CHINA INFRASTRUCTURE MACHINERY HOLDINGS LIMITED

中國龍工控股有限公司*

(incorporated in the Cayman Islands with limited liability)

Stock Code : 3339

Interim Report 2007

*For identification purposes only

CONTENTS

FINANCIAL HIGHLIGHTS

The table below sets forth the consolidated financial summary of China Infrastructure Machinery Holdings Ltd (the "Company" or "China Longgong") and its subsidiaries (hereinafter collectively referred as to the "Group")

Current period	**Six months ended 30 June 2007** *RMB'000*	Six months ended 30 June 2006 *RMB'000*	Change (+/–)
Turnover	**2,830,788**	2,080,107	+36.09%
Operating profits:			
– excluding unrealized loss on fair value changes in derivatives components of convertible bonds	**467,561**	321,151	+45.59%
– including unrealized loss on fair value changes in derivatives components of convertible bonds	**369,094**	321,151	+14.93%
EBITDA:			
– excluding unrealized loss on fair value changes in derivatives components of convertible bonds	**497,587**	338,905	+46.82%
– including unrealized loss on fair value changes in derivatives components of convertible bonds	**399,120**	338,905	+17.77%
Profit attributable to equity parent	**282,598**	303,161	–6.78%
Per share data	***RMB***	*RMB*	
Basic earnings per share(1) #:			
– excluding unrealized loss on fair value changes in derivatives components of convertible bonds	**0.36**	0.29	+24.14%
– including unrealized loss on fair value changes in derivatives components of convertible bonds	**0.27**	0.29	–6.89%
Net assets per share(2)#	**2.46**	1.41	+74.47%

Current period	Six months ended 30 June 2007 RMB'000	Six months ended 30 June 2006 RMB'000	Change (+/–)
Key performance indicators	**%**	%	
Profitability			
Overall gross margin	**24.44**	23.65	+ 0.79%
Net profit margin:			
– excluding unrealized loss on fair value changes in derivatives components of convertible bonds	**13.46**	14.60	–1.14%
– including unrealized loss on fair value changes in derivatives components of convertible bonds	**9.98**	14.60	–4.62%
EBITDA margin(3):			
– excluding unrealized loss on fair value changes in derivatives components of convertible bonds	**17.58**	16.29	+1.29%
– including unrealized loss on fair value changes in derivatives components of convertible bonds	**14.10**	16.29	–2.19%
Return on equity(4)	**10.89**	20.82	–9.93%
Liquidity and solvency			
Current ratio(5)	**2.81X**	1.83X	+53.55%
Interest coverage ratio(6):			
– excluding unrealized loss on fair value changes in derivatives components of convertible bonds	**12.75X**	32.98X	–61.34%
– including unrealized loss on fair value changes in derivatives components of convertible bonds	**10.06X**	32.98X	–69.50%
Gross debt-to-equity ratio(7)	**73.11%**	17.07%	+328.29%
Management efficiency	***days***	*days*	
Inventory turnover days(8)	**90.16**	83.38	+6.78 days
Trade and bills payables turnover days(9)	**70.13**	42.91	+27.22 days
Trade and bills receivable turnover days(10)	**62.05**	51.55	+10.5 days

As at the period end	**30 June 2007** *RMB'000*	31 December 2006 *RMB'000*	30 June 2006 *RMB'000*
Equity attributable to equity parent	**2,595,424**	1,776,914	1,455,921
Total assets	**6,331,226**	2,841,808	2,454,204

calculated based on the 1,056,299,000 shares outstanding as at 30 June 2007 (30 June 2006: 1,037,050,000).

1. Net profit attributable to equity holders of the parent for each period divided by the weighted average number of outstanding shares (WANOS) as at the end of each period.

2. Shareholders' equity divided by the WANOS as at the end of each period.

3. Earnings before interest, tax, depreciation and amortisation ("EBITDA") divided by turnover for each period.

4. Net profit attributable to equity holders of the parent for each period divided by equity attributable to equity shareholders of the parent as at the end of each period.

5. Current assets divided by current liabilities as at the end of each period.

6. Earnings before interest and income tax expenses ("EBIT") divided by interest expenses.

7. Interest-bearing debt plus convertible bonds for each period divided by the total equity as at the end of each period.

8. Average inventories divided by cost of sales and multiplied by 183 days when turnover days are calculated for half-year periods.

9. Average trade and bills payables divided by cost of sales and multiplied by 183 days when turnover days are calculated for half-year periods.

10. Average trade and bills receivables divided by turnover and multiplied by 183 days when turnover days are calculated for half-year periods.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

	Notes	Six months ended 30 June 2007 RMB'000 (Unaudited)	Six months ended 30 June 2006 RMB'000 (Unaudited)
Turnover	3	**2,830,788**	2,080,107
Cost of sales		**(2,139,013)**	(1,588,063)
Gross profit		**691,775**	492,044
Investment and other income		**26,318**	7,852
Administrative expenses		**(74,367)**	(60,520)
Selling and distribution costs		**(178,764)**	(113,543)
Other operating expenses		**(3,234)**	(4,682)
Finance costs	4	**(36,683)**	(9,736)
Discount on acquisition of a subsidiary	21	**5,833**	–
Change in fair value of derivatives	17	**(98,467)**	–
Profit before tax		**332,411**	311,415
Income tax expense	5	**(49,839)**	(7,744)
Profit for the period	6	**282,572**	303,671
Attributable to:			
Equity holders of the parent		**282,598**	303,161
Minority interest		**(26)**	510
		282,572	303,671
Dividends paid	7	**223,200**	–
Earnings per share – basic *(RMB)*	8	**0.27**	0.29

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2007

	Notes	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	**832,700**	700,093
Lease premium for land – non current portion		**195,759**	146,212
Deferred tax assets	10	**29,011**	24,731
		1,057,470	871,036
Current assets			
Lease premium for land – current portion		**3,713**	2,984
Inventories		**1,155,012**	952,769
Trade receivables	11	**796,762**	252,622
Bills receivable	12	**443,018**	427,174
Other receivables and prepayments	11	**133,430**	146,191
Loan receivables from financial institutions		**300,000**	–
Pledged bank deposits		**185,855**	59,593
Bank balances and cash		**2,255,966**	129,439
		5,273,756	1,970,772
Current Liabilities			
Trade payables	13	**602,835**	332,422
Bills payable	13	**477,178**	227,059
Other payables		**221,038**	180,258
Provisions		**69,150**	27,101
Amounts due to related parties	14	**8,309**	7,393
Tax Liabilities		**46,940**	22,727
Bank borrowings	15	**48,718**	266,869
Derivative financial instruments	17	**405,355**	–
		1,879,523	1,063,829
Net Current Assets		**3,394,233**	906,943
Total Assets Less Current Liabilities		**4,451,703**	1,777,979
Capital and Reserves			
Share capital	16	**113,009**	107,886
Reserves		**2,482,415**	1,669,028
Equity attributable to equity holders of the parent		**2,595,424**	1,776,914
Minority interest		**1,094**	1,065
Total Equity		**2,596,518**	1,777,979
Non-current Liabilities			
Convertible loan notes	17	**1,849,514**	–
Deferred tax liability	10	**5,671**	–
		1,855,185	–
		4,451,703	1,777,979

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Attributable to equity holders of the parent							
	Share capital	Share premium	Special reserve	Non–distributable reserve	Retained profits	Total	Minority interest	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2006	**107,886**	**455,206**	**355,335**	**54,639**	**179,694**	**1,152,760**	**1,719**	**1,154,479**
Profit for the period and total recognised income for the period	–	–	–	–	303,161	303,161	510	303,671
Transfer of non-distributable reserve	–	–	–	449	(449)	–	–	–
At 30 June 2006	**107,886**	**455,206**	**355,335**	**55,088**	**482,406**	**1,455,921**	**2,229**	**1,458,150**
At 1 January 2007	**107,886**	**455,206**	**355,335**	**156,069**	**702,418**	**1,776,914**	**1,065**	**1,777,979**
Profit for the period and total recognised income for the period	–	–	–	–	282,598	282,598	(26)	282,572
Dividends paid	–	–	–	–	(223,200)	(223,200)	–	(223,200)
Share issued	5,123	771,002	–	–	–	776,125	–	776,125
Transaction costs attributable to issue of shares	–	(17,013)	–	–	–	(17,013)	–	(17,013)
Acquisition of a subsidiary *(note 21)*	–	–	–	–	–	–	55	55
At 30 June 2007	**113,009**	**1,209,195**	**355,335**	**156,069**	**761,816**	**2,595,424**	**1,094**	**2,596,518**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	Note	Six months ended 30 June 2007 RMB'000 (Unaudited)	30 June 2006 RMB'000 (Unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**280,471**	90,221
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(121,411)**	(110,672)
Increase in pledged bank deposits		**(121,209)**	(43,253)
Proceeds on disposal of property, plant and equipment		**1,416**	167
Payment for lease premium for land		**(3,901)**	–
Increase in bank deposits		**(300,000)**	–
Acquisition of a subsidiary	21	**(71,515)**	–
NET CASH USED IN INVESTING ACTIVITIES		**(616,620)**	(153,758)
FINANCING ACTIVITIES			
Repayment of bank borrowings		**(266,869)**	(378,320)
New bank borrowings raised		**48,718**	171,922
Interest paid		**(12,389)**	(9,736)
Dividends paid		**(223,200)**	–
Proceeds on issue of new shares		**759,112**	–
Proceeds on issue of convertible loan notes		**2,211,478**	–
Transaction cost paid for issuance of convertible loan notes		**(54,174)**	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**2,462,676**	(216,134)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**2,126,527**	(279,671)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**129,439**	408,014
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTING BANK BALANCE AND CASH		**2,255,966**	128,343

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2007

1. Basis of presentation of financial statements

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 (HKAS 34), Interim Financial Reporting.

2. Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

In the current interim period, the Group has adopted the accounting policy on Convertible Loan Notes as follows:

Convertible Loan Notes

Convertible Loan Notes issued by the Group that contain liability and embedded derivatives (including conversion option, issuer early redemption option and holder early redemption option) which are not closely related to the host contract are classified separately into respective item on initial recognition. Conversion option will be settled other than by the exchange of a fixed amount of cash or other financial asset for a fixed number of the Company's own equity instruments is derivative financial instrument. At the date of issue, the liability component and derivative components are recognised at fair value.

In subsequent period, the liability component is carried at amortised cost using the effective interest method, and derivative components are measured at fair value with changes in fair value recognized in profit or loss. The interest charged on liability component is calculated by applying the original effective interest rate. The difference between this amount and the interest paid (if any) is added to the carrying amount of the liability component.

Transaction costs that relate to the issue of the Convertible Loan Notes are allocated to the liability and derivative components in proportion to their fair values at the date of issue. Transaction costs relating to the derivative components are charge to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the Convertible Loan Notes using effective interest method.

The Group has also applied, for the first time, the following new standards, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK (IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK (IFRIC) – Int 8	Scope of HKFRS
HK (IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK (IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of these new HKFRSs had no material effect on the results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK (IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions[2]
HK (IFRIC) – Int 12	Service Concession Arrangements[3]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 March 2007
[3] Effective for annual periods beginning on or after 1 January 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. Business and geographical segment

During both of the six months ended 30 June 2007 and 2006, the principal activity of the Group was the manufacture and sales of construction machinery in the People's Republic of China (the "PRC") and accordingly, no analysis of business and geographical segment is presented.

4. Finance costs

	Six months ended	
	30 June 2007	30 June 2006
	RMB'000	*RMB'000*
Interest on:		
Bank borrowings wholly repayable within five year	**12,389**	9,736
Effective interest expense on Convertible Loan Notes	**24,294**	–
	36,683	9,736

5. Income tax expense

	Six months ended 30 June 2007 RMB'000	Six months ended 30 June 2006 RMB'000
The charge comprises:		
Current tax		
PRC Enterprise Income Tax ("EIT")	**54,384**	7,744
Over provision in prior year		
PRC Enterprise Income Tax ("EIT")	**(265)**	–
Deferred tax		
Current period	**(4,280)**	–
Income tax expense	**49,839**	7,744

The tax charge for each of the six months ended 30 June 2007 and 2006 can be reconciled to the profit before tax in the condensed consolidated income statement as follows:

	Six months ended 30 June 2007 RMB'000	%	Six months ended 30 June 2006 RMB'000	%
Profit before taxation	**332,411**		311,415	
Tax at the domestic tax rate of 33%	**109,696**	**33.00**	102,767	33.00
Tax effect of expenses that are not deductible in determining taxable profit	**44,857**	**13.49**	4,156	1.40
Tax effect of income not taxable for tax purposes	**(5,568)**	**(1.68)**	–	–
Reversal of over provision in respect of prior year	**(265)**	**(0.08)**	–	–
Tax effect of deferred tax assets not recognised	**–**	**–**	592	0.20
Tax effect of tax losses not recognised	**2,651**	**0.80**	–	–
Effect of tax exemptions and income tax on concessionary rate granted to PRC subsidiaries	**(101,532)**	**(30.54)**	(99,771)	(32.1)
Tax charge and effective tax rate for the period	**49,839**	**14.99**	7,744	2.5

Subsidiaries of the Group located in PRC are entitled to tax exemption from EIT for the two years commencing from its first profit-making year of operations, after offsetting all unexpired tax losses carried forward from the previous years and thereafter, entitled to a 50 per cent tax relief from EIT for the next three years ("Tax Exemption"). Certain major subsidiaries are entitled to the Tax Exemption in the period.

On 16 March 2007, the National People's Congress approved and promulgated a new tax law, which will take effect beginning 1 January 2008. Under the new tax law, all the subsidiaries of the Group located in PRC will be subject to a uniform tax rate of 25%. The new tax law provides a five-year transition period from its effective date for those enterprises which were established before the promulgation date of the new tax law and which were entitled to a preferential lower tax rate under the then effective tax laws or regulations. In addition, based on the new tax law, certain subsidiaries of the Group that were entitled to preferential treatment in the form of enterprise income tax reduction or exemption, but has not been profitable and, therefore, has not enjoyed such preferential treatment, would have to begin its tax holiday in the same year that the new tax law goes into effect. The deferred tax balance has already reflected the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

6. Profit for the period

	Six months ended	
	30 June 2007	30 June 2006
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Cost of inventory recognised as expenses	**2,139,013**	1,588,063
Staff costs, including directors' remuneration		
Salaries and allowances	**98,249**	81,825
Contributions to retirement benefit scheme	**5,361**	1,583
Total staff costs	**103,610**	83,408
Allowance for bad and doubtful debts	**2,631**	1,729
Allowance for inventory	**20**	3,590
Depreciation of property plant and equipment	**28,342**	16,075
Amortisation of lease land premium	**1,684**	1,679
Loss (Gain) on disposal of property, plant and equipment	**1,843**	(66)
Research and development expenditures	**4,105**	1,082
and after crediting:		
Interest income on bank deposit	**18,327**	1,878
Government subsidy	**3,336**	–
Discount on acquisition *(Note 21)*	**5,833**	–

7. Dividends paid

During the six month ended 30 June 2007, the Company declared and paid final dividends of RMB223, 200,000 representing RMB22 cents per ordinary share for the year of 2006. The board of directors (the "Board") has proposed an interim dividend of HK$12 cents per ordinary share for the six months ended 30 June 2007.

8. Earnings per share

The calculation of the basic earning per share is based on the profit for the period attributable to the equity holders of the parent of approximately RMB282,598,000 (2006: RMB303,161,000) and on the weighted average number of 1,056,299,000 (2006: 1,037,050,000) shares in issue during the year.

As the effect of the Convertible Loan Notes is anti-dilutive, no diluted earning per share has been presented for the six month ended 30 June 2007.

9. Movement in property, plant and equipment

During the period, the Group acquired property, plant and equipment of approximately RMB39,347,000 (2006: RMB14,296,000).

The Group disposed of certain property, plant and equipment with a carrying amount of RMB3,259,000 (2006: RMB101, 000) for proceeds of RMB1,416,000 (2006: RMB167, 000), resulting in a loss of disposal of RMB1,843,000 (2006: gain of RMB66, 000) for the period.

In addition, the Group spent approximately RMB0.5 millions (2006: RMB1.5 millions) on the construction of its new office premises and RMB81.6 millions (2006: RMB92.9 millions) on additions to manufacturing plant in the PRC, in order to upgrade its manufacturing capabilities.

On 31 March 2007, the Group acquired 99.95% of the interest of Henan Longgong Machinery Co., Ltd., which resulted in additions to property, plant and equipment of RMB47,974,000.

10. Deferred taxation

The following are the major deferred tax assets recognised and movements thereon during the periods:

Deferred tax assets:

	Allowance for bad and doubtful debts *RMB'000*	Provision for products warranty *RMB'000*	Allowance for inventories *RMB'000*	Unrealised profit in inventory *RMB'000*	Accrued sales promotion cost *RMB'000*	Total *RMB'000*
At 1 January 2006 and 30 June 2006	–	–	–	–	–	–
Credit to income statement for the period	2,394	3,496	715	6,894	11,232	24,731
At 31 December 2006	**2,394**	**3,496**	**715**	**6,894**	**11,232**	**24,731**
Credit (charge) to income statement for the period	345	5,249	(118)	1,663	(2,859)	4,280
At 30 June 2007	**2,739**	**8,745**	**597**	**8,557**	**8,373**	**29,011**

Deferred tax liability:

	Fair value adjustment on land and buildings *RMB'000*
Acquisition of a subsidiary *(note 21)* and at 30 June 2007	**5,671**

Deferred tax assets recognised during the period represents the tax effect of temporary differences expected to be utilised in the period following the period that the entities enjoy full exemption from taxation.

At the balance sheet date, certain subsidiaries of the Group have unused tax losses of RMB14 million (2006: RMB6 million) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams of these subsidiaries. The tax losses will be expired in 2012.

11. Trade receivables, other receivables and prepayments

The Group has allow credit periods ranging from 30 to 180 days to its trade customers other than major customers with whom specific terms will be agreed.

The aged analysis of trade receivables is as follows:

	30 June 2007 *RMB'000*	31 December 2006 *RMB'000*
0 – 90 days	**751,026**	224,022
91 – 180 days	**18,247**	13,219
181 – 270 days	**14,749**	10,015
271 days to 1 year	**5,882**	5,366
1 to 2 years	**6,858**	–
	796,762	252,622

The breakdown of major items in other receivables and prepayments of the Group is as follows:

	30 June 2007 *RMB'000*	31 December 2006 *RMB'000*
Deposits for purchase of supplies and raw materials	**112,423**	104,409
Value-added tax recoverable	**14,130**	34,624
Others	**6,877**	7,158
	133,430	146,191

12. Bills receivable

Bills receivable is aged within six months from the respective balance sheet date. The directors consider that the carrying amounts of bills receivable approximate their fair value.

13. Trade payables, bill payables and other payables

The aged analysis of trade payables is as follows:

	30 June 2007 *RMB'000*	31 December 2006 *RMB'000*
Within 1 year	**594,677**	328,120
1 to 2 years	**7,118**	1,897
2 to 3 years	**447**	1,655
Over 3 years	**593**	750
	602,835	332,422

The bills payable is aged within six months from the respective balance sheet date.

14. Amounts due to related parties

The amounts represent:

	30 June 2007 *RMB'000*	31 December 2006 *RMB'000*
Shanghai Longgong Machinery Co., Ltd. *(note)*	**2,848**	1,848
China Longgong Group Holdings Limited	**5,461**	5,545
	8,309	7,393

Notes: Mr. Li San Yim and the spouse of Mr. Li, Madam Ngai Ngan Ying are the controlling shareholders of this company.

All the amounts are unsecured, non-interest bearing and repayable on demand.

15. Bank borrowings

During the period, the Group repaid bank loans of the amount of approximately RMB267 million and obtained new bank loans of the amount of approximately RMB49 million. The loans bear interest at 5.38% and are repayable within one year. The proceeds were used to finance working capital.

16. Share capital

Ordinary shares of HK$ 0.1 each
Issued and fully paid

	Number of shares '000	Share Capital RMB'000
At 1 January 2006 and 30 June 2006, 1 January 2007	1,037,050	107,886
Issue of shares	52,000	5,123
At 30 June 2007	**1,089,050**	**113,009**

On 13 April 2007, the Company issued a total of 52,000,000 subscription shares of HK0.10 each at a price of HK$15.15 per share. The proceeds are to be used to expand the production capacity to upgrade the research and development capabilities and to provide additional working capital for the Group.

17. Convertible loan notes and derivative financial instruments

Convertible Loan Notes of US$287 million were issued by the Company on 30 April 2007 at an issue price of US$10,000 per Convertible Loan Note of US$10,000. The Convertible Loan Notes are listed on the Singapore Exchange Securities Trading Limited. Each Convertible Loan Note entitles the holder to convert to one ordinary share of the Company at the conversion price of HK$20.4525 (the "Conversion Price"), but will be subject to anti-dilutive adjustment as stated in the offering circular on 27 April 2007 ("Offering Circular").

The principal terms of the Convertible Loan Notes are as follows:

Interest

The Convertible Loan Notes do not bear any interest.

Conversion period

The conversion period starts from the 40th day after the issue of Convertible Loan Notes to the 7th business day prior to the maturity day of 30 April 2012 (the "Maturity Date").

Maturity

Unless previously redeemed or converted, the Company will redeem each Convertible Loan Note at 121.155% of its principal amount on the Maturity Date.

Redemption at the Option of the Company

On and at any time after 30 April 2010 but not less than seven business days prior to the Maturity Date nor within the closed period which is defined in the Offering Circular, the Company may, having given not less than 30 nor more than 60 days' notice to the bondholders, redeem the Convertible Loan Notes in whole or in part at the early redemption amount ("Early Redemption Amount"), provided that no such redemption may be made unless the closing price of the Company shares translated into US dollars at the prevailing exchange rate for each of any 20 trading days falling within a period of 30 consecutive trading days, the last day of which period occurs no more than 5 trading days prior to the date upon which notice of such redemption is given, was at least 130% of the Conversion Price in effect translated into US dollars at the fixed exchange rate of HK$7.8175=US$1.00 on each such stock exchange business day.

Redemption at the Option of the Bondholders

The holder of each Convertible Loan Note will have the right to require the Company to redeem all or some of their Convertible Loan Notes at Early Redemption Amount of the initial principal amount on or at any time after 30 April 2010 and on the occurrence of a change of the Company's control or delisting of the Company's shares.

The gross proceeds net of transaction costs received from the issue of the Convertible Loan Notes split into liability component and derivative component (comprised of embedded derivatives which are considered as not closely related to the host liability component) as follow:

(i) Liability component represents the present value of the contractual stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

    The interest charged for the year is calculated by applying an effective interest rate of approximately 7.19% to the liability component since the Convertible Loan Notes were issued.

(ii) Derivative component represents:

    (i) The fair value of the option of the holders to convert the Convertible Loan Notes into shares of the Company at an initial conversion price of HK$20.4525 per Share.

    (ii) The fair value of the option of the Company to early redeem the Convertible Loan Notes.

    (iii) The fair value of the option of the holders to require the Company to early redeem the Convertible Loan Notes.

The movement of the liability component and divertive component of the Convertible Loan Notes for the period is set out below:

	Liability component	Derivative component	Total
	RMB'000	*RMB'000*	*RMB'000*
Convertible Loan Notes:			
At date of issue on 30 April 2007, net proceeds	1,846,790	310,514	2,157,304
Exchange realignment	(21,570)	(3,626)	(25,196)
Effective interest expense charged during the period	24,294	–	24,294
Changes in fair value	–	98,467	98,467
	1,849,514	405,355	2,254,869

At the issuance date and 30 June 2007, the fair values of the redemption option of the Company and redemption option of the bondholders have been determined based on the Binominal Model and Black-Scholes Model respectively.

18. Operating lease commitments

	30 June 2007	31 December 2006
	RMB'000	*RMB'000*
Minimum lease payments paid under operating leases in respect of premises during the period	**1,381**	4,552

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June *2007*	31 December *2006*
	RMB'000	*RMB'000*
Within one year	**4,469**	2,780
In the second to fifth year inclusive	**6,986**	1,865
Over five years	**–**	821
	11,455	5,466

Operating lease payments represent rentals payable by the Group for certain of its office premises and staff quarters. Leases are negotiated for an average term of five years and rentals are fixed for an average of five years.

19. Commitments

	30 June 2007 *RMB'000*	31 December 2006 *RMB'000*
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	**88,744**	98,848

20. Contingent liabilities

As at 30 June 2007, the Group had issued corporate guarantees to the extent of RMB611, 000,000 (31 December 2006: RMB325, 600,000) to the banks to secure certain banking facilities of the Group's sales agents, for their issuance bills solely to the Group. The amount of such facilities being utilised as at 30 June 2007 amounted RMB391, 712,000 (31 December 2006: RMB273, 210,000).

21. Acquisition of a subsidiary

On 31 March 2007, the Group acquired 99.95% of the interest of Henan Longgong Machinery Co., Ltd. for a total consideration of approximately RMB98 million. This acquisition has been accounted for using the purchase method.

The net assets and fair values acquired in the transaction are as follows:

	Acquiree's carrying amount before combination *RMB'000*	**Fair value adjustments** *RMB'000*	**Fair value** *RMB'000*
Net assets acquired:			
Property, plant and equipment	39,957	8,017	47,974
Lease premium for land	28,215	14,667	42,882
Inventories	27,035	–	27,035
Trade and other receivables	1,361	–	1,361
Bank balances and cash	26,613	–	26,613
Pledged bank deposits	5,053	–	5,053
Trade and other payables	(41,231)	–	(41,231)
Deferred tax liability	–	(5,671)	(5,671)
	87,003	17,013	104,016
Minority interests			(55)
Discount on acquisition of a subsidiary			(5,833)
Total consideration, satisfied by:			
Cash			98,128
Net cash outflow arising on acquisition:			
Cash consideration paid			98,128
Bank balances and cash acquired			(26,613)
			71,515

The discount on acquisition arises from the appreciation in assets value for the period between the pricing decision date and the acquisition date when the Group took control over these companies.

Henan Longgong Machinery Co., Ltd. reduced the Group's profit for the period by approximately RMB2.8 million between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2007, total Group revenue for the period would have been RMB2,835 million, and profit for the period would have been RMB277 million. The pro forma information is for the illustrative purpose only and is not necessarily an indicative of the revenue and results of the operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2007, nor is it intended to be a projection of future results.

22. Related party transactions

The remuneration of directors and other members of key management during the year were as follows:

	30 June 2007	30 June 2006
	RMB'000	*RMB'000*
Short-terms benefits	**2,085**	2,006
Post-employment benefits	**12**	–
	2,097	2,006

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trend.

INDEPENDENT INTERIM REVIEW REPORT

TO THE BOARD OF DIRECTORS OF
CHINA INFRASTRUCTURE MACHINERY HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 5 to 20, which comprises the condensed consolidated balance sheet of China Infrastructure Machinery Holdings Limited as of 30 June 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
18 September 2007

MANAGEMENT DISCUSSION AND ANALYSIS

Results and business review

The Group's consolidated turnover for the six months ended 30 June 2007 (the "Period") was approximately RMB 2,831 million representing an increase of approximately 36% as compared to approximately RMB2,080 million over the same period of 2006. Gross profit from operations was approximately RMB692 million representing an increase of approximately 41% as compared to approximately RMB492 million when compared with the corresponding period in 2006. Overall gross margin has increased to approximately 24.44% as compared to approximately 23.65% over the same period in 2006. Profits attributable to equity holders of the parent for the Period was approximately RMB283 million representing a decrease of approximately 7% as compared to the same period in 2006. The decline in shareholders profits was mainly due to (i) accrued of effective interest charged for the Period at 7.19% of approximately RMB24 million since the issuance of the Company's convertible loan notes at 30 April 2007, (ii) the unrealized loss on the fair value changes of derivatives component of the convertible loan notes approximately RMB98 million and (iii) the effective tax rate for the Period is approximately 15% representing an increase by 12.5% over the same period in 2006. Profits attributable to equity holders of the parent excluding the unrealized loss on the fair value changes of derivatives component of the convertible loan notes was approximately RMB381 million representing an increase of approximately 26% over the same period in 2006. The Company's basic earnings per share (the "EPS") is approximately RMB0.27 representing a decrease of approximately 7% over the corresponding period in 2006. The adjusted EPS was approximately RMB 0.36 excluding the unrealized loss on the fair value changes of derivatives component of the convertible loan notes, representing an increase of approximately 24% over the same period in 2006.

Geographical analysis

Northern region of PRC again was the Company's principal marketing area for the Period. The turnover of the northern region for the Period accounted for approximately 35% of the Group's total turnover amounted to approximately RMB998 million. The second largest domestic segment is the north western region of PRC representing 17% of the Group's turnover for the Period amounted to approximately RMB486 million. A substantial increase by approximately 50% compared to the corresponding period in 2006 was achieved in the north western area.

Wheel loaders

Sales in wheel loaders were again the core revenue generator for the Company which accounted for approximately 95% of the Company's turnover for the six months ended 30 June 2007. ZL50 series machines with 11,204 units sold for the Period continued to be the main revenue driver and achieved turnover of approximately RMB2,260 million, representing an increase of approximately 33% over the corresponding period in 2006. ZL30 series with 2,785 units sold is the second largest revenue generator and has achieved a turnover of approximately RMB347 million representing an increase of approximately 37% over the same period in 2006. ZL40 series has achieved 132 units sold for the Period amounted to approximately RMB25 million representing an increase of approximately 323% over the same period last year. In this year the Company has commenced the production of mini-sized loaders that is loading capacity below 3 tons. It has built up a strong presence since launch with turnover of approximately RMB32 million for the Period with 475 units sold. The increase in sales volume of wheel loaders was mainly attributable to the strong market perceptions on China Longgong's brand name and the increased investments in fixed asset and transportation capacity in the first half year of 2007.

Other construction machinery equipments: road rollers, forklifts, combines harvesting machines and excavators

The operating revenue from road rollers amounted to approximately RMB52 million for the six months ended 30 June 2007 with 210 units sold.

The Company has first entered into the forklifts market in the second half of 2006 and has recorded turnover of approximately 19 million for the six months ended 30 June 2007.

The Company has acquired 99.95% of the interest of Henan Longgong Machinery Company (the "Henan Longgong") at 31 March 2007 for a total consideration of approximately RMB98 million. The principal business of Henan Longgong was mainly engaged in manufacturing and selling combines harvesting machines and wheel loaders. For the six months ended 30 June 2007 the Company has achieved turnover of approximately RMB11 million. The competitive environment for harvesting machines in PRC is very keen in terms of price and quality. The Company will revise the business strategy from time to time with reference to agricultural policy in PRC.

The Company has successfully launched its in-house developed excavators in 2007. Since this is a new product for the Company and it is still in the phrase of consolidating and enhancing the technology and quality of that. The Company expected more contributions from excavators would be in 2009.

Financial review

The Group financed its operations from internally generated cash flow, bank borrowings and accumulated retained earnings. The Group adopts a prudent finance strategy in managing Company's financing needs. The Group believes that its cash holding, cash flow from operation, future revenue and available banking facilities will be sufficient to fund its working capital requirements.

Gross profits margin and operating expenses

Overall gross profits margin for the Period was approximately 24.44%, representing an increase by approximately 0.79% as compared with approximately 23.65% in the corresponding period last year. The increase was mainly attributed to the higher profits margin of export products and increase in the average selling price (the "ASP") of our products, which set off against the increase in steel costs in the first half year of 2007.

During the Period, the Group's total operating expenses (including administrative expenses, selling and distribution costs and other operating expenses but excluding unrealized loss on fair value changes in derivatives component of convertible loan notes) amounted to approximately RMB256,365,000 representing an increase by approximately RMB77,620,000 or approximately 43.42% increase compared with the corresponding period last year. This increase was mainly due to the extend of the Company's warranty period of wheel loaders from six months to a year resulting in an increase of warranty provision expenses by approximately 73% over the corresponding period in 2006. Warranty expenses for the Period accounted for approximately 2.2% on the Group's turnover. Apart from the above, The Group's transportation expenses for the Period were increased by approximately 52% over the corresponding period of last year. This was in line with the business growth of the Group.

Liquidity and financial resources

The Group maintained a strong financial position. Total shareholders funds as at 30 June 2007 were approximately RMB2,597 million, a 46% increase from approximately RMB1,778 million as at 31 December 2006.

As at 30 June 2007, the Group had short term bank borrowings of approximately RMB48,718,000 (31 December 2006: approximately RMB266,869,000). As at 30 April 2007 the Company has issued a US$287,000,000 5-year convertible loan notes raising net additional funds of approximately RMB2,157 million. The Group's gross debt-to-equity ratio, expressed as a percentage of the total interest bearing debts and convertible loan notes of approximately RMB1,898,232,000 and shareholders' equity of RMB2,596,518,000 was approximately 73% (31 December 2006: approximately 15%).

For the six months ended 30 June 2007, the Group's net cash flow from operating activities was approximately RMB280,471,000 representing an increase of approximately 211% over the same period of last year.

Working capital

The Group's working capital position remained healthy. As at 30 June 2007, the current assets of the Group were approximately RMB5,273,756,000 representing an increase of approximately 168% from the year end of 2006. The inventory, trade receivables and bills receivable as at 30 June 2007 were RMB1,155,012,000, RMB796,762,000 and RMB443,018,000 respectively, representing an increase of approximately 21%, approximately 215% and approximately 4% as compared to RMB952,769,000, RMB252,622,000 and RMB427,174,000 as at 31 December 2006. The turnover days for inventory and trade receivables and bills receivable were 90 days and 62 days respectively, compared to 83 days and 52 days in the corresponding period of the last financial year. As at 30 June 2007 the current liabilities of the Group were approximately RMB1,879,523,000 which included trade and bills payables of approximately RMB1,080,013,000, the turnover days for trade and bills payables were 70 days, compared to 43 days in the corresponding period of the last financial year. .The working capital position was in line with the business growth of the Company. The Group's current ratio, representing the current assets divided by the current liabilities, as at 30 June 2007 was approximately 2.81 times (31 December 2006: approximately 1.85 times).

Future plans and prospects

For the six months ended 30 June 2007, the Company has achieved sales of 14,595 units of wheel loaders representing market shares of approximately 20.98% in terms of volume growth. In the second half year of 2007, we expect to build on the momentum of the first half of the year and continue to gain more market share. The Company expected to achieve an annual sales target from 24,000 to 26,000 of this year.

Adding new production plant and facilities

The Group has commenced to rebuild the production plant in Longyan since the second quarter of year 2006 and has completed the construction by the end of 2006. The annual production capacity of the new plant is expected to reach 10,000 units of wheel loaders each year. The Group has also expanded the existing marketing efforts to form a new sales team with nearly 60 staffs in Longyan focus on export business. Currently, our overseas customers mainly from Middle East and Russia, efforts are made to broaden our overseas customers' base to include other regions say India, Australia and others. We believe in-house production of our key components and parts is one of the key success factors to ensure our products quality and a way to offset increase in costs of other components. In the first half year of 2007, we are in the process of expanding the existing production capacity of our key components say gears manufacturing in Jiangxi , strengthening our hydraulics system and pipe production in Shanghai and Fujian. We are anticipating to enhance our self production rate of more than 60% in the future three years.

Geographical coverage and products offerings

With a view to increasing sales and broaden our customers base through better network coverage, the Group will further expand its nationwide distribution system and service networks. As at 30 June 2007, we have 141 sales agents for wheel loaders and 59 sales agents for road rollers spanning across different regions in PRC. We also have 125 service centres providing after sales repairs and maintenances services to our customers. The Group has committed to continue to review the existing system of distribution network in order to satisfy the needs of our customers. For the six months ended 30 June 2007, we have achieved export sales of 465 units of wheel loaders compared to none over the same period of last financial year. The Group has committed to devote more resources to expand the export business in order to tape the market niche of huge pricing gap between China Longgong and overseas branded. The export sales target for this year of 2007 will be around 1,000 to 1,200 of wheel loaders representing approximately 4% of our total sales targets of this year.

In the first half year of 2007, three new products have been launched to the market including forklifts, combines harvesting machines and excavators respectively. The total turnover of this three new products are approximately RMB30 million accounted for approximately 1.1% of our Group's turnover for the Period. The new products are still in the beginning stage in their respective product life cycle and we are in the process of enhancing the quality and technology of those products so as to satisfy customers' needs. We do not expect these new products will have much contributions to the earnings of the Group this year.

CORPORATE GOVERNANCE REPORT

To become a company which enjoys the continuously growing trust of its shareholders and all other stakeholders by maximizing its corporate value, the Company is working to improve its management efficiency, advocate corporate ethics and ensure sound management on a Group-wide basis.

To further improve the transparency of the management to shareholders and investors, the Company will disclose information in a fair and timely manner and actively engage in investor relations activities by holding meetings in the PRC and Hong Kong to explain its business results and operations.

The Company will endeavor to comply with the laws and regulations of the place of operation of the Company and the requirements and guidelines of the Stock Exchange of Hong Kong Limited and local regulatory bodies.

Compliance with the Code on Corporate Governance Practices (the "Code")

In the opinion of the directors, the Company had during the Period ended 30 June 2007 complied with all the applicable code provisions of the Code as set out in Appendix 14 to the Listing Rules

Compliance with the Model Code for Securities Transactions by directors of the Company

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding directors' securities transactions. Specific enquiry has been made to all directors, who have confirmed that they had complied with the required standard set out in the Model Code for the six months ended 30 June 2007.

The Board will continue to review and foster its own Code of Corporate Governance Practices from time to time. The Company will seek to improve its management and raise its control level to enhance the Company's competitiveness and operating efficiency, to ensure its sustainable development and to generate greater returns for the shareholders.

Improvements in Internal Control Systems

Additional measures and improvements for the internal control systems of the Company during the six months ended 30 June 2007

The Company focused on the details of its internal control system and made the following enhancements:

1. Improved the Group's supply chain management in purchasing, supplying, warehousing, manufacturing and sales so as to expand its channels and achieve better coordination, and to enhance the quality and competitive strength of our products.

2. Further optimized the establishment of our control system and information management with check and balance as well as mutual supervision among different departments, achieving systematic, regulated and standardized operation of the Company.

3. Further revised and improved the effectiveness of our decision-making, management and balance of authority mechanisms.

   (i) Improved the investor relationship system to safeguard the interests and right of information of public shareholders effectively.

   (ii) Strengthened our financial control and arranged professionals to conduct comprehensive review on the Company for at least every six months, and supervised the execution of duties by the directors and senior management.

   (iii) Established and further refined the assessment procedures of our management team so as to carry out effective supervision and set up a performance evaluation and assessment mechanism.

INVESTOR RELATIONS MANAGEMENT

Information disclosures

The Company regards effective communication as the core of investor relations, and believes that a high transparent organization and promptly dissemination of information to our investors are important ingredients to the success of a company.

During the first half year of 2007, the Company maintained its good relationship with the international capital markets through the announcement of annual results, participation in global or international investors' forums, non-deal roadshows and reverse roadshows.

Other Stakeholders' interests

While dedicated to maximizing shareholders' value, the Company is also committed to its customers, in terms of provision of quality products and services, and to the staff, by making available opportunities to them for career development. The Company had a strong commitment to shareholders, investors, staff, customers, suppliers and the community at large and always acting in good faith and with integrity. The Company believed that the sustainable development of a company cannot be achieved in isolation from a healthy environment. The Company pledges to contribute to the community while pursuing profit growth, by managing the business within the bounds of relevant laws and environmental regulations, improving standard of corporate governance and enhancing corporate transparency and actively participating in social charities and contribute to the local social development.

Contact

Investor Relations
Ms. Yuan Xing

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DISCLOSURE OF INTERESTS

Directors' and chief executive's interests in shares and underlying shares

As at 30 June 2007, the interests of the directors and chief executive of the Company in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"))as recorded in the register to be kept by the Company pursuant to Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code were as follows:

(1) *Long positions in shares and underlying shares of the Company ordinary shares of HK$0.10 each of the Company*

Name of directors	**Capacity**	**Number of shares held**	**Percentage of issued share capital as at 30 June 2007**
Li San Yim and Ngai Ngan Ying *(Note 1)*	held by controlled corporation *(Note 2)*	328,014,690	30.12
Li San Yim and Ngai Ngan Ying *(Note 1)*	beneficial owner	241,332,690	22.16
		569,347,380	52.28

Note 1: Mr. Li San Yim and Ms. Ngai Ngan Ying are husband and wife to each other and are deemed to be interested in each other's interest.

Note 2: These shares were held through China Longgong Group Holdings Limited, a company that was wholly owned by Mr. Li, San Yim and Ms. Ngai Ngan Ying as to 55% and 45% respectively, is the registered shareholder of these 328,014,690 shares.

(2) Long positions in shares and underlying shares of the associated corporation of the Company, Longgong (Shanghai) Machinery Co., Ltd.
ordinary shares of HK$0.10 each of the Company

Name of directors	**Capacity**	**Registered share capital**	**Percentage of issued share capital as at 30 June 2007**
Mr. Li San Yim	corporate *(Note 1)*	480,000	0.375
Ms. Ngai Ngan	corporate *(Note 1)*	480,000	0.375

Note 1: The 0.375% interest of Longgong (Shanghai) Machinery Co., Ltd, is held by Shanghai Longgong Machinery limited, which is owned by Mr. Li San Yim and Ms. Ngai Ngan Ying as to 39.5% and 60.5% respectively.

Save as disclosed above as at 30 June 2007, none of the directors, chief executives of the Company or any of their associates, had registered any interests or short positions in any shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded and kept in the register by the Company in accordance with the Section 352 of the SFO, or any interests required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial shareholders' and other person's interests in shares and underlying shares

As at 30 June 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of directors and chief executives, the following shareholders had notified the Company of the relevant interests in the issued share capital of the Company.

Long positions
ordinary shares of HK$0.10 each of the Company

Name of shareholder	**Capacity**	**Number of ordinary shares**	**Percentage of issued share capital as at 30 June 2007**
China Longgong Group Holdings Ltd	beneficial owner	328,014,690	30.12
Horseman Global Fund Limited	beneficial owner	72,540,000	6.67
Cazenove Asia Limited	beneficial owner	60,414,000	5.55
JPMorgan Cazenove Limited	held by controlled corporation	60,414,000 *(Note 1)*	5.55
JPMorgan Cazenove Holdings	held by controlled corporation	60,414,000 *(Note 2)*	5.55
Cazenove Holdings Limited	held by controlled corporation	60,414,000 *(Note 3)*	5.55
JPMorgan Chase and Company	beneficial owner	52,402,712	4.81

Note 1: These shares were held through Cazenove Asia Limited, a wholly owned subsidiary of JPMorgan Cazenove Limited.

Note 2: These shares were held through Cazenove Asia Limited, a wholly owned subsidiary of JPMorgan Cazenove Limited, which is in return wholly owned by JPMorgan Cazenove Holdings.

Note 3: These shares were held through Cazenove Asia Limited, a wholly owned subsidiary of JPMorgan Cazenove Limited, which is in return wholly owned by JPMorgan Cazenove Holdings. JPMorgan Cazenove Holdings is owned by Cazenove Holdings Limited as to 49.99%.

Saved as disclosed above, as at 30 June 2007, the Company has not been notified of any interests in the issued share capital of the Company as recorded and kept under Section 336 of the SFO as having an interest of 5% or more of or any short positions in the issued share capital of the Company.

OTHER INFORMATION

Interim dividend

The Board has resolved to recommend payment of an interim dividend of HK$12 cents (30 June 2006: Nil) per share for the six months ended 30 June 2007.

Purchase, sale or redemption of the Company's listed securities

On 11 April 2007, the Company placed out 52,000,000 ordinary shares of HK$0.10 each of the Company at a price of HK$15.15 per share through a placing agent, Morgan Stanley & Co. International Limited, to not less than six independent professional, institutional and/or individual investors, who are not connected persons (as defined in the Listing Rules) of the Company and are independent of and not connected with the Company and its connected persons (as defined in the Listing Rules). The Placing price of HK$15.15 per share represented a discount of approximately 7.17% to the closing price of HK$16.32 per share as quoted on the Hong Kong Stock Exchange on 4 April 2007 being the last full trading day prior to the suspension in trading of shares on the Hong Kong Stock Exchange. Upon completion of the placing, the gross proceeds of the placing were approximately HK$788 million and the net proceeds from the placing of approximately HK$770 million. Approximately HK$600 million of the net proceeds from the placing were used as purchasing and installation of production equipment and construction and installation of production plant and facilities for the expansion of the Group's production capacity for wheel loaders, road rollers, excavators, fork lifts, agricultural machinery and other infrastructure machinery. Approximately HK$100 million were used for upgrading the Group's research and development capabilities for the development of new models or series of infrastructure machinery. Approximately HK$70 million were used as the Group's general working capital requirement.

The Company has not redeemed any of its shares during the Period. Saved as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2007.

Review of accounts by audit committee

The audit committee together with the management and the external auditors has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the interim financial results. The Group's interim results for the Period have been reviewed and approved by the audit committee of the Company.

By Order of the Board
Li San Yim
Chairman

18 September 2007

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

Mr. Li San Yim *(Chairman)*
Mr. Qiu Debo *(Chief Executive Officer)*
Mr. Luo Jianru
Dr. Mou Yan Qun
Mr. Chen Chao
Mr. Lin Zhong Ming
Dr. Zhang Hong

Non-executive directors

Ms. Ngai Ngan Ying
Ms. Fang De Qin

Independent non-executive directors

Prof. Yang Hongqi
Dr. Qian Shizheng
Mr. Lo Peter

AUDIT COMMITTEE

Dr. Qian Shizheng *(Chairman)*
Mr. Lo Peter
Ms. Fang De Qin

REMUNERATION COMMITTEE

Mr. Lo Peter *(Chairman)*
Dr. Qian Shizheng
Ms. Ngai Ngan Ying

EXECUTIVE COMMITTEE

Mr. Qiu Debo *(Chairman)*
Mr. Li San Yim
Mr. Luo Jianru
Dr. Mou Yan Qun
Mr. Chen Chao
Mr. Lin Zhong Ming
Dr. Zhang Hong

QUALIFIED ACCOUNTANTS AND COMPANY SECRETARY

Mr. Patrick Shoom
FCPA, AAIA, ACIS, ACS, ATIHK, HKFRP

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STOCK CODE

3339

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