company Limited ("Florens")	Subsidiary of shareholder	694,608	264,148
Sale of trailers to COSCO North America, Inc. ("COSCO North America")	Subsidiary of shareholder	76,961	127,474
Purchase of raw materials from Hempel-Hai Hong Coatings Company Limited ("Hempel")	Subsidiary of shareholder	264,283	351,652
Purchase of raw materials from YMTC	Associate	852	-
Purchase of steel products from KYH	Associate	61	124,959
Loan to JMSR	Associate	-	18,000
		=====	=====

The directors are of the opinion that these transactions were concluded based on normal commercial terms in the ordinary course of business of the Group and were entered into in accordance with the relevant agreements.

35 Material related party transactions (continued)

(b) Details of the balances with other related parties were as follows:

	At 30 June 2006 RMB'000	At 31 December 2005 RMB'000 (audited)
Amount due from Florens	404,749	118,089
Amount due from COSCO North America	50,509	38,291
Amount due to Hempel	221,322	264,622
Amount due to KYH	484	476
Amount due to YMTC	32	180
Loans to JMSR	31,500	31,500
	=====	=====

(c) Details of key management personnel compensation is disclosed in note 8.

(d) As stipulated by the regulation of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at rates ranging from 10% to 30% of the salaries of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above. The Group's contributions for the six month ended 30 June 2006 were RMB67,791,000 (2005: RMB51,372,000).

36 Subsidiaries

Details of the Company's principal subsidiaries at 30 June 2006, all of which are unlisted, are as follows:

<i>Name of the company</i>	<i>Place of establishment/ incorporation and operation</i>	<i>Particulars of issued and paid up capital</i>	<i>Proportion of ownership interest</i>			<i>Principal activity</i>
			<i>Group's effective interest</i>	<i>Held by the Company</i>	<i>Held by subsidiaries</i>	
CIMC (Shanghai) Development Limited	PRC	RMB 150,000,000	100%	98%	2%	Investment holding
Shenzhen Southern Zhongji Containers Manufacture Co., Ltd.	PRC	US\$ 16,600,000	100%	75%	25%	Manufacture of containers
Shenzhen CIMC Real Estate Co., Ltd.	PRC	RMB50,000,000	100%	98%	2%	Property development
China International Marine Containers (Hong Kong) Limited	Hong Kong	HK\$2,000,000	100%	100%	-	Trading of containers and investment holding
CIMC Tank Equipment Investment Holdings Co., Ltd.	Hong Kong	HK\$4,680,000	100%	-	100%	Investment holding
CIMC Holdings (B.V.I.) Limited	The British Virgin Islands	US\$34,001	100%	-	100%	Investment holding
Tacoba Consultant N.V.	Republic of Suriname	SF3,000,000	100%	-	100%	Timber logging and trading
Xinhui CIMC Container Flooring Co., Ltd.	PRC	US\$15,500,000	100%	-	100%	Further processing of timber
Qingdao CIMC Container Manufacture Co., Ltd.	PRC	US\$27,840,000	100%	32.83%	67.17%	Manufacture of containers
Qingdao CIMC Reefer Container Manufacture Co., Ltd.	PRC	US\$39,060,000	89.30%	21.07%	68.23%	Manufacture of containers
Shanghai CIMC Reefer Containers Co., Ltd.	PRC	US\$31,000,000	72%	52%	20%	Manufacture of containers
Tianjin CIMC North Ocean Container Co., Ltd.	PRC	US\$16,682,000	77.50%	47.50%	30.00%	Manufacture of containers
Nantong CIMC – Smooth Sail Container Co., Ltd.	PRC	US\$7,700,000	71%	-	71%	Manufacture of containers
Nantong CIMC Special Transportation Equipment Manufacture Co., Ltd.	PRC	US\$10,000,000	71%	-	71%	Manufacture of containers

36 Subsidiaries (continued)

<i>Name of the company</i>	<i>Place of establishment/ incorporation and operation</i>	<i>Particulars of issued and paid up capital</i>	<i>Proportion of ownership interest</i>			<i>Principal activity</i>
			<i>Group's effective interest</i>	<i>Held by the Company</i>	<i>Held by subsidiaries</i>	
CIMC Vehicle Group Co., Ltd.	PRC	US\$60,000,000	100%	70%	30%	Investment holding
Shenzhen CIMC – Tianda Airport Support Ltd.	PRC	US\$13,500,000	94%	24%	70%	Manufacture of airport ground facilities
Shanghai CIMC Far East Container Co., Ltd.	PRC	US\$9,480,000	52.5%	47.5%	5%	Manufacture of containers
Shanghai Yulan Property Development Co., Ltd.	PRC	RMB5,000,000	100%	-	100%	Property Development
Shanghai Fengyang Property Development Co., Ltd.	PRC	RMB30,000,000	100%	-	100%	Property Development
Xinhui CIMC Container Co., Ltd.	PRC	US\$24,000,000	60%	20%	40%	Manufacture of containers
Shenzhen CIMC Wood Co., Ltd.	PRC	RMB5,000,000	100%	-	100%	Trading of timber
CIMC USA Inc.	The U.S.A.	US\$10	100%	100%	-	Investment holding
Manson Technology Limited	Hong Kong	HK\$10,000	100%	-	100%	Investment holding
Xinhui CIMC Special Transportation Equipment Manufacture Co., Ltd.	PRC	US\$ 9,000,000	100%	75%	25%	Manufacture of containers
Shanghai CIMC Baowell Industries Co., Ltd. (note)	PRC	US\$28,500,000	47.37%	35.37%	12%	Manufacture of containers
Nantong CIMC Tank Equipment Co., Ltd.	PRC	US\$10,000,000	100%	-	100%	Manufacture of containers
Vanguard National Trailer Corporation	The U.S.A.	US\$10	100%	-	100%	Manufacture of trailers
Zhangzhou CIMC Container Co., Ltd.	PRC	US\$12,000,000	100%	75%	25%	Manufacture of containers
Dalian CIMC Container Co., Ltd.	PRC	US\$17,400,000	100%	33.33%	66.67%	Manufacture of containers
Ningbo CIMC Logistic Equipment Co., Ltd.	PRC	US\$15,000,000	100%	25%	75%	Manufacture of containers

36 Subsidiaries (continued)

<i>Name of the company</i>	<i>Place of establishment/ incorporation and operation</i>	<i>Particulars of issued and paid up capital</i>	<i>Proportion of ownership interest</i>			<i>Principal activity</i>
			<i>Group's effective interest</i>	<i>Held by the Company</i>	<i>Held by subsidiaries</i>	
CIMC Vehicle (Shandong) Co., Ltd.	PRC	USD 18,930,100	87.01%	-	87.01%	Manufacture of trailers
Yangzhou Xing Hua Machinery Co., Ltd.	PRC	RMB9,910,000	75.53%	-	75.53%	Manufacture of trailers
Shenzhen CIMC Vehicle Sales Company Ltd.	PRC	RMB3,000,000	100%	1%	99%	Sales of trailers
CIMC Vehicle Investment Holdings Co., Ltd.	The British Virgin Islands	US\$1	100%	-	100%	Investment holding
Qingdao CIMC Special Reefer Co., Ltd.	PRC	US\$11,500,000	100%	17.30%	82.7%	Manufacture of containers
Taicang CIMC Containers Co., Ltd.	PRC	US\$20,000,000	100%	50%	50%	Manufacture of containers
Qingdao CIMC Special Vehicles Co., Ltd.	PRC	RMB35,000,000	100%	-	100%	Manufacture of trailers
Zhangjiagang CIMC Shendayin Machinery Co., Ltd.	PRC	RMB144,862,042	97.05%	-	97.05%	Design, manufacture and sales of tanks and related equipment
Shenzhen CIMC Special Vehicle Co., Ltd.	PRC	RMB60,000,000	100%	-	100%	Manufacture of trailers
Guangdong Xinhui CIMC Composite Material Co., Ltd.	PRC	US\$6,000,000	100%	-	100%	Further processing of timber
Zhumadian CIMC Huajun Vehicle Co., Ltd.	PRC	RMB105,340,000	75%	-	75%	Manufacture and sales of trailers
Shanghai Meiyang Real Estate Co., Ltd.	PRC	RMB9,000,000	100%	-	100%	Property development
Dalian CIMC Logistics Equipment Co., Ltd.	PRC	US\$4,000,000	100%	50%	50%	Manufacture of containers
Innermongolia Holonbuir CIMC Wood Co., Ltd.	PRC	US\$12,000,000	100%	-	100%	Further processing of timber
CIMC Australia Pty Ltd.	Australia	AUD50,000	100%	-	100%	Trading of container and related products

36 Subsidiaries (continued)

<i>Name of the company</i>	<i>Place of establishment/ incorporation and operation</i>	<i>Particulars of issued and paid up capital</i>	<i>Proportion of ownership interest</i>			<i>Principal activity</i>
			<i>Group's effective interest</i>	<i>Held by the Company</i>	<i>Held by subsidiaries</i>	
Yangzhou CIMC Tong Hua Special Vehicles Co., Ltd.	PRC	RMB67,390,000	75.53%	-	75.53%	Manufacture of trailers
Shenzhen Southern CIMC Eastern Logistics Equipment Manufacturing Co., Ltd.	PRC	US\$16,600,000	100%	75%	25%	Manufacture of containers
Tianjin CIMC Logistics Equipment Co., Ltd.	PRC	US\$5,000,000	100%	50%	50%	Manufacture of containers
Tianjin CIMC Container Co., Ltd.	PRC	US\$8,045,346	100%	100%	-	Manufacture of containers
Shanghai CIMC Yangshan Logistics Equipment Co., Ltd.	PRC	US\$20,000,000	100%	60%	40%	Manufacture of containers
Yangzhou Runyang Logistic Equipment Co., Ltd.	PRC	US\$5,000,000	100%	-	100%	Manufacture of containers
Yangzhou Xincheng Tonghua Trailers Spare-parts Co., Ltd.	PRC	RMB500,000	98%	-	98%	Sales of trailer spare parts
Yangzhou CIMC Tonghua Tank Equipment Co., Ltd.	PRC	US\$10,000,000	100%	-	100%	Manufacture and sales of trailers
Shanghai CIMC Vehicle Logistics Equipments Co., Ltd.	PRC	RMB80,000,000	98%	-	98%	Manufacture of mechanical products and provision for logistics and related services
Qingdao Hengfeng Logistics Co., Ltd.	PRC	RMB20,000,000	80%	-	80%	Provision of container storage and related services
Shanghai CIMC Yangshan Container Service Co., Ltd.	PRC	US\$750,000	100%	-	100%	Provision for logistics, repair and maintenance, and related services

36 Subsidiaries (continued)

<i>Name of the company</i>	<i>Place of establishment/ incorporation and operation</i>	<i>Particulars of issued and paid up capital</i>	<i>Proportion of ownership interest</i>			<i>Principal activity</i>
			<i>Group's effective interest</i>	<i>Held by the Company</i>	<i>Held by subsidiaries</i>	
Shanghai CIMC Logistics and Services Co., Ltd.	PRC	RMB500,000	98%	-	98%	Storage and transportation
Shenzhen Southern CIMC Containers Service Co., Ltd.	PRC	US\$5,000,000	100%	-	100%	Provision for logistics, maintenance and repair, and related services
Clive-Smith Cowley Ltd.	England	GBP100	60%	-	60%	Manufacture and sales of container components
Shenzhen CIMC Yantian Port Container Service Co., Ltd.	PRC	RMB12,000,000	55%	-	55%	Provision for logistics, maintenance and repair, and related services
Ningbo CIMC Logistics Co., Ltd.	PRC	RMB20,425,616	100%	-	100%	Provision for logistics, maintenance and repair, and related services
Creation Charter Limited	Hong Kong	HK\$2	100%	-	100%	Investment holding
Qingdao CIMC Yulong Logistics Co., Ltd.	PRC	RMB28,780,000	100%	-	100%	Provision for logistics, maintenance and repair, and related services
Polyearn Development Corp.	The British Virgin Islands	US\$1	100%	-	100%	Investment holding
Speedic Enterprise Corp.	The British Virgin Islands	US\$1	100%	-	100%	Investment holding
Goldbird Holding Inc.	The British Virgin Islands	US\$1	100%	-	100%	Investment holding
Shanghai CIMC Vehicle Testing Co., Ltd.	PRC	RMB1,130,000	98%	-	98%	Vehicle testing and related service
Dalian CIMC Special Transportation Equipment Co., Ltd.	PRC	USD1,500,000	100%	-	100%	Manufacture of containers

36 Subsidiaries (continued)

<i>Name of the company</i>	<i>Place of establishment/ incorporation and operation</i>	<i>Particulars of issued and paid up capital</i>	<i>Proportion of ownership interest</i>			<i>Principal activity</i>
			<i>Group's effective interest</i>	<i>Held by the Company</i>	<i>Held by subsidiaries</i>	
Beijing CIMC Vehicle Logistic Equipment Co., Ltd	PRC	RMB20,000,000	100%	-	100%	Manufacture of mechanical products and provision for logistics and related services
Shanghai Vehicle Sales Co., Ltd.	PRC	RMB5,000,000	98%	-	98%	Sales of trailers
Beijing Vehicle Sales Co., Ltd.	PRC	RMB5,000,000	98%	-	98%	Sales of trailers
Jiaxing CIMC Wood Co., Ltd.	PRC	USD5,000,000	100%	-	100%	Further processing of timber
Yangzhou Tonglee Reefer Container Co., Ltd.	PRC	USD8,000,000	51%	-	51%	Manufacture of containers
CIMC Vehicle (Liaoning) Co., Ltd.	PRC	RMB40,000,000	100%	-	100%	Manufacture of mechanical products and provision for logistics and related services
Donghua Container Transportation Service Co., Ltd.	PRC	RMB22,845,075	70%	-	70%	Provision for logistics and related services
Shanghai Dunhua Container Co., Ltd.	PRC	RMB6,000,000	63%	-	63%	Provision for logistics and related services

Note: The financial statements of Shanghai CIMC Baowell Industries Co., Ltd. are consolidated in the consolidated financial statements (see note 38(b)).

37 Non-adjusting post balance sheet events

On 20 July 2006, the Group and the beneficial shareholders of Burg Industries B.V. (“Burg”) decided to terminate the preliminary agreement entered into on 15 January 2006, in which a new Company to be established by the Group would acquire 100% shareholding interest in Burg, after the disapproval of the above acquisition from the European Commission.

38 Accounting estimates and judgments

(a) Key sources of estimation uncertainty

Notes 17 and 32 contain information about the assumptions relating to goodwill impairment and financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Warranty provisions

As explained in note 29, the Group makes provisions under the warranties it gives on sale of its containers and trailers taking into account the Group’s past claim experience. As the Group is continually enhancing its product quality and launching new models it is possible that the past claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

(ii) Write-down of inventories

In considering the write-down that may be required for inventories, net realisable value of the inventories needs to be determined. It is difficult to precisely estimate the net realisable value because market prices for these inventories may not be readily available or may fluctuate at different points in time. The Group uses all readily available information in determining the net realisable value, including estimates of selling price in the ordinary course of business, costs of completion and costs necessary to make the sale.

(iii) Impairment losses for bad and doubtful debts

In considering the impairment losses that may be required for current receivables, future cashflows need to be determined. One of the key assumptions that has to be applied is about the ability of the debtors to settle the receivables. Despite that the Group has used all available information to make this estimation, inherent uncertainty exists and actual write-offs may be higher than the amount estimated.

(b) Critical accounting judgements in applying the Group’s accounting policies

Consolidation of Shanghai CIMC Baowell Industries Co., Ltd.

Although the Group does not hold more than 50% voting rights in Shanghai CIMC Baowell Industries Co., Ltd., the financial statements of the company have been consolidated in the Group’s consolidated financial statements. This is because the Group has the power to govern the company’s financial and operating policies in accordance with the terms of the relevant profit guarantee agreement. The directors are of the opinion that the profit guarantee agreement is extendable upon expiry.

39 Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period ended 30 June 2006

Up to the date of issue of these interim financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ended 30 June 2006 and which have not been adopted in these interim financial statements:

		<i>Effective for accounting periods beginning on or after</i>
IFRS 7	Financial instruments: disclosures	1 January 2007
Amendment to IAS 1	Presentation of financial statements: capital disclosures	1 January 2007
IFRIC 7	Applying the restatement approach under IAS 29 Financial reporting in hyperinflationary economies	1 March 2006
IFRIC 8	Scope of IFRS 2	1 May 2006
IFRIC 9	Reassessment of embedded derivatives	1 June 2006
IFRIC 10	Interim financial reporting and impairment	1 November 2006

The above amendments, new standards and interpretations were not applied in this interim financial report because the directors expect that the Group will not early apply them when preparing the Group's annual financial statements for the period ending 31 December 2006.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of IFRIC 7, IFRIC 8 and IFRIC 9 are not applicable to any of the Group's operations and the adoption of the rest of them is unlikely to have a significant impact on the Group's results of operations and financial position.

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

	<i>Profit attributable to equity shareholders of the Company for the period ended 30 June 2006 RMB'000</i>	<i>Total equity attributable to equity shareholders of the Company at 30 June 2006 RMB'000</i>
Prepared under the PRC Accounting Rules and regulations	1,350,673	9,950,862
Adjustments to align with IFRSs:		
(i) Adjustment to minority interests	368	8,427
(ii) Adjustment to deferred tax assets	(23,307)	61,832
(iii) Adjustment to goodwill and negative goodwill	(43,926)	(66,231)
(iv) Adjustment to interest capitalisation	176	24,972
(v) Adjustment to trading securities	38,999	76,749
(vi) Others	<u>5,356</u>	<u>16,035</u>
Prepared under IFRSs	1,328,339 =====	10,072,646 =====

VII. Document Ready for Inquiring

- (I) Semi-annual Report carried with personal signature and seal of the Chairman of the Board;
- (II) Financial Report carrying the signatures and seals of the legal representative, chief financial officer, and manager of accounting department.
- (III) All of the documents that have been disclosed in the report term on the presses assigned by China Securities Regulatory Commission.
- (IV) Articles of Association of the Company.
- (V) Other referential documents