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

Annual Report 2006

17 March 2007

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 executives demonstrated uncertainty or disagreement about the truthfulness, accuracy, and completeness of this report.

Eight directors were expected to attend such Board meeting and actually six of them were present。Sun Jiakang, Director of the Company, authorized Li Jianhong, another director of the Company, to attend and vote on his behalf, and Xiao Zhuoji, one independent director of the Company, was absent from the Board meeting due to some reasons and did not entrust other director to vote on his behalf.

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

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.

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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, reefer containers, special containers, airport facilities and vehicles.

Legal Name in Chinese : 中国国际海运集装箱（集团）股份有限公司

Abbreviation in Chinese: 中集集团

Legal Name in English: CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) CO., LTD.

Abbreviation in English: CIMC

Legal representative: *Li Jianhong*

Secretary of the Board of Directors: *Yu Yuqun*
Contact Address: R&D Center of CIMC, No. 2 Gangwan Avenue, Shekou, Nanshan District, Shenzhen, Guangdong
TEL: (86)755-2669 1130
FAX: (86)755-2682 6579
E-mail: shareholder@cimc.com

Securities Affairs Representative: *Wang Xinjiu*
Contact Address: R&D Center of CIMC, No. 2 Gangwan Avenue, Shekou, Nanshan District, Shenzhen, Guangdong
TEL: (86)755-2669 1130
FAX: (86)755-2681 3950
E-mail: shareholder@cimc.com

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

Official Presses of the Company as Designated by China Securities Regulatory Commission: *Securities Times, China Securities Journal, Shanghai Securities News and Ta Kung Pao*

Website Designated by China Securities Regulatory Commission: http://www.cninfo.com.cn

The Annual Report is available for enquiry at: Secretariat of the Board of Directors, Accounting & Administration Dept. of the Company.

Stock Exchange in where the stocks are listed: Shenzhen Stock Exchange

Stock ID and Stock Code:	CIMC (中集集团)	000039
	CIMC B (中　集B)	200039

Misc. Information

1. Date of initial registration: September 30th 1992
2. Place of initial registration: Shenzhen Industry & Commerce Administrative Bureau
3. Date of latest alteration of business registration: December 27th 2004
4. Place of latest alteration of business registration: Shenzhen Industry & Commerce Administrative Bureau
5. Registration No. of Business License: 企股粤深总字101157号
   Taxation Registration No.:

   National Taxation 440301618869509
   Municipal Taxation 440305618869509
6. CPAs employed by the Company and their addresses:

   Domestic auditor: 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

Primary Banks Connected:

中国进出口银行 The Export-Import Bank of China
交通银行 Bank of Communications
招商银行 China Merchants Bank
中国建设银行 China Construction Bank
中国银行 Bank of China
花旗银行 Citibank,N.A.
香港上海汇丰银行有限公司 The Hongkong and Shanghai Banking Corporation Limited
渣打银行 Standard Chartered Bank
荷兰商业银行 ING Bank
南洋商业银行 Nanyang Commercial Bank

II. Financial Highlights

(I) Primary accounting data of the year

RMB *'000*

Items	Amount
Profit before taxation	3,248,943
Profit attributable to: Equity shareholders of the Company	2,834,288
Gross profit	4,671,210
Other income	525,078
Profit from operations	2,935,806
Net cash generated from operating activities	975,478
Cash and cash equivalents at 31 December	2,016,872

(II) Accounting data and financial indices of the latest 3 years prior to the end of the report term

RMB'000

Items	Year 2006	Year 2005	Year 2004
Sales of Containers (TEU)	**1,568,886**	1,361,358	1,570,809
Sales of Vehicles (Units)	**88,370**	53,055	37,926
Revenue	33,199,629	30,938,522	26,557,657
Profit attributable to: Equity shareholders of the Company	2,834,288	2,807,466	2,464,992
Total Assets	23,335,838	17,020,469	16,986,385
Total equity attributable to equity shareholders of the Company	12,303,815	9,613,787	7,521,276
Earnings per share (**EPS**, diluted)	1.28	1.39	2.44
Net asset per share (*RMB yuan*)	5.55	4.77	7.46
Rate of Return on Shareholders' Equity (**ROE**, diluted)	23.04%	29.20%	34.17%
Net Cash flow per share generated from operating activities	0.44	2.76	1.49
Dividend (per share)	Cash dividend of RMB 0.43, converting public reserve into share capital at the rate of 0.2share	Cash dividend of RMB 0.38, converting public reserve into share capital at the rate of 0.1 share	Cash dividend of RMB 0.50, converting public reserve into share capital at the rate of 1.0 share

(III) 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

	Profit attributable to equity shareholders of the Company For the year ended31 December 2006 RMB'000	*Total equity attributable to equity shareholders of the Company at31 December 2006* RMB'000
Prepared under the PRC Accounting Rules and regulations	2,771,723	11,117,446
Adjustments to align with IFRSs:		
(i) Adjustment to minority interests	(19,074)	(11,015)
(ii) Adjustment to deferred tax assets	32,445	114,780
(iii) Adjustment to deferred tax liabilities	-	(165,536)
(iv) Adjustment to goodwill and negative goodwill	32,362	10,012
(v) Adjustment to interest capitalisation	448	25,244
(vi) Adjustment to trading securities	(2,151)	35,330
(vii) Adjustment to government grant, net of related costs	59,581	59,581
(viii) Adjustment to available-for-sale equity securities	(24,035)	1,103,570
(ix) Others	(17,011)	14,403
Prepared under IFRSs	2,834,288	12,303,815

III. The Shareholders and Changing of Share Capital

(I) Changing of Share Capital

Unit: share

	Prior to the change		Increase/decrease (+/-)				Subsequent to the change	
	Number of shares	Proportion (%)	Issuance of new shares	Bonus shares	Capitalization of public reserve	Subtotal	Number of shares	Proportion (%)
I. Shares subject to moratorium	327,402,912	16.23	0	0	32,740,291	32,740,291	360,143,203	16.23
1. Shares held by the State	0	0	0	0	0	0	0	0
2. Shares held by state-owned legal persons	0	0	0	0	0	0	0	0
3. Shares held by other domestic investors	0	0	0	0	0	0	0	0
4. Shares held by foreign investors	327,402,912	16.23	0	0	32,740,291	32,740,291	360,143,203	16.23
Among : Shares held by overseas legal persons	327,402,912	16.23	0	0	32,740,291	32,740,291	360,143,203	16.23
II. Shares not subject to moratorium	1,688,939,170	83.77	0	0	168,893,917	168,893,917	1,857,833,087	83.77
1. RMB ordinary shares (A shares)	605,866,438	30.04	0	0	60,586,644	60,586,644	666,453,082	30.04
Among : Shares held by Senior management	624,624	0.03	0	0	62,462	62,462	687,086	0.03
2. Domestically listed foreign shares (B shares)	1,083,697,356	53.73	0	0	108,369,735	108,369,735	1,192,067,091	53.73
3. Overseas listed foreign shares	0	0	0	0	0	0	0	0
4. Others	0	0	0	0	0	0	0	0
III. Total shares	2,016,966,706	100.00	0	0	201,696,670	201,696,670	2,218,663,376	100.00

Note: *The plan on Dividend Distribution and Capitalization of Capital Reserves for the Year 2005 was implemented by the Company on 20 July 2006, namely, 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 number of shares held by the top ten shareholders subject to moratorium and trading moratorium

Unit: share

No.	Name of shareholders subject to moratorium	Number of shares subject to moratorium held	Date of listing for trade	Number of additional shares could list for trade (Note 1)	Trading moratorium
1	COSCO Container Industries Ltd.	Accounting for 5% of total share capital	May 24, 2007	110,933,168	Note 1, Note 2
		Accounting for 10% of total share capital	May 24, 2008	221,866,337	
		360,143,203	May 24, 2009	360,143,203	

Note 1: COSCO Container Industries Limited undertook: Within 12 months since the first trading day after the share merger reform plan was implemented, COSCO Container Industries Limited would not sell or transfer original nontradable shares held by it through listing and trading in Shenzhen Stock Exchange in line with the relevant regulations.
Note 2: In accordance with the relevant regulations, COSCO Container Industries Limited would sell original nontradable shares held by it through listing and trading in Shenzhen Stock Exchange after expiration of the aforesaid commitment, but proportion of number of shares could be sold in total shares of CIMC shall not exceed 5 percent within 12 months, as well as not exceed 10 percent with 24 months.

(II) Share placing and listing

1. Particulars about issuance of shares over the previous three years as at the end of the report period

No shares and derivative securities were issued by the Company.

2. The plan on Dividend Distribution and Capitalization of Capital Reserves for the Year 2005 was implemented by the Company on 20 July 2006, namely, 1 share will be capitalized from capital reserves for each 10 shares. After the capitalization, the Company's total number of shares and structure were changed as follows:

Unit: share(s)

	Prior to the change	Change in share capital in this capitalizing of common shares	Subsequent to the change	Proportion (%)

I. Total A shares in circulation subject to moratorium	328,027,536	32,802,753	360,830,289	16.26
1. Shares held by overseas legal person	327,402,912	32,740,291	360,143,203	16.23
2. Shares held by senior management	624,624	62,462	687,086	0.03
II. Total shares in circulation not subject to moratorium	1,688,939,170	168,893,917	1,857,833,087	83.74
1. A shares	605,241,814	60,524,182	665,765,996	30.01
2. B shares	1,083,697,356	108,369,735	1,192,067,091	53.73
III. Total shares	2,016,966,706	201,696,670	2,218,663,376	100.00

(III) About shareholders

1. Total shareholder as at the end of report period

Ended Dec. 31, 2006, the Company has 81,863 shareholders in total, of them, 67,191 shareholders of A-share and 14,672 shareholders of B-share.

2. Particulars about shares held by main shareholders (the top ten shareholders of the Company ended Dec. 31, 2006)

Name of shareholders	Increase/decrease in this report period	Holding shares at the period-end (share)	Proportion	Circulating or non-circulating	Number of share pledged or frozen	Nature of shareholders
1. COSCO Container Industries Limited	32,740,291	360,143,203	16.23	Non-circulating	0	Foreign shareholder
2. CHINA MERCHANTS (CIMC) INVESTMENT LIMITED	32,740,291	360,143,203	16.23	Circulating	0	Foreign shareholder
3. CHINA MERCHANTS (CIMC) HOLDINGS LIMITED	13,154,783	144,702,613	6.52	Circulating	0	Foreign shareholder
4. BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	44,537,633	47,037,633	2.12	Circulating	Unknown	Foreign shareholder
5. HTHK-TARGET ASIA FUND LIMITED	24,662,463	37,164,052	1.68	Circulating	Unknown	Foreign shareholder
6. PROFIT CROWN ASSETS LIMITED	3,350,887	36,859,756	1.66	Circulating	Unknown	Foreign shareholder
7. Bank of Communications-Anshun Securities Investment Funds	28,088,000	28,088,000	1.27	Circulating	Unknown	Domestic shareholder
8. Bank of China-Southern Ever-increasing Stock Open-end Securities Investment Funds	22,501,660	22,501,660	1.01	Circulating	Unknown	Domestic shareholder
9. Long Honour Investment Limited	1,918,341	21,101,755	0.95	Circulating	0	Foreign shareholder
10. CMBLSA RE FTIF TEMPLETON ASIAN GRW FD GTI 5496	1,528,971	16,818,676	0.76	Circulating	Unknown	Foreign shareholder

Note:

Among the top 10 shareholders, the 1st and 9th shareholder are regarded as related and act-in-concert parties. COSCO Container Industries Limited is a wholly-owned subsidiary of COSCO Pacific Limited (its shares held by China Ocean Shipping (Group) Company); while Long Honour Investments Limited is a wholly-owned subsidiary of COSCO (Hong Kong) Group, COSCO (Hong Kong) Group is under the controlling of COSCO Group. Neither of the two shareholders is acting-in-concert with any other shareholders in the list as described by Administrative Rules on Information Disclosure about Changing of Shareholding Status.

The 2nd and 3rd shareholders are regarded as related and act-in-concert parties. Both of China Merchants (CIMC) Investment Ltd. and China Merchants (CIMC) Holdings Ltd. are the wholly-owned subsidiaries of China Merchants International Ltd., which is the controlled subsidiary of China Merchants Group Ltd. Neither of the two shareholders is acting-in-concert with any other shareholders in the list as described by Administrative Rules on Information Disclosure about Changing of Shareholding Status.

It is unknown whether there is any relationship among other shareholders, or whether there is any action-in-concert among them as described by Administrative Rules on Information Disclosure about Changing of Shareholding Status.

3. Particulars about the legal person shareholder holding 10% or above of total shares

There is not any shareholder (the controlling shareholder) holding 30% or above of the Company's total shares.

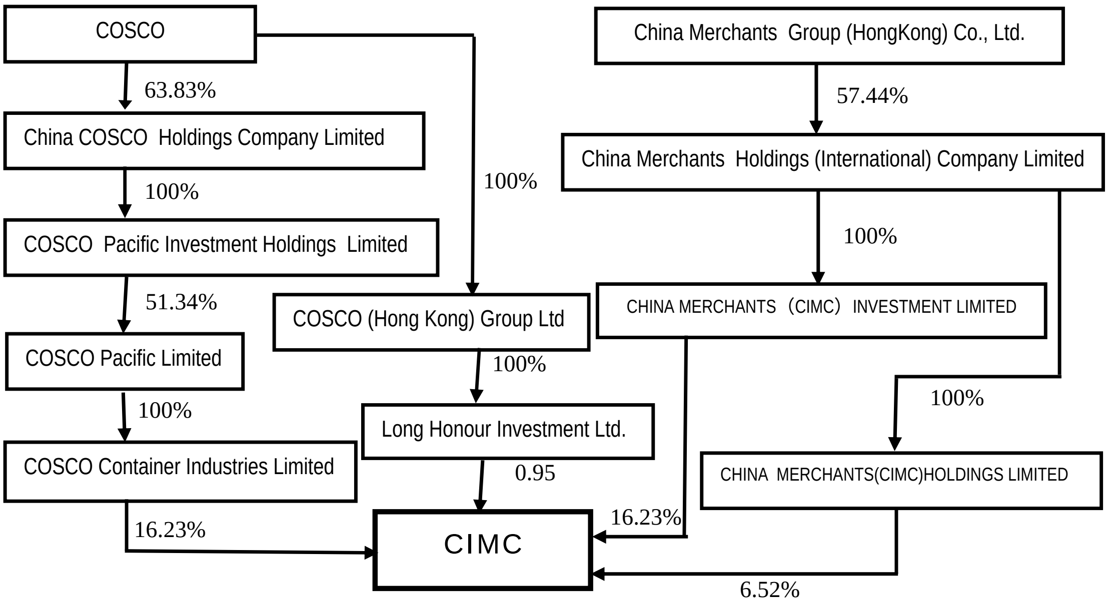
Shareholder's name	Proportion	Director	Date of Incorporation	Registered capital	Structure of equity	Business scope
COSCO CONTAINER INDUSTRIES LIMITED	16.23%	Chen Keng, Wang Zhi, Ying Hiafeng	26 April 2004	USD 1	Wholly owned by COSCO Pacific Limited	Investment and Shareholding
CHINA MERCHANTS (CIMC) INVESTMENT LIMITED	16.23%	Du Yongcheng, Wang Zhixian, Lin Wojin	17 January 1995	HKD 10,000	Wholly owned by CMHI	Investment and Shareholding

(1) COSCO Container Industries Limited is a limited company incorporated in British Virgin Islands, and it is a wholly-owned subsidiary of COSCO Pacific Limited. COSCO Pacific Investment Holdings Limited is holding 51.34% equity of COSCO Pacific Ltd., while COSCO Pacific Investment & Holdings Ltd. is the wholly-owned subsidiary of China COSCO Holdings Company Limited, while 63.83% equity of China COSCO Holdings Company Limited was held by China Ocean Shipping (Group) Company. Ended Dec. 31, 2006, COSCO Container Industries Ltd. held 16.23% equity of the Company; Long Honour Investments Limited is a wholly-owned subsidiary of COSCO Hong Kong, and held 0.95% equity of the Company.

(2) China Merchants (CIMC) Investment Limited (formerly China Merchants Container Industry Co., Ltd.) is the wholly-owned subsidiary of China Merchant Holdings (International) Company Limited ("CMHI"). China Merchants Group held 57.44% equity of CMHI. China Merchants

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

The property right and controlling relationship between the Company and the actual controller are as follows:



4. Changing of major shareholders in the report term

The major shareholders remained unchanged in the report period.

5. Particulars about shares held by the top ten shareholders not subject to moratorium

The number of shares held by the top ten shareholders of A shares

Shareholder's name	Number of shares not subject to moratorium held
1. BANK OF COMMUNICATIONS-ANSHUN SECURITIES INVESTMENT FUNDS	28,088,000
2. BANK OF CHINA-SOUTHERN EVER-INCREASING STOCK OPEN-END SECURITIES INVESTMENT FUNDS	22,501,660
3. INDUSTRIAL AND COMMERCIAL BANK OF CHINA-KAIYUAN SECURITIES INVESTMENT FUNDS	15,495,729
4. CHINA CONSTRUCTION BANK-HUAAN HONGLI STOCK SECURITIES INVESTMENT FUND	9,699,949
5 GALAXY－CHARTER-CITIGROUP GLOBAL MARKETS LIMITED	9,575,082
6.China Merchants Bank－FUGUO TIANHE WELL-CHOSEN STOCK SECURITIES INVESTMENT FUND	9,436,242

7. INDUSTRIAL AND COMMERCIAL BANK OF CHINA-Southern Positive Allocation Securities Fund	8,307,358
8. INDUSTRIAL AND COMMERCIAL BANK OF CHINA－JIANXIN OPTIMAL SELECTION GROWTH SECURITIES FUND	7,884,969
9. NATIONAL SOCIAL INSURANCE FUND 109	7,854,678
10. HAITONG－BANK OF CHINA－FORTIS BANK	7,499,721

Note: Among the above top ten shareholders: ANSHUN SECURITIES INVESTMENT FUNDS and HUAAN HONGLI STOCK SECURITIES INVESTMENT FUND are two funds under HUAAN Funds Management Co., Ltd.; Southern Positive Allocation Securities Fund, KAIYUAN SECURITIES INVESTMENT FUNDS and Southern Positive Allocation Fund are three funds under China Southern Fund Management Co., Ltd..

The number of shares held by the top ten shareholders of B shares

Shareholder’s name	Number of shares not subject to moratorium held
1. CHINA MERCHANTS (CIMC) INVESTMENT LIMITED	360,143,203
2. CHINA MERCHANTS (CIMC) HOLDINGS LIMITED	144,702,613
3. BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	47,037,633
4. HTHK-TARGET ASIA FUND LIMITED	37,164,052
5. PROFIT CROWN ASSETS LIMITED	36,859,756
6. LONG HONOUR INVESTMENTS LIMITED	21,101,755
7. CMBLSA RE FTIF TEMPLETON ASIAN GRW FD GTI 5496	16,818,676
8 .DRAGON BILLION GREATER CHINA MASTER FUND	16,046,050
9. TOYO SECURITIES ASIA LIMITED-A/C CLIENT.	13,846,414
10. JPMBLSA RE FTIF TEMPLETON CHINA FUND GTI 5497	12,635,746

Among the above top ten shareholders: The 1st and 2nd shareholders are regarded as related and act-in-concert parties. Both of China Merchants (CIMC) Investment Ltd. and China Merchants (CIMC) Holdings Ltd. are the wholly-owned subsidiaries of China Merchants International 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 tradable shareholders, or whether there is any action-in-concert among them as described by Administrative Rules on Information Disclosure about Changing of Shareholding Status.

During the report period, both China Merchants (CIMC) Investment Ltd. and COSCO Container Industries Limited, the shareholders of the Company, remained unchanged.

IV. The Directors, Supervisors, Senior Management and Employees

(I) Particulars about directors, supervisors and senior management

1. Basic information

Name	Title	Gender	Age	Office term	Share held at the year-begin	Share held at the year-end	Increase or decrease	Reason for change
Li Jianhong	Chairman of the Board	Male	51	Apr. 21, 2004-Apr. 21, 2007	0	0	0	
Zhao Huxiang	Vice Chairman of the Board	Male	51	Apr. 21, 2004-Apr. 21, 2007	0	0	0	
Mai Boliang	Director President	Male	48	Apr. 21, 2004-Apr. 21, 2007 Mar. 16, 2004-Mar. 16, 2007	374,774	412,251	37,477	Transferring capita reserve into share capital
Sun Jiakang	Director	Male	46	Apr. 8, 2005-Apr. 21, 2007	0	0	0	
Wang Zhixian	Director	Male	41	Apr. 8, 2005-Apr. 21, 2007	0	0	0	
Xiao Zhuoji	Independent director	Male	73	Apr. 21, 2004-Apr. 21, 2007	0	0	0	
Han Xiaojing	Independent director	Male	52	Apr. 21, 2004-Apr. 21, 2007	0	0	0	
Zhang Limin	Independent director	Male	52	Apr. 8, 2005-Apr. 21, 2007	0	0	0	
Du Yongcheng	Chairman of the Supervisory Committee	Male	58	Apr. 8, 2005-Apr. 21, 2007	0	0	0	
Ying Haifeng	Supervisor	Male	35	Dec. 29, 2005 Apr. 21, 2007				
Feng Wanguang	Supervisor	Male	60	May 25, 2005-Apr. 21, 2007	0	0	0	
Zhao Qingsheng	Vice-president	Male	54	Mar. 16, 2004-Mar. 16, 2007	0	0	0	
Li Ruiting	Vice-president	Male	59	Mar. 16, 2004-Mar. 16, 2007	249,850	274,835	24,985	Transferring capita reserve into share capital
Wu Fapei	Vice-president	Male	48	Mar. 16, 2004-Mar. 16, 2007	0	0	0	
Li Yinhui	Vice-president	Male	39	Mar. 16, 2004-Mar. 16, 2007	0	0	0	

Liu Xuebin	Vice-president	Male	48	Mar. 16, 2004-Mar. 16, 2007	0	0	0
Jin Jianlong	General Manager of Financing Dept.	Male	53	Mar. 16, 2004-Mar. 16, 2007	0	0	0
Yu Yuqun	Secretary of the Board	Male	41	Mar. 16, 2004-Mar. 16, 2007	0	0	0

2. Profiles of the current directors, supervisors and senior executives

(1) Members of the Board of Directors

Mr. Li Jianhong, Senior Economist, holds the posts of Vice-president of COSCO Group and concurrently Chairman of the Board in China International Marine Containers (Group) Co., Ltd., COSCO Shipyard Group Co., Ltd., COSCO International Ship Trading Co., Ltd., China- Tanzania Joint Shipping Company respectively, and Director in China COSCO Holding Company Limited, COSCO Pacific Co., Ltd. and COSCO International Holding Co., Ltd. respectively. Now Mr. Li concurrently holds Vice Chairman in Chinese Society of Naval Architects and Marine Engineers and China Association of the National Ship Building Industry respectively. In 1989, Mr. Li entered into COSCO Group, and consecutively took posts of Factory Director of COSCO Nantong Shipyard, General Manager of COSCO Industrial Company, General Manager of COSCO Real Estate Development Co., Ltd., Assistant President and Chief Economist of COSCO Group. Mr. Li is a MBA of British East-London University and Master of Economic Management of Jilin University. Mr. Li holds the plenty experiences in business administration and capital operation.

Mr. Zhao Huxiang, Vice Chairman of the Board, graduated from Dalian Marine University with major of electronic engineering and MBA of University of Louisville of USA. He ever took posts in Ocean Management Bureau of Ministry of Communications of PRC, jointed in China Merchants Group Company Limited in 1985, consecutively took posts of General Manager of Hoi Tung Marine Machinery Suppliers Limited, Assistant of President and Director of China Merchants Group Company Limited and Director General Manager of China Merchants Holdings (International) Co., Ltd.. Since Nov. 2001, he took concurrent posts of Vice-president of China Merchants Group Company Limited and Deputy Chairman of the Board of China Merchants Holdings (International) Co., Ltd.. Since Dec. 2005, he took posts of Director, General Manager and Secretary of CPC committee in China National Foreign Trade Transportation (Group) Corporation ("SINOTRANS"). Since May 1998, he held the posts of Director and Vice Chairman of the Board of the Company.

Mr. Mai Boliang, Director and President, graduated from South China University of Technology with major of machinery engineering. Since 1982, he served for the Company, consecutively took posts of technician, Manager of Production and Technology Dept. and Deputy General Manager. Since 1992, he held the post of

President of the Company. Since March 1994, he took the post of Director of the Company.

Mr. Sun Jiakang, Director, graduated from Navigation Department of Dalian Maritime University with major of ship drive and obtained the bachelor degree, after that, he gained the bachelor of economics from Renmin University of China and MBA from Dalian Maritime University in 1987 and 2001 early or later, and Ph. D. from Princeton University. After graduating, he entered into COSCO in 1982, and successively took the posts of Assistant President and news speaker in China Ocean Shipping (Group) Company. In Sep. 2002, Mr. Sun entered into COSCO Pacific Limited. Now he acts as Chairman of the Board, Director and General Manager of COSCO Pacific Limited, Chairman of Investment and Strategic Layout Committee under the Board of Directors of COSCO Pacific Limited, Vice-president of COSCO (Hong Kong) Group Limited, non-standing Director of Liu Chong Hing Bank and fellow of Hong Kong Institute of Directors and associator of International WHO'S WHO of Professionals. Since Apr. 2005, he took the post of Director of the Company.

Mr. Wang Zhixian, Director, Bachelor of Chemical Department of Tianjin University, Master of Application Chemical Department of Shanghai Jiaotong University, MBA of Guanghua Administration College of Beijing University, at present assumes the post of general manger of business management department of Hong Kong China Merchants International Co., Ltd.. Since Mar. 1989 to Mar. 1996, he worked for Shenzhen Haihong Chemical Co., Ltd. and took the post of sales representative and manger of sales department successively; From April 1996 to Mar., 2001, he worked in Seagull Oldie Dope Co., Ltd. and assumed the post pf sales manager; From April 2001 to Mar., 2002, he assumed the post of deputy general manger of industry department of China Merchants International Co., Ltd.; From Mar., 2002 to present, he assumes the post of general manger of business management department of China Merchants International Co., Ltd.. Since Sep. 2005, he took the post of general manager of Planning Dept. in China Merchant International Co., Ltd.. Since May 2002, he took the post of Director of the Company.

Mr. Xiao Zhuoji, Independent Director, is the committeeman of National Committee, Chinese People's Political Consultative Conference, professor of economics and doctor's tutor in Beijing University. Professor Xiao graduated from the postgraduate of Economics Department of Renmin University of China. Since 1959, he taught in Beijing University and become professor of economics in Beijing University since 1985. Enjoying special allowance of specialist with outstanding contributions from the government since 1992, Professor Xiao is a famous economist and has many achievements in the respect of research in economic theory and securities market. Since May 2001, he took the post of Independent Director of the Company.

Mr. Han Xiaojing, Independent Director, lawyer, graduated and obtained bachelor degree in law from SUN YAT-SEN University of Law and was LLM in China

University of Political Science and Law. He took the post in Law Affair Center of China from 1985 to 1992 and studied and worked in Zimerman Law Firms of Canada from 1989 to 1991 and worked in LIVASIRI &CO. from 1991 to 1992. Since 1992, he took the posts of management partner and lawyer in Commerce & Finance Law Office. Since May 2001, he took the post of Independent Director of the Company.

Mr. Zhang Limin, Independent Director, Professor and Doctor Tutor in accounting of Management College of Zhongshan University, got Bachelor's Degree, Master and Doctor (accounting and auditing direction) in economics of public finance major of Tianjin University of Finance & Economics. From 1982 to 1998, he took the post of tutor in Tianjin University of Finance & Economics. From 1999 to the present, he is Professor and Doctor Tutor in accounting of Management College of Zhongshan University. He ever took the post of member of Canada Comprehensive Auditing fund Committee, member of Auditor's Qualification Test Committee of Audit, Vice Chairman of Tianjin Society Union and Director of CPA Association. In 1993, he obtained special allowance from the State Council. At present, he concurrently assumed Director of China Auditing Association, Director of Guangdong Auditing Association. From Nov., 2002, he has been Independent Director of the Company.

(2) Members of the Supervisory Committee:

Mr. Du Yongcheng, Chairman of the Supervisory Committee, gained Mechanical Engineering Certificate in Hong Kong in 1977. He achieved British MOT Engine Certificate, and became an ocean shipping engineer certificated by the British. Mr. Du jointed China Merchants Group since 1971, now he acts as Director and concurrently Deputy General Manager of the China Merchants Holdings (International) Company Limited.; he ever took Head of Management Dept. of China Merchants; Deputy Manager, of Minghua Shipping Company, Deputy General Manager, General Manager and Vice Chairman of the Board of Minghua Shipping Company, General Manger of China Merchants Group Transportation Project Dept., Vice Chairman of the Board of China Merchant Port Service (Shenzhen) Co., Ltd.. Now he takes the posts of Director of Asia Airfreight Limited and Modern Container Wharf Limited and Hongkong Western Harbour Tunnel Co., Ltd., Vice Chairman of the Board of China Merchant (Zhangzhou) Terminal Co., Ltd.. He took the post of Supervisor of the Company from May 2002.

Mr. Ying Haifeng, Supervisor. He graduated from Renmin University of China and obtained master degree of international accountants in 1994 and master degree of Economics in 2000. Mr. Ying is a professional accountant and got the financial experience over seven years in COSCO Financial Co., Ltd.. After that, he took the post of Deputy General Manager of Financial Dept. in Florens Container Services Company Ltd in 2001 and took up the post of General Manger of Financial Dept. in Florens Container Services Company Ltd in 2003. Mr. Ying took up the post of General Manger of Financial Dept. in COSCO Pacific Limited since Nov. 2005, and acted as Commissioner of Investment and Strategic Layout Committee and

Management Committee under the Board of Directors in COSCO Pacific Limited. He took the post of Supervisor of the Company since Dec. 2005.

Mr. Feng Wanguang, Employee Representative Supervisor. He graduated from South China University of Technology with major of Foundry of Mechanical Engineering. From Jan. 1982, he worked in Shekou Huamei Steel Mill. From Jan. 1983 to Sep. 1986, he worked in Organization Department of Shekou Industrial Zone. From Sep. 1986 to Jan. 1987, he worked in Hongda Glass Co., Ltd. and took the post of General Manager. From Jan. 1987 to Sep. 1996, he worked in Personnel Department and Office of the Board of Directors of China Merchants Hong Kong and took Deputy General Manager. From Sep. 1996 to Apr. 1999, he worked in China Merchants Zhangzhou Development Zone and took Deputy General Manager and Deputy Secretary of Party Committee. From Apr. 1999 to now, he took the post of Deputy Secretary of Party Committee of the Company. From May 2002, he took the post of Supervisor of the Company.

(3) Senior management

For the resume of **Mr. Mai Boliang**, Director and President, please refer to the introduction of director.

Mr. Li Ruiting, Vice-president, graduated from South China University of Technology with major of Mechanical Manufacture. Senior Engineer; he now acts as Vice-president of the Company. Mr. Li served in the Company since 1987, and ever took the post of Manager of Technology Department and QC Department, Deputy General Manager and General Manager of Shenzhen South CIMC Container Manufacture Co., Ltd., and General Manager of Shanghai CIMC Reefer Containers Company. From 1995, he took the post of Vice-president of the Company.

Mr. Zhao Qingsheng, Vice-president, graduated from Wuhan University of Water Transportation Engineering (Wuhan Jiaotong University of Science and Technology now) with major of gas engine of shipping. Now he took the post of Vice-president. Mr. Zhao jointed in China Merchants Group in 1983; from 1991 to 1995, he took the post of General Manager of Enterprise Department of China Merchants Group; from 1995 to 1999, he took the post of Deputy General Manger of China Merchants Holdings (International) Company Limited; from 1997 to 1999, he took the post of Vice Chairman of the Board of the Company; he took the post of Vice-president of the Company since 1999.

Mr. Wu Fapei, Vice-president, he graduated from South China University of Technology with major of Bachelor Degree of Mechanical Manufacture and Master Degree of MBA. He ever took the posts of Teacher and Associate Professor of MBA School of South China University of Technology, Deputy General Manager of Guangdong Zhaoqing Nanhua Bicycle Ronghui Co., Ltd.. He jointed in the Company in 1996, and took the post of Manager of Information Management Department of the

Company in Dec. 1996; he took Assistant President of the Company in Dec. 1998. He took the post of Secretary of the Board of the Company in Dec. 1999. In Mar. 2004, he held the post of Vice-president.

Mr. Liu Xuebin, Vice-president, graduated from Shenzhen University with major of business management. He jointed in the Company from 1982, and ever took the post of Deputy Manager of Purchasing Department of the Company, Deputy General Manager of Nantong Shunda Container Co., Ltd., Deputy General Manager of CIMC Container Branch Company, and General Manager of Xinhui CIMC Container Co., Ltd.; he took the post of General Manager of Shenzhen South CIMC Container Manufacture Co., Ltd. since 1997; he concurrently took the post of Assistant President of the Company and Chairman of the Board of Xinhui CIMC Container Co., Ltd. since Dec. 1998. In Mar. 2004, he took Vice-president of the Company.

Mr. Li Yinhui, Vice-president, graduated from Jilin University with major of Bachelor Degree of History Department, Nanjing University International Business School with MBA, Jilin University with Doctor Degree of World Economy. He worked in the Central Committee of Chinese Communist Youth League in 1999. From May 1993 to Mar. 2003, he worked in the State Economic and Trade Commission; he worked in Department of Commerce in Mar. 2003. He was engaged as Vice-president of the Company (taking a temporary post) from Oct. 2002 to Oct. 2003. He took the post of Vice-president of the Company in Mar. 2004.

Mr. Jin Jianlong, General Manager of Financial Management Department, Accountant. He graduated from Ma An Shan Steel University with major of accounting in July 1985. From Aug. 1975 to Apr. 1989, he worked in Hangzhou Steel Factory and took Section Chief of Financial Division. He jointed in the Company in 1989, and held the posts of Manager of Financial Management Dept. of the Company and Manager of Financial Dept. of Shenzhen South CIMC Container Manufacture Co., Ltd. early or late. He took the post of General Manager of Financial Management Dept. of the Company since Oct. 2001.

Mr. Yu Yuqun, Secretary of the Board. He graduated from Beijing University and obtained Bachelor Degree of Economics and Master Degree of Economics. He ever worked in Price Bureau of the State. He jointed in the Company in 1992, and successively took the posts of Deputy Manager and Manager of Financial Affairs Dept. early or late and was responsible for the securities affairs and fundraising management. In Mar. 2004, he took the post of Secretary of the Board of the Company.

Particulars about holding post and concurrent post of directors, supervisors and senior executives in other companies except for Shareholding Company

Name/position in the Company	Holding post/concurrent post in Shareholding company	Relationship with the Company	Title

		(shareholding/associated relationship/no relationship)	
Li Jianhong /Chairman of the Board	China Ocean Shipping (Group) Company	Associated	Vice-president
	China COSCO Holdings Co., Ltd.	Associated	Director
	COSCO Shipping Engineering Group Co., Ltd.	Non-associated	Chairman of the Board
	COSCO International Ship Trading Co., Ltd.	Non-associated	Chairman of the Director
	COSCO International Holdings Co., Ltd.	Non-associated	Director
	COSCO Pacific Limited	Associated	Director
	China- Tanzania Joint Shipping Company	Non-associated	Chairman of the Director
Zhao Huxiang/Vice Chairman of the Board	China National Foreign Trade Transportation (Group) Corporation (SINOTRANS)	Non-associated	Director, President
	SINOTRANS LIMITED	Non-associated	Chairman of the Director
	China Merchants International Co., Ltd.	Associated	Director
Sun Jiakang/Director	Antwerp Gateway NV	Non-associated	Director
	COSCO Logistics Co., Ltd.	Non-associated	Director
	COSCO Pacific Ltd.	Associated	Director
	COSCO International Container Wharf (HK) Ltd.	Non-associated	Director
	Qingdao Qianwan Container Wharf Co., Ltd.	Non-associated	Director
Wang Zhixian/Director	China Merchants Port Service (Shenzhen) Ltd.	Non-associated	Director
	China Merchants Container Services Ltd.	Non-associated	Director
	Hempel-Hai Hong Co., Ltd.	Non-associated	Director
Mai Boliang/Director, President	Take positions in 21 shareholding subsidiaries such as CIMC Vehicle (Group) Co., Ltd. and Shenzhen Southern CIMC Containers Manufacture Co., Ltd.	Shareholding subsidiary of the Company	Chairman of the Board /Director
Han Xiaojing /Independent Director	Shenzhen Overseas Chinese Town Holdings Company	Non-associated	Independent Director
Xiao Zhuoji /Independent Director	Konka Group Co., Ltd.	Non-associated	Independent Director
Zhang Limin /Independent Director	Shenzhen Changcheng Real-estate (Group) Co., Ltd.	Non-associated	Independent Director
	Shenzhen Airport Co., Ltd.	Non-associated	Independent Director
	Shenzhen Chiwan Wharf Holdings Limited	Non-associated	Independent Director
Du Yongcheng	China Merchants Holdings (International)	Associated	Director

/Chairman of the Supervisory Committee	Co. Ltd.		
	Asian Air Freight Center Co., Ltd.	Non-associated	Director
	Modern Container Wharf Co., Ltd.	Non-associated	Director
	Zhangzhou China Merchants Wharf Co., Ltd.	Non-associated	Vice Chairman of the Board
	China Merchants Port Service (Shenzhen) Co., Ltd.	Non-associated	Vice Chairman of the Board
Ying Haifeng/Supervisor	COSCO Pacific Co., Ltd.	Associated	GM of Financial Dept.
	COSCO Logistics Co., Ltd.	Non-associated	Director
	COSCO Wharf (Dalian Vehicle) Co., Ltd.	Non-associated	Director
	COSCO Wharf (Nansha) Co., Ltd.	Non-associated	Director
	Florens U.S. Holdings, Inc.	Non-associated	Director
Feng Wanguang /Supervisor	CIMC Holding (B.V.I.) Co., Ltd.	Shareholding subsidiary of the Company	Director
Zhao Qingsheng /Vice President	Take positions in 9 shareholding subsidiaries such as Shenzhen Southern CIMC Containers Manufacture Co., Ltd.	Shareholding subsidiary of the Company	Chairman of the Board / Director
Wu Fapei / Vice President	Take positions in 16 shareholding subsidiaries such as Shenzhen Southern CIMC Containers Manufacture Co., Ltd.	Shareholding subsidiary of the Company	Director / Chairman of the Board
Li Ruiting / Vice President	Take positions in 5 shareholding subsidiaries such as Shanghai CIMC Refrigerator Co., Ltd.	Shareholding subsidiary of the Company	Chairman of the Board / Vice Chairman of the Board
Liu Xuebing / Vice President	Take positions in 3 shareholding subsidiaries such as Shenzhen Southern CIMC Containers Manufacture Co., Ltd.	Shareholding subsidiary of the Company	Chairman of the Board/ Director
Li Yinhui / Vice President	Take positions in 5 shareholding subsidiaries such as Shenzhen CIMC Special Vehicle Co., Ltd., Shanghai CIMC Vehicle & Logistics Equipment Co., Ltd.	Shareholding subsidiary of the Company	Director
Jin Jianlong/GM of Financial Management Dept.	Take positions in 19 controlled subsidiaries such as Shenzhen Southern CIMC Containers Manufacturing Co., Ltd.	Shareholding subsidiary of the Company	Director
Yu Yuqun/Secretary of the Board	Shenzhen CIMC Tianda Airport Equipment Co., Ltd.	Shareholding subsidiary of the Company	Director

3. Particulars about annual remunerations drew by directors, supervisors and senior management in the report period

(1) Decision-making procedure and basis of remuneration drew by directors, supervisors and senior management:

According to the relevant regulations of Articles of Association of the Company, Shareholders' General Meeting shall decide the remuneration of directors and supervisors, while the Board of Directors shall decide the remuneration of senior management. During the report period, the Company's senior management drew their remuneration from the Company and subsidiaries.

The Company has set up the perfect salary system and encouragement method. At first, the Company carried out the annual salary system for directors, supervisors and senior management drawing the payment and taking the post in the Company; besides, the Board of Directors of the Company shall set down this year's "Assessment & Administration Provisions for Management Team of CIMC " at the beginning of year, carried through the annual assessment to the related personnel brought into the assessment scope, and determined the total performance bounty according to the accomplishment of indexes at the year-end. The Shareholders' General Meeting authorized the Board of Directors to determine the remuneration of Mai Boliang, Director and concurrently President of the Company, according to the Assessment & Administration Provisions for Management Team of CIMC, while the performance bounty of the other senior management was proposed by President and submitted to the Remuneration Committee of the Board for approval.

(2) Among eight directors, Mr. Mai Boliang received his salary from the Company because he took the post of General Manager of the Company, except for this, the Company did not pay remuneration to other directors in the report period. As examined and approved by the Board of Directors and Shareholders' General Meeting, Xiao Zhuoji, Han Xiaojing and Zhang Limin, Independent Directors of the Company, received allowance of independent director of RMB 80,000 in the report period respectively, except for this, the Company did not pay other remuneration to Independent Directors in the report period. Mr. Feng Wanguang, Employee Supervisor of the Company, drew his salary from the Company, except for this; the Company did not pay remuneration to other supervisors in the report period.

Annual remuneration received by the Company's directors, supervisors and senior management

Name	Title	Total annual remuneration (RMB)	Remarks
Xiao Zhuoji	Independent director	8.00	Allowance of year 2006 (from Jan. to Dec.)
Han Xiaojing	Independent director	8.00	Allowance of year 2006 (from Jan. to Dec.)
Zhang Limin	Independent director	8.00	Allowance of year 2006 (from Jan. to Dec.)
Mai Boliang	President	584.50	
Feng Wanguang	Supervisor	123.40	
Zhao Qingsheng	Vice-president	219.90	
Li Ruiting	Vice-president	88.24	
Wu Fapei	Vice-president	100.46	
Li Yinhui	Vice-president	86.76	

Liu Xuebin	Vice-president	97.71
Jin Jianlong	Financial GM	81.22
Yu Yuqun	Secretary of the Board	49.96
Total		**1,456.15**

Status of Directors and supervisors received no pay from the Company

Name	Name of shareholding company	Title	Office term	Whether draw remuneration from shareholding company or not
Li Jianhong	COSCO	Vice-president	Aug. 2000-	Paid by associated shareholding parties
Zhao Huxiang	Naught		Nov. 2001-	Paid by associated shareholding parties
Sun Jiakang	COSCO Pacific Limited	Director GM	Sep. 2002-	Paid by associated shareholding parties
Wang Zhixian	China Merchants International Ltd.	GM of Enterprise Planning Dept.	Mar. 2002-	Paid by associated shareholding parties
Du Yongcheng	China Merchants International Ltd.	Director, Deputy GM	1998-	Paid by associated shareholding parties
Ying Haifeng	COSCO Pacific Limited	GM of Financial Department	Nov. 2005-	Drawing from associated company of shareholder

4. Particulars about alternation of directors, supervisors and senior management in the report period

The Company's directors, supervisors and senior management remained unchanged in the report period.

(II) About employees

1. Number of employees

The average number of employee of the Group was 46,355 for the year 2006.

2. Composing of the employees

	Position composing			Technician/the title of a technical post	
	Admin.	Direct production personnel	Auxiliary	Engineering technician	Personnel having professional title of technical post
Number of persons	5,181	39,143	2,031	1,381	1,990
Proportion (%)	11.18	84.44	4.38	2.98	4.29

There are no retirees that under the cover of the Company.

V. Company Administrative Structure

(I) Company Administration

In the report period, the Company continually perfected its corporate governance structure in compliance with Company Law, Administration Rules for Listed Companies, Guidelines Opinion on Establishing Independent Director in Listed Companies, the Rules for Listing Shares in Shenzhen Stock Exchange as well as the relevant laws and regulations of the State. In accordance with a series of rules such as Rules of Procedure of Shareholders' General Meeting, Rules of Procedure of the Board of Directors, Rules of Procedure of the Supervisory Committee and Detailed Rules of President, the Company brought into play the roles of Special Committee of the Board of Directors to administered the Company in order to ensure the functions and responsibilities of the shareholders' general meeting, the Board of Directors and the Supervisory Committee to fulfill, effectively safeguard the interests of shareholders and the Company, and set up corporate governance structure of the Company primarily in line with the requirements of modern enterprise administration.

The Company revised the Articles of Association in general according to the provisions of Guide on Articles of Association of Listed Companies (revised 2006) and the Rules for Listing Shares in Shenzhen Stock Exchange (revised 2006) promulgated by CSRC, and studies the laws, rules and several standard documents related with the corporate governance in time.

According to the requirements of the related laws and regulations such as Company Law, Administration Rules for Listed Companies and the Rules for Listing Shares in Shenzhen Stock Exchange, the corporate governance of the Company accords with the relevant provisions.

1. Shareholders and the Shareholders' General Meeting

The Company called and held the shareholders' general meeting strictly in line with the Rules for Shareholders' General Meeting of Listed Companies and prepared the Rules of Procedure of the Shareholders' General Meeting. The Company ensures that all the shareholders, especially minority shareholders, are equal and could enjoy their full rights.

2. Relationship between the controlling shareholder and the Company

The controlling shareholder of the Company operated in compliance with the rules during the reporting year and did not intervene decisions-making or operation of the Company directly or indirectly in exceeding authority of the shareholders' general meeting. The Company was independent from the controlling shareholder in five aspects of business, personnel, asset, institution and financing. The Company's Board of Directors, Supervisory Committee and internal organ could operate independently.

3. Directors and the Board of Directors

The Company elected directors strictly according to the election procedures for directors regulated in the Articles of Association of the Company, and further perfected the election procedures for directors, and adopted the cumulative voting right for election and alteration of directors. The numbers and qualifications of Directors conformed to the relevant laws and regulations. The Board of Directors drew the Rules of Procedure for the Board of Directors, all directors attended the Board meetings and shareholders' general meetings in a positive and responsible manner, participated enthusiastically relevant training so as to know better about laws and regulations as well as rights and obligation of Directors. The Company has set up independent director system in accordance with "Guiding Opinion for Listed Companies on the Establishment of an Independent Directors System". The Company has 3 independent directors at present.

4. Supervisors and the Supervisory Committee

The numbers and qualifications of the Supervisory Committee's members are in compliance with requirements of laws and regulations. The Supervisory Committee stipulated for the Rules of Procedure for the Supervisory Committee. The supervisors performed seriously their duties, taken responsible attitude to all the shareholders, supervised the financial affairs as well as the duties performed by the Company's Directors, managers and other senior management in terms of compliance with the laws and regulations.

5. Performance appraisement and incentive mechanisms

The Company constituted the remuneration system for independent directors and senior management. The Company would further improve and perfect overall remuneration system to establish just and transparent performance appraisement and incentive mechanisms for directors, supervisors and managers..

6. Relevant beneficiaries

The Company has been fully respecting and safeguarding the legal rights and interests of the banks and other creditors, staff, consumers and other parties of related interests so as to develop the Company in a consistent and healthy way.

7. Information disclosure and transparency

The Company set down and implemented the Information Exposure Management System, and appointed the Company's Secretary of the Board to take charge of information disclosure, and endlessly strengthened the investor relations management, and positively receipted visits and inquiries of the shareholders. The Company has been disclosing the relevant information in a real, accurate, complete and timely way in strictly observing the regulations of information exposure rules in the report period so as to improve quality of information disclosure actively.

The Company would continue to operate in a standard way strictly in line with the requirements of such relevant laws and regulations as Company Law, and further perfected the corporate governance of the Company and set up and perfect all systems aiming at gap existing in the Company compared with Administration Rules for Listed Companies so as to safeguard legal rights and interests of all the shareholders.

(II) Particulars about performance of Independent Directors

Particulars about independent directors' presenting the Board meeting:

Name of independent	Times of Board	Presented	Presented by	Absence

directors	meetings to present	personally	proxy	
Xiao Zhuoji	20	19	0	1
Zhang Limin	20	19	1	0
Han Xiaojing	20	20	0	0

In the report period, the three independent directors of the Company did not propose the objection on all proposals and other issues of the Company examined at the Board meetings, and they conducted seriously examination on significant events, which need independent opinion presented by the Independent Directors, and presented written independent director opinion letter.

(III) The Company's separating from the holding shareholder in five aspects of business, personnel, asset, institution and financing.

COSCO Container Industries Limited and China Merchants (CIMC) Investment Limited, the largest shareholders of the Company, are holding 16.23% of the Company's shares respectively. The Company and its largest shareholders practice separate accounts and undertake their own responsibilities and risks since they have realized their separation in five aspects of business, personnel, asset, institution and financing. Big shareholders have never bypassed the Shareholders' General Meeting to have any interference, direct or indirect, with the decision-making or legitimate corporate production or management of the Company. The Company has never been involved in any competition with major shareholders in operation of similar products of the same trade.

(IV) Performance appraisement and incentive mechanisms for senior management

The Company has established the performance appraisement and incentive mechanism for senior management to link their remuneration with the performance of the Company.

In order to promote the standardized, healthy and ordered development of the Company, to attract talented personnel and ensure the stability of senior management, the Board of Directors instituted "Assessment and Administration Provisions for Management Team of CIMC" on the basis of its long- and mid-term goal for strategic development and the interests of all shareholders. At the beginning of each year, the Board of Directors set the appraisal indication, and at the end of the year, the Board of Directors shall determine the remuneration of every management personnel according to the accomplishment of such indicators. The Shareholders' General Meeting authorized the Board of Directors to determine the remuneration of Mai Boliang, Director and concurrently President of the Company, according to the Assessment and Administration Provisions for Management Team of CIMC, while the performance bounty of the other senior management was proposed by President and submitted to the Remuneration Committee of the Board for approval.

VI. The Shareholders' General Meeting

(I) Annual Shareholders' General Meeting

The Shareholders' General Meeting 2005 of the Company was held on June 30, 2006 in Shenzhen. Totally 30 shareholders (proxies) attended this Annual Shareholders' General Meeting, representing 946,613,578 shares, which took up 46.93% of the total shares with voting right. Of which, 20 shareholders (proxies) of A-share were present at the meeting, representing 343,617,504 shares, which took up 17.04% of the total A shares with voting rights; 15 shareholders (proxies) of B-share were present at the meeting, representing 602,996,074 shares, which took up 29.90% of the total B shares with voting rights;

The public notice on resolutions of this annual shareholders' general meeting was published in *Securities Times*, *Shanghai Securities News*, *China Securities Journal* and *Hong Kong Ta Kung Pao* respectively on July 1, 2006.

(II) Extraordinary shareholders' general meeting

The Shareholders' General Meeting related with share merger reform plan of A-share was held on April 28, 2006 in Shenzhen.

Totally 9,084 shareholders and shareholder's proxies of A-share attended this Shareholders' General Meeting related with share merger reform plan of A-share and voted, representing 552,837,290 A shares with valid voting right, which took up 59.24% of total A shares of the Company.

Totally 1 shareholder or shareholder's proxy of nontradable shares attended such on-the -spot meeting, representing 327,402,912 nontradable shares with valid voting right, which took up 100% of total nontradable shares of the Company, as well as 35.08% of total A shares of the Company.

Totally 9,083 shareholders and shareholder's proxies of tradable A-share attended such on-the-spot meeting and voted by means of onsite voting, voting by entrusting the Board of Directors and voting over the Internet, representing 225,434,378 A shares with valid voting right, which took up 37.21% of total tradable A shares of the Company, as well as 24.16% of total A shares of the Company.

The public notice on resolutions of this extraordinary shareholders' general meeting was published in *Securities Times*, *Shanghai Securities News*, *China Securities Journal* and Hong Kong *Ta Kung Pao* respectively on April 29, 2006.

VII. Report of the Board of Directors

(I) Management Discussion and Analysis

1. Operation Review in Report Period

(1) Analysis on overall operation status

In 2006, with the strategic target of "providing the equipment and service for modern transportation" and the goal of "meeting the demand of global customers and creating value for them", the Group achieved sustainable growth for its operating results through deepening the implication of "globalised operation system based on China advantages" and strengthening core competitiveness. In 2006, the Company's major business income reached RMB 33,200 million, and net profit RMB 2,834 million, which respectively increased by 7.31% and 0.96% over the same period last year, and the yield of net asset reached 23.04%.

Unit: RMB Million

Items	At current period	At same period of last year	Rate of increase/decrease (%)
Revenue	33,200	30,938	7.31%
Gross profit	4,671	4,965	-5.18%
Net profit	2,834	2,807	0.96%
Net cash flow generated from operating activities	975	5,232	-81.36%

Note: The major business income enjoys a year-on-year increase due to sales volume increase of containers and vehicles. The year-on-year increase of net profit is principally attributable to the multiple increase of profit from road transport vehicle business, in despite of decline of profitability of containers as well as rising of non-recurrent profit and loss in the first half year. Net cash flow generated from operating activities decreased 81.36% over the same period last year, as the container manufacturing remain massive in the 4th quarter of 2006 as compared to the same period in 2005 with much working capital being used, resulting in significant decline of net cash flow generated from operating activities.

——Macro economy grows healthily and operating environment remain sound

In 2006, the global economy maintained positive momentum with growth rate of 3.8%, and Chinese economy grew over 10% for the full year, which objectively created a great macro environment for the development of the Group.

According to Clarkson, the world container trade maintained rapid growth in 2006, with growth rate amounting to approximately 10.8%. The trade volume of global containers was 117 million TEUs, and the throughput was about 418 million TEUs. As shown by data published by the Ministry of Communications, the throughput of Chinese containers was 93 million TEUs, accounting for 22.24% of that of global containers, representing an increase of 23.4% over the same period last year. According to CI-online, the global shipping capacity for containers continued to expand rapidly in 2006, with additional capacity of 1.396 million TEUs, representing an increase of 13.9%, and the total shipping capacity reached 9.5 million TEUs.

In respect of the operating environment for container industry, new orders for global containers amounted to nearly 3 million TEUs (Source: Container International), representing an increase of over 20% over the last year, with blooming demand. On the other hand, as considerable amount of new capital in 2005 was invested into dry van container manufacturing, the production capacity for the overall industry of dry van container reached 5.8 million TEUs in 2006. The imbalance between the demand and supply in the industry of dry van container further deteriorated, while the supply of main raw materials such as steel and wooden floors was tighter. Furthermore, the fluctuation of international oil price caused the paint price to rise significantly, resulting in massive decline of gross profit for the whole industry. As the plant in Denmark ceased to produce reefer containers, all production bases for global international standard reefer containers were moved to China. As a result, the concentration of the industry was further enhanced, and the competition in the Chinese market was more intensive. With the advancement of the status of China in the international trade division and the manufacturing technology level, the demand for special purpose containers was increasing over years.

In respect of the operating environment for vehicle industry, with the *Several Opinions of the State Council on Accelerating the Invigoration of Equipment Manufacturing Industry* and the 11th Five Year Plan were successively issued in 2006, Chinese economy would be confronted with structural adjustment, and the role of domestic demand-driven would be increasingly remarkable. In 2007, China will fully open logistics area when multinational logistics providers are expected to be more active in participating in the competition in the Chinese logistics market, and the demand for various new high-level vehicle types that comply with international standards is expected to continuously increase. Enlarging investments in infrastructure construction by China will boost the demand for engineering special purpose vehicles. In addition, the state continued to bring the overrun and overload under control, and launched weight-based toll system. These measures further improved the market environment for road transport vehicles. All the above factors are beneficial for the long-term development of the Group's road transport vehicle business.

——Core business develops in-depthly, and all-round competitiveness increases steadily

Since 1996, the **container business** of the Group has ranked No. 1 in the world in terms of output and sales volume. Its leading position in the industry is increasing, and currently has 15 dry van container bases, 2 reefer container bases and 5 special container bases throughout the major ports in China, with annual production capacity of 2 million TEUs and nearly 400 product offerings. After four-year's development, **tank container business** has become the largest tank container manufacturer and provider in the world, and its global market share among IMO tank containers was the No.1 in 2006. As a strategic resource industry, **container wooden floor** business has 3 production bases, namely Inner Mongolia, Jiashan and Xinhui in the North, East and South of China, respectively, offering great support for the development of the Group's other businesses. **Depot business**, as the strategic extension of container business in service field, has formed 9 depot networks covering domestic major arterial ports, and implemented the industry concept of "providing one-stop and whole life circle products and services to the customers", as well as strengthened and enhanced the leading position of the container business in the industry.

With its inception in 2002, **road transport vehicle business** rapidly formed its operation scale and product series. It constantly improved its base layout and distribution network, and its industry size and position was steadily increased. Currently, it has 13 production bases and 8 4S shops in the Northeast, North, East, South and Northwest of China and America. In 2004 and 2006, it ranked No. 1 in China and No. 1 in the world in terms of total output and sales volume respectively. In 2006, it produced and sold 88,000 special vehicles of various types, and the container chassis exported to America represented over 50% market share in the American market.

The **airport equipment business** made full use of the market opportunities brought by the rapid development of Chinese economy, aggressively forging ahead under fierce competitive environment. As a result, the business achieved rapid development, and has become the largest passenger boarding bridge provider in the world and the first-class aviation warehouse provider in China.

In 2006, the Group had conducted active planning in respect of new businesses including tank equipment, railway container terminal construction, and explored new development space in modern transportation equipment field.

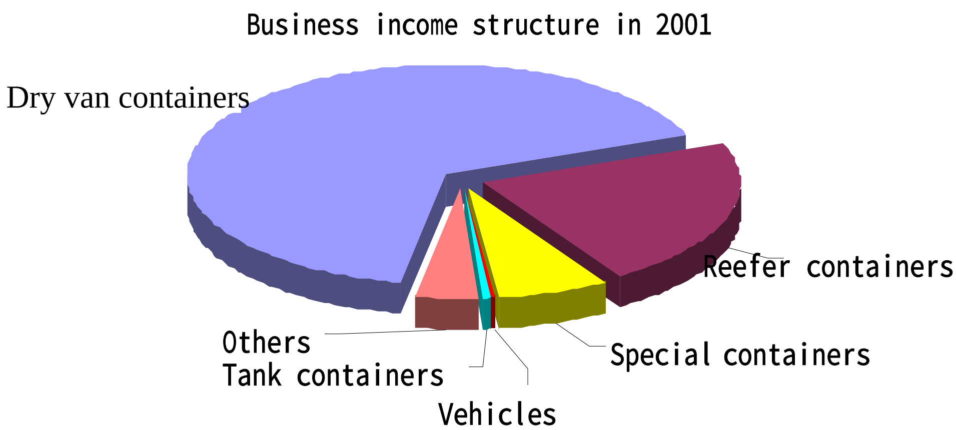
——Industry structure is evidently optimized, and the relevant diversified pattern is basically formed

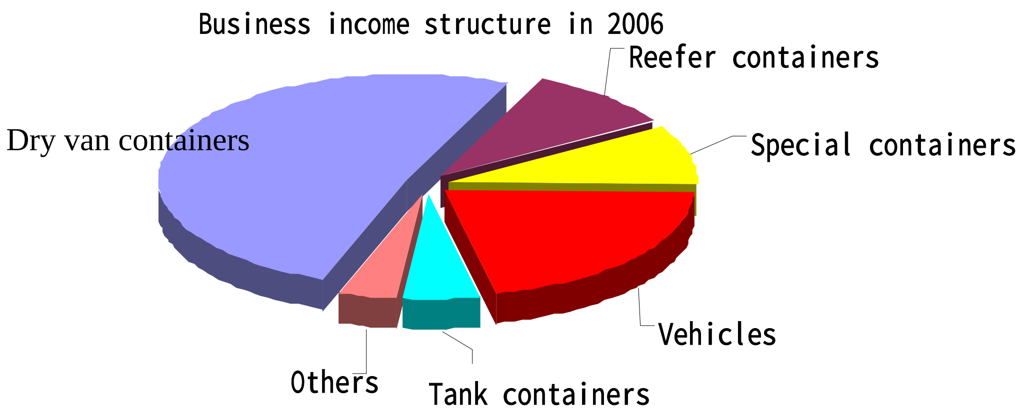
Over the past five years, the Group's revenue and net profit increased to RMB 33.2 billion and RMB 2,834 million in 2006 from RMB 6.77 billion and RMB 543 million in 2001, representing nearly 4 times and over 4 times growth respectively, with annual average growth rate amounting to 37%, being the fastest development period in 25 years since the establishment of the Group. Apart from high growth of major business income, the Group's industry structure was obviously optimized, and the development prospect of each business was promising, which strengthened its ability to resist the risk of industry periodic fluctuation due to single product.

While the container business maintained its leading position in the industry, the newly launched road transport vehicle business in 2002 rapidly formed its operation scale and product series, and achieved its phase development strategy and planning target in all respects. Meanwhile, its industry size and position was steadily increased, and its output and sales volume ranked No. 1 in the world, becoming the second largest business of the Group. The sales income from this business in 2006 was higher than the total income of the Group in 2001, equivalent to creating another CIMC in five years.

The market share of tank container business, which starts its development in 2002, has ranked No. 1 in the industry in the world. Many offerings from special container business have also ranked No. 1 in the industry. The reefer containers have extended to special reefer containers from standard reefer containers, the market share of which has ranked No.1 in the industry.

The variation of structure of each business is set out below:





——Implement sustainable development strategy, and become a responsible industry leader

Through establishing a technical development system of "centralized management, distributed research and development and distributed production", a technical innovation system guided by the idea of "innovation pushing forward the value-adding" had come into being. The Company has developed 366 items of container and vehicle new products in the full year of 2006, with technological innovation effects growth of 103% over the same period last year, and applied for 356 patents, including 156 invention patents.

The Company actively participated in the formulation of industry standards, and held or participated in the formulation of 33 items of international, national and industry standards. In December 2006, China Customs as the leader, together with the relevant government authorities and industry associations, announced to formally start the research and development of Chinese smart secure containers and the formulation of the standards. The Company became the leading enterprise for the research and development of smart secure container body and formulation of the standards.

The Company actively adopted new technology and process to develop key projects in environment protection, resource saving and intelligence, such as consolidated power saving reconstruction, paint and waste gas governance, environment protection wooden floor, green paint and vehicle lightweight design. The Company also actively participated in the research and development of Smart Secure Container (SSC) project, and made encouraging progress, leading the industry to healthy development in such directions as environment protection, security, energy saving, intelligence, enhancement of land utilization, occupation sanitation, etc.

Moreover, the Company supported social services and education development through contributing various social services, setting up scholarships for students and teachers in colleges and universities.

——Complete the share equity relocation scheme successfully, and continue to enhance the management level of relationship with investors

In April 2006, the Company successfully completed the share equity relocation scheme upon communication between holders of non-negotiable shares and all other investors of A shares, which won the recognition from the capital market.

The Company kept a good communication with investors, securities analysts and medium with such means as telephone consultation, company investigation, road show on the network, spot recommendation and the company websites. It also enhanced and improved the service for investors continuously. The investor relation management of the Company won consensus recognition from the market and investors.

In 2006, the Company was selected as the *Top 50 Best Growth Listed Companies in 2006* by CapitalWeek, the *CCTV 2005 the Most Valuable Listed Company*, the *Best Investor Relation in 2006* and *China Golden Secretary of the Board of Directors* by the STOCK EXCHANGE EXECUTIVE COUNCIL and Hexun web, and the second *Golden Secretary of the Board of Directors* by New Fortune.

The Company was granted "AA+" in the corporate governance rating conducted by SINO-HAWK CREDIT RATING CO., LTD. and Shenzhen Securities Information Co., Ltd. of Shenzhen Stock Exchange.

The Company was awarded the *Top 150 Asia Listed Companies in 2006* by Business Week Magazine, and awarded the *Top 100 Emerging Global Companies* by Boston Consulting Group.

In addition, the Company was successively selected as the constituent stock of the Dow Jones CBN China 600 Sector Blue-Chip Index and the sample stock of SHANGHAI SHENZHEN 300 INDEX, the first unified index in Chinese securities market.

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

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

The Group is the largest container manufacturer in the world, which can produce all of the series of container production and own independent intellectual property rights. Dry van containers, reefer containers, special purpose containers and tank containers are major products.

Road transport vehicle is the new business the Group stress to exploit, which has become the No. 1 manufacturer in China. The total output and sales volume ranked No. 1 in China in 2004, and ranked No. 1 in the world in 2006.

The containers and road transportation vehicles account for over 10% of major business income or profit amount of the Group.

The analysis of the compositions of and changes in major business income and profit is as follows:

Unit: RMB Million

On businesses	Major business income	Major business cost	Gross profit （%）
Containers	25,876	22,681	12.35%
Road transport vehicles	7,121	5,974	16.11%
Others	342	257	24.84%

Inter-segment elimination	-139	-224	-
Total	33,200	28,689	13.59%

On regions	Major business income	Proportion in income (%)	Year-on-year Increase/decrease (%)
America	8,647	26.05	0.18
Europe	11,905	35.86	-3.26
Asia	12,002	36.15	27.05
Others	645	1.94	16.56
Total	33,200	100.00	7.31

Container Business

In 2006, the sale income was RMB 25.876 billion, with a year-on-year decrease of 2.92%. 1,564,100 TEUs were produced and 1,568,900TEUs were sold in total, with a year-on-year increase by 19.90% and 15.24% respectively. Up to the end of the year, 24 containers manufacturing factories were owned by the Company, distributing at 11 major coastal ports or cities in China.

——Normal dry van containers

Normal dry van containers are international standard containers used by various cargos that do not need temperature adjustment.

The Group currently has 15 dry van container bases throughout major ports in China. The container plant in Yangshan of Shanghai, with production capacity of 200,000 TEUs, was put into operation at the end of 2006. Up to the end of the year, the annual output of normal dry van containers of the Group reached 1.8 million TEUs.

In 2006, 1,349,900 TEUs of normal dry van containers were sold by the Group in total and sales income was RMB 17.77 billion, with a year-on-year increase of 12.05% and decrease of 11.01% respectively. The global container orders nearly reached 3 million TEUs, with a year-on-year increase of over 20%. However, the production capacity of the industry of dry van container amounted to 5.8 million TEUs in 2006, due to the rapid growth of the production capacity of dry van containers. The imbalance between the demand and supply in the industry of dry van container further deteriorated, and the average price in the industry declined. Meanwhile, the supply of main raw materials such as steel and wooden floors was tighter, and the fluctuation of international oil price caused the paint price to rise significantly. The cost per container once rose by 40% in the third quarter, resulting in massive decline of gross profit for the whole industry.

——Reefer containers

Reefer containers widely apply to storage and long-distance transportation of primary products such as fruits and vegetables, and foods such as beverages, dairy products and meats. In 2006, 185,000 TEUs of reefer containers were produced in the world, with a year-on-year increase of 7.6%. The price of global reefer containers reached the top in 2004, with slight decline in 2005 and moderate rising in 2006.

Currently, the Group has two manufacturing bases in Shanghai and Qingdao, and the output is over 60,000 TEUs. The Group kept the leading place in this industry. In 2006,101,400 TEUs were sold in total, with a year-on-year increase of 17.42%. The sales income was RMB 3.465 billion, increased by 17.12% compared with the same period last year, and reached a new record in history. Meanwhile, the fluctuation of price of international nonferrous metal materials caused the price of stainless steel, the major raw material of reefer containers, to rise significantly, resulting in rising of production cost and decline of gross profit.

——Tank containers

As one of major storage and transportation vehicles for various gases and liquid cargos of oil, chemical and food industries, tank containers have the advantages of high technical contents, safe and environment-friendly, and can be used for combined transport by rail and sea, and even for door-to-door service. In recent years, the production of tank containers is being moved to China from overseas.

The Group currently has two major manufacturing bases in Nantong and Zhangjiagang. In 2006, the sales income of tank containers was RMB 1.384 billion, with a year-on-year increase of 28.07% respectively. The market share ranked No. 1 in the industry in the world.

——Special purpose containers

Other special container businesses include standard special purpose containers, area special purpose containers, folding containers, special reefer containers and pallet containers (including the tank pallets). The Group's five special container bases were distributed at Dalian, Tianjin, Nantong, Xinhui and Qingdao.

In 2006, the sales income was RMB 3.056 billion with a year-on-year increase of 37.88%. 625,100 TEUs of pallet containers were sold in total, with a year-on-year increase of 36.52%.

——Container wooden floor

Container wooden floor business is the strategic resource industry of the Group, and its production bases were distributed at Xinhui of Guangdong, Jiashan of Zhejiang and Yakeshi of Inner Mongolia. The development of container wooden floor business strengthened the core competitiveness of container business, and provided strong support for vehicle industry.

In 2006, the sales income was RMB 1.315billion, with a year-on-year increase of 98.30%.

——Container comprehensive service

The storage yards and service bases for containers provided services such as transfer, storage, repair, maintenance and retread and reconstruction of dry van containers, reefer containers and special purpose containers for customers.

Based on the concept of providing one-stop and whole life circle products and services to the customers, the container comprehensive service business, as the strategic extension of container business in service field, achieved rapid development. The 9 depot container service business networks covering domestic major arterial ports were established, and the business scope was extended to port container logistics and third party container logistics.

For the full year, the depot service business repaired 134,000 TEUs of containers and handled 2,038,000 TEUs of containers (Note: the above business volume excludes that of Dalian Jilong, Tianjin Zhenhua and Xiamen Haitou. The three share-participating enterprises repaired 126,600 TEUs of containers and handled 2,196,800 TEUs of containers for the full year), with a year-on-year increase of 48.9% and 78.1% respectively. The sales income was RMB 177million, with a year-on-year increase of 614.07%.

Road transport vehicle business

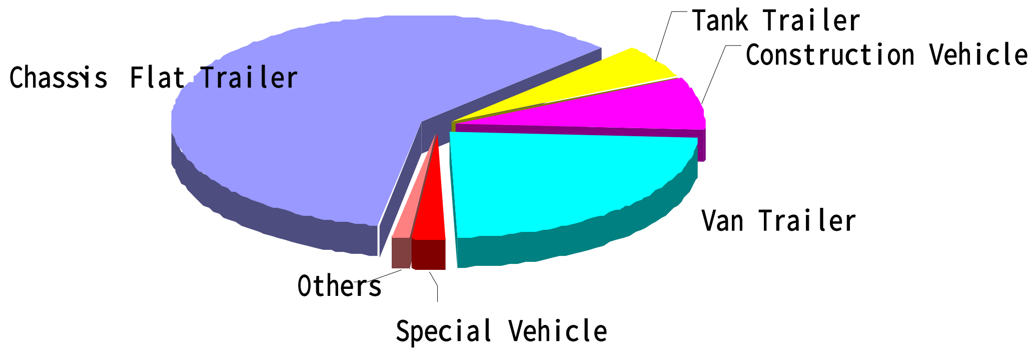
In 2006, the Company sold 88,370 vehicles in total, representing an increase of 66.56% over the corresponding period last year, and recorded sales revenue of RMB 7.121 billion, representing an increase of 67.76% over the corresponding period last year. The production base in the PRC manufactured and sold 80,407 special purpose vehicles in total and recorded a sales revenue of RMB 5.724 billion, representing an increase of 66.89% and 77.70 % respectively over the last year, while the production base in USA sold 7,963 vehicles in the year and recorded a sales revenue of RMB 1.329 billion, representing an increase of 63.34% and 61.45% respectively over the last year. The role of the vehicle business as one of the principal businesses of the Group has been established.

The profitability of the vehicle business improved significantly with a gross profit margin of over 15%; the contributions of the vehicle business to the overall profit of the Company also improved remarkably.

The Company continued to expand its production base through mergers and self-construction. Currently, the Company has thirteen production bases in Shenzhen, Yangzhou, Zhumadian, Jinan, Qingdao, Zhangjiagang, Xinhui, Yingkou, Baiyin, Xi’an, Tianjin and Shanghai in the PRC as well as Indiana in USA with an annual production capacity exceeding 120,000 vehicles, laying a solid foundation for the rapid growth of the vehicle business.

The Company is offering an increasingly diversified range of products and has started to shift more efforts on products with high standards of technology and high added value. The product line of the Company covers five categories of products, including ordinary semi-trailers (container semi-trailer, container chassis and flat semi-trailer), tankers (powder tanker, refueling truck, pressure tanker, low temperature tanker and tank semi-trailer), construction vehicles (dump trucks and cement-stirrer vehicle), vans (van semi-trailer, ordinary van and refrigerated van) and special vehicles (such as car transport vehicles and emergency communication vehicle). The Company is shifting more efforts on special purpose vehicles such as sanitation vehicles and fire-fighting vehicles.

Income breakdown of 2006



To boost the construction of a vehicle marketing service network, the Group is making great efforts to build up a one-stop full lifecycle vehicle service system, which, with 4S stores as its basis, aims to exploit synergy effects by exploring the regional consolidation in marketing and facilitating the establishment of a unified marketing and service system. In addition to the three 4S stores in Shanghai, Beijing and Shenzhen, the Group has or is preparing to set up 4S stores in Tianjin, Ningbo, Guangzhou, Xiamen and Fuyang. The marketing and service network of the Group in the developed coastal areas in the PRC is forming its shape. By providing integrated marketing service, vehicle 4S stores can meet to the maximum the customized demands of customers for products and services.

In 2006, the research and development system of the Group's road transport vehicle business continued to develop. The Group has, from the very beginning of basic research and development, carried out technical researches on new materials, new products and new processes with a view to promote the sound development of the road transportation vehicle industry in the PRC and offer safe, environment-friendly and energy-saving road transportation equipments, and has developed a number of leading products with lightweight, highly efficient, energy saving and anti-overload designs. In April 2006, six vehicle models of the Group were included in the first batch of recommended vehicle models for road cargo transportation vehicles and combination vehicles by the Ministry of Communications. Further, the Group has taken an active part in the formulation of the national standards for vehicle industry.

The procurement of the Company of certain components and parts has been globalised and substantial progress has been made in the Company's efforts to make certain critical parts domestically, which help the Company to improve its management process towards qualified suppliers of domestically made components and parts and establish closer partnerships with major suppliers of components and parts and manufacturers of heavy trucks.

In exploiting overseas markets, the Company has taken an active part in boosting the "Sino-US Interaction" and endeavored to enhance the competitiveness of the products from the production base of CIMC in North America by stepping up the proportion of domestically supplied components and parts in the production base of CIMC in North America while making an effort to export more products to overseas markets.

Airport support equipment

The airport support equipment business of the Group mainly covers the manufacture, sale and service of such products as boarding bridge, air cargo terminal, ship boarding bridge and urban multistory parking garage.

In 2006, the Company sold 75 passenger boarding bridges in total and recorded a sales revenue of RMB 168 million, representing an increase of 5.42% over the corresponding period last year. Passenger boarding bridges of the Group occupied a market share of over 90% in the domestic market and over 40% in the global market, becoming another product of the Group that ranks first in the world.

In April 2006, the four boarding bridges specially made by Group for A380 passenger plane were delivered to France De Gaulle Airport. In December 2006, the Group won an bid to build an equipment system for the air cargo terminal in phase II of Shanghai Pudong Inernational Airport Project, the largest new air cargo terminal in the world. With an total contract sum of 16 million Euros for equipment system, this cargo terminal has an designed annual handling capacity of 1.2 million tons and also a world leading level of automation and intelligence in its equipments.

(3) Suppliers and customers

In the reported period, the purchases of the Group from its five largest suppliers amounted to RMB 14,732,048,000, representing 44.60% of its annual total purchases, and the sales of the Group to its five largest customers reached RMB 7,816,413,000， in aggregate, representing 23.57 % of its annual total sales. None of the major related parties or shareholders holding 5% shares of the Company has any interests in such suppliers or customers.

(4) Analysis of changes in the composition of the assets and expenses of the Company

Unit: RMB million

Items	2005	2004	Increase or decrease (%)
Total assets	23,336	17,020	37.11%
Total liabilities	10,165	6,509	56.17%
Trade and other receivables	7,421	4,410	68.28%
Inventories	4,772	3,435	38.92%
Property, plant and equipment	4,670	4,185	11.59%
Short term bank loans	859	502	71.12%
Long term bank loans	723	436	65.83%
Distribution costs	981	-684	-243.42%
Administrative expenses	1,102	1,014	8.68%

Net financial income and expense	-290	89	-425.84%
Income tax	232	-225	-203.11%
Ratio of liabilities to total assets	43.56%	38.25%	5.31%

The Company maintained favorable main assets indices in the year, with an increase in the ratio of liability to assets and a slight acceleration in the turnover of accounts receivable.

The considerable increase in accounts receivable and inventories was mainly due to the expansion of operations, the relatively large scale maintained for principal business as at the end of the year and more subsidiaries being included in the range of mergers.

The substantial increase in short term and long term borrowings was mainly due to the expansion of operations and more subsidiaries being included in the range of mergers.

The year-on-year decrease in administrative expenses was due to the write-back of provisions for impairment of inventories of approximately RMB 240 million in the first quarter.

The significant decrease in Net financial income and expense was mainly due to the lower financing costs and the increase in exchange gains or losses.

(5) Analysis of the composition of cash flows

In the reported period, the Company recorded net cash flows from operating activities of RMB 0.975 billion, representing a decrease of 81.36% as compared to the net cash flows from operations in the corresponding period last year of RMB 5.232 billion.

It is the characteristic of the container industry that more funds are used and cash flow status is relatively bad in production peak period, while fewer funds are used and business cash flow status is relatively favorable in production slack period. In the fourth quarter of 2006, there was a significant decrease in the net cash flows from operating activities as the scale of container production maintained relatively large as compared to that in the corresponding period last year.

(6) Operations and results of major holding companies and joint-stock companies

The Company operates a small amount of real estate business through holding companies and joint-stock companies in addition to its principal businesses such as container, road transportation vehicle and air support equipment businesses.

In 2006, the real estate business of the Group is distributed in Shanghai, Jiangmen and Shenzhen, and recorded sales revenue of RMB 142 million, representing an increase of 682.67% over the corresponding period last year.

2. Outlook for the Future Development of the Company

The directors of the Company believe that "peace, development and cooperation" will remain as the prevailing themes for the next five years in spite of the increasingly sophisticated global economic environment. Currently, the global economy is undergoing the third wave of globalization which started from the early 1990s and is still flourishing nowadays. This "new globalization" wave is mainly characterized by the redeployment, re-division of labour and reconstruction of the global manufacturing industry. However, the PRC will in a fairly long period possess unsurpassable competitive edges in terms of the factors of production other than technology. The relocation of global manufacturing industry players into the PRC has become an unavoidable trend for the five years to come. The industry transfer brought by the new wave of globalization has been bringing profound changes to the PRC and the world, as a result of which, the traditional growth pattern that focuses on processing and participates in the international division of labour with cheap labour and resources is no longer suitable for a manufacturing industry of equipment that requires higher standards of technologies, and competitions will surely be focused on such fields with higher added values.

In respect of the domestic policy environment of the PRC, the government is committed to fully carry out a "scientific view of development" to construct a harmonious socialist society, build an innovative country and boost the sustainable development of the economy and the society at all levels. In 2006, the *Several Opinions of the State Council on Accelerating the Invigoration of Equipment Manufacturing Industry* and the Eleventh Five-year Plan were issued, outlining the specific goals for economic development of the country by 2010. It is foreseeable that the government will take more macroeconomic measures to streamline the structure of the industry, enhance the upgrading of the industry and improve the capacity of independent innovation of the industry, and the large enterprises in the PRC will further speed up their internal reforms and conversions of operating mechanism to achieve rapid development through such market means as mergers and consolidation.

In view of the changes in the situations of the world economy and the upgrading of the domestic industrial structure, the Group shall take an active part in such changes and upgrading to contribute more to the invigoration of the nation. Firstly, the Group shall take advantage of its international operating capabilities and the strengths of the PRC in manufacturing to participate in the international division of labour and industrial restructuring and thus speed up the construction of a "**globalised operating system based on the competitive strengths of the PRC**". Secondly, at the new stage of the development of the industrial structure of the PRC, the Group shall take every opportunity to explore new markets and seek spaces for future development in line with the new requirements for industrial restructuring.

Capitalizing on the competitive strengths of the PRC, the Group intends to develop into a globalised enterprise group that has a even more solid leading position in the container industry, has leading mainstream vehicle products in the international mainstream market, has a much higher proportion of service revenue in its operating income, has new industry supporting its future development, has competitive edge in brands and resources to create higher values and has a stable platform for globalised operations, and become a more responsible and more environment-friendly leader in the business sector in which it operates that enjoys more respects and more harmonious labor relationships.

(1) Industry Development Trend and Market Outlook

—— Overall demands for containers will grow steadily and special reefer containers and reefer containers will maintain their good momentums for growth

It is expected that the fast growth of the world trade will continue and the trade volume of containers will maintain its momentum for steady growth. The number of containers disposed of will increase steadily. Therefore, the overall demands for containers will continue to maintain a momentum of steady and small growth. The reefer containers and special reefer containers market will continue to maintain a good momentum for continuous and healthy development. However, the dry van containers market, which is influenced by serious superfluity, will face increasingly tough competition.

——Road transportation vehicles market will maintain a steady growth

In respect of the road transportation vehicles market, as the fast economy growth of the PRC is expected to continue in 2007, the growth driven by domestic demands will bring more benefits to the market. Since the logistics industry of the PRC has been fully opened up and large foreign logistics enterprises will speed up their paces to penetrate into the PRC market, the demands for new vehicle models in line with high international standards will be increasing. Along with the increase of investments in infrastructure, demands for special purpose vehicles for construction will increase. Further, as the government is making more efforts to promote the system of charge by weight, applications of new materials and the high efficient and lightweight designs of vehicle models will gain recognitions from customers gradually. It is expected that the overall demands for special purpose vehicles will maintain a good momentum for steady growth.

——Airport support market has more spaces for development

It is expected that, in 2007, the airport construction in the PPC will keep its fast pace, there will still be spaces for exploitation in the international market and the PRC will continue to enjoy its comparative advantages in the manufacturing industry.

(2) Overall operating measures for business development

In respect of the **container business**, the Company will make efforts to enhance its competitiveness to face the fierce competition in the market, lead the healthy and steady development of the industry via improvements in technology and management and reinforce the development of special purpose vehicles to consolidate its leading position in the industry, thus laying a solid foundation for the development of other businesses of the Group. In particular, the Group will take a leading role in the upgrading of environment-friendly, energy-saving, safe and intelligent products, supply chain management, fine management, patents and intelligence property rights protection, labour safety and sanitation and other aspects of the container industry. The Group will seek a service model that can support the development of the principal businesses of the Group so as to enrich its one-stop full lifecycle vehicle service.

In respect of the **vehicle business**, the Company will endeavor to further improve its base network layout and develop mainstream products for mainstream markets to expand its market penetration. Further, the Company will continue to improve its operating model based on the competitive strengths of the PRC and the Sino-US interaction to explore and seek competitive edge from a complete industry chain, and continue to boost the construction of its marketing service system to create a new marketing network model for the special purpose vehicle industry.

In respect of the **tank equipment business**, the Company will boost the construction of the business platform in Europe and endeavor to develop products with international competitiveness by developing new capabilities and product lines and consolidating its world leading ISO tank containers business.

The Company will make efforts to improve its innovation system and innovative capability and facilitate the implementation of its projects for environment-friendly, energy-saving and intelligent products to reduce energy consumption and environmental complaints and boost the upgrading of the industry and its products.

To meet the requirements of a globalised operation in the future, the Company will further reinforce the construction of its human resource system and the work to attract, retain, explore, inspire and reserve talents. With a view to build harmonious labour relationships with its staffs, the Company will enhance the management of labour relationships at all levels and improve the remunerations and benefits of its employees to increase their satisfaction towards the Company. Further, the Company will enhance the management of labour safety to reduce accident rate and pursue the concept of “strengthening the country, enriching the people and realizing common development”.

The Company will take steps to construct a systemised brand management system, aiming to build a world-class brand. Also, the Company will further enhance the recognition of the general public on the brand of CIMC and to explore brand values in its investing and financing activities, international and domestic cooperations, mergers, business expansions, government resource development and ordinary business activities.

(3) Capital expenditure and financing plan

According to the market situation, it is estimated that capital expenditure of main projects are investment of about RMB 900 million in container manufacture business, RMB 300 million in container comprehensive service business, RMB 1800 million in road transportation vehicle, and RMB 500 million in other business.

Such expenditures will primarily be funded by its own capital and bank borrowings.

(4) Risk factors for future development

In 2007, developing countries like the PRC and India will maintain their good momentums for strong economic growth, whereas the overall growth of the world economy will slow down. For those major economies like USA, the Europe and Japan, the slowdown will be sharp.

Rises and frequent fluctuations of the price and the supply shortage of primary products such as energy products and industrial raw materials have become a major uncertain factor for the development of the world economy.

Meanwhile, due to the severe global imbalance of current account and strong anticipations for a unilateral appreciation of the RMB, market risks brought by exchange rate changes are becoming more visible.

The principal businesses of the Group are correlated to the development of the world trade and the economic growth of the manufacturing industry and the export of the PRC. Such slowdown of the global economy, fluctuations of the price of energy products and industrial raw materials and changes in the exchange rate of the RMB as mentioned above will have impact on the growth of the Group’s business and the efficiency of the Group’s operations.

The Group will keep a close eye on the development of the global economy and the changes in the world trade adjust its operating strategy in a timely manner and enhance the management of supply chain and capitals to cope with the changes in the business environment.

(5) Possible changes in accounting policies and estimates of the Company upon the implementation of new corporate accounting standards and their impacts on the financial position and operating results of the Company:

1) Analysis of difference between shareholders' equity calculated according to the current accounting standards and that calculated according to new accounting standards on January 1, 2007 from which new accounting standards are implemented:

① Long-term equity investment difference

In accordance with new accounting standards, if there is credit balance for long-term equity investment calculated on equity method on January 1, 2007, except that generated by the merger of enterprises under the same control, credit balance would be written off and retained earnings would be adjusted. As a result, shareholders' equity would be increased by RMB11,479,162.87.

② Financial assets calculated according to fair value whose change is recorded in the current profits and losses and financial assets available for sale

In accordance with new accounting standards, marketable financial assets and financial assets available for sale were calculate based on fair value on January 1, 2007, and retained earnings would be adjusted according to the difference between book value and fair value. As a result, shareholders' equity would be increased by RMB1,138,900,441.41.

③Income tax

In accordance with new accounting standards, income tax would be calculated according to debt method of balance sheet. As for the temporary difference between book value of assets and liabilities and their tax base should be recognized as deferred income tax assets or deferred income tax liabilities according to relevant terms.

Retained earnings would be adjusted according to the amount affected. As a result, shareholders' equity would be decreased by RMB50,755,784.95.

④ Derivative financial instruments

In accordance with new accounting standards, derivative financial instruments also should be calculated and recognized based on Accounting Standard No. 22. All the derivative financial instruments involved by the Company confirmed with definition and demands by fair value measurement, which the changes are recorded in current profits and losses. Derivative financial instruments were measured according to fair value by the Company, and retained earnings would be adjusted according to the amount affected. As a result, shareholders' equity would be increased by RMB9,063,196.63.

⑤ Minority interests

In accordance with new accounting standards, the minority interests in the consolidated statements prepared by the Company on December 31, 2006 in accordance with current accounting standards would be stated as shareholders' equity on January 1, 2007. As a result, shareholders' equity would be increased by RMB848,198,143.75 .

(2) Possible accounting policies change and accounting estimate change subsequent to implementation of new accounting standards and the impact on the Company's financial status and operating results:

① Long-term equity investment

In accordance with the current accounting policies, the long-term equity investment in the subsidiaries would be measured based on equity method by the Company, while such investment would be changed to measure based on cost method in accordance with the provisions in Accounting Standard for Business Enterprises No. 2 -- Long-term Equity Investment, when consolidated accounting statements are prepared, such investment would be adjusted on equity method. Thus, the financial status and operating results of the parent company can be reflected more truthfully in financial statements but the consolidation of financial statements by the Company will not be affected.

② Borrowing costs

In accordance with Accounting Standard for Business Enterprises No. 17 -- Borrowing Costs, if general borrowings are occupied for acquiring or constructing or producing assets satisfying conditions of capitalization during the period of capitalization of borrowing costs, interest on general borrowings would be capitalized. This change of policy will increase the scope of the Company's capitalization and the Company's profit and shareholders' equity.

③ Income tax

In accordance with Accounting Standard for Business Enterprises No. 18-- Income Tax, the Company would change the accounting method of income tax from tax payable to balance sheet debt method. Such change of accounting policy would affect the Company's income tax expenses of the current period and thus affect the Company's profit and shareholders' equity.

④ Consolidated financial statements

In accordance with the current accounting policies, the Company would separately state minority interests in the consolidated financial and accounting statements. In accordance with Accounting Standard for Business Enterprises No. 33 - Consolidated Financial Statements, the Company would state minority interests with the item of "minority interests" under shareholders' equity in consolidated balance sheet. The change of such policy would affect the shareholders' equity of the Company.

(II) Investments in the Reported Period

In the reported period, the Group spent in aggregate RMB 782,460,000 on purchasing equity interests of certain companies and RMB 842,660,000on establishing new subsidiaries or increasing the capital of subsidiaries. The net increase in the fixed assets (including construction in process) of the Group amounted to RMB 1,334,310,000, which were mainly utilised in the construction, innovation and reconstruction of the plants and equipments of new and existing subsidiaries.

1. Use of Proceeds in the Reported Period

On November 20th 2003, the Company issued 120 million new A-shares and received proceeds of RMB 1.755 billion (after expenses relating to the issuance). During the year, such proceeds were utilised as scheduled and in line with the profitability as expected.

Unit: RMB 0’000

Total of proceeds	177,090		Total of proceeds utilised in the year		13,360	
			Total of proceeds utilised accumulatively		160,085	
Committed projects	Proposed investment	Changed or not	Planned investment	Actual investment	Progress	Income generated
Reconstruction of dry cargo container factory	32,906	No	32,906	32,906	100%	12,706
Production expansion of regional & special purpose containers	41,350	No	31,755	31,755	77%	9,648

Reefer Container production expansion project	22,106	No	21,162	21,162	96%	3,426
Tank container	14,539	No	14,539	14,539	100%	9,800
Van semi-trailer	23,156	No	23,156	23,156	100%	1,026
Container chassis	19,021	No	19,021	19,021	100%	18,000
Overseas OEM van semi-trailer	24,012	No	22,066	22,066	100%	255
Total	177,090	—	164,605	164,605	100%	54,861

Proceeds remained unutilised as at the end of the reported period amounted to RMB 109.90 million and were used temporarily as working capital.

2. Investment of Funds from Non-financial Activities in the Reported Period

(Unit: RMB million)

Items	Planned investment	Direct / indirect shareholding (%)	Year 2006 Progress of the project	Accumulated investment
1. Acquisition of 17.06% equity interests in Xinhui CIMC Container Flooring Co., Ltd	39.65	100.00	Completed	39.65
2. Acquisition of 30% equity interests in Xinhui CIMC Container Co., Ltd.	76.08	70.00	Completed	76.08
3. Acquisition of 20% equity interests in New Atlantic Timber (H.K.) Limited	1.52	20.00	Completed	1.52
4. Acquisition of 51% equity interests in Yangzhou Tonglee Reefer Container Co., Ltd.	0.80	51.00	Completed	0.80
5. Acquisition of 14%equity interests in Nantong CIMC Special Transportation Equipment Manufacture Co., Ltd.	16.51	71.00	Completed	16.51
6. Acquisition of 14 % equity interests in Nantong CIMC-Smooth Sail Container Co., Ltd.	24.63	71.00	Completed	24.63
7. Acquisition of 38%equity interests in Nantong CIMC Tank Equipment Co., Ltd.	42.86	100.00	Completed	42.86
8. Acquisition of 40%equity interests in Donghua Container Transportation Service Co., Ltd.	63.00	70.00	Completed	63.00
9. Acquisition of 40%equity interests in Zhumadian CIMC Huajun Vehicle Co., Ltd.	78.37	75.00	Completed	78.37
10. Acquisition of 98%equity interests in Shanghai CIMC Vehicle Testing Co., Ltd.	1.13	98.00	Completed	1.13

11. Acquisition of 40% equity interests in CLIVE-SMITH COWLEY LIMITED	56.60	100.00	Completed	56.60
12.Acquisition of 45% equity interests in Zhenhua Logistics Group	378.40	45.00	Completed	378.40
13. Acquisition of 30% equity interests in CIMC Australia Pty Ltd	21.30	100.00	Completed	21.30
14. Dalian CIMC Railway Equipment Co., Ltd.	78.05	100.00	Completed	78.05
15. Shanghai CIMC Yangshan Logistics Equipment Co., Ltd.	156.10	100.00	Partly completed	135.86
16. Tianjin CIMC Container Co., Ltd.	179.52	100.00	Completed	179.52
17. Ningbo CIMC Container Service Co., Ltd.	30.00	100.00	Partly completed	30.00
18. Beijing CIMC Vehicle Logistics Equipment Co., Ltd.	20.00	100.00	Completed	20.00
19. CIMC Vehicle (Liaoning) Co., Ltd.	40.00	100.00	Completed	40.00
20. Shanghai CIMC Vehicle Logistics Equipments Co., Ltd.	10.20	98.00	Completed	10.20
21. Jiaxing CIMC Wood Co., Ltd.	39.03	100.00	Completed	39.03
22. Beijing Vehicle Sales Co., Ltd.	5.00	98.00	Completed	5.00
23. Ningbo Zhongze Imports and Exports Trading Co., Ltd.	5.00	100.00	Completed	5.00
24. Shanghai CIMC Logistics and Services Co., Ltd.	5.00	98.00	Completed	5.00
25. Shanghai CIMC Second Handed Vehicle Agent Co., Ltd.	1.00	98.00	Completed	1.00
26. Guangdong Xinhui CIMC Composite Material Co., Ltd.	129.46	100.00	Completed	129.46
27. Taicang CIMC Containers Co., Ltd.	197.36	100.00	Completed	197.36
28. Dalian CIMC Logistics Equipment Co., Ltd.	56.80	100.00	Completed	56.80
29. Tianjin CIMC Vehicle Logistics Equipment Co., Ltd.	10.00	100.00	Completed	10.00
30. Shanghai CIMC Yangshan Container Service Co., Ltd.	39.66	100.00	Completed	39.66
31. Yangzhou Tonglee Reefer Equipment Co., Ltd.	8.02	100.00	Completed	8.02
32. Tianjin Port CIMC-Zhenhua Logistics Co., Ltd.	72.00	51.30	Partly completed	18.00
33. CIMC USA INC.	19.16	100.00	Completed	19.16
34. Tianjin CIMC Special Vehicle Co., Ltd.	30.00	100.00	Partly completed	22.50
35. CIMC – SHAC (Xi'An) Special Vehicle Co., Ltd.	50.00	75.00	Completed	37.50
36. Gansu CIMC Huajun Vehicle Co., Ltd.	25.00	75.00	Completed	25.00
37. Shanghai CIMC Baojian Vehicle Testing Co., Ltd.	2.39	98.00	Completed	2.39
38. Ningbo Vehicle Sales Co., Ltd.	5.00	100.00	Completed	5.00
39. Chongqing CIMC Logistics Equipment Co., Ltd.	62.44	100.00	Partly completed	12.49
40. Nantong CIMC Tank Equipment Co., Ltd.	39.03	100.00	Completed	39.03
41. Shenzhen CIMC Skyspace Real Estate Co., Ltd.	23.19	50.00	Completed	23.19
TOTAL	2,139.25			1,995.06

(III) Routine works of the Board of Directors

1. Board meetings and resolutions

(1) On March 16th 2006, the 4th Board of Directors of the Company held its first meeting in 2006, at which resolutions on, among others, the 2005 Annual Report and Annual Report Summary and the Profit Distribution, Dividend Declaration and Capitalization of Common Reserves for 2005 were approved, and the relevant

announcements were published in Securities Times, Shanghai Securities News and Ta Kung Pao on March 18th. (No. [CIMC] 2006—006);

(2) On April 24th 2006, the 4^{th} Board of Directors of the Company held its fifth meeting in 2006, at which the Resolution on the 1st Quarterly Report for 2006 was approved;

(3) On May 26th 2006, the 4^{th} Board of Directors of the Company held its seventh meeting in 2006, at which resolutions on the revision of the Articles of Association of the Company, the Rules of General Meetings and the Rules of Board Meetings were approved, and the relevant announcements were published in Securities Times, Shanghai Securities News and Ta Kung Pao on May 30th. (No. [CIMC] 2006—024);

(4) On August 4th 2006, the 4^{th} Board of Directors of the Company held its twelfth meeting in 2006, at which resolutions on, among others, the 2006 Interim Report and Interim Report Summary were approved, and the relevant announcements were published in Securities Times, Shanghai Securities News and Ta Kung Pao on May 30th. (No. [CIMC] 2006—024);

(5) On October 23rd 2006, the 4^{th} Board of Directors of the Company held its seventeenth meeting in 2006, at which the Resolution on the 3rd Quarterly Report for 2006 was approved;

(6) On October 26th 2006, the 4^{th} Board of Directors of the Company held its eighteenth meeting in 2006, at which the Resolution on the Application of the A-Shares under the IPO of China Merchants Energy Shipping Co., Ltd was approved;

(7) On November 30th 2006, the 4^{th} Board of Directors of the Company held its twentieth meeting in 2006 by way of telecommunication voting, at which the Resolution on the Agreement to Set up a New Joint Venture with Mr. Peter van der Burg to Acquire the 100% Equity Interests in Burg Industries B.V. were approved, and the relevant announcements were published in Securities Times, Shanghai Securities News and Ta Kung Pao on December 8th. (No. [CIMC] 2006—006);

2. Execution of resolutions of general meetings

The Board has executed properly all resolutions of general meetings during the year.

(1) Resolutions of the general meeting held in 2005 on authorizing the Board of Directors to revise the Articles of Association of the Company and the Rules of General Meetings have been executed in the reported period.

(2) Execution of the plan of profit distribution and capitalization of common reserves for 2005

The Profit Distribution and Capitalization of Common Reserves Plan for 2005 was approved at the annual general meeting of 2005 held on June 30th 2006. The plan was: based on the total share capital as at the end of 2005 of 2,016,966,706 shares, a dividend of RMB 3.8 (tax included and no tax would be deducted for B Shares. After tax, each of the individual shareholders of A Shares and investment funds would actually receive a cash dividend of RMB 3.42 for every ten shares held.) would be paid in cash to each shareholder for every ten shares held. Cash dividends for B Shares were to be paid in HKD at the mid exchange rate (HKD 1 = RMB 1.0291) of the PBOC benchmark rate prevailing on the first business day (i.e. July 3rd) after the date of the resolution of the general meeting.

The plan for capitalization of common reserves for 2005 of the Company was: common reserves were to be capitalised at a rate of one share for every ten shares held on the basis of the total share capital as at the end of 2005 of 2,016,966,706 shares. Upon that, the total share capital of the Company was increased from 2,016,966,706 shares to 2,218,663,376 shares.

The Company made the Announcement regarding Dividend Declaration and Capitalization of Common Reserves for 2005 in Securities Times, Shanghai Securities News and Ta Kung Pao on July 1st 2006, pursuant to which the registration date was fixed at July 19th 2006 and the ex-dividend date was fixed at July 20th 2006. As of the end of the reported period, all works involving profit distribution and dividend declaration had been completed.

（Ⅳ）Preplan of Profit Distribution or Capitalization of Common Reserves for 2006

As audited by Deloitte Touche Tohmatsu CPAs, the Company recorded a consolidated net profit after tax and minority interests of RMB2,771,723,086.05. Based on the total share capital of 2,218,663,376 shares as at December 31st 2006, the earnings per share was RMB1.2493. The profit distribution and dividend declaration preplan is hereby proposed as: as per the Articles of Association and the current accounting policies of the Company, the accumulative amount of statutory surplus reserves as at December 31st 2006 has exceeded 50% of registered capital, thus the Company would not appropriate statutory surplus reserves for 2006. Adding retained profit of RMB 2,220,316,436.76 as at the beginning of the year, therefore the profit of the year available for distribution to shareholders is RMB 4,992,039,522.81; based on the total share capital of 2,218,663,376 shares as at December 31st 2006, a cash dividend of 3.8RMB (tax included) will be distributed for every ten shares, representing a total dividend of RMB 843,092,082.88.

Preplan for Capitalization of Common Reserves: common reserves are proposed to be capitalized at a rate of 2 share for every ten shares. Upon that, the total share capital of the Company will increase from 2,218,663,376 shares to 2,662,396,051 shares.

(V) There are no other issues need to be disclosed.

VIII. Report of the Supervisory Committee

(I) Meetings and resolutions

In the report period, the Supervisory Committee held six meetings:

1. The 1st meeting of the Supervisory Committee for the Year 2006 was held on March 16, 2006, at which the Work Report 2005 of the Board of Directors was heard; the Work Report 2005 of the Supervisory Committee, Annual Report 2005 and Summary of the Annual Report 2005 were examined and approved;
2. The 2nd meeting of the Supervisory Committee for the Year 2006 was held on April 25, 2006, at which the Examination Opinion on the 1st Quarterly Report 2006 was examined and approved;
3. The 3rd meeting of the Supervisory Committee for the Year 2006 was held by means of communication voting on May 26, 2006, at which the Articles of Association of the Company and the Rules of Procedure of the Supervisory Committee were approved to revise in accordance with the provisions from CSRC and the relevant laws and rules.
4. The 5th meeting of the Supervisory Committee for the Year 2006 was held by means of communication voting on Aug. 4, 2006, at which the Interim Report 2006 was examined and approved.
5. The 6th meeting of the Supervisory Committee for the Year 2006 was held by means of communication voting on October 23, 2006, at which the 3rd Quarterly Report 2006 was examined and approved.

(II) Independent opinions of the Supervisory Committee over issues of the Company occurred in 2005

Independent opinions given by the Supervisory Committee on the following issues of the Company:

1. Operation

The Supervisory Committee seriously fulfilled its obligations in accordance with the relevant regulations of the Company Law, the Articles of Association, etc.. In this year, the members of the Supervisory Committee attended all Board meetings. In conformity with relevant laws and regulations, the Supervisory Committee has conducted supervision over the convening procedures and decision-making procedures of the Shareholders' General Meeting and the Board of Directors, the Board's implementation of the various resolutions made by the Shareholders' General Meeting, as well as the decision-making and operation of the Company, etc.. The Supervisory Committee believed that the decision-making procedures this year had been legal, the internal control system had been perfect, and, while performing their duties, neither the Director, nor the President or the senior management went against the Articles of Association of the Company or harmed the Company's benefit. And there were no power abuse or harm done to the Company's interests, or the shareholders' and employees' interests that had been detected.

2. Inspection over the financial status of the Company:
The Supervisory Committee inspected the businesses and financial status of the Company this year, and examined the Annual Financial Report, Interim Report and other documents prepared by the Board. The Supervisory Committee believed that the Financial Report truthfully and justly reflected the financial status and operation achievements of the Company. In the report period, Deloitte Touche Tohmatsu CPA Ltd furnished a standard unqualified Auditors' Report on the Company's Financial Report 2006, and so did KPMG Hong Kong Certified Public Accountants. The Supervisory Committee believed that the auditing opinions given by both Deloitte Touche Tohmatsu CPA Ltd and KPMG Hong Kong Certified Public Accountants had been objective.

3. Utilizing of proceeds raised from the latest financing activity

The Company finished the increase issue of 0.12 billion A shares, which had raised RMB 1.751 billion (issuing expenses deducted). As at December 31st 2006, all investment project committed by the Company has been completed with raised proceeds of RMB 1.646 billion. The raised proceeds remained unutilized amounting to RMB 109 million would be used in working capital of the Company. The Supervisory Committee considered that such raised proceeds were used in accordance with the commitment in the Prospectus on Increase Insurance of A Shares, there was no change in the investment projects, and the use of raised proceeds was in compliance with the requirements of the relevant rules and brought good prospective income for the shareholders.

4. In the report period, an agreement was signed by between the Company and Burg Industries B.V. (hereinafter referred to as "Burg"), which the Company and one of beneficial shareholders of Burg ---- Mr. Peter van der Burg would jointly establish a new company (hereinafter referred to as "Newco") with registered capital of EURO 60 million. Of which, Mr. Peter van der Burg would invest in EURO 12 million, taking up 20% equity of Newco, while the Company would invest in EURO 48 million, taking up 80% equity of Newco. Newco would purchase 100% equity of Burg at the purchasing price of EURO 108 million. The Supervisory Committee considered that it was in compliance with the Company's long-term strategies for development that extension of its existing product line into the fields of static storage tanks and terminal equipment.
The aforesaid purchasing prices of the Company were reasonable, and the transaction was in accordance with legal procedures. No inner transaction or cases that would do harm to part of the shareholders or lead to the loss of the Company's assets has been detected.

5. In the report period, CIMC Holdings (B.V.I.) Limited, a wholly-owned subsidiary of the Company, signed a Share Transfer Contract with COSCO Pacific (China)

Investment Limited, which stated that COSCO Pacific (China) Investment Limited would transfer 20% equity of Shanghai CIMC Far East Container Co., Ltd (hereinafter referred to as Shanghai Far East) it held to CIMC B.V.I. Limited at the share transfer price of USD 6.2523 million. Since COSCO Pacific (China) Investment Limited is a wholly-owned subsidiary of COSCO Pacific Limited and its legal representative Sun Jiakang is a director of the Company, further more, COSCO Pacific Limited held 16.23% equity of the Company through its wholly-owned subsidiary COSCO Container Industries Limited. Thus, this event forms a related transaction.

The aforesaid prices of associated transaction of the Company were reasonable, and the transaction was in accordance with legal procedures. No inner transaction or cases that would do harm to part of the shareholders or lead to the loss of the Company's assets has been detected.

IX. Significant Issues

(I) Significant lawsuits and arbitrations

There were no significant lawsuits and arbitrations in the report period.

(II) Significant events of assets purchase or sales

An agreement signed by between the Company and Burg Industries B.V. (hereinafter referred to as “Burg”) was disclosed on Feb. 7, 2006, which the Company would indirectly acquire and merged 75% equity of Burg. The relevant progress of the said event has been disclosed as follows: Public Notice on Acquisition of a European Company published in *Securities Times* and *Hong Kong Ta Kung Pao* dated Feb. 7, 2006 with public number [CIMC] 2006-001, Public Notice of CIMC published in *Securities Times* and *Hong Kong Ta Kung Pao* dated Mar. 15, 2006 with public number [CIMC] 2006-004, Public Notice on Progress of the Acquisition of a European Company published in *Securities Times* and *Hong Kong Ta Kung Pao* dated Apr. 25, 2006 with public number [CIMC] 2006-016. And the both parties decided to abandon the aforesaid transaction on July 20, 2006 (Public Notice of CIMC published in *Securities Times* and *Hong Kong Ta Kung Pao* dated July 21, 2006 with public number [CIMC] 2006-030).

Hereafter, the Company signed Term Sheet on Acquisition of Burg with the beneficial shareholders of Burg ---- Mr. Cees van der Burg and Mr. Peter van der Burg through renegotiation on Nov. 16, 2006.

The Company and one of beneficial shareholders of Burg ---- Mr. Peter van der Burg would jointly establish a new company (“Newco”) with registered capital of EURO 60 million. Of which, Mr. Peter van der Burg would invest in EURO 12 million, taking up 20% equity of Newco, while the Company would invest in EURO 48 million, taking up 80% equity of Newco.

Newco would purchase 100% equity of Burg at the purchasing price of EURO 108 million.

The Company would own 80% equity of Newco and would be the controlling shareholder of the Newco. Newco would pay whole purchasing amount through investing and the corresponding financing arrangement, which transferred the road transport vehicle and static storage tanks of Burg and operation business into Newco.

As at Dec. 31, 2006, the aforesaid transaction was still under progress, and would be approved by the government related organizations of China, Holland and Germany, etc.

The aforesaid event has been disclosed in Public Notice on Progress of the Purchasing Burg Industries B.V. in *Securities Times, China Securities Journal, Shanghai Securities News and Hong Kong Ta Kung Pao* on Dec. 8, 2006 with public number [CIMC] 2006-042.

(III) Significant related transactions

On July 17, 2006, CIMC Holdings (B.V.I.) Limited, a wholly-owned subsidiary of the Company, signed a Share Transfer Contract with COSCO Pacific (China) Investment Limited, which stated that COSCO Pacific (China) Investment Limited would transfer

20% equity of Shanghai CIMC Far East Container Co., Ltd (hereinafter referred to as Shanghai Far East) it held to CIMC Holdings （B.V.I.） Limited at the share transfer price of USD 6.2523 million. Since COSCO Pacific (China) Investment Limited is a wholly-owned subsidiary of COSCO Pacific Limited and its legal representative Sun Jiakang is a director of the Company, further more, COSCO Pacific Limited held 16.23% equity of the Company through its wholly-owned subsidiary COSCO Container Industries Limited. Thus, this event forms a related transaction. No examination by the Shareholders' General Meeting is needed for this related transaction. Such event has been disclosed in Public Notice on Related Transaction in *Securities Times, China Securities Journal, Shanghai Securities News and Hong Kong Ta Kung Pao* on July 22, 2006 with public number [CIMC] 2006-032.

(IV) Significant contracts and their implementation

1. Significant contracts

On Mar. 21, 2006, CIMC (Hong Kong) Co., Ltd., a wholly-owned subsidiary company of China International Marine Containers (Group) Co., Ltd. (hereinafter referred to as "the Company"), signed the Project Contract with Beijing Capital International Airport Expansion Project Headquarters, which Shenzhen CIMC – Tianda Airport Support Ltd., a shareholding subsidiary company of the Company, would supply passenger boarding bridges to T3 Terminal Building of Beijing Capital International Airport, including 96 passenger boarding bridges (including the relevant monitoring control system) of T3A and T3B in T3 Terminal Building. The total amount of the said contract is RMB 168 million. The goods supply and installation of all boarding bridges would be completed before Oct. 2007.

On Dec. 14, 2006, two subsidiaries of the Company, i.e. Shenzhen CIMC-Tianda Airport Support Ltd and China International Marine Containers (HK) Co., Ltd, signed "The Contract on the Cargo Handling System at the Public Cargo Station of the West Cargo Area in the Extension Project of Shanghai Pudong International Airport" with Shanghai Pudong International Airport Import & Export Co., Ltd and Shanghai Airport Authority. The total amount of the contract is EURO 13,029,150 plus RMB 28,963,800, i.e. RMB 164,258,493.60 in total. Supply and installation of the cargo handling system shall be finished and the system shall be delivered for use before Mar. 31, 2008.

2. Significant guarantee contracts

(1) The Company provided the guarantees to subsidiaries under the Group for operational funds. The Company is an overall listed company that provides the guarantees to subsidiaries for operational funds within budget with the purpose of demands of business operation and development. The Company provided a few credit guarantees to distributors and client of CIMC Vehicle (Group) Co., Ltd. and its shareholding subsidiaries for financing due to buying vehicles of CIMC, which started from promoting expansion of vehicles business and products distribution of the

Group.

The Company has not provided any guarantee for the Company's shareholders and actual controller and their related parties.

(2) The Board of the Company always makes decisions on the finance and guarantees for subsidiaries according to the budget at the beginning of each year, and No providing of external guarantee is conducted beyond the resolutions as adopted by the Board of Directors.

(3) By Dec. 31, 2006, the balance of the Company's guarantees for shareholding subsidiaries totaled RMB 651,643,000,

The balance of guarantee provided by CIMC Vehicle (Group) Co., Ltd., a subsidiary of the Company, and its shareholding subsidiaries to distributors and client was RMB 837,660,000 in total.

The amount of total guarantee was RMB 735,409,000, taking up 6.61% of the net assets of RMB 11,117,446,000 as at the end of the year 2006.

The amount of total guarantee amount exceeding 50% of net assets was RMB 0.

(V) Commitments made by the Company or shareholders holding over 5 percent of the Company's equity and their implementations

Commitment on Share Merger Reform Plan and status of implementation

In the report period, the Share Merger Reform Plan committed by COSCO Pacific Limited, the shareholder of the Company, entered in process in March 2006 and completed on May 23, 2006. COSCO Container Industries Limited (a wholly-owned subsidiary of COSCO Pacific Limited), the original nontradable shareholder, made the following commitments in course of share merger reform plan:

① Within 12 months since the first trading day after the share merger reform plan was implemented, COSCO Container Industries Limited would not sell or transfer original nontradable shares held by it through listing and trading in Shenzhen Stock Exchange in line with the relevant regulations.

② In accordance with the relevant regulations, COSCO Container Industries Limited would sell original nontradable shares held by it through listing and trading in Shenzhen Stock Exchange after expiration of the aforesaid commitment, but proportion of number of shares could be sold in total shares of CIMC shall not exceed 5 percent within 12 months, as well as not exceed 10 percent with 24 months.

As at the end of report period, the original shareholders holding nontradable shares strictly performed such commitments.

(VI) Engagement and disengagement of Certified Public Accountants

In the report period, the Company held the Annual Shareholders' General Meeting 2005 on June 30, 2006, and reengaged Deloitte Touche Tohmatsu CPAs for the auditing of accounting statements, verification of net assets and other relevant consultation services for the year 2006. Since Dec. 2005, Deloitte Touche Tohmatsu CPA Ltd had provided auditing services for the Company's A share for one year, and since 1994, KPMG Hong Kong Certified Public Accountants has provided auditing services for the Company's B share for successive 13 years.

In the report period, the remunerations paid by the Company to the CPAs were as follows:

The Company paid RMB 2.7 million to Deloitte Touche Tohmatsu CPAs, including the auditing fees for the year 2005 and expenses for business travels; the Company paid HKD 2.6 million for KPMG, also including the auditing fees for the year 2005 and expenses for business travels.

(VII) In the report period, neither the Company, nor the Board or any director has been punished by the regulatory department.

(VIII) Reception of investigation and news interviews

In the report period, the interviews, investigations and factory visits from such institutional investors as Fund Company, Investment Company and Securities Company and individual investors receipted by the Company were about 63 in total. The investors communicated on the respects of business development, industrial trend, marketing, production management, financial management, product development, project investment, development strategy, prospect and corporate governance with the Company's management team and investor relations department, moreover, the Company provided such information as the annual report and brief introduction of the Company and etc..

No nonpublic significant information was published, disclosed and revealed to institutional investors and individual investors.

(IX) Post balance sheet event

(1) On Jan. 12, 2007, Ruihua Investment Holding Limited filed a suit against Yangzhou Runyang Logistic Equipment Co., Ltd., CIMC (B.V.I.) Ltd. and Shenzhen Southern CIMC Containers Service Co., Ltd., the subsidiaries of the Company, and claimed against defendants for compensation amounting to RMB 310 million. The relevant announcements were published in *Securities Times, Shanghai Securities News and Ta Kung Pao* on Feb 30, 2007. (No. [CIMC] 2007—001)

(2) CIMC Vehicle (Group) Co., Ltd. (hereinafter referred to as CIMC Vehicle) singed an Agreement with Luoyang Yutong Automobile Co., Ltd. ("Luoyang Yutong") on Feb. 15, 2007 in Luoyang, Henan, which both parties would establish jointly an associated company with registered capital of RMB 60 million. Of which, CIMC Vehicle would invest in RMB 45 million, taking up 75% equity of the associated company, while Luoyang Yutong would invest in RMB 15 million, taking up 25% equity of the associated company. After establishment of the associated company, Luoyang Yutong automobile Co., Ltd. would transfer such assets related with the production quality, bulletin of all products and market network in production aspect of special purpose vehicle and passenger car to the associated company, while the associated company would acquired such assets related with production, refit and marketing business of special purpose vehicle and passenger car from Luoyang Yutong.

(3) CIMC Vehicle (Group) Co., Ltd. (hereinafter referred to as CIMC Vehicle) singed an Agreement with Anhui Wuhu Ruixin Automobile Marketing Service Co., Ltd. ("Wuhu Ruixin") on Mar. 2, 2007 in Wuhu, Anhui, which both parties would establish jointly an associated company with registered capital of RMB 70 million. Of which, CIMC Vehicle would invest in RMB 52.5 million, taking up 75% equity of the associated company, while Wuhu Ruixin would invest in RMB 17.5 million, taking up 25% equity of the associated company. After establishment of the associated company, Anhui Wuhu Ruixin Automobile Marketing Service Co., Ltd. would transfer such assets related with the production quality and bulletin of all products of special purpose vehicle held by Anhui Wuhu Ruijiang Automobile Co., Ltd. (related party of Wuhui Ruixin) to the associated company, while the associated company would acquired such assets related with production, refit and marketing business of special purpose vehicle from Wuhu Ruijiang.

Luoyang Yutong and Wuhu Ruijiang are all suppliers having competition power in the region market, the both companies joining into the Group would redound to progress the market share of CIMC Vehicle in such products as tank special purpose vehicle and cargo semi-trailer. CIMC Vehicle could provide the powerful support in market, technology, brand, capital and personnel for the development of Luoyang Lingyu and Wuhu Ruijiang, which became complementary advantage each other.

(X)Other significant events

In accordance with the regulations of documents related with the State Council's Several Opinion for Promoting the Reform, Opening and Steady Growth of the Capital Market (*G [2004] No. 3 document*), the Guidelines for the Share Merger Reform of Listed Companies, the Measures for the Administration of the Share Merger Reform of Listed Companies (*ZJF [2005] No. 86 document*), the Operational Guidelines for the Share Merger Reform of Listed Companies and the Circular of Relevant Issues Concerning the Management of State-owned Shares in the Share Merger Reform of Listed Companies promulgated by the State-owned Assets Supervision and Administration Commission of the State Council, COSCO Pacific Limited, only nontradable shareholder of the Company, proposed a motion on share merger reform, and then the Company entered into the procedure of share merger reform on March 13, 2006. The Company published the share merger reform plan on April 4, 2006 as follows: COSCO Container Industries Limited made the consideration arrangement to the whole shareholders holding tradable A shares with the purpose of obtaining the circulating right of nontradable shares held by it. The consideration arrangement made by COSCO Container Industries Limited: the Company's shareholders of tradable A shares registered at the China Securities Depository and Clearing Corporation Limited as at the date of record that such plan was implemented would obtain put warrants distributed freely by COSCO Pacific Limited at the rate of 7 put warrants for each 10 tradable A shares. The said plan has been approved in the shareholders' general meeting related with share merger reform held on April 28, 2006 through voting (by means of combining on-the-spot voting and online voting). The share merger reform has been finished on May 23, 2006. Subsequent to implementing of share merger reform plan, COSCO Container Industries Limited, the shareholder of the Company, held 327,402,912 A shares in circulation subject to moratorium, taking up 16.23% of total share capital of the Company, as well as 1,689,563,794 social circulation shares, taking up 83.77% of total share capital of the Company.

X. Financial Report

Report of the International Auditors to the Shareholders of China International Marine Containers (Group) Ltd.

(Established in the People's Republic of China with limited liability)

We have audited the accompanying consolidated financial statements of China International Marine Containers (Group) Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 58 to 130, which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Certified Public Accountants

Hong Kong, China

Consolidated balance sheet at 31 December 2006

(Expressed in Renminbi)

	Note	*2006* RMB'000	*2005* RMB'000
Non-current assets			
Property, plant and equipment	13	4,670,102	4,185,522
Lease prepayments - non-current portion	14	989,622	638,800
Construction in progress	15	342,949	236,765
Timber concession rights	16	65,694	73,905
Intangible assets	17	30,432	28,649
Goodwill	18	293,682	105,068
Interest in associates	19	491,592	159,456
Interest in jointly controlled entity	20	128,596	-
Finance lease receivable	21	58,464	68,006
Prepayment for investments	22	64,819	38,830
Deferred tax assets	30(b)	114,780	85,843
Other financial assets	23	1,616,066	291,536
		8,866,798	5,912,380
Current assets			
Lease prepayments - current portion	14	43,665	15,590
Trading securities	24	215,634	419,401
Inventories	25	4,772,042	3,435,181
Trade and other receivables	26	7,420,827	4,409,694
Cash and cash equivalents	27	2,016,872	2,828,223
		14,469,040	11,108,089
Current liabilities			
Trade and other payables	28	7,727,739	4,891,039
Bank loans	29	859,225	501,520
Current taxation	30(a)	121,594	129,202
Provisions	31	565,329	552,086
		9,273,887	6,073,847
Net current assets		5,195,153	5,034,242
Total assets less current liabilities		14,061,951	10,946,622
Non-current liabilities			
Bank loans	29	725,800	435,650
Deferred tax liabilities	30(b)	165,536	-
		891,336	435,650
NET ASSETS		13,170,615	10,510,972

The notes on pages 66 to 128 form part of these consolidated financial statements.

Consolidated balance sheet at 31 December 2006 (continued)

(Expressed in Renminbi)

	Note	*2006* RMB'000	*2005* RMB'000
CAPITAL AND RESERVES			
Share capital	32	2,218,663	2,016,967
Reserves	33	10,085,152	7,596,820
Total equity attributable to equity holders of the Company		12,303,815	9,613,787
Minority interests		866,800	897,185
TOTAL EQUITY		13,170,615	10,510,972

Approved and authorised for issue by the board of directors on

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The notes on pages 66 to 128 form part of these consolidated financial statements.

Consolidated income statement for the year ended 31 December 2006

(Expressed in Renminbi)

	Note	*2006* RMB'000	*2005* RMB'000
Revenue	5&12	33,199,629	30,938,522
Cost of sales		(28,528,419)	(26,242,983)
Gross profit		4,671,210	4,695,539
Other income	6	525,078	290,091
Distribution costs		(981,326)	(684,157)
Administrative expenses		(1,102,529)	(1,013,964)
Other operating expenses		(176,627)	(42,489)
Profit from operations		2,935,806	3,245,020
Finance income and expense	7(a)	290,261	(89,082)
Share of profits less losses of associates		22,876	16,285
Profit before taxation		3,248,943	3,172,223
Income tax	8(a)	(232,075)	(224,624)
Profit for the year		3,016,868	2,947,599
Attributable to:			
Equity holders of the Company		2,834,288	2,807,466
Minority interests		182,580	140,133
Profit for the year		3,016,868	2,947,599
Dividends payable to equity holders of the Company attributable to the year:	10		
Final dividend proposed after the balance sheet date		954,025	766,447
Earnings per share (RMB Yuan)			
Basic	11	1.28	1.27

The notes on pages 66 to 128 form part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2006

(Expressed in Renminbi)

	Attributable to equity holders of the Company										
	Share capital RMB'000 *(note 32)*	*Share premium* RMB'000 *(note 33(a))*	*Property revaluation reserve* RMB'000	*Fair value reserve* RMB'000 *(note 33(b))*	*Exchange reserve* RMB'000	*Surplus reserve* RMB'000 *(note 33(c))*	*Statutory public welfare fund* RMB'000 *(note 33(d))*	*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	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 10(b))	-	-	-	-	-	-	-	(504,241)	(504,241)	-	(504,241)
Dividends paid to minority interests	-	-	-	-	-	-	-	-	-	(81,391)	(81,391)
Exchange difference on translation of					(223,96						
financial statements of foreign operations	-	-	-	-		-	-	-	(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 66 to 128 form part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2006 (continued)

(Expressed in Renminbi)

	Attributable to equity holders of the Company										
	Share capital RMB'000 *(note 32)*	*Share premium* RMB'000 *(note 33(a))*	*Property revaluation reserve* RMB'000	*Fair value reserve* RMB'000 *(note 33(b))*	*Exchange reserve* RMB'000	*Surplus reserve* RMB'000 *(note 33(c))*	*Statutory public welfare fund* RMB'000 *(note 33(d))*	*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
Transfer from statutory public welfare fund	-	-	-	-	-	490,308	(490,308)	-	-	-	-
Capitalisation of share premium	201,696	(201,696)	-	-	-	-	-	-	-	-	-
Dividends approved in respect of the previous year (note 10(b))	-	-	-	-	-	(766,447)	-	-	(766,447)	-	(766,447)
Transfer from retained profits	-	-	-	-	-	70,737	-	(70,737)	-	-	-
Dividends paid to minority interests	-	-	-	-	-	-	-	-	-	(64,053)	(64,053)
Exchange difference on translation of financial statements of foreign operations	-	-	-	-	(339,882)	-	-	-	(339,882)	-	(339,882)
Available-for-sale securities:											
-changes in fair value, net of deferred tax	-	-	-	938,034	-	-	-	-	938,034	-	938,034
-reversal of impairment loss	-	-	-	24,035	-	-	-	-	24,035	-	24,035
Profit for the year	-	-	-	-	-	-	-	2,834,288	2,834,288	182,580	3,016,868
Acquisition of additional interests in existing subsidiaries	-	-	-	-	-	-	-	-	-	(227,151)	(227,151)
Capital injection	-	-	-	-	-	-	-	-	-	32,704	32,704
Acquisition of new subsidiaries	-	-	-	-	-	-	-	-	-	21,986	21,986
Disposal of partial interest in subsidiary	-	-	-	-	-	-	-	-	-	14,590	14,590
Repayment of advances to minority interests	-	-	-	-	-	-	-	-	-	8,959	8,959
At 31 December 2006	2,218,663	656,381	13,950	962,069	(556,126)	3,785,540	-	5,223,338	12,303,815	866,800	13,170,615

The notes on pages 66 to 128 form part of these consolidated financial statements.

Consolidated cash flow statement for the year ended 31 December 2006

(Expressed in Renminbi)

	Note	*2006* RMB'000	*2005* RMB'000
Operating activities			
Profit before taxation		3,248,943	3,172,223
Adjustments for:			
Depreciation		369,785	305,229
Impairment losses of prepayment for investments		-	5,414
Impairment losses of positive goodwill		-	14,447
Amortisation of other intangible assets		5,288	2,945
Amortisation of timber concession rights		5,679	5,839
Gains on recognition of negative goodwill		(165)	(5,917)
Net losses on sale of property, plant and equipment		1,719	10,516
Bank interest income		(79,649)	(58,858)
Finance costs		112,393	126,699
Net gains on disposal of partial interests in subsidiaries		(1,819)	-
Net realised and unrealised gains on trading securities		(327,096)	(26,056)
Dividend income from investments in equity securities		(24,901)	(10,367)
Share of profits less losses of associates		(22,876)	(16,285)
Operating profit before changes in working capital		3,287,301	3,525,829
Increase in lease prepayments		(386,277)	(162,625)
Decrease in long-term receivables		1,750	3,402
(Increase)/decrease in trade and other receivables		(3,128,520)	1,464,108
(Increase)/decrease in inventories		(1,340,151)	1,064,751
Increase/(decrease) in trade and other payables		2,802,718	(347,471)
Increase in provisions		9,615	14,188
Cash generated from operations		1,246,436	5,562,182
Tax paid		(270,958)	(330,023)
Net cash generated from operating activities		975,478	5,232,159

The notes on pages 66 to 128 form part of these consolidated financial statements.

Consolidated statement of cash flows for year ended 31 December 2006 (continued)

(Expressed in Renminbi)

	Note	*2006* RMB'000	*2005* RMB'000
Investing activities			
Interest received		82,999	59,379
Payment for the purchase of property, plant and equipment		(237,055)	(239,227)
Payment for the purchase of intangible assets		(8,458)	(15,670)
Payment for construction in progress		(794,898)	(996,642)
Payment for purchase of equity securities		(200,439)	-
Prepayment for investments		(64,819)	(44,244)
Payment for acquisition of associates		(474,706)	(45,021)
Payment for acquisition of minority shareholdings		(344,554)	(42,786)
Loan to an associate		(4,892)	(18,000)
Repayment of loan to an associate		8,829	-
Net cash acquired / (paid) arising from acquisition of subsidiaries	4	128,118	(6,470)
Net proceeds from / (net payment for) investments in trading securities		524,251	(263,750)
Dividend received from investments in equity securities		14,960	10,367
Dividend received from an associate		2,153	2,257
Dividend received from trading securities		9,941	-
Proceeds from sales of property, plant and equipment		56,016	23,998
Proceeds from dissolution of interest in an associate		-	8,219
Proceeds from sale of partial interest in subsidiaries		12,811	-
Repayment of advances by minority interests		8,959	7,769
Advances to minority interests		-	(5,374)
Net cash used in investing activities		(1,280,784)	(1,565,195)

The notes on pages 66 to 128 form part of these consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 December 2006 (continued)

(Expressed in Renminbi)

	Note	*2006* RMB'000	*2005* RMB'000
Financing activities			
Interest paid		(102,685)	(117,408)
Other borrowing costs paid		(5,433)	(7,191)
Proceeds from new bank loans		9,941,735	11,841,263
Repayment of bank loans		(9,444,526)	(13,399,538)
Capital injection from minority interests		12,704	10,171
Dividends paid to equity shareholders of the Company		(766,447)	(504,241)
Dividends paid to minority interests		(64,053)	(81,391)
Net cash used in financing activities		(428,705)	(2,258,335)
Net (decrease)/increase in cash and cash equivalents		(734,011)	1,408,629
Cash and cash equivalents at 1 January		2,828,223	1,483,165
Effect of foreign exchange rate changes		(77,340)	(63,571)
Cash and cash equivalents at 31 December	27	2,016,872	2,828,223

The notes on pages 66 to 128 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 consolidated financial statements of the Company as at and for the year ended 31 December 2006 comprise the Company, its subsidiaries (together referred to as the "Group"), and the Group's interest in associates and jointly controlled entity.

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 Basis of preparation

(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. With effect from 1 January 2006, in order to comply with the amendments to IAS 39 in respect of financial guarantees contracts, the Group has changed its accounting policy for financial guarantees issued. Further details of the new policy were set out in note 3(q)(i). The new accounting policy has not resulted in consequential adjustments to the financial statements for the year ended 31 December 2006 and the years before. Other than the above, 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.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 41).

The financial statements were approved by the Board of Directors on 15 March 2007.

(b)Basis of measurement

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 3(e)), available-for-sale equity securities (see note 3(c)), trading securities (see note 3(c)) and derivative financial instruments (see note 3(d)) which are stated at fair value as explained in the accounting policies set out below.

2 Basis of preparation (continued)

(c) Functional and presentation currency

These consolidated financial statements are presented in Renminbi ("RMB"), which is different from the Company's functional currency of US dollar, so as to be consistent with the financial reporting common practice in the PRC. All of the financial information presented in RMB has been rounded to the nearest thousand.

(d)Use of estimates and judgements

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 and in any future periods affected.

Judgements made by the management in the application of IFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment are discussed in note 40.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by group entities.

Certain comparative amounts have been reclassified to conform with the current year's presentation. During the current year, the Group modified the income statement classification of bank interest income, dividend income from investments in equity securities, and realised and unrealised gains/(losses) on trading securities from "other revenue and net income" to "financial income and expense" as well as that of foreign currency gains/(losses) from "other operating expenses" to "financial income and expense" to reflect more appropriately the way in which economic benefits/(losses) are derived from the relevant assets. Comparative amounts were reclassified for consistency, which resulted in RMB95,281,000 and RMB57,664,000 being reclassified from "other revenue and net income", and "other operating expenses" respectively to "financial income and expense".

(a) Basis of consolidation

(i) Subsidiaries and minority interests

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

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

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.

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 within equity and statement of changes in 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 year 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.

(ii) Associates and jointly controlled entities

Associates are those entities 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.

Jointly controlled entities are those entities which operate under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entities.

Associates or jointly controlled entities are accounted for in the consolidated financial statements under the equity method and are initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associates' or the jointly controlled entities' net assets, unless they are 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 and jointly controlled entities for the year, including any impairment loss on goodwill relating to the investments in associates and jointly controlled entities recognised for the year (see notes 3(b) and 3(i)(ii)).

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Associates and jointly controlled entities (continued)

When the Group's share of losses exceeds its interest in the associates or the jointly controlled entities, 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 associates or the jointly controlled entities. For this purpose, the Group's interest in the associates or the jointly controlled entities 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 associates or the jointly controlled entities.

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

(b) 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.

Where the Group increases its interest in a subsidiary, its incremental interest gives rise to additional goodwill in the subsidiary. The goodwill is determined as the difference between the consideration given and the interest acquired in the subsidiary's net assets and contingent liabilities at their carrying values on the Group's consolidated balance sheet. No fair value exercise is performed because IFRS 3 allows a step-up to fair values only at the date control is gained. Where the Group decreases its interest in a subsidiary without losing control, any gain or loss on the partial disposal is recognised as "other income" in the consolidated income statement.

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 3(i)(ii)). In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity.

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 or a jointly controlled entity is recognised immediately in profit or loss.

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

3 Significant accounting policies (continued)

(c) Other investments in equity securities

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

Investments in equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliable estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

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.

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 3(i)(i)) and, in the case of monetary items such as debt securities, foreign exchange gains and losses which are recognised directly in profit or loss. When these investments are derecognised or impaired (see note 3(i)(i)) the cumulative gain or loss previously recognised directly in equity is 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 3(i)(i)).

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

(d) 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.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are initially recognised at cost less accumulated depreciation and impairment losses (see note 3(i)(ii)) 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.

Cost includes expenditures that are directly attributable to the acquisition of the assets. 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 3(t)).

3 Significant accounting policies (continued)

(e) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

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.

3 Significant accounting policies (continued)

(f) 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 3(i)(ii)). Cost comprises cost of materials, direct labour, borrowing costs capitalised (see note 3(t)), 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.

(g) 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 3(i)(ii)).

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 3(i)(ii)). 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 are amortised from the date they are available for use and their estimated useful lives are as follows:

- 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.

(h) Leased assets

(i) Classification of leases

Leases in terms of which the lessee assumes substantially all the risks and rewards of ownership are classified as finance lease. Other leases are operating leases.

(ii) 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.

3 Significant accounting policies (continued)

(h) Leased assets (continued)

(iii) 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.

The cost of acquiring land held under an operating lease in amortised on a straight-line basis over the period of the lease term.

(i) 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.
- For trade and other current receivables and other 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), where the effect of discounting is material.

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.

3 Significant accounting policies (continued)

(i) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

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 jointly control entities; and
- goodwill.

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.

3 Significant accounting policies (continued)

(i) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

- Reversals of impairment losses (continued)

  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 year in which the reversals are recognised.

(j) 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 acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 3(t)). 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.

3 Significant accounting policies (continued)

(k) 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 3(i)(i)), 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 3(i)(i)).

(l) 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 the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(m) 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.

(n) 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.

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

Salaries, annual bonuses, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year 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.

(p) Income tax

Income tax for the year 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 year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

3 Significant accounting policies (continued)

(p) Income tax (continued)

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.

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

3 Significant accounting policies (continued)

(p) Income tax (continued)

- 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.

(q) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 3(q)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other 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.

3 Significant accounting policies (continued)

(q) Financial guarantees issued, provisions and contingent liabilities (continued)

(ii) Other provisions and contingent liabilities (continued)

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(r) 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 is measured at the fair value of the consideration received or receivable, net of value added tax or other sales taxes, returns and allowances, trade discounts and volume rebates.

(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.

3 Significant accounting policies (continued)

(r) Revenue recognition (continued)

(vii) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted in arriving at the carrying amount of the asset and consequently are recognised in profit or loss over the useful life of the asset.

(s) Translation of foreign currencies

Foreign currency transactions during the year 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.

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.

(t) Finance income and expense

Finance income comprises interest income on funds invested, dividend income, realised and unrealised gains on trading securities and foreign currency gains that are recognised in profit or loss.

Finance expenses comprise interest expense on borrowings, foreign currency losses and realised and unrealised losses on trading securities.

Borrowing costs are expensed in profit or loss using the effective interest method 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.

3 Significant accounting policies (continued)

(t) Finance income and expense (continued)

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.

(u) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a jointly controlled entity in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(v) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(w) 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.

3 Significant accounting policies (continued)

(w) Segment reporting (continued)

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.

4 Acquisitions of subsidiaries and minority interests

Business combinations

On 1 January 2006, the Group acquired a 98% shareholding interest in Shanghai CIMC Vehicle Testing Co., Ltd. ("SHVT") for RMB1,237,000, satisfied in cash. The principal activities of SHVT are testing of vehicles and related services. During the year, SHVT contributed net profit of RMB79,000 to the consolidated profit for the year.

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 RMB62,601,000 in total, satisfied in cash, which was prepaid in 2005. The principal activities of DCTS and SHDC are container handling, storage and related logistics services. During the year, DCTS and SHDC contributed net profits of RMB12,612,000 and RMB3,158,000 respectively to the consolidated profit for the year.

On 30 June 2006, the Group acquired a 51% shareholding interest in Yangzhou Tonglee Reefer Container Co., Ltd. ("YZTRC") for RMB800,000, satisfied in cash. The principal activities of YZTRC are manufacturing and sales of containers and related services. During the year, YZTRC contributed net loss of RMB19,953,000 to the consolidated profit for the year.

If the above acquisitions had occurred on 1 January 2006, management estimates that consolidated revenue would have been RMB33,383,526,000 and consolidated profit for the year would have been RMB3,012,650,000.

4 Acquisitions of subsidiaries and minority interests (continued)

Effect of acquisitions

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

	Note	*2006* RMB'000
Property, plant and equipment	13	78,102
Lease prepayment - non-current portion		2,362
Intangible assets	17	252
Investment in an associate		2,362
Other financial assets		1,073
Lease prepayment - current portion		429
Inventories		127,132
Trade and other receivables		86,386
Cash and cash equivalents		130,155
Trade and other payables		(213,795)
Current taxation	30(a)	(834)
Bank loans		(181,963)
Provisions	31	(20,778)
Net identifiable assets and liabilities		10,883
Minority interests		(21,986)
Goodwill on acquisition		75,741
Consideration paid in 2005, satisfied in cash		(62,601)
Consideration paid in current year, satisfied in cash		2,037
Cash acquired		(130,155)
Net cash (inflow)/outflow		(128,118)

The management are of the opinion that the above carrying amounts of acquired assets and liabilities were not materially different from their fair values at the respective dates of the acquisitions.

Acquisitions of minority interests

On 1 January 2006 and 31 May 2006, the Group acquired additional 28% and 10% interests in Nantong CIMC Tank Equipment Co., Ltd. ("NTCIMCT") for RMB31,635,000 and RMB11,229,000 respectively, satisfied in cash, increasing its ownership from 62% to 100%. The carrying amounts of NTCIMCT's net assets in the consolidated financial statements on the respective dates of the acquisitions were RMB231,768,000 and RMB316,507,000. The Group recognised a decrease in minority interests of RMB33,920,000 and goodwill of RMB 8,944,000.

4 Acquisitions of subsidiaries and minority interests (continued)

Acquisitions of minority interests (continued)

On 1 January 2006, the Group acquired an additional 14% interest in Nantong CIMC-Smooth Sail Container Co., Ltd. ("NTCIMC") for RMB24,628,000, satisfied in cash, increasing its ownership from 62% to 76%. The carrying amount of NTCIMC's net assets in the consolidated financial statements on the date of the acquisition was RMB151,595,000. The Group recognised a decrease in minority interests of RMB18,341,000 and goodwill of RMB6,286,000.

On 1 January 2006, the Group acquired an additional 14% interest in Nantong CIMC Special Transportation Equipment Manufacture Co., Ltd. ("NTCIMCS") for RMB16,509,000, satisfied in cash, increasing its ownership from 62% to 76%. The carrying amount of NTCIMCS's net assets in the consolidated financial statements on the date of the acquisition was RMB203,303,000. The Group recognised a decrease in minority interests of RMB13,012,000 and goodwill of RMB3,497,000.

On 1 January 2006 and 31 May 2006, the Group acquired additional 13.35% and 3.71% interests in Xinhui CIMC Container Flooring Co., Ltd. ("XHCIMCF") for RMB34,360,000 and RMB5,294,000 respectively, satisfied in cash, increasing its ownership from 82.94% to 100%. The carrying amount of XHCIMCF's net assets in the consolidated financial statements on the dates of the acquisition was RMB131,923,000 and RMB134,965,000. The Group recognised a decrease in minority interests of RMB22,633,000 and goodwill of RMB17,021,000.

On 1 January 2006 and 31 July 2006, the Group acquired additional 20% and 10% interests in Xinhui CIMC Container Co., Ltd. ("XHCIMC") for RMB44,700,000 and RMB31,382,000 respectively, satisfied in cash, increasing its ownership from 40% to 70%. XHCIMC was treated as the Group's subsidiary prior to 2006 as the Group has the power to govern XHCIMC's financial and operating policies in accordance with the terms of relevant profit guarantee agreement. The carrying amounts of XHCIMC's net assets in the consolidated financial statements on the respective dates of the acquisitions were RMB350,606,000 and RMB364,436,000. The Group recognised a decrease in minority interests of RMB63,776,000 and goodwill of RMB12,306,000.

On 30 April 2006, the Group acquired an additional 30% interest in CIMC Australia Pty Ltd. ("CIMCAUS") for RMB21,302,000, satisfied in cash, increasing its ownership from 70% to 100%. The carrying amount of CIMC Australia's net assets in the consolidated financial statements on the date of the acquisition was RMB20,128,000. The Group recognised a decrease in minority interests of RMB6,048,000 and goodwill of RMB15,254,000.

On 30 April 2006, the Group acquired an additional 24% interest in Zhumadian CIMC Huajun Vehicle Co., Ltd. ("HJCIMC") for RMB78,370,000, satisfied in cash, increasing its ownership from 51% to 75%. The carrying amount of HJCIMC's net assets in the consolidated financial statements on the date of the acquisition was RMB267,511,000. The Group recognised a decrease in minority interests of RMB64,076,000 and goodwill of RMB14,294,000.

4 Acquisitions of subsidiaries and minority interests (continued)

Acquisitions of minority interests (continued)

On 31 May 2006, the Group acquired an additional 40% interest in Domino Flatracks Limited (formerly Clive-Smith Cowley Ltd.) (“DFL”) for RMB45,145,000, satisfied in cash, increasing its ownership from 60% to 100%. The carrying amount of DFL’s net assets in the consolidated financial statements on the date of the acquisition was RMB15,644,000. The Group recognised a decrease in minority interests of RMB5,345,000 and goodwill of RMB39,800,000.

5 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 during the year is as follows:

	2006 RMB’000	*2005* RMB’000
Sales of containers	25,747,309	26,541,661
Sales of trailers	7,110,363	4,223,652
Sales of airport support equipment	168,242	159,818
Gross proceeds from properties sold	173,715	13,391
	33,199,629	30,938,522

6 Other income

	2006 RMB’000	*2005* RMB’000
Finance lease income	4,080	4,663
Tax refunds from capitalisation of subsidiaries’ earnings	10,462	5,641
Tax refund / incentive received	4,578	13,427
Consultancy fee	-	7,000
Compensation income	10,004	11,185
Net losses on sale of property, plant and equipment	(1,719)	(10,516)
Net gains on sale of scrap materials and spare parts	256,903	183,562
Net repair and maintenance service income of containers and trailers	23,821	21,680
Gains on recognition of negative goodwill	165	5,917
Net gains on disposal of partial interests in subsidiaries	1,819	-
Government grant*	195,870	-
Others	19,095	47,532
	525,078	290,091

** The Group received a cash government grant from the Land Resources Reserve Center of Pudong District of Shanghai City amounting to RMB195,870,000 (2005: RMB Nil) as a compensation of loss and expenditure incurred for the removal of operating premises of Shanghai CIMC Far East Container Co., Ltd. during the year ended 31 December 2006.*

7 Profit before taxation

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

(a) Finance income and expense

	2006 RMB'000	*2005* RMB'000
Bank interest income	(79,649)	(58,858)
Dividend income from investments in equity securities	(24,901)	(10,367)
Net realised and unrealised gains on trading securities	(327,096)	(26,056)
	(431,646)	(95,281)
Interest expense on bank loans	114,664	126,291
Other borrowing costs	5,433	7,191
Total borrowing costs	120,097	133,482
Less: borrowing costs capitalised into construction in progress and property under development *	(7,704)	(6,783)
	112,393	126,699
Net foreign exchange loss	28,992	57,664
Net financial income and expense	(290,261)	89,082

*: The borrowing costs have been capitalised at a rate of 5.65% per annum (2005: 4.55%).

(b) Staff costs#

	2006 RMB'000	*2005* RMB'000
Salaries, wages and other benefits	1,861,431	1,547,481
Contributions to defined contribution plans	134,141	94,652
	1,995,572	1,642,133

7 Profit before taxation (continued)

(c) Other items

	2006 RMB'000	*2005* RMB'000
Amortisation#		
- land lease prepayment	16,393	13,603
- other intangible assets	5,288	2,945
- timber concession rights	5,679	5,839
Depreciation #	369,785	305,229
Impairment losses		
- positive goodwill	-	14,447
- prepayment for investments	-	5,414
Increase in provisions	70,247	108,136
Operating lease charges: minimum lease payments		
– hire of property#	134,030	108,898
Share of associates' taxation	6,193	3,150
Cost of inventories # (see note 25(b))	28,458,172	26,134,847

\# Cost of inventories include RMB1,885,157,000 (2005: RMB1,406,680,000) 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 7(b) for each of these types of expenses.

8 Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	2006 RMB'000	*2005* RMB'000
Current tax – PRC income tax		
Provision for the year	237,683	292,429
Over-provision in respect of the prior years	(14,994)	(45,295)
	222,689	247,134
Current tax – Overseas		
Provision for the year	41,831	12,940
Deferred tax		
Origination and reversal of temporary differences	(32,445)	(35,450)
	232,075	224,624

8 Income tax in the consolidated income statement (continued)

(a) Taxation in the consolidated income statement represents: (continued)

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 year 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%.

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

	2006 RMB'000	*2005* RMB'000
Profit before taxation	3,248,943	3,172,223
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	637,369	498,547
Effect of tax incentive	(233,056)	(299,638)
Tax effect of non-deductible expenses	24,760	78,130
Tax effect of non-taxable income	(234,520)	(57,557)
Tax effect of unused tax losses not recognized	52,516	50,437
Over-provision in prior years	(14,994)	(45,295)
Actual tax expense	232,075	224,624

9 Key management personnel compensation

The key management personnel compensation is as follows:

	2006 RMB'000	*2005* RMB'000
Short-term employee benefits	14,562	10,592
Post-employment benefits	155	146
	14,717	10,738

Total compensation is included in "staff costs" (see note 7(b)).

10 Dividends

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

	2006	*2005*
	RMB'000	RMB'000
Final dividend proposed after the balance sheet date of cash dividend of RMB0.38 per share (2005: RMB0.38 per share)	954,025	766,447
	===========	===========

Pursuant to a resolution passed at the directors' meeting on 15 March 2007, a final dividend of RMB0.38 (2005: RMB0.38) per share totalling RMB843,092,000 (2005: RMB766,447,000) was proposed for shareholders' approval at the forthcoming Annual General Meeting.

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2006	*2005*
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.38 per share (2005: RMB0.50 per share)	766,447	504,241
	===========	===========

11 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB2,834,288,000 (2005: RMB2,807,466,000) and the weighted average of 2,218,663,000 shares (2005: 2,218,663,000 shares after adjusting for the share premium capitalisation issue in 2006) in issue during the year, calculated as follows:

	2006	*2005*
	'000	*'000*
Issued shares at 1 January	2,016,967	1,008,483
Effect of capitalisation issue (note 32(b))	201,696	1,210,180
Weighted average number of shares at 31 December	2,218,663	2,218,663
	===========	===========

(b) Diluted earnings per share

There were no diluting potential ordinary shares in existence during the years ended 31 December 2005 and 2006.

12 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*	
	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	25,747,309	26,541,661	7,110,363	4,223,652	168,242	159,818	173,715	13,391	-	-	33,199,629	30,938,522
Inter-segment revenue	128,794	30,378	10,552	21,095	-	-	-	-	(139,346)	(51,473)	-	-
Total	25,876,103	26,572,039	7,120,915	4,244,747	168,242	159,818	173,715	13,391	(139,346)	(51,473)	33,199,629	30,938,522
Segment result	2,639,985	3,318,233	525,167	152,956	19,792	22,464	26,455	(5,362)	-	-	3,211,399	3,488,291
Unallocated operating income and expenses											(275,593)	(243,271)
Profit from operations											2,935,806	3,245,020
Finance income And expense											290,261	(89,082)
Share of profits less losses of associates	16,734	13,828	2,193	2,453	-	-	3,949	4	-	-	22,876	16,285
Taxation											(232,075)	(224,624)
Profit after taxation											3,016,868	2,947,599

12 Segment reporting (continued)

Business segments (continued)

	Containers		*Trailers*		*Airport ground facilities*		*Other operations*		*Inter-segment elimination*		*Consolidated*	
	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
Depreciation and amortisation for the year	328,359	276,168	65,505	48,225	2,715	2,658	566	565	-	-	397,145	327,616
Impairment losses of												
-positive goodwill	-	2,317	-	12,130	-	-	-	-	-	-	-	14,447
-prepayment for Investments	-	-	-	5,414	-	-	-	-	-	-	-	5,414
											========	=========
Segment assets	15,669,002	12,448,305	4,395,709	3,220,115	220,894	105,209	522,886	321,485	(13,660)	(13,164)	20,794,831	16,081,950
Interests in associates	482,040	105,596	9,552	8,990	-	-	-	44,870	-	-	491,592	159,456
Interest in jointly controlled entity	-	-	-	-	-	-	128,596	-	-	-	128,596	-
Unallocated assets											1,920,819	779,063
Total assets											23,335,838	17,020,469
											========	=========
Segment liabilities	(6,646,600)	(4,491,316)	(1,425,325)	(851,639)	(153,738)	(80,120)	(46,345)	(33,214)	13,660	13,164	(8,258,348)	(5,443,125)
Unallocated liabilities											(1,906,875)	(1,066,372)
Total liabilities											(10,165,223)	(6,509,497)
											========	=========
Capital expenditure incurred during the year	817,316	924,190	328,950	387,922	3,789	944	246	1,568	-	-	1,150,301	1,314,624
											========	=========

12 Segment reporting (continued)

Geographical segments

The Group's business is managed on a worldwide basis, but participates in three principal economic environments. America and Europe are the major markets for the containers business. Asia and America are the major markets for the trailer business. Asia is the sole market for the businesses of 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.

	America		*Europe*		*Asia*		*Other regions*		*Total*	
	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	8,647,214	8,631,328	11,905,333	12,306,749	12,002,414	9,447,359	644,668	553,086	33,199,629	30,938,522
Segment assets	550,339	416,378	40,862	60,452	20,151,510	15,388,341	52,120	216,779	20,794,831	16,081,950
Capital expenditure incurred during the year	17,543	20,324	25	22,207	1,132,212	1,272,093	521	-	1,150,301	1,314,624
	=========	=========	=========	=========	=========	=========	=========	=========	=========	=========

13 Property, plant and equipment

	Land and buildings	*Machinery and equipment*	*Motor vehicles*	*Office furniture and other assets*	Total
	RMB'000	RMB'000	RMB'000	RMB'000	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 (note 4)	18,359	71	490	150	19,070
-others	49,206	125,370	20,340	81,789	276,705
Transfer from construction in progress (note 15)	636,691	538,266	15,979	17,370	1,208,306
Disposals	(17,517)	(57,344)	(5,404)	(7,267)	(87,532)
Exchange adjustments	(49,963)	(53,332)	(3,818)	(7,006)	(114,119)
As 31 December 2005	2,573,947	2,513,847	177,308	335,804	5,600,906
Representing:					
Cost	1,819,242	1,637,895	123,739	260,496	3,841,372
Valuation	754,705	875,952	53,569	75,308	1,759,534
	2,573,947	2,513,847	177,308	335,804	5,600,906
At 1 January 2006	2,573,947	2,513,847	177,308	335,804	5,600,906
Additions					
-through acquisitions of subsidiaries (note 4)	55,187	74,655	41,466	7,075	178,383
-others	32,138	122,507	31,494	78,792	264,931
Transfer from construction in progress (note 15)	360,034	283,043	14,243	28,831	686,151
Disposals	(55,039)	(98,761)	(18,228)	(19,165)	(191,193)
Exchange adjustments	(71,184)	(75,500)	(5,325)	(10,853)	(162,862)
At 31 December 2006	2,895,083	2,819,791	240,958	420,484	6,376,316
Representing:					
Cost	2,165,170	1,993,300	195,239	358,610	4,712,319
Valuation	729,913	826,491	45,719	61,874	1,663,997
	2,895,083	2,819,791	240,958	420,484	6,376,316

13 Property, plant and equipment (continued)

	Land and buildings RMB'000	*Machinery and equipment* RMB'000	*Motor vehicles* RMB'000	*Office furniture and other assets* RMB'000	Total 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 (note 4)	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	(7,434)	(18,570)	(2,128)	(3,458)	(31,590)
At 31 December 2005	342,809	822,754	95,124	154,697	1,415,384
At 1 January 2006	342,809	822,754	95,124	154,697	1,415,384
Through acquisitions of subsidiaries (note 4)	35,579	31,868	29,004	3,830	100,281
Charge for the year	82,841	206,768	32,272	47,904	369,785
Disposals	(19,615)	(77,634)	(21,218)	(14,991)	(133,458)
Exchange adjustments	(10,818)	(26,639)	(3,005)	(5,316)	(45,778)
At 31 December 2006	430,796	957,117	132,177	186,124	1,706,214
Net book value:					
At 31 December 2006	2,464,287	1,862,674	108,781	234,360	4,670,102
At 31 December 2005	2,231,138	1,691,093	82,184	181,107	4,185,522

(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 31 December 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.*

13 Property, plant and equipment (continued)

(b) 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:

	2006 RMB'000	*2005* RMB'000
Land and buildings	2,454,723	2,221,012
Machinery and equipment	1,862,674	1,691,093
Motor vehicles	108,781	82,184
Office furniture and other assets	234,360	181,107
	4,660,538	4,175,396

(c) *At 31 December 2006, land use rights, buildings, property under development for sale, and machinery and equipment with a carrying amount of RMB188,056,000 (2005: buildings of RMB23,408,000) were secured for three bank loans (note 29).*

14 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.

15 Construction in progress

	2006 RMB'000	*2005* RMB'000
At 1 January	236,765	446,778
Additions	794,898	996,642
Transfer to property, plant and equipment (note 13)	(686,151)	(1,208,306)
Interest capitalised	4,441	6,783
Exchange adjustments	(7,004)	(5,132)
At 31 December	342,949	236,765

Construction in progress at 31 December 2006 is analysed as follows:

	2006 RMB'000	*2005* RMB'000
Projects		
Machinery and equipment	76,264	87,264
Buildings and factories	266,685	149,501
	342,949	236,765

16 Timber concession rights

	2006 RMB'000	*2005* RMB'000
Cost:		
At 1 January	92,749	298,548
Exchange adjustments	(10,530)	(5,799)
At 31 December	282,219	292,749
Accumulated amortisation and impairment losses:		
At 1 January	218,844	217,311
Amortisation charge for the year	5,679	5,839
Exchange adjustments	(7,998)	(4,306)
At 31 December	216,525	218,844
Net book value:		
At 31 December	65,694	73,905

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. Up to 31 December 2006, the timber logging activities are yet to be commenced as the Group is waiting for the related government to complete the construction of road transportation facilities so as to facilitate its timber logging activities. The management are of the opinion that the carrying value of the timber concession rights as at 31 December 2006 was not materially different from its fair value.

17 Intangible assets

	Technological know-how RMB'000	*Patents* RMB'000	*Trademarks* RMB'000	*Total* RMB'000
Cost:				
At 1 January 2005	22,420	3,439	7,727	33,586
Additions	-	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
Additions	4,711	2,948	18	7,677
Additions through acquisitions of subsidiaries (note 4)	-	-	252	252
Exchange adjustments	(285)	(751)	-	(1,036)
At 31 December 2006	11,275	27,435	7,997	46,707
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 year	1,531	2,783	974	5,288
Exchange adjustments	(130)	(48)	-	(178)
At 31 December 2006	5,568	5,160	5,547	16,275
Net book value:				
At 31 December 2006	5,707	22,275	2,450	30,432
At 31 December 2005	2,682	22,813	3,154	28,649

The amortisation charge for the year is included in "other operating expenses" in the consolidated income statement.

18 Goodwill

	Goodwill RMB'000	*Negative goodwill* RMB'000	*Total* RMB'000
Cost:			
At 1 January 2005	94,247	-	94,247
Acquisitions through business combinations	27,904	-	27,904
Exchange adjustments	(5,919)	-	(5,919)
At 31 December 2005	116,232	-	116,232
At 1 January 2006	116,232	-	116,232
Acquisitions through business combinations	193,308	-	193,308
Exchange adjustments	(4,863)	-	(4,863)
At 31 December 2006	304,677	-	304,677
Accumulated amortisation and impairment losses:			
At 1 January 2005	-	-	-
Impairment losses	14,447	-	14,447
Exchange adjustments	(3,283)	-	(3,283)
At 31 December 2005	11,164	-	11,164
At 1 January 2006	11,164	-	11,164
Impairment losses for the year	-	-	-
Exchange adjustments	(169)	-	(169)
At 31 December 2006	10,995	-	10,995
Carrying amount:			
At 31 December 2006	293,682	-	293,682
At 31 December 2005	105,068	-	105,068

18 Goodwill (continued)

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:

	2006 RMB'000	*2005* RMB'000
Containers	246,265	74,437
Trailers	47,417	30,631
	293,682	105,068

For goodwill on interest in associates, it is allocated to the CGU of the respective associated companies.

Containers / trailers / others

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a period of one year. Cash flows beyond the one-year period are extrapolated using the estimated rates stated below. The growth rate does not exceed the respective long-term average growth rate for the business in which the CGU operates.

Key parameters used for value-in-use calculations:

	2006 %	*2005* %
- Gross margin	13.50%	13.50%
- Growth rate	12.00%	12.00%
- Discount rate	6.12%	5.85%

Management determined the budgeted gross margin based on past performance and its expectation for market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

The impairment loss recognised during 2005 related to the Group's container manufacturing activities based in the PRC. As the CGU was 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.

19 Interest in associates

	2006 RMB'000	*2005* RMB'000
Unlisted associates		
Share of net assets	394,997	119,518
Goodwill	91,703	8,438
Loan to an associate	4,892	31,500
	491,592	159,456

Loan to an associate is unsecured, interest-free and has no fixed repayment term.

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:

Name of associate	*Place of establishment/ incorporation /operation*	*Proportion of ownership interest held by subsidiary*	*Principal activity*
KYH Steel Holdings Limited ("KYH")	The British Virgin Islands / Hong Kong	31.83%	Investment holding with subsidiaries principally engaged in trading of steel products
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
New Atlantic Timber (H.K.) Limited ("NAT")	Hong Kong	20%	Trading of timber

19 Interest in associates (continued)

Name of associate	*Place of establishment/ incorporation /operation*	*Proportion of ownership interest held by subsidiary*	*Principal activity*
Tianjin Port CIMC-Zhenhua Logistics Co., Ltd.	PRC	36%	Provision for logistics, maintenance and repairing, and related services
Zhenhua Logistics Group	PRC	45%	Provision for logistics, maintenance and repairing, and related services

Summary financial information on associates

	Assets RMB'000	Liabilities RMB'000	Equity RMB'000	Revenues RMB'000	Profit RMB'000
2006					
100 per cent	1,939,061	(968,141)	970,920	1,415,555	67,148
Group's effective interest	774,293	(379,296)	394,997	463,009	22,876
	========	========	========	========	========
2005					
100 per cent	756,040	(397,506)	358,534	1,206,378	50,791
Group's effective interest	256,387	(136,869)	119,518	393,254	16,285
	========	========	========	========	========

20 Interest in jointly controlled entity

	2006 RMB'000	*2005* RMB'000
Unlisted jointly controlled entity		
Share of net assets	79,586	-
Loans to a jointly controlled entity	49,010	-
	128,596	-

Details of the Group's interest in the jointly controlled entity are as follows:

				Proportion of ownership interest			
Name of joint venture	*Form of business structure*	*Place of incorporation and operation*	*Particulars of issued and paid up capital*	*Group's effective interest*	*Held by the Company*	*Held by a subsidiary*	*Principal activity*
Shenzhen CIMC Skyspace Real Estate Co., Ltd. ("SKRE") (Formerly Shenzhen CIMC Real Estate Co., Ltd.)	*Incorporated*	*PRC*	*RMB 154,634,066*	*50%*	-	*50%*	Property development

Summary financial information on jointly controlled entity - group's effective interest

	2006 RMB'000	*2005* RMB'000
Non-current assets	29,586	-
Current assets	190,707	-
Non-current liabilities	(15,831)	-
Current liabilities	(124,876)	
Net assets	79,586	-
Income	-	-
Expenses	-	-
Profit for the year	-	-

21 Finance lease receivable

The Group has the following interests in finance lease:

	2006 RMB'000	*2005* RMB'000
Gross investment	79,271	92,771
Unearned finance income	(13,494)	(17,574)
Net investment	65,777	75,197
Current portion (note 26)	(7,307)	(7,185)
	58,470	68,012
Unguaranteed residual values	(6)	(6)
	58,464	68,006

The finance lease receivable is as follows:

	Minimum lease payments at 31 December 2006 RMB'000	Interest at 31 December 2006 RMB'000	Principal at 31 December 2006 RMB'000	Minimum lease payments at 31 December 2005 RMB'000	Interest at 31 December 2005 RMB'000	Principal at 31 December 2005 RMB'000
Less than one year	10,452	3,145	7,307	10,807	3,622	7,185
Between one and five years	41,810	8,616	33,194	43,230	10,590	32,640
More than five years	27,003	1,733	25,270	38,728	3,362	35,366
	79,265	13,494	65,771	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.

22 Prepayment for investments

Prepayment for investments represented proceeds prepaid by the Group for certain investments which have not been completed as at 31 December 2006.

23 Other non-current financial assets

	2006 RMB'000	*2005* RMB'000
Available-for-sale equity securities	1,590,405	270,469
Car / housing loans to staff at amortised cost	25,661	21,067
	1,616,066	291,536

(a) As at 31 December 2006, the available-for-sale equity securities held by the Group included legal person shares of certain listed entities in the PRC with a carrying value of RMB1,248,855,000 (2005: RMB243,277,000), listed shares acquired by the Group for strategic investment purpose with a 1-year period of shares selling prohibition ("strategic shares") with a carrying value of RMB275,500,000 (2005: RMB Nil) and other unlisted equity securities with a carrying value of RMB66,050,000 (2005: RMB27,192,000).

Following the commencement of the relevant share reform plans on non-circulating legal person shares in 2006, these legal person shares will become circulating in the market upon expiry of periods of shares selling prohibition. As at 31 December 2006, the share reform procedures of these legal person shares have been substantially completed and all of these shares as well as strategic shares were prohibited to be disposed of within specific period of time.

Prior to 2006, all legal person shares were recognised in the balance sheet at cost less impairment losses because they did not have a quoted market price in an active market and their fair value could not be reliably measured. With the substantial completion of share reform procedures, all these shares as at 31 December 2006 are re-measured to fair value using valuation techniques whose variables include only data from observable markets with any resultant gain or loss being recognised directly in equity. For other unlisted equity securities, they were recognised in the balance sheet at cost less impairment losses.

(b) The car / housing loans are unsecured, interest free and to be settled within 5 years after 31 December 2006.

24 Trading securities

	2006 RMB'000	*2005* RMB'000
Trading securities (at market value)		
Listed equity securities		
- in PRC	190,828	149,792
- in Hong Kong	24,806	269,609
	215,634	419,401

25 Inventories

(a) Inventories in the consolidated balance sheet comprise:

	2006	*2005*
	RMB'000	RMB'000
Container, trailer, airport support equipment manufacturing and timber logging and trading		
Raw materials	2,644,553	1,941,608
Work in progress	486,853	399,435
Finished goods	1,177,396	819,246
Spare parts and consumables	99,749	48,609
	4,408,551	3,208,898
Property development		
Property under development for sale	287,584	183,764
Completed property held for sale	75,907	42,519
	363,491	226,283
	4,772,042	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 RMB287 million (2005: RMB114 million).

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

	2006	*2005*
	RMB'000	RMB'000
Carrying amount of inventories sold	28,699,740	25,880,505
Write down of inventories	14,020	260,895
Reversal of write-down of inventories	(255,588)	(6,553)
	28,458,172	26,134,847

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

The amount of properties under development for sale expected to be recovered after more than one year is RMB192 million (2005: RMB129 million). All of the other inventories are expected to be recovered within one year.

26 Trade and other receivables

	2006	*2005*
	RMB'000	RMB'000
Trade receivables	5,262,780	3,446,478
Finance lease receivable – current portion (note 21)	7,307	7,185
Deposits, prepayments and other receivables	2,150,740	956,031
	7,420,827	4,409,694

All of the trade and other receivables, apart from rental and utility deposits of RMB27 million (2005: RMB12 million), are expected to be recovered within one year.

The Group's credit policy is set out in note 34(a).

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:

		2006		*2005*
		'000		'000
Renminbi	RMB	1,127,401	RMB	473,348
United States Dollars	USD	38,304	USD	42,209
Hong Kong Dollars	HKD	5,216	HKD	16,018
Japanese Yen	JPY	427,331	JPY	583,517
Euros	EUR	2,073	EUR	348

27 Cash and cash equivalents

	2006	*2005*
	RMB'000	RMB'000
Deposits with banks and other financial institutions	282,695	58,952
Cash at bank and in hand	1,734,177	2,769,271
Cash and cash equivalents in the consolidated balance sheet and consolidated cash flow statement	2,016,872	2,828,223

27 Cash and cash equivalents (continued)

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:

		2006		*2005*
		'000		'000
Renminbi	RMB	713,035	RMB	907,149
United States Dollars	USD	18,239	USD	24,802
Hong Kong Dollars	HKD	1,081	HKD	2,252
Japanese Yen	JPY	320,978	JPY	1,333,979
Australian Dollars	AUD	1,709	AUD	1,571
Euros	EUR	50	EUR	20,364
		========		========

28 Trade and other payables

	2006	*2005*
	RMB'000	RMB'000
Trade payables	4,050,254	2,395,121
Other payables and accruals	1,061,185	871,901
Staff salary and bonus payable	998,510	1,025,050
Deposits received	255,669	190,589
Bills payable	1,362,121	408,378
	7,727,739	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:

		2006		*2005*
		'000		*'000*
Renminbi	RMB	2,157,965	RMB	1,295,310
United States Dollars	USD	15,127	USD	29,435
Hong Kong Dollars	HKD	3,204	HKD	2,497
Japanese Yen	JPY	86,863	JPY	8,546
Euros	EUR	559	EUR	171
		========		========

29 Bank loans

At 31 December 2006 the bank loans were repayable as follows:

	2006	*2005*
	RMB'000	RMB'000
Within 1 year or on demand	859,225	501,520
After 1 year but within 2 years	545,800	419,650
After 2 year but within 5 years	180,000	16,000
	725,800	435,650
	1,585,025	937,170

At 31 December 2006, bank loans of RMB274,834,000 (2005: RMB116,948,000) were secured by mortgage over the Group's land use rights, buildings, property under development for sale, and machinery and equipment with a carrying value of RMB188,056,000 (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:

		2006		*2005*
		'000		*'000*
Renminbi	RMB	601,860	RMB	8,500
United States Dollars	USD	34,225	USD	11,075
Euros	EUR	181	EUR	-
Japanese Yen	JPY	181,354	JPY	-
HongKong Dollars	HKD	4,507	HKD	-

Interest rates are within the range of 1% to 6.44% per annum (2005: 2.57% to 6.12% per annum).

Part of the Group's bank loans totalling USD15,000,000 (equivalent to RMB117,077,000) 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 34(b). As at 31 December 2006 none of the covenants relating to bank loans had been breached (2005: None).

30 Income tax in the consolidated balance sheet

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

	2006 RMB'000	*2005* RMB'000
Provision for income tax for the year	122,764	130,161
Additions through acquisitions of subsidiaries (note 4)	834	6
Exchange adjustments	(2,004)	(965)
	121,594	129,202

30 Income tax in the consolidated balance sheet (continued)

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

	Deferred tax assets								Deferred tax liabilities	
	Revaluation and impairment losses for property, plant and equipment	*Write down of inventories*	*Impairment losses for bad and doubtful debts*	*Allowance for salary and bonus*	*Provision for warranty*	*Tax losses*	*Others*	*Total*	*Change in fair value of available-for -sale securities*	*Total*
	RMB'000	RMB'000	RMB'000	RMB'000	RMB,000	RMB,000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2005	9,228	2,320	14,119	95	-	21,535	5,076	52,373	-	-
(Credited) / charged 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	-	-
(Credited) / charged to profit or loss	(3,183)	(22,937)	2,510	5,952	51,713	(9,083)	7,473	32,445	-	-
Credited to reserves	-	-	-	-	-	-	-	-	(165,536)	(165,536)
Exchange adjustment	(159)	(274)	(430)	(615)	(1,097)	(517)	(416)	(3,508)	-	-
At 31 December 2006	3,799	4,161	9,099	20,196	50,616	12,020	14,889	114,780	(165,536)	(165,536)
	========	========	========	========	========	========	========	========	========	========

30 Income tax in the consolidated balance sheet (continued)

(c) Deferred tax assets not recognised

	2006 RMB'000	*2005* RMB'000
Tax losses	99,501	103,987
Deductible temporary differences		
- Impairment losses of timber concession rights	66,056	70,076
- Impairment losses of prepayment for investments	1,673	1,754
- Allowance for salary and bonus	61,170	49,530
	228,400	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.

31 Provisions

	Warranties RMB'000
At 1 January 2006	552,086
Net additional provisions made	70,247
Addition through acquisition of subsidiary (note 4)	20,778
Provisions utilised	(60,632)
Exchange adjustments	(17,150)
At 31 December 2006	565,329

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

32 Share capital

(a) Authorised, issued and paid up capital

	2006 RMB'000	*2005* RMB'000
Authorised, issued and paid up capital		
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	1,192,067	1,083,697
	2,218,663	2,016,967

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

	2006 RMB'000	*2005* RMB'000
Authorised, issued and paid up capital		
At 1 January	2,016,967	1,008,483
Capitalisation issue	201,696	1,008,484
At 31 December	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.

(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.

Pursuant to a resolution passed at the directors' meeting on 15 March 2007, an increase in the Company's share capital from RMB2,218.7 million to RMB2,662.4 million through capitalisation of share premium amounting to RMB443.7 million was proposed for shareholders' approval at the forthcoming Annual General Meeting.

33 Reserves

(a) Share premium

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

(b) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policies in notes 3(c) and 3(i).

(c) Surplus reserve

Surplus reserve comprises a statutory surplus reserve of RMB1,421,662,000 (2005: RMB940,042,000) and a discretionary surplus reserve of RMB2,363,878,000 (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. According to Article 83 of the Accounting Regulations for Business Enterprises of the PRC, surplus reserve can be used for dividend distribution subject to fulfilment of relevant requirements.

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.

(d) 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.

(e) Distributability of reserves

According to the Company's articles of association, the amount of retained profits available for distribution to shareholders of the Company is the lower of the amount determined in accordance with the PRC accounting rules and regulations and the amount determined in accordance with IFRSs.

At 31 December 2006, the amount of retained profits available for distribution, which was the amount determined in accordance with IFRSs, was RMB1,134,340,000.

33 Reserves (continued)

(e) Distributability of reserves (continued)

After the balance sheet date the directors proposed a final dividend of RMB0.38 per share (2005: RMB0.43 per share), totalling RMB954,025,000 (2005: RMB766,447,000) to be distributed from retained profits. This dividend has not been recognised as a liability at the balance sheet date.

34 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 5.81% per annum. At 31 December 2006, the Group has interest rate swap with a notional contract amount of USD15,600,000 (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 3(d).

The interest rates and terms of repayment of bank loans of the Group are disclosed in note 29 of the consolidated financial statements.

34 Financial instruments (continued)

(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 forward contracts. All of the forward contracts have maturities of less than one year after the balance sheet date. At 31 December 2006, the Group has forward contracts with a notional contract amount of USD236,000,000 and JPY781,025,000 (2005: Nil).

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 31 December 2006 and 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 34(e) above.

(i) Securities

Fair value is based on quoted market price at the balance sheet date without any deduction for transaction costs. Fair value for the unquoted equity investments are estimated using the applicable price/earning ratios for similar listed companies adjusted for the specific circumstances of the issuer.

(ii) Derivatives

The fair values of interest rate swap and forward contract 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.

34 Financial instruments (continued)

(f) Estimation of fair values (continued)

(iv) Financial guarantees

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

(v) 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 31 December 2006 to discount financial instruments. The interest rates used are as follows:

	2006	2005
Derivatives	5.78%	4.98%
Receivables	0.72%-5.36%	0.72%-4.54%
Loans and borrowings	3.38%-5.76%	3.56%-5.76%

35 Commitments

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

At 31 December 2006, the Group had contractual commitments for the acquisitions of property, plant and equipment amounting to RMB214,499,000 (2005: RMB223,626,000).

(b) At 31 December 2006, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2006 RMB'000	*2005* RMB'000
Within l year	71,686	34,308
After 1 year but within 5 years	108,981	94,856
After 5 years	85,722	53,641
	266,389	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.

36 Contingent liabilities

(a) At 31 December 2006, the Group had bills issued to suppliers totalling RMB1,439,000,000 (2005: RMB513,000,000) with outstanding maturity dates ranging from 1 day to 120 days in connection with purchase orders placed but goods yet to be delivered.

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.

(b) During the year, certain subsidiaries of the Group provided guarantees in respect of banking facilities granted to customers who drew down loans under banking facilities to settle outstanding payables arising from purchase of trailers from the Group. As at 31 December 2006, the Group has the above outstanding guarantees totalling RMB83,766,000 (2005: Nil).

(c) From time to time, certain subsidiaries of the Group factors bills receivable to banks on recourse basis. As at 31 December 2006, the Group's outstanding discounted bills amounted to RMB101,924,000 (2005: Nil).

37 Material related party transactions

(a) The Group has undertaken transactions with the following related parties for the year ended 31 December 2006:

	Relationship with the Company	*2006* RMB'000	*2005* RMB'000
Sale of containers to Florens Container Services Company Limited ("Florens")	Subsidiary of shareholder	1,218,098	821,377
Sale of trailers to COSCO North America, Inc. ("COSCO North America")	Subsidiary of shareholder	165,066	263,558
Purchase of raw materials from Hempel-Hai Hong Coatings Company Limited ("Hempel")	Subsidiary of shareholder	376,382	583,463
Purchase of raw materials from YMTC	Associate	7,013	3,573
Purchase of steel products from KYH	Associate	14,233	150,463
Loan (repayment from) / advance to Jiangmen CIMC Skyspace Real Estate Co., Ltd. ("JMSR")	Subsidiary of SKRE (formerly an associate)	(8,829)	18,000
Loan to NAT	Associate	4,892	-
		==========	==========

37 Material related party transactions (continued)

(a) The Group has undertaken transactions with the following related parties for the year ended 31 December 2006: (continued)

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.

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

	2006 RMB'000	*2005* RMB'000
Amount due from Florens	182,967	118,089
Amount due from COSCO North America	80,266	38,291
Amount due to Hempel	144,989	264,622
Amount due to KYH	-	476
Amount due to YMTC	1,184	180
Loans to JMSR	-	31,500
Loans to SKRE	63,375	-
Loan to NAT	4,892	-
	===========	===========

The outstanding balances with these related parties are unsecured, interest free and have no fixed repayment terms. No impairment losses for bad or doubtful debts have been made in respect of these loans.

(c) Details of key management personnel compensation is disclosed in note 9.

(d) As stipulated by the regulations 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 year ended 31 December 2006 were RMB134,141,000 (2005: RMB94,652,000).

38 Subsidiaries

Details of the Company's principal subsidiaries at 31 December 2006, all of which are unlisted, are as follows:

Name of the company	*Place of establishment/ incorporation and operation*	*Particulars of issued and paid up capital*	*Proportion of ownership interest* *Group's effective interest*	*Held by the Company*	*Held by subsidiaries*	*Principal activity*
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
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
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
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

38 Subsidiaries (continued)

			Proportion of ownership interest			
Name of the company	*Place of establishment/ incorporation and operation*	*Particulars of issued and paid up capital*	*Group's effective interest*	*Held by the Company*	*Held by subsidiaries*	*Principal activity*
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	70%	20%	50%	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
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$15,000,000	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%	42.53%	57.47%	Manufacture of containers
Ningbo CIMC Logistic Equipment Co., Ltd.	PRC	US$15,000,000	100%	25%	75%	Manufacture of containers
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

38 Subsidiaries (continued)

Name of the company	*Place of establishment/ incorporation and operation*	*Particulars of issued and paid up capital*	*Proportion of ownership interest*			*Principal activity*
			Group's effective interest	*Held by the Company*	*Held by subsidiaries*	
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$16,000,000	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$7,000,000	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 containers and related products
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

38 Subsidiaries (continued)

Name of the company	*Place of establishment/ incorporation and operation*	*Particulars of issued and paid up capital*	*Proportion of ownership interest*			*Principal activity*
			Group's effective interest	*Held by the Company*	*Held by subsidiaries*	
Tianjin CIMC Container Co., Ltd.	PRC	US$23,000,000	100%	50%	50%	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$5,000,000	100%	-	100%	Manufacture of containers
Xinhui CIMC Special Transportation Equipment Manufacture Co., Ltd.	PRC	US$ 9,000,000	100%	75%	25%	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	RMB90,204,082	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$5,000,000	100%	-	100%	Provision for logistics, repair and maintenance, and related services
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

38 Subsidiaries (continued)

Name of the company	*Place of establishment/ incorporation and operation*	*Particulars of issued and paid up capital*	*Proportion of ownership interest* — *Group's effective interest*	*Held by the Company*	*Held by subsidiaries*	*Principal activity*
Domino Flatracks Limited (Formerly Clive-Smith Cowley Ltd.)	England	GBP100	100%	-	100%	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	RMB30,000,000	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	RMB48,780,000	59%	-	59%	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 services
Dalian CIMC Railway Equipment Co., Ltd.	PRC	US$10,000,000	100%	-	100%	Manufacture of containers
Beijing CIMC Vehicle Logistics 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	100%	-	100%	Sales of trailers

38 Subsidiaries (continued)

Name of the company	*Place of establishment/ incorporation and operation*	*Particulars of issued and paid up capital*	*Proportion of ownership interest* Group's effective interest	*Held by the Company*	*Held by subsidiaries*	*Principal activity*
Jiaxing CIMC Wood Co., Ltd.	PRC	US$5,000,000	100%	-	100%	Further processing of timber
Yangzhou Tonglee Reefer Container Co., Ltd. ("TLC")	PRC	US$8,000,000	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	US$4,500,000	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
Maxshine Enterprises Limited	The British Virgin lslands	US$1	100%	-	100%	Investment holding
Tianjin CIMC Vehicle Logistics Equipment Co., Ltd.	PRC	RMB10,000,000	100%	-	100%	Manufacture of mechanical products and provision for logistics and related services
Yangzhou Tonglee Reefer Equipment Co., Ltd.	PRC	US$1,000,000	100%	-	100%	Manufacture of containers
CIMC – SHAC (Xi'An) Special Vehicle Co., Ltd.	PRC	RMB50,000,000	75%	-	75%	Manufacture and sales of trailers
Chongqing CIMC Logistics Equipment Co., Ltd.	PRC	US$1,600,000	100%	75%	25%	Manufacture of containers
Ningbo Vehicle Sales Co., Ltd.	PRC	RMB5,000,000	100%	-	100%	Sales of trailers
Gansu CIMC Huajun Vehicle Co., Ltd.	PRC	RMB25,000,000	75%	-	100%	Manufacture and sales of trailers

38 Subsidiaries (continued)

Name of the company	*Place of establishment/ incorporation and operation*	*Particulars of issued and paid up capital*	*Proportion of ownership interest*			*Principal activity*
			Group's effective interest	*Held by the Company*	*Held by subsidiaries*	
Xinhui CIMC Container Flooring Co., Ltd.	PRC	US$15,500,000	100%	13.35%	86.65%	Further processing of timber

Note: The financial statements of Shanghai CIMC Baowell Industries Co., Ltd. are consolidated in the consolidated financial statements (see note 40(b)).

39 Non-adjusting post balance sheet events

(a) On 29 December 2006, the 25th session of the Standing Committee of the 10th National People's Congress passed a resolution to submit a draft regarding corporate tax to the 5th full session meeting of 10th National People's Congress. If the draft is approved, the applicable tax rates to the Group and the Company may be adjusted.

(b) After the balance sheet date, the directors proposed a final dividend and a capitalisation of share premium. Further details are disclosed in notes 10 and 32.

(c) On 3 February 2007, a Writ of Summons was issued in the Higher People's Court of Jiangsu Province by Ruihua Investment Holding Limited ("Ruihua"), a creditor of Yangzhou Tongyung Container Co., Ltd. ("YZTY"), against Yangzhou Runyang Logistics Equipment Co., Ltd., Shenzhen Southern CIMC Containers Services Co., Ltd. and CIMC Holdings (B.V.I.) Limited, the Company's subsidiaries, for a compensation of RMB310 million. Ruihua claimed in the Statement of Claim that the aforesaid defendants had engaged in tort activities during the winding-up of YZTY and caused losses to Ruihua in relating to mortgage of loan, lease operation and equity transfers.

The directors consider that the aforesaid defendants performed their obligations legitimately and faithfully during the winding up of YZTY, and have not engaged in any tort activities. Therefore, the directors believe that the court decision will not be in favor of Ruihua and no provision for the above-mentioned compensation is required at this stage.

(d) On 13 February 2007, the Group has signed a preliminary agreement with one of the beneficial shareholders of Burg Industries B.V. to set up a new company, in which the Group will hold 80% of equity shareholding by injecting capital of Euro60,000,000 (equivalent to RMB618,117,000). The new company will acquire 100% equity shareholding of Burg Industries B.V. which was incorporated in Netherlands, at a consideration of Euro108,000,000 (equivalent to RMB1,112,611,000). The principal activities of Burg Industries B.V. are manufacturing and selling of road transportation equipment and special static tanks.

40 Accounting estimates and judgments

(a) Key sources of estimation uncertainty

Notes 18 and 34 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 31, 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 sales.

(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 uses all available information to make this estimation, inherent uncertainty exists and actual write-offs may be higher than the amount estimated.

(iv) Impairment losses for property, plant and equipment, goodwill and other financial assets

In considering the impairment losses for property, plant and equipment, goodwill and other financial assets, the recoverable amounts of these assets need to be determined through cash flow projections. It is difficult to precisely estimate the future cash flows because the economic conditions may fluctuate at different points in time. Despite that the Group uses all available information to make this estimation on a reasonable and supportable assumption basis, economic uncertainty exists and actual impairment losses may be higher than the amount estimated.

(v) Recognition of deferred tax assets

In considering the recognition of deferred tax assets, future taxable profits against which the asset can be utilised needs to be determined. It is difficult to precisely estimate the future taxable profits because the sale conditions may fluctuate in accordance with industry cycles. The Group uses all readily available information in determining the future taxable profits, including cash flow projections based on the financial budgets approved by the management.

40 Accounting estimates and judgments (continued)

(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 this company have been consolidated in the Group's consolidated financial statements. This is because the Group has the power to govern this 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.

41 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ended 31 December 2006

Up to the date of issue of these financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the accounting year ended 31 December 2006 and which have not been adopted in these financial statements:

		Effective for accounting periods beginning on or after
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 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.

In addition, the following developments may result in new or amended disclosures in the financial statements:

		Effective for accounting periods beginning on or after
IFRS 7	Financial instruments: disclosures	1 January 2007
Amendment to IAS 1	Presentation of financial statements: capital disclosures	1 January 2007

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

	Profit attributable to equity shareholders of the Company for the year ended 31 December 2006 RMB'000	*Total equity attributable to equity shareholders of the Company at 31 December 2006* RMB'000
Prepared under the PRC Accounting Rules and regulations	2,771,723	11,117,446
Adjustments to align with IFRSs:		
(i) Adjustment to minority interests	(19,074)	(11,015)
(ii) Adjustment to deferred tax assets	32,445	114,780
(iii) Adjustment to deferred tax liabilities	-	(165,536)
(iv) Adjustment to goodwill and negative goodwill	32,362	10,012
(v) Adjustment to interest capitalisation	448	25,244
(vi) Adjustment to trading securities	(2,151)	35,330
(vii) Adjustment to government grant, net of related costs	59,581	59,581
(viii) Adjustment to available-for-sale equity securities	(24,035)	1,103,570
(ix) Others	(17,011)	14,403
Prepared under IFRSs	2,834,288	12,303,815

XI. Documents for Reference

(I) Original copy of the Annual Report with the signature of the Chairman of the Board;.

(II) Accounting Statements with the signatures and seals of the legal representative, person in charge of accounting work, and the person in charge of the accounting department (Chief Accounting Officer).

(III) Original of the Auditors' Reports with the seals of the Certified Public Accountants, as well as the signatures and seals of the CPAs.

(IV) All of the originals of the Company's documents disclosed in the newspapers designated by the CSRC and originals of the public notices in the report period;

(V) Text of the Articles of Association of the Company.