



China International Marine Containers (Group) Co., Ltd.
First Quarterly Report of 2006

§1. IMPORTANT NOTES:

1.1 Board of Directors of China International Marine Containers (Group) Co., Ltd. (hereinafter referred to as the Company) and directors individually and collectively accept responsibility for the correctness, accuracy and completeness of the contents of this report and confirm that there are no material omissions or errors which would render any statement misleading.

1.2 No Directors stated that they couldn't ensure the correctness, accuracy and completeness of the contents of the Quarterly Report or have objection for this report.

1.3 Independent Director Mr. Xiao Zhuoji did not attend the Board meeting and not execute voting right due to business.

1.3 The first quarterly financial report of 2006 has not been audited.

1.4 Chairman of the Board, Mr. Li Jianhong, President of the Company, Mr. Mai Boliang and General Manager of Financial Management Dept., Mr. Jin Jianlong announce: ensure the correctness and completeness of financial report in this report.

§2. COMPANY PROFILE

2.1 Basic Information of the Company

Short form of stock	CIMC, CIMC-B	
Stock code	000039, 200039	
	Secretary of the Board	Securities affairs representative
Name	Yu Yuqun	Wang Xinjiu
Liaison Address	R&D Center of CIMC, No. 2 Gangwan Avenue, Shekou Industrial Zone, Shenzhen, Guangdong Province, P.R.C	R&D Center of CIMC, No. 2 Gangwan Avenue, Shekou Industrial Zone, Shenzhen, Guangdong Province, P.R.C
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2.2 Financial Information

2.2.1 Main accounting data and financial indexes

Unit: RMB'000

	At the end of report period	At the end of last year	Increase/decrease of the end of report period compared with the end of the previous year (%)
Total assets	18,409,998	17,020,469	8.16%
Total equity (excluding Minority interest)	10,041,852	9,613,787	4.45%
Net assets per share (RMB yuan)	4.98	4.77	4.45%
	In the report period (Jan.-Mar.)	From year-beginning to end of report period (Jan.-Mar.)	Increase/decrease of the report period compared with the same period of previous year (%)
Net cash generated from operating activities	95,347	95,347	106.19%
Earnings per share (RMB yuan)	0.25	0.25	-45.36%
Return on equity	5.05%	5.05%	-5.95%

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

	<i>Profit attributable to equity shareholders of the Company for the three months ended 31 March 2006</i>	<i>Total equity attributable to equity shareholders of the Company at 31 March 2006</i>
	RMB'000	RMB'000
Prepared under the PRC Accounting Rules and regulations	517,766	9,909,410
Adjustments to align with IFRSs:		
(i) Adjustment to minority interests	(440)	7,619
(ii) Adjustment to deferred tax assets	(24,129)	61,302
(iii) Adjustment to goodwill and negative goodwill	5,508	(16,798)
(iv) Adjustment to interest capitalisation	353	25,149
(v) Adjustment to trading securities	11,471	45,530
(vi) Others	<u>(3,534)</u>	<u>9,640</u>
Prepared under IFRSs	506,995	10,041,852
	=====	=====

2.2.3 Financial statement (see attachment)

2.3 Total shareholders as at the end of the report period and particulars about shares held by the top ten tradable shareholders of the Company

Total number of shareholders as at the end of report year	The Company has totally 135,820 shareholders, of them, 117,260 shareholders of A-share and 18,560 shareholders of B-share.		
Particulars about shares held by the top ten shareholders of tradable A-shares			
No.	Name of shareholders	Number of shares held at the end of the period	Type
1	GALAXY - CHARTER - CITIGROUP GLOBAL MARKETS LIMITED	20,666,005	A
2	BANK OF CHINA – E-FUNDS SHEN 100ETF	8,545,100	A
3	BANK OF COMMUNICATIONS-KEHUI SECURITIES INVESTMENT FUND	7,858,200	A
4	BANK OF COMMUNICATIONS-KERUI SECURITIES INVESTMENT FUND	5,541,348	A
5	BANK OF COMMUNICATIONS-PUHUI SECURITIES INVESTMENT FUND	2,580,760	A
6	CHINA CONSTRUCTION BANK- BOSHI FTSE/XINHUA A200 FUND	2,324,202	A
7	BEIJING NORTHERN YINTONG REAL ESTATE DEVELOPMENT CO., LTD.	2,310,000	A
8	NATIONAL SOCIAL INSURANCE FUND 109	1,727,610	A
9	TONGLIAN CAPITAL HOLDINGS CO., LTD.	1,652,050	A
10	CHINA CONTRIBUTION BANK-BAOKANG FLEXIBLE COLLOCATION SECURITIES INVESTMENT FUND	1,600,000	A

Particulars about shares held by the top ten circulating shareholders of B-shares			
No.	Name of shareholders	Number of circulating shares held in the period end	Type
1	CHINA MERCHANTS (CIMC) INVESTMENT LTD.	327,402,912	B
2	CHINA MERCHANTS (CIMC) HOLDINGS LTD.	131,547,830	B
3	PROFIT CROWN ASSETS LIMITED	33,508,869	B
4	HTHK-TARGET ASIA FUND LIMITED	21,281,743	B
5	TOYO SECURITIES ASIA LIMITED-A/C CLIENT.	20,873,578	B
6	LONG HONOUR INVESTMENTS LIMITED	19,183,414	B
7	JPMBLSA RE FTIF TEMPLETON CHINA FUND GTI 5497	15,307,142	B
8	CMBLSA RE FTIF TEMPLETON ASIAN GRW FD GTI 5496	15,289,705	B
9	NAITO SECURITIES CO., LTD.	14,747,700	B
10	HSBC BROKING SECURITIES (ASIA) LIMITED-CLIENTS A/C	14,127,209	B

§3. DISCUSSION AND ANALYSIS OF THE MANAGEMENT

3.1 Brief analysis of overall status of operating activities in the report period

(1) Summary of operating achievements

From Jan. 2006 to Mar. 2006, the Company realized income from main operations amounting to RMB 5,414,928,000, as well as net profit of RMB 506,995,000, drop 33.28% and 45.45% compared with the same period of last year, respectively. Continuing the off-season from the third quarter of 2005, in the first quarter 2006, the output and sales volume and price of container were still in low level, and the Group's container sale volume was 216,200 TEU, down 46.76% over the same period of the last year, but has risen up a little compared with the last quarter of 2005. Of which, sale volume of dry container reached 181,900 TEU, down 49.99% than that in the same period of last year; sale volume of special container and reefer container respectively reached 22,100 and 12,300 TEU, up 21.43% and down 49.17% than that in the same period of last year, respectively.

(2) Industry background

International shipping industry was becoming prosperous since the first quarter 2006, China foreign trade was also keeping quick rising, and China foreign trade import & export turnover increased by 25.8%. The throughput of container in Chinese major port reached 19,370,000 TEU, rising 21.7% compared with the same period of last year. On the other hand, according to shipping industry forecast, vessel capacity will be up 16% in the world in 2006, totally increased capacity in 2006 will be 1,350,000 TEU. With increase of volume of freight transport by a big margin and a large number of new vessel deploy in, the container market requirement will be back to health rising.

Recent years, the throughput of container in Chinese other major port keeping continued to rise, and CIMC believed that the said market trend will be last in 2006. Dry container demand in the first quarter returned quickly. At the same time, Chinese economic in the first quarter was keeping quickly rising with the strong domestic demand; steel price has risen step by step since Feb. 2006. The price of Corten steel, the production material of container, has also risen gradually. Therefore, after container price at comparatively lower point in the first quarter, it will become up from the second quarter of 2006.

After big drop in 2005, domestic vehicle demand reached bottom of periodic development, part factors caused market drop will be eliminate in 2006, first quarter vehicle industry has been increased along with domestic new projects adding and investment speedy rising. This March, Ministry of Transportation issued "Guidance on Trial of Toll Charge on Weights for Toll Road", which will reduce toll standard of the large-size truck, raise toll charge for over-weight part, so over-weight cost will be up which showed Government using a policy to promote recommended-type truck and

multi-wheel large-size truck would effectively eliminate vehicle over-weight and over-height transport drive by benefit, and establish a standard, safe and high-efficient highway transportation market, which would strong promote the growth of heavy truck and vehicle market.

(3) Businesses development

Dry container market: since March, major container plant of the Group has been began two--shift working, with enough orders. Dry container order price in second quarter has been back up greatly, and market demand will be keep blooming in the second quarter to the third quarter.

Especial container and tanker container market: especial container business developing positively since 2005 structure optimize to tanker container, platform container, flat rack container and reefer container industry, especially output and sales volume of tanker transportation equipment product has increased greatly than last year. After completing transaction between the Company and Burg Industries BV (hereinafter referred to as "Burg"), it would promote development of the Group's tanker equipment business. CIMC will set up a new company with Burg's beneficial shareholder, Mr. Peter van der Burg and Mr. Cees van der Burg, the new company will hold 100% equity of Burg. After this deal, CIMC and its affiliated subsidiaries will have 75% equity of this new company, and become controlling shareholder. Burg Industries BV established in 1937, who is one of leading suppliers of road transportation equipment, tanker container and static tanker container in Europe. Her 27 subsidiary enterprises and branches spread all over European six countries (namely Netherlands, Belgium, Denmark, Finland, Germany and Poland) and S. Africa. Now this deal has been submitted to European Union and under censoring process. According to currently situation, this deal censoring process will be end at July 2006 and then public result. CIMC believed that this deal would promote technology development of related product, bring more value to the customers, so CIMC keep positive attitude to finish this deal.

Transportation vehicle business: turnover reached RMB 1,357,383,000 in the first quarter 2006 accumulatively, rising 45.59% than that in the same period of last year; sale volume reached 18,496 including all kind of logistical vehicle, tanker truck and engineering vehicle, up 73.56% over the same period of last year.

Domestic road transportation vehicle demand entering midseason quickly in the first quarter 2006, CIMC Group further developed and cemented oversea vehicle market. Since this March, major container plant of CIMC Group has been began two-Group-shift working, with satiety orders from domestic and oversea market.

CIMC Group optimized distribution network of vehicle production base deeply, speeded up investment. CIMC northwest vehicle production base in Baiyin City, Gansu Province began to establishment in Feb 2006. CIMC northeast vehicle

production base in High-tech zone, Yingkou City began to establishment in Mar 2006. At the same period, CIMC Group also actively sought after and established new vehicle production base in northwest area.

Other business aspect: the Company's subsidiary, CIMC (Hong Kong) Co., Ltd. signed a contract with Beijing Capital International Airport expansion project headquarters, that CIMC subsidiary, Shenzhen CIMC- Tianda Air Support Co., Ltd. will supply passenger boarding bridge for Beijing Capital International Airport T3 station, which including T3A, T3B and 96 passenger boarding bridges (include related monitor system), with contract amount of RMB 168 millions. In 2006, the Company obtained all passenger boarding bridge orders for the Shanghai Pudong International Airport Phase II for the World Exposition Shanghai China 2010.

3.1.1 Main business industry or product, which occupied 10% of revenue or profit before tax from main operations

Applicable Inapplicable

Unit: RMB'000

Main industry	Revenue	Cost of sales	Gross margin (%)
Containers	4,085,668	3,692,456	9.62
Road Transportation vehicles	1,357,383	1,136,777	16.25

3.1.2 Seasonal and periodicity characteristics of the operation

Applicable Inapplicable

The production of container has some change with season: generally speaking, the 1st and 4th quarter of every year is low season and the 2nd and 3rd quarter is midseason correspondingly. For vehicle business, generally the 1st quarter of every year is low season.

3.1.3 Profit structure in the report period (material changes in proportions of profit from main operations, profit from other business, period expense, investment earnings, subsidy income and net income and expenditure of non-operating in total profits than those of the last report period and reasons)

Applicable Inapplicable

RMB'000

Items	Jan. to Mar. 2006		Jan. to Dec. 2005		Increase/ decrease
	Amount	Proportion in profit before tax	Amount	Proportion in profit before tax	
Gross profit	837,831	141.91%	4,695,539	148.02%	6.11%
Other revenue	16,157	2.74%	149,193	4.70%	1.97%

Analysis on change:

Distribution costs, Administration expense and Other operating expense	404,727	68.55%	1,798,274	56.69%	-11.86%
Profit before tax	590,395	100%	3,172,223	100%	—

The proportion of Gross profit in profit before tax has decreased by a big margin compared with the year 2005, which was because that distribution expense, administration expense, financial expenses and other operating expense reduced by a relative margin, resulting in increase of profit before tax correspondingly. The proportion of distribution costs, administration expense, financial expenses and other operating expense in profit before tax has decreased by a large range compared with the year 2005, which was because that the price of raw materials such as steels rose up obviously in the first quarter of 2006, and wrote off administrative expense with reserve for falling price of inventories withdrawn in 2005.

3.1.4 Explanation on reason and material change in main operations and its structure compared with the previous report period

Applicable Inapplicable

3.1.5 Explanation on reason and material change in profitability capability of main operations (gross profit ratio) compared with the previous report period

Applicable Inapplicable

The gross margin of container business decreased by a large range compared with the year 2005, which was because that container business is in low season, both of the scale of production and the price of dry container were down obviously.

3.2 Analysis and explanation on significant events and their influence and solutions

Applicable Inapplicable

3.3 Particulars about changes in accounting policies, accounting estimate, consolidated scope and significant accounting errors and explanation on reasons

Applicable Inapplicable

3.4 Relevant explanation on the Board of Directors and the Supervisory Committee under the situation of being audited and provided “Qualified opinion”

Applicable Inapplicable

3.5 Estimation on accumulative net profit from the beginning of the year to the end of next report period to be loss probably or the warning of its material change compared with the corresponding period of the last year and explanation on reason

Applicable Inapplicable

3.6 Rolling adjustment to annual business plan or budget ever disclosed

Applicable Inapplicable

3.7 Special commitment made by original shareholders of nontradable share in course of share merger reform and its implementation

Applicable

Inapplicable

Name of shareholder	Special commitment	Implementation of commitment
COSCO Pacific Limited	In accordance with the relevant requirements from Shenzhen Stock Exchange, COSCO Pacific Limited would provide the performance guarantee for capital demanded to financial institutes obtained authorization by Shenzhen Stock Exchange when they exercise rights of put warrants before the date of record of the shareholders' general meeting related with share merger reform.	In accordance with the relevant requirements from Shenzhen Stock Exchange, COSCO Pacific Limited would provide the performance guarantee for capital demanded to financial institutes obtained authorization by Shenzhen Stock Exchange when they exercise rights of put warrants before the date of record of the shareholders' general meeting related with share merger reform, namely Apr. 20, 2006.

China International Marine Containers (Group) Co., Ltd.

Apr. 26, 2006

Consolidated income statement for the three months period ended 31 March 2006

(Expressed in Renminbi)

	<i>January to March 2006</i>	<i>January to March 2005 (restated)</i>
	RMB'000	RMB'000
Revenue	5,414,928	8,115,366
Cost of sales	<u>(4,577,097)</u>	<u>(6,679,235)</u>
Gross profit	837,831	1,436,131
Other revenue	16,157	4,860
Other net income	158,357	50,360
Distribution costs	(189,886)	(139,836)
Administrative expenses	(191,293)	(237,770)
Other operating expenses	<u>(23,548)</u>	<u>(29,307)</u>
Profit from operations	607,618	1,084,438
Finance costs	(20,873)	(31,101)
Share of profits less losses of associates	<u>3,650</u>	<u>2,850</u>
Profit before taxation	590,395	1,056,187
Income tax	<u>(54,307)</u>	<u>(98,905)</u>
Profit for the period	536,088	957,282
	=====	=====
Attributable to:		
Equity shareholders of the Company	506,995	929,412
Minority interests	<u>29,093</u>	<u>27,870</u>
Profit for the period	536,088	957,282
	=====	=====
Earnings per share (RMB Yuan)		
Basic	0.25	0.46
	=====	=====

Consolidated balance sheet at 31 March 2006

(Expressed in Renminbi)

	<i>31 March</i>	<i>31 December</i>
	<i>2006</i>	<i>2005</i>
	RMB'000	RMB'000
Non-current assets		
Property, plant and equipment	4,135,404	4,185,522
Lease prepayments - non-current portion	641,699	638,800
Construction in progress	308,854	236,765
Timber concession rights	71,926	73,905
Intangible assets	27,924	28,649
Goodwill	146,582	105,068
Interest in associates	162,362	159,456
Finance lease receivable	65,711	68,006
Prepayment for investments	117,531	38,830
Deferred tax assets	61,302	85,843
Other financial assets	<u>288,062</u>	<u>291,536</u>
	6,027,357	5,912,380
Current assets		
Lease prepayments - current portion	15,852	15,590
Trading securities	238,771	419,401
Inventories	3,928,977	3,435,181
Trade and other receivables	5,503,134	4,409,694
Cash and cash equivalents	<u>2,695,907</u>	<u>2,828,223</u>
	12,382,641	11,108,089
Current liabilities		
Trade and other payables	6,043,378	4,891,039
Bank loans	589,761	501,520
Current taxation	126,141	129,202
Provisions	<u>560,718</u>	<u>552,086</u>
	7,319,998	6,073,847
Net current assets	<u>5,062,643</u>	<u>5,034,242</u>
Total assets less current liabilities	<u>11,090,000</u>	<u>10,946,622</u>
Non-current liabilities		
Bank loans	227,361	435,650
NET ASSETS	<u>10,862,639</u>	<u>10,510,972</u>

Consolidated balance sheet at 31 March 2006 (continued)

(Expressed in Renminbi)

	<i>31 March</i>	<i>31 December</i>
	<i>2006</i>	<i>2005</i>
	RMB'000	RMB'000
CAPITAL AND RESERVES		
Share capital	2,016,967	2,016,967
Reserves	<u>8,024,885</u>	<u>7,596,820</u>
Total equity attributable to equity shareholders of the Company	10,041,852	9,613,787
Minority interests	<u>820,787</u>	<u>897,185</u>
TOTAL EQUITY	<u>10,862,639</u>	<u>10,510,972</u>

Consolidated cash flow statement for the three months period ended 31

March 2006

(Expressed in Renminbi)

	<i>January to March 2006</i>	<i>January to March 2005 (restated)</i>
	RMB'000	RMB'000
Operating activities		
Profit before taxation	590,395	1,056,187
Adjustments for:		
Depreciation	79,668	63,514
Impairment losses of positive goodwill	-	1,298
Amortisation of other intangible assets	958	377
Amortisation of timber concession rights	1,439	1,713
Gain on recognition of negative goodwill	(121)	(366)
Net loss on sale of property, plant and equipment	297	1,221
Bank interest income	(14,048)	(435)
Finance costs	20,873	31,101
Net realised and unrealised (gains) / losses on trading securities	(100,505)	1,470
Dividend income from equity securities	(130)	-
Share of profits less losses of associates	<u>(3,650)</u>	<u>(2,850)</u>
Operating profit before changes in working capital	575,176	1,153,230
Increase in lease prepayments	(7,574)	(68,084)
Decrease in long-term receivables	3,350	-
Increase in trade and other receivables	(1,099,068)	(1,700,703)
Increase in inventories	(518,668)	(1,645,209)
Increase in trade and other payables	1,162,780	768,457
Increase in provisions	<u>12,395</u>	<u>34,362</u>
Cash generated / (used in) from operations	128,391	(1,457,947)
Tax paid	<u>(33,044)</u>	<u>(81,180)</u>
Net cash generated / (used in) from operating activities	<u>95,347</u>	<u>(1,539,127)</u>

**Consolidated statement of cash flows for the three months period ended 31
March 2006 (continued)**
(Expressed in Renminbi)

	<i>January to March 2006</i>	<i>January to March 2005 (restated)</i>
	RMB'000	RMB'000
Investing activities		
Interest received	17,398	890
Payment for the purchase of property, plant and equipment	(47,522)	(32,716)
Payment for construction in progress	(119,710)	(302,161)
Payment for purchase of trading securities	(95,789)	(56,023)
Prepayment for investments	(79,490)	(7,203)
Payment for acquisition of minority shareholdings	(123,541)	(4,968)
Payment for acquisition of subsidiaries, net of cash acquired	(915)	-
Dividend received from investments in equity securities	163	-
Proceeds from sales of property, plant and equipment	6,031	9,706
Proceeds from sales of equity securities	376,677	5
Repayment of advances to minority interests	6,448	288
Advances to minority interests	<u>(1,415)</u>	<u>(1,437)</u>
Net cash used in investing activities	(61,665)	(393,619)
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Consolidated statement of cash flows for the three months period ended 31 March 2006 (continued)

(Expressed in Renminbi)

	<i>January to March 2006</i>	<i>January to March 2005 (restated)</i>
	RMB'000	RMB'000
Financing activities		
Interest paid	(21,232)	(14,012)
Other borrowing costs paid	(3,054)	(5,144)
Proceeds from new bank loans	1,130,487	3,987,891
Repayment of bank loans	(1,247,275)	(2,667,348)
Capital injection from minority interests	-	1,600
Dividends paid to minority interests	<u>(6,831)</u>	<u>(17,399)</u>
Net cash (used in) / generated from financing activities	<u>(147,905)</u>	<u>1,285,588</u>
Net decrease in cash and cash equivalents	(114,223)	(647,158)
Cash and cash equivalents at 1 January	2,828,223	1,483,165
Effect of foreign exchange rate changes	<u>(18,093)</u>	<u>-</u>
Cash and cash equivalents at 31 March	<u>2,695,907</u>	<u>836,007</u>