



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

2002

Annual Report

Important Notice

Board of Directors of CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) CO., LTD. and its members 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 nor errors which would render any statement misleading.

Director Mr. Xiao Zhuoji didn't attend the meeting of the board for working reasons, and so entrusted Director Mr. Han xiaojing with the attendance and the right to vote on his behalf.

Chairman of the board of the Company Mr. Li Jianhong, President Mr. Mai Boliang and General Manager of Financial Management Department Mr. Jin Jianlong ensure that the financial report in the Annual Report be true and complete.

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Definition

1. TEU: Twenty-foot equivalent unit. This is a unit for conversion, it is also called standard container, i.e. taking the twenty-foot container as the unit for measuring containers.
2. Semi-trailer: A trailer that is dragged by a semi-trailer with part of its mass borne by it.
- 3The Group: The Company (China International Containers (Group) Co., Ltd.) and its subsidiaries.

I. Company Profile

- (I) Legal name of the company:
In Chinese: 中国国际海运集装箱 (集团) 股份有限公司
Short form of the Chinese name: 中集集团
In English: CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) CO., LTD.
Short form of the English name: CIMC
- (II) Legal Representative: Mr. Li Jianhong
- (III) Secretary of the Board of Directors: Mr. Wu Fapei
Liaison Address: CIMC R&D Center, 2 Gang Wan Road, Shekou Industrial Zone, Shenzhen, Guangdong Province
TEL: (0755) 2669 1130
FAX: (0755) 2682 6579
EMAIL: shareholder@cimc.com
- (IV) Registered address: 5/F, Financial Center of Shenkou Industrial Zone, Shenzhen, Guangdong
Office Address: CIMC R&D Center, 2 Gang Wan Road, Shekou Industrial Zone, Shenzhen, Guangdong Province
Post Code: 518067
Website: <http://www.cimc.com>
Email: shareholder@cimc.com
- (V) Newspapers Chosen for Disclosing Information of the Company: Securities Times, Ta Kung Pao
Website to release annual report: www.cninfo.com.cn
Site to prepare and place the annual report: Financial Affairs Dept. of the Company
- (VI) Stock Exchange Listed with: *Shenzhen Stock Exchange*
Short form of the Stock: A-share CIMC Stock Code:000039
Short form of the stock: B-share CIMC Stock Code: 200039
- (VII) Initial registration date: September 30, 1992
Organization with which the Company is first Registered: Shenzhen Industry and Commerce Administration Bureau
Date when the Company changed its registered records: December 1,2000
Organization with which the Company changed its registered records: Shenzhen Industry and Commerce Administration Bureau

Registration Number of the corporate business License for Enterprise Legal Person:
QGYSTZ No.101157

Registration Number of Taxation of the Company:

National Tax 440301618869509

Local Tax 440305618869509

Name and Address of the Certified Public Accountants Engaged by the Company:

Domestic: Shenzhen Pan-China Schinda Certified Public Accountants

Office Address: 16/F, Securities Building, 5020 Binhe Road, Shenzhen, P.R. China

Overseas: KPMG

Office Address: 8/F, Prince's Building, Central, Hong Kong

II. Summary of Accounting Data and Financial Indexes

() Three-year financial information summary

Unit : RMB'000

Items	2002	2001	Increase/Decrease in the year (%)	2000
Revenue	9,025,986	6,666,880	35.39%	8,851,900
Profit from operations	515,380	765,443	- 32.67%	692,854
Income from associates	121,677	49,018	148.23%	50,541
Profit before tax	569,622	711,941	- 19.99%	614,567
Income tax expense	(58,669)	(88,847)	- 33.97%	(65,760)
Profit after tax	510,953	623,094	- 18.00%	548,807
Minority interests	(87,660)	(58,919)	48.78%	(84,075)
Net profit of the year	423,293	564,175	- 24.97%	464,732
Basic earnings per share* (RMB Yuan)	0.83	1.11	- 25.23%	1.37
Rate of Return on Stockholders' Equity (ROE)	14.85	21.72	- 31.63%	22.12
Dividend	---	0.50	---	0.20

* The calculation of basic earnings per share is based on the profit attributable to shareholders of RMB423,293,000 (2001: RMB564,175,000) and 510,302,000 shares (2001: 510,302,000 shares after adjusting for the scrip dividend issued in 2002) in issue during the year.

There were no diluting potential ordinary shares in existence during the years ended 31 December 2001 and 2002.

(II) Reconciliation of the Group's consolidated results and net assets prepared under International Financial Reporting Standards ("IFRS") and the PRC Accounting Rules and Regulations:

	<i>Profit attributable to shareholders for the year ended 31 December 2002 RMB'000</i>	<i>Net assets at 31 December 2002 RMB'000</i>
Prepared under the PRC Accounting Rules and Regulations	464,855	2,853,729
Adjustments to align with IFRS:		
(i) Adjustment to minority interests	(353)	7,970
(ii) Adjustment to deferred tax assets	4,330	19,896
(iii) Adjustment to goodwill and negative Goodwill	(8,244)	(40,309)
(iv) Adjustment to interest capitalization	(26,015)	11,887
(v) Others	<u>(11,280)</u>	<u>(2,676)</u>
Prepared under IFRS	423,293 =====	2,850,497 =====

III. Movement of stock shares and the shareholder's status

(I) Movement of stock shares

1. Movement table of the stock shares of the company

Unit: Share

	Before this movement	This movement (+/-)	After this movement	Share ratio (%)
		Deliver of shares		
I. Unlisted shares				
1. The sponsor's shares	151,575,422	75,787,711	227,363,133	44.55
Among:				
Shares held by domestic legal person	68,208,940	34,104,470	102,313,410	20.05
Shares held by foreign legal person	83,366,482	41,683,241	125,049,723	24.50
	230,888	115,444	346,332	0.07
	151,806,310	75,903,155	227,709,465	44.62
2. Shares held by Senior Management Staff	45,991,287	22,995,643	68,986,930	13.52
Total unlisted shares	142,403,801	71,201,900	213,605,701	41.86
II. Listed shares	188,395,088	94,197,543	282,592,631	55.38
1. RMB common shares				
2. Domestically listed foreign shares				
Total listed shares				
III. Total shares	340,201,398	170,100,698	510,302,096	100

Note: 346,332 shares held by senior management staff refer to the frozen shares held by Directors, Supervisors and senior management staff of the Company.

2. Issuing and Listing of shares

(1) Issuing and Listing of shares for the previous three years at the end of the report period

The Company issued neither shares nor derivative securities for the previous three years at the end of the report period.

(2) Movement of the company's total shares and structure during the report period

The Company executed the 2001 dividend distribution during the report period: five shares and five Yuan distributed per ten shares (including tax), resulting in the variation of the total number of shares, but the stock structure remained unchanged.

(3) Issuing of shares held by internal staff

Approved by the People's Bank of China Shenzhen Special Economic Zone Branch on Dec. 15, 1992, the Company issued 64 million internal shares, including 57.6 million employee's shares with the price of RMB 1.65 yuan per share. Except the 346,332 shares held by present Directors, Supervisors and Senior Executives of the Company, other internal

employee's shares have been listed and went into circulation successively.

(II) About the Shareholders

1. Total numbers of shareholders at the end of the report period

As of December 31, 2002, there are a total of 54,640 shareholders in the Company, among which there are 34,569 "A" shareholders and 20,071 "B" shareholders.

2. Shareholding Status of Major shareholders (Top ten shareholders of the Company ending on December 31, 2002)

Name of Shareholder	Increase / decrease in the report year	Holding shares at the year-end (share)	Proportion in total shares (%)	Type of shares (Circulating/Non-circulating)	Number of share pledged or frozen	Nature of shareholders
1. China Ocean Shipping (Group) Co., Ltd .	34,104,470	102,313,410	20.05%	Non-circulating	0	State-owned legal person
2. CHINA MERCHANTS CONTAINER INDUSTRY CO., LTD.	34,104,470	102,313,410	20.05%	Non-circulating	0	Foreign legal person
3. FAIR OAKS DEVELOPMENT LIMITED	12,355,000	37,065,000	7.26%	Circulating	0	Foreign investment
4. PROFIT CROWN ASSETS LIMITED	7,578,771	22,736,313	4.46%	Non-circulating	0	Foreign legal person
5. LONG HONOUR INVESTMENTS LIMITED	1,998,272	5,994,817	1.17%	Circulating	Unknown	Foreign investment
6. YUYUAN SECURITIES INVESTMENT FUND	4,692,161	4,692,161	0.92%	Circulating	Unknown	Domestic legal person
7. HSBC BROKING SECURITIES (ASIA) LIMITED-CLIENTS A/C	2,873,436	4,445,509	0.87%	Circulating	Unknown	Foreign investment
8. CITRINE CAPITAL LIMITED	1,295,102	4,297,757	0.84%	Circulating	Unknown	Foreign investment
9. TOYO SECURITIES ASIA LIMITED-A/C CLIENT	2,336,980	3,195,681	0.63%	Circulating	Unknown	Foreign investment
10. LUO YI	912,200	2,560,600	0.50%	Circulating	Unknown	Foreign investment

Notes: Among the above the top ten shareholders, there existed the associated relationship as well as the consistent action between the first shareholder and the fifth shareholder: Long Honour Investment Limited is the wholly-owned subsidiary company of China Ocean Shipping (Group) Co., Ltd. (COCOS). The said two shareholders didn't belong to the persons acting in concert regulated by the Management Regulation of Information Disclosure on Change of Shareholding for Listed Company with the other shareholders.

There existed the associated relationship as well as the consistent action between the second shareholder and the third shareholder: China Merchants Container Industry Co., Ltd. and Fair Oaks Development Limited are the wholly-owned subsidiary companies of China Merchant Holdings (International) Co., Ltd.. The said two shareholders didn't belong to the persons acting

in concert regulated by the Management Regulation of Information Disclosure on Change of Shareholding for Listed Company with the other shareholders.

The Company is not aware of their associated relationships among other shareholder of circulating share, whether belongs to the persons acting in concert regulated by the Management Regulation of Information Disclosure on Change of Shareholding for Listed Company.

3. About the big shareholders of the Company

There are no shareholders (holding shareholders) who hold over 30% of shares.

As of May 31, 2002, the Company passed a resolution at the 2001 General Annual Meeting, agreeing that (COSCO, a big shareholder of the Company, assigned its equity in the Company to COSCO Shipping Engineering Group Co., Ltd by way of assets allocation. The relevant government authority before coming into effect shall approve the assignment of equity. Ending on December 31 2002, the assignment of equity is going through formalities with relevant government organs for approval.

Name Of shareholder		Holding shares ratio	Legal representative	Establishment Date	Registered capital	Sharehol ding Structure	Business scope
China Shipping (Group) Co. Ltd	Ocean	20.05%	Wei Jiafu	1961.4.27	RMB RMB 1.9 billion yuan	(Note 1)	carry on international passenger and cargo transportation business, receive domestic and foreign business for booking and leasing ships or storehouses, undertake lease, construction, sale and borrowing and repair of ships, containers and spare parts, and dispose undertaking, storing, applying to customers, forwarding, all-type transportation and door-to-door transportation for domestic and foreign import and export cargoes



China	Merchants	20.05%	Du	1995.1.17	Hong Kong \$	(Note	Investment	and
Container	Industry		Yongcheng		10,000	2)	Shareholding	
Co., Ltd								

Note 1: COCSO (COSCO) is one of the 44 mainstay enterprises under the direct control of the central government.

Note 2: China Merchants Container Industry Co., Ltd is a wholly owned subsidiary of China Merchants International Co., Ltd (CMHI). China Merchants International Co., Ltd (CMHI) has been listed on The Stock Exchange of Hong Kong, whose major operations lie in investment and shareholding. Du Yongcheng is director of China Merchants Container Industry Co., Ltd.. China Merchants Group (Hong Kong) Co., Ltd. holds 53.146% of its shares

IV. Information of Directors, Supervisors, Senior Management and Staff of the Company

(I) Information of Directors, Supervisors and Senior Management Staff

1. Basic Information

Name	Position	Sex	Age	Term of Office	Shares held at Beginning	Shares held at Year End	Increase/Decrease	Reasons for Increase/Decrease in Holding Shares
Li Jianhong	Chairman of the Board	Male	46	Term of Three Years since May 2001	0	0	0	
Zhao Huxiang	Vice Chairman of the Board	Male	47	Term of Three Years since May 2001	0	0	0	
Mai Boliang	Director President	Male	44	Term of Three Years since May 2001 Term of Three Years since June 2001	78,078	117,117	39,039	Deliver of shares
Du Feng	Director	Male	59	Term of Three Years since May 2001	72,872	109,308	36,436	Deliver of shares
Wang Xiaodong	Director	Male	44	Term of Three Years since May 2001	0	0	0	
Yan Chengxiang	Director	Male	34	Term of Three Years since May 2000	0	0	0	
Wang Zhixian	Director	Male	37	Term of Three Years since May 2002	0	0	0	
Liu Jie	Director	Male	31	Term of Three Years since May 2002	0	0	0	
Xiao Zhuoji	Independent Director	Male	69	Term of Three Years since May 2001	0	0	0	
Han Xiaojing	Independent Director	Male	47	Term of Three Years since May 2001	0	0	0	
Zhang Limin	Independent Director	Male	47	Term of Three Years since November 2002	0	0	0	
Zhao	Vice President	Male	51	Term of Three Years	0	0	0	

Qingsheng				since April 1994				
Li Qiuhi	Vice President	Male	35	Term of Three Years	0	0	0	
				since October 2002				
Li Ruiting	Vice President	Male	55	Term of Three Years	52,052	78,078	26,026	Deliver of shares
				since June 2001				
Tang	Vice President		64	Term of Three Years	0	0	0	
Guocai		Male		since June 2001				
Gu Hongren	Vice President	Male	47	Term of Three Years	27,885	41,828	13,943	Deliver of shares
				since June 2001				
Zhou	Vice President	Male	60	Term of Three Years	0	0	0	
Baisheng				since December 1998				
Wu Fapei	Secretary of the		45	Term of Three Years	0	0	0	
	Board	Male		since December 1999				
Du	Chief		53	Term of Three Years	0	0	0	
Yongcheng	Supervisor	Male		since May 2002				
Shi Lei	Supervisor	Fem	45	Term of Three Years	0	0	0	
		ale		since May 2002				
Feng	Supervisor	Male	56	Term of Three Years	0	0	0	
Wanguang				since May 2002				

Brief Introduction:

(1) Chairman of the Board Li Jianhong used to be Assistant to President and Chief Economist of COCSO.. He has taken the position of vice president and is a member of Party Group of COCSO. since 2000.

(2) Vice Chairman of the Board Zhao Huxiang used to be Assistant to President of China Merchants Group Co., Ltd.; Director and General Manager of China Merchants International Co., Ltd.. He acted as Vice President of China Merchants Group Co., Ltd. and concurrently Vice Chairman of the Board of Directors of China Merchants International Co., Ltd. from Nov. 2001.

(3) Director Wang Xiaodong acted as General Manager of COSCO Industrial Company from January 1998.

(4) Director Yan Chengxiang acted as Manager of Corporate Planning Dept. of COSCO Shipping Engineering Group Co., Ltd. and concurrently Deputy General Manager of Nantong Ocean Shipping Engineering Co., Ltd. from July 2000.

(5) Director Wang Zhixian acted as Deputy General Manager of Enterprise Management Dept. of China Merchants International Co., Ltd. from March 2002.

(6) Director Liu Jie acted as Deputy General Manager of Financial Administration Department of China Merchants International Co., Ltd from March 2002.

(7) Independent Director Xiao Zhuoji is now professor of economics of Beijing University.

(8) Independent Director Han Xiaojing now acts as management copartner and lawyer of Beijing Commerce & Finance Law Offices

(9) Independent Director Zhang Limin now acts as Professor of Zhong Shan University.

(10) Chief Supervisor Du Yongcheng acted as Director and Deputy General Manager of China Merchants International Co., Ltd from 1998.

(11) Supervisor Shi Lei acted as Chief Accountant of COSCO Shipping Engineering Group Co., Ltd and Chief Inspector of Financial Affairs of Nantong Ocean Shipping Engineering Co., Ltd. from June 2001.

(12) Supervisor Feng Wanguang has been Deputy Secretary of the Company's Party Committee since April 1999

Name	Name of Shareholders in Charge	Post in Charge	Term of Office	Whether draw remuneration and subsidy from shareholder's company
Li Jianhong	China Ocean Shipping (Group) Co. Ltd	Vice President	2000—	Draw from shareholder's company
Zhao Huxiang	China Merchants International Co., Ltd	Vice Chairman of the Board	2001.11—	Draw from shareholder's affiliated company
Wang Xiaodong	COSCO Industrial Co.	General Manager	1998.1—	Draw from shareholder's affiliated company
Yan Chenxiang	COSCO Shipping Engineering Group Co., Ltd	Manager of Corporate Planning Dept.	2000.7—	Draw from shareholder's affiliated company
Wang Zhixian	China Merchants International Co., Ltd	Deputy General Manager of Corporate Management Department	2002.3—	Draw from shareholder's affiliated company
Liu Jie	China Merchants International Co., Ltd	Deputy General Manager of Financial Administration Department	2002.5—	Draw from shareholder's affiliated company

Du Yongcheng	China International Co., Ltd	Merchants	Director, General Manager	Deputy	1998—	Draw from shareholder's affiliated company
Shi Lei	COSCO Engineering Group Co., Ltd	Shipping	Chief Accountant		2001.6—	Draw from shareholder's affiliated company

2. Remuneration of Directors, Supervisors and Senior Management Staff during the report period

(1) The decision-making procedure and the determination basis of compensation received by directors, supervisors and senior management :

According to the relevant regulations of the Articles of Association of the Company, the rewards of directors and supervisors are decided by the General meeting of shareholders, and the Board of Directors decides the rewards of senior management. The 2001 General Meeting of Shareholders held on May 31, 2002 passed the resolution of authorizing the Board of Directors to decide remuneration of Mai Boliang and Du Feng in accordance with “Assessment and Administration Measures of CIMC Management Team”.

The Company has established the perfect compensation system and encouraging method. First, the Company implemented the annual salary system for Directors, Supervisors and Senior Management Staff who work at and receive remuneration from the Company. Besides, the Board of Directors shall work out the “Assessment and Administration Measures of CIMC Management Team” for the year at the beginning of each year, implement the annual assessment on staff on the assessment list, and decide the amount of reward according to their performance at year end. The performance reward of President is paid according to a fixed proportion of the total performance reward. Those of other Senior Management Staff are decided according to the scheme established by the President and are subject to approval by Chairman and Vice Chairman of the Board.

(2) There are 12 persons (director, supervisor and senior management) draw their annual salary (including base salary, reward, welfare, subsidy, housing allowance and others) from the Company and the total annual salary amounts to RMB 4,290,000. The total amount of the top three directors was RMB 1,600,000. The total amount of the top three senior management was RMB 1,260,000. Of them, 2 persons enjoy their annual salary from RMB 500,000 to RMB 700,000 respectively; 5 persons enjoy their annual salary from RMB 400,000 to RMB 490,000 respectively; 2 persons enjoy their annual salary from RMB 300,000 to RMB 390,000 respectively, and 2 persons enjoy their annual salary from RMB 50,000 to RMB 90,000 respectively.. Independent directors Xiao Zhuoji, Han Xiaojing and Zhang Limin drew their annual allowances amounting to RMB 80,000 respectively from the Company.

3. Directors, supervisors and senior management leaving the office or being dismissed in the report year.

During the report period, Mr.Wu Sanqiang resigned the post of Director for working reasons; Mr.Qi Tianshun resigned the post of Independent Director of the Company for working reasons; Mr.Zhou Xiedong, Mr.Xiong Bo and Mrs.Zheng Weijuan resigned the post of Supervisor of the Company for working reasons.

(II) About the Staff

Ended Dec. 31, 2002, the Company had 211 employees registered.

The table below shows the composition of employees:

	Post					Education Level			
	Manag ement	Techn ology	Finance	Sales	Admi nistra tion	Postg radua te	Graduate	College graduate	Others
Number of persons	105	52	13	21	20	53	93	40	25
Porportion	49.76	24.64	6.16	9.95	9.48	25.12	44.08	18.96	11.85

The Company has no retirees for whom it needs to bear costs.

V. Corporate Governance Structure

(I) About the Implementation of Standardized Documents Concerning the Governance of Listed Companies

The company has since its inception made continuous improvement in its governance structure while following the Company Law and the Securities Law as well as the relevant laws and regulations of China Securities Regulatory Commission (CSRC), CSRC representative offices and Shenzhen Stock Exchange..

The Company did the following tasks to perfect the administration structure during the report period:

1. In order to effectively secure the interests of shareholders and the Company, the Company has decided to further specify the functions and responsibilities of the general meeting of shareholders, the board of directors and the supervisory board through formulating the Rules of Procedures for the General meeting of shareholders, the Rules of Procedures for the Board of Directors, and the Rules of Procedures for the Supervisory Board. At the same time, the Company streamlined the workflows of Shareholder's Meeting, the Board of Directors and the Supervisory Board according to the relevant laws and regulations so that the three organs would work in a more standardized and effective manner.

2.The Board of Directors of the Company has been making efforts to perfect the relevant rules and regulations in order to standardize the operation of the Board of Directors and improve its effect and efficiency. According to the requirements of the "Rules of Administration on Listed Company" and the Company's "Articles of Association", the Board of the Directors has approved the composition of Strategy Committee and Remuneration & Assessment Committee, formulated the "Detailed Implementation Rules of Strategy Committee" and "Detailed Implementation Rules of Remuneration & Assessment Committee". Besides, the Board of Directors still resolved that and Auditing Committee would be set up after the deliberation by the next Shareholder's Meeting

3. In order to improve the quality of information disclosure, the Company prepared the "Relevant Regulations on Interim Reports", "Requirements for Information Disclosure Obligor for Information Disclosure on Variation of Holding Shares" and "Requirements for Information Disclosure by the Directors" according to relevant laws, regulations and all kinds of standardized documents. All this contributed to the clarification of the regulations and requirements of information disclosure. On this basis, the Company formulated the "Rules of Information Disclosure of CIMC", "Guidance on Disclosure of Interim Report Events of CIMC before the

Release of 2002 Annual Report” and the “Work Flow of Information Disclosure”, etc. The formulation of the above regulations, rules and procedures enabled all the departments of the Company’s Headquarters and the subsidiaries can clearly master the definite standards of information disclosure on operational activities so that they can better fulfill the obligation of information disclosure of listed company by actively improving the quality of information disclosure and protecting the interests of investors.

According to the requirements of “Rules of Administration of Listed Company”, the administration status of the Company accords basically with the relevant regulations. From now on, the Company shall, in accordance with the laws, regulations and stipulations of regulatory departments such as China Securities Regulatory Commission and Stock Exchange and other national organizations concerned, continue to strengthen company administration, improve the establishment and operation of the special committee of the Board of Directors, bring into play the roles of the Board of Directors, the Board of Supervisors, the Shareholder’s Meeting and the Independent Directors, and study and use the experiences of foreign markets and domestic and overseas advanced listed companies in order to improve the relationships among investors.

(II) The selection of independent directors and their performance

Pursuant to the requirements of relevant laws and regulations of the supervisory departments as well as of the Articles of Associations, the Company engaged three specialists on economy, accounting and law as Independent Directors in order to have a perfect structure of the Board of Directors, ensuring the standard operation of the Company and the improvement of the decision-making of the Board of Directors. The three independent directors have participated in the major decision-making activities of the Board of Directors in line with the laws and regulations of supervisory departments and the Articles of Association. By taking into account the interests of the shareholders, especially the medium and small shareholders, they voiced their own independent opinions supported by their professional knowledge while discussing proposals on operational activities, investment, finance, strategic development plans and increase the issuance of shares at the Board of Directors. They have fulfilled their functions and responsibilities as independent directors and played their due role.

(III) Separation of the Company and the controlling shareholders in five aspects of business, personnel, asset, institution and finance.

Two big shareholders of the Company, China Ocean Shipping (Group) Co. Ltd and the China Merchants Container Industry Co., Ltd, hold 20.05% of the Company’s shares respectively. The

Company and its big 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 finance. Big shareholders have never bypassed the board of directors 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 big shareholders in management of similar products of the same trade.

(IV) Performance assessment and incentive mechanisms for senior management

The Company established at an early time the performance assessment and incentive mechanism for senior management to link their remuneration with the performance of the company and themselves.

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 Measures of CIMC Management Team” 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 Company set the assessment indicators, and at the end of the year, the Company will decide on the remuneration of every management personnel according to his or her performance of such indicators. The president, whose payment makes up a certain proportion of the total, works out a plan on the payment of other senior executives, and submits it to the chairman and vice chairman of the board of directors for examination and approval.

VI Introduction of the General meeting of shareholders

(I) 2001 General meeting of shareholders

1. The Company gave a public notice on convening 2001 General meeting of shareholders in *Securities Times* and *Hong Kong Ta Kung Pao* dated April 30, 2002.

2. On May 31, 2002, the Company's 2001 General meeting of shareholders was held at Minghua International Conference Center in Shekou Industrial Zone of Shenzhen, Guangdong. 17 shareholders (or the representatives of shareholders) were present, representing 179,106,014 share rights, accounting for 52.65 percent of the Company's total shares. Of them, 7 were Ashare shareholders (or the representatives of shareholders), representing 70,157,349 share rights, or

20.62 percent of the total; 10 were B-share shareholders, representing 108,948,665 share rights, or 32.03 percent of the total. Vice Chairman of the board of the Company Zhao Huxiang chaired the meeting, and Beijing Tian Qin Law Offices offered lawful position paper for the meeting.

The meeting discussed and adopted the proposals below:

- 1) 2001 work report of the board of directors;
- 2) 2001 work report of the supervisory board;
- 3) 2001 Annual Report and its Summary of the work report for the year;
- 4) Proposal for profit distribution and dividend allocation for 2001;
- 5) Proposal for the election of new directors;
- 6) Proposal for changing supervisors of representing shareholders;
- 7) Proposal for the additional issuance of A shares;
- 8) Proposal for revising the Company's Articles of Associations;
- 9) Proposal for COCSO (COSCO) to transfer its shares of the Company to COSCO Shipping Engineering Group Co., Ltd by way of assets allocation.
- 10) Proposal for formulating the "Rule of Procedure for Shareholder's Meeting";
- 11) Proposal for requesting the shareholders meeting to authorize the Board of Directors to determine the remuneration of Directors Mai Boliang and Du Feng in accordance with "Assessment and Administration Measures of CIMC Management Team".;
- 12) Proposal on providing security to the bank's short-term credit award for the wholly owned and affiliated subsidiaries;

and:1) Interim proposal of the supervisory board on revising the Company Articles of Associations because of shares change after the implementation of profit distribution of 2001; 2) Interim proposal of the supervisory board on the Company's application for prolonging the effective term authorized by the shareholder meeting to the board of directors to fulfill the specific matters of additional issuance of "A" shares.

3. On June 1, 2002, the Company published a public notice on the resolution of general meeting of shareholders in Securities Times and Hong Kong Ta Kung Pao.

4. The Meeting elected Wang Zhixian and Liu Jie the Company's directors; elected Du Yongcheng and Shi Lei the Company's supervisors.

(II) 2002 Interim Meeting of Shareholders

1. The Company published a public notice on convening the first 2002 Interim Shareholders' Meeting in *Securities Times* and *Ta Kung Pao* of Hong Kong on October 17, 2002

2. The Company's first 2001 Interim Shareholders' Meeting was held at Minghua International Conference Center in Shekou Industrial Zone of Shenzhen, Guangdong on November 16, 2002. Six shareholders (or representatives of shareholders) were present,

representing 242,047,620 shares, accounting for 47.43 percent of the company's total shares. Of them, 1 was A-share shareholder, representing 102,313,410 shares, 20.05 percent of the total; 5 were B-share shareholders, representing 139,734,210 share rights or 27.38 percent of the total. Entrusted by Mr. Li Jianhong, Chairman of the Board of the Company, Mr. Yan Chengxiang, Director of the Company, chaired the meeting. Beijing Tian Qin Law Offices offered lawful position paper for the meeting.

Adopted at the meeting are the following proposals:

- (1) Proposal on circulation of unlisted foreign investment shares of the company;
- (2) Proposal on authorizing the board of directors to revise the Articles of Association of the Company;
- (3) Proposal on electing independent director (accounting specialist) of the Company.

3. The Company published a public notice on convening the Interim Shareholders' Meeting in *Securities Times* and *Ta Kung Pao* of Hong Kong on November 19, 2002

4. Mr. Zhang Limin was elected independent director (accounting specialist) of the Company at this shareholder's meeting.

VII. Report of the Board of Directors

(I) Discussion and Analysis of Financial Statements and Important Events

In 2002, the economy of USA and Japan was oriented to resuscitate and the economy in the zone of Euro kept a faint growth. The world economy was better than that of 2001 as a whole and the world trade grew steadily. The foreign trade of China kept a quite high growth. Since the world trade of container realized nearly 6% growth, the replacement volume of old containers increased to a certain high level. Besides, the port strike event happened in American western coast in Sept., which made the containers in the port of American western coast fail to be returned to Asia normally. The scarcity of container happened sometimes, so the demand of world container market increased by a big margin compared with the previous year.

According to the new situation of container industry and market, the Group adjusted the operating strategy, probed into the way of strengthening the flexible production through carrying out the refined production in the major container factories, continuously optimized the product structure of container business and improved the business flow, which resulted in the continuous consolidation of industry status of the Group. The production and sales volume of dry van containers increased by a big margin compared with the previous year respectively in the recovered market environment. The reefer products were more mature and the recognition degree of the customers further enhanced. The accumulated sales of containers of the Group were

751,578TEU, an increase of 65.80% than that of the previous year. In 2002 the Group realized an total revenue of RMB 9,025,986,000, which increased by 35.39% compared with the previous year.

The logistics industry of China continued to develop in an acceleratory way in 2002 and the demand of trailer and special vehicle of China increased by over 30% than the previous year with the further active sales of products, which was favorable for the development of manufacturing business of modern road transport vehicles of the Group. The trailer, new product of the Group, was put into production and at the same time the Chinese market started formally on April 16. Accumulated 378 units of trailers were sold in the whole year with a realized sales income of RMB 18,057,000.

Influenced by the recession of world economy and “911” event of America, the world trade of 2001 was stricken, which led to the large shrink of container demand in the second half of 2001 and the continuing falling of price. Commencing from the 2nd quarter of 2002, since the growth of shipping business was expected to be good, the export of China sped up and the demand for container increased fast with the price of container recovered in a certain extent. Simultaneously, since the suppliers of major raw material made no enough preparation for the sudden increase of demand of containers and China implemented the provisional safeguard measure to the import of steel, the raw materials especially the steel incurred a serious shortage temporarily and the price of steels and wooden floors increased a lot compared with the end of the previous year commencing from the beginning of April with an increase of 20%-30%, which resulted in the ascension of the production cost. Thus, the gross margin of dry van container products dropped by a large margin. Though the profitability capability of reefer container and special container still kept steady. Because the gross margin of dry van container dropped ,the Group realized a net profit of RMB 423,293,000, decreased by 24.97% compared with 2001.

Ended Dec. 31, 2002, the total assets of the Company amounted to RMB 8,073,894,000, an increase of 32.18% compared with the corresponding period of the previous year and the main reason was the purchase order of container in the 4th quarter was still full, which led to the increase of current assets and current liabilities. In 2002, the main asset indexes of the Company were further optimized in this year and the turnover rate of the assets etc. was in a comparatively good condition.

The prospect of world economy of 2003 still contains many uncertain factors, but most of prediction of growth is cautious and optimistic. The international trade and trade of container will be obviously resuscitated and the demand of container will further grow. The Group estimates that the prospect of sales of containers is optimistic. In terms of price of the raw material market, since the influence of two factors including international one and domestic one still exists, the container production of the Group will still face the pressure of cost in a certain extent.

The Company estimates that the demand for new type of road transportation tools such as trailers of Chinese market will keep on growing and the production and sales of modern road transport vehicles of the Group will increase a lot.

(II) Operational Status of the Company

1. Business scope and operational status of the company

(1) The composition of revenue and profit from major operations

In 2002, since the global economy continued to recover from April in particular, the demand for dry cargo containers increased drastically around the globe, and the sales volume of containers of the Group made a new historical record. However, the net profits declined compared with the same period of last year because the price of raw materials, steel in particular, jumped up. Ended on December 31, 2002, the Group realized a revenue of RMB 9,025,986,000 Yuan from major operations, an increase of 35.39 percent over 2001, and its net profits RMB 423,923,000 Yuan, down by 24.97 percent over 2001.

The composition of revenue and profit from major operations of the Group in 2002 are as follows:

(2) Operational status of principal business of the Group during the report period is as follows:

The company and its subsidiaries (hereinafter referred to as the "Group") are mainly engaged in designing, manufacturing and selling modern transportation equipment, such as containers, modern road transport vehicles, airport facilities and other transport equipment. In addition, the Group is engaged in the timber industry, real estate, etc. The Company is the first listed company in China's container manufacturing industry. At present, the Group is the world's largest manufacturer of containers.

The container products constituted more than 10% of the total revenue or profit from major operations of the Group.

Statement of main business classified according to industry or product:

Unit: RMB'000

Product	Revenue	Increase/decrease of revenue compared with the
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		previous year (%)
Containers	8,768,061	35.97

Particulars about main business classified according to region:

Unit: RMB'000

Region	Revenue	Increase/decrease of revenue compared with the previous year (%)
USA	2,174,479	101.9
Europe	4,050,844	52.10
Asia	2,028,605	- 25.32
Other regions	772,058	266.97
Total	9,025,986	35.39

The year 2002 is a landmark year for the development of the Company. Over 20 years of development of its container business, the Group took the lead for 7 successive years in the world and in China in terms of the container market share. With container factories deployed in major coastal ports of China, the Group is the only enterprise in the world that can provide the container products of three series and over 100 types, and is also a “one-stop” enterprise that can design, manufacture and maintain all types of containers. The customers of the Group are well-known shipping companies and container-lease companies distributed in dozens of countries and regions in the world, so the Group enjoys a stable position in the industry. After three years of strategic research and technological development, the new product of the Group—semi-trailer-- went into actual production in 2002, and the Group officially began to sell semi-trailer in the China market. The Group also began to deploy the semi-trailer production bases in China. Till now, the new business of the Group—the manufacturing of modern road transport vehicles has taken initial shape for development.

The container business enjoys a benign development and an ever-expansion of growing space

With the fluctuation of world economy, the sluggish situation of the industry went from the second half of 2001 to the first quarter of 2002, and the Group faced greater competitive pressure.. From April, the global demand for containers experienced an abrupt increase until the end of the year. The demand for dry cargo containers for the whole year was lower in the first half but higher in the second half. There was not an obvious difference in the need for reefer containers in low and high seasons. In this regard, the Company strengthened market consolidation in accordance with its judgment of the market circumstances and industry pattern. The Company improved the production flexibility and efficiency to meet the market demand and kept on cost control, thus enhancing its production competitiveness and consolidated its market position. The prices for containers in the second half of the year rose up, but the average price for containers for the whole year was still lower than that of last year; in addition, the prices for raw materials, steel in particular, increased by a large margin, keeping the cost of materials on the high side, so the profits from the sales of containers declined dramatically, but the Company still managed to maintain a relatively stable net profit in the whole year.

In 2002, the Group produced containers of 757,923TEU, an increase of 70.19 percent over 2001, sold 751,578TEU of containers, an increase of 65.80 percent over 2001, and achieved a sales income of RMB 8,768,061,000 Yuan, up 35.97 percent over last year, accounting for 97.14 percent of the Group's total sales income.

1) The production and sales volume of containers increased farther, of which dry cargo containers and reefer containers topped the new sales-record in history. The sales volume of standard dry cargo containers added up to 668,614TEUs in the whole year, up 71.21 percent over last year. By reducing the cost of reefer containers along with the price decline, the Company strengthened its competitiveness, acquired new clients and fulfilled the biggest order in the industry. The sales volume of reefer containers added up to 56,783TEUs in 2002, up 55.71 percent over last year. The Group has become the biggest supplier of reefer containers in the world. The Group has made remarkable achievements in the production and sales of special containers and its product development, and acquired an increased capability to develop series products for regional markets. The Group sold a total of 26,180TEUs of special purpose containers in the whole year, the same as that of last year. Furthermore, the Group sold 33,726TEUs of tray containers, an significant increase over last year.

2) Reasonable regional distribution of container production bases and further increase in customer service level.

The Group runs and manages 8 ordinary dry cargo container production factories, which are located at 7 production bases along the coastal areas of China-- North China (Tianjing and Dalian), East China (Shanghai, Nantong and Qingdao) and South China (Shenzhen and Xinhui), among which one container factory was newly added in 2002, i.e., acquired Shanghai Baowell Industry Co., Ltd.(hereinafter referred to as "Shanghai Baiwelli"). This further promoted the formation of the all-round production and service networks of Mainland China. At present, Shenzhen Southerb CIMC is the largest dry cargo container manufacturer in the world with the productivity of over 250,000 TEUs.

In the aspect of reefer containers, the Group has two production bases in Shanghai and Qingdao, where high-quality steel containers and aluminum containers can be produced. In 2002, the Group made an investment in the factories of reefer containers in Shanghai and Qingdao in order to expand their productivity. As a result, the productivity was enhanced along with the product quality of reefer containers. The productivity of reefer container factory in Shanghai has expanded from 6,000 pieces per year in single shift at the beginning to 12,000 pieces now, making the factory the biggest reefer container factory in the world. The productivity of reefer container factory in Qingdao also surpassed 9,000 pieces per year in single shift.

In the aspect of special purpose containers, in April 2002, the production line of tank containers of Nantong CIMC Special Purpose Transportation equipment Co., Ltd was put into official production. That was the first ISO/IMO1 tank containers produced by China. The operational

status of the new product---ISO/IMO1 tank containers is excellent and major users of the world have all issued their purchase orders. Ended at the end of 2002, the Group sold a total of 250 pieces of tank containers. Through investment in key projects and technical cooperation, Nantong CIMC Special Purpose Transportation Equipment Co., Ltd is hopeful to become one of the biggest tank container production bases in the world.

3) Abundant product series

The Group can provide three series of containers: ordinary dry cargo container, reefer container and special purpose container, which are of over 100 types. In 2002, the Group emphasized its ability to develop series of container products for specific regions. In April 2002, Nantong CIMC Special Transport Equipment Manufacturing Co., Ltd put its tank container production line into official operation, and this was the first time that China produced the ISO/IMO1 tank containers.

The preliminary development of modern road transport vehicles business

The modern road transport vehicles business of the Group includes the manufacturing, selling and maintaining of semi-trailer and special vehicles other than semi-trailers. After three years' strategy research on the project development and technical development, the modern road transport vehicles business development of the Group has taken initial shape.

In 2002, the Group was fully prepared for the development of modern road transport vehicles products. Ended at the end of 2002, the Group has developed over 30 types of trailers, such as: domestic container transportation trailer, platform transportation trailer, van transportation trailers, reefer transportation trailers and American CHASSIS products. The Group also established the corporate product criteria, technical specifications for the product and quality assurance system, and applied for relevant technology patents.

The Group also made breakthroughs in the construction of semi-trailer production bases at home and abroad and in the marketing of semi-trailers, acquired Yangzhou Tonghua Special Vehicle Co., Ltd (hereinafter referred to as "Yangzhou Tonghua"), a leading company in the semi-trailer industry. Ended on December 31, 2002, the Group has got the trusteeship of 38 percent of Yangzhou Tonghua's equity shares. Other matters concerning the equity transfer are still under discussion. Yangzhou Tonghua, as a Sino-foreign joint venture for producing all types of special vehicles and trailers, is an enterprise under the major support of State Economic & Trade Commission, The Ministry of Science and Technology and Jiangsu Province, and is a "Key State High-Tech Enterprise". Yangzhou Tonghua has the productivity of producing all types of special vehicles and trailers of 3500 pieces per year in single shift. It has developed special vehicles and trailers in eight series of eighty types with two hundred specifications, including tank, van, car-carrier, container, platform, railed side, low bed, dumper, and special purpose trailers. Most part of the products are high-tech products to which priority development was granted by the China, or new products at the state level and other high-end products. The technological performance of such products reaches the international and domestic advanced level.

The Group acquired Qingdao Universal Container Engineering Co., Ltd. and prepared to transform them into semi-trailer production bases. On November 6, 2002, the Group also purchased a plot of land in Qingdao Economical and Technological Development Zone and made the prophase preparation for the modern road transport vehicles project. On the American market, the Group has finished the relevant examination and approval procedures on investment in the semi-trailer project in the United States.

On April 16, 2002, the Group convened the semi-trailer/van trailer release, marking the startup of China's market. The products of south semi-trailer base (Shenzhen) of the Group got a niche in the market and were well acclaimed for their uniform price, excellent quality and guaranteed service. Ended at the end of 2002, the south base produced 368 pieces of semi-trailers in total, sold 263 pieces and realized sales income of RMB12, 370,000 Yuan. The south base acquired an order of 54 pieces of semi-trailers (CHASSIS) from the customer, American Shipping company, and this was the first batch of semi-trailer products exported from China to America. The sales network and spare parts purchasing system has been established primarily. Since the semi-trailer products came to market for the year, the Group accumulated experiences on production, sales and cost control of semi-trailer business in batch.

Keep optimizing the internal structure to improve the Company's basic management level

At the beginning of 2002, the Group began to implement the uniform certification of ISO9000 quality assurance system in the headquarters, 2 reefer container factories and 7 dry cargo container factories. In December 2002, the Group was awarded the ISO9000 quality system certificate by BVQI, signifying that the quality control of container industry of the Group gradually came into a stage of procedural management.

The Group continued to ameliorate and perfect the performance assessment target system in its affiliated production factories, ensuring the realization of cost control target forcefully.

In the enterprise information construction, the Group, as a large manufacturing enterprise and a major supplier of containers in the world, is making efforts to improve enterprise management level by taking advantage of all kinds of new information technologies and all kinds of derivative electronic services. In 2002, the Group implemented the project successfully by continuing to optimize the application system and introduce the advanced data storage system, which contributed greatly to the support of the information technology for the Group's decision-making and management. As the result, the enterprise workflow was optimized to help enhance the core competitiveness of the Group.

The Group increased its input in R&D and well organized the structure and management system of its R&D center. While optimizing the present product design, the Group strengthened the research and development of new products, new materials and new technologies, and improved the patent management. In March 2002, the R&D center of the Group was identified by relevant department of China as one of the enterprise (group) technological centers, which enjoy preferable

policies, and thus it officially became an enterprise technological center.

(3) During the report period, the principal business and its structure of the Company have changed from the former single structure of container manufacturing to the manufacturing and service of containers, modern road transport vehicles and other business (airport equipment manufacturing and real estate development).

2.Operation and performance by major holding companies and joint stock companies.

The principal business of the Company is undertaken by its wholly owned subsidiaries and holding companies. In addition to its principal business of container and modern road transport vehicles manufacturing, the Company is involved in the timber industry, electromechanical equipment, capital construction and real estate through its holding companies and joint stock companies.

During the report period, the other business of the Group was still in a healthy development trend, and most of them made profits.

(1) Timber industry

In the timber industry, the Company timely adjusted the development strategy in Cambodia and Suriname according to the change of situation, with the result of reducing the operational risks greatly. Its timber sector enjoyed sales revenue of RMB 230,086,000 yuan, up by 208.1% over 2001. Xinhui CIMC Container Flooring Co., Ltd., of which the Group holds 72% shares, has a registered capital of US\$11.5 million and is engaged in the deep processing of timbers. Xinhui CIMC Container Flooring Co., Ltd realized sales revenue of 176,814,000 yuan in 2002, a 129.3% increase over last year. Xinhui CIMC has already made profits and is on the way to healthy development.

(2) Airport ground facilities and internal combustion generators business

With a registered capital of US\$5,000,000, the wholly owned affiliated company of the Group, Shenzhen CIMC-Tianda Airport Equipment Co., Ltd. (hereinafter referred to as "CIMC-Tianda") is engaged in manufacturing, sales and maintenance of airport ground facilities. In 2002, the Company further clarified the goal in airport facilities manufacturing and airport service, and made significant strategic progress in market development and new business through arduous work.

In 2002, CIMC-Tianda further developed its business and maintained its leading position in the domestic access bridge market. In 2002, CIMC-Tianda realized sales revenue of 63,794,000 yuan, down 8.91% over 2001. On December 18, 2002, the Company signed a supply contract in Guangzhou on the "Cargo Disposal Equipment of Airline Cargo Center of New Baiyun International Airport" with CIMC-Tianda, CIMC (Hong Kong) Co. Ltd., Relocation and

Construction Commanding Department of Southern Airline Base of Guangzhou New Baiyun International Airport and Southern Airline Import and Export Trade Company. The total contract value was US\$19,216,000; the highest sales contract in the history of CIMC-Tianda. The cargo disposal station is designed to dispose of 800,000 tons of goods, second in Asia to the super cargo station of Hong Kong airport, and is in the third position in the world. It is predicted that the whole project shall be completed and delivered for use by the end of June 2003, indicating that the Group made progress in airport facilities after adjustment, and took to the rapid track of development, so it enjoys promising prospects. In addition, CIMC-Tianda was appointed high-tech enterprise by Shenzhen Science and Technology Bureau in 2002.

With a registered capital of US\$3,918,700, Shanghai CIMC Internal Combustion Generator Equipment Co., Ltd., 73% of equities were held by the Group, is mainly engaged in the manufacturing and relevant services of internal combustion generator equipment. In 2002, the company realized sales revenue of 12,269,000 Yuan, down dramatically over that of 2001.

(3) Real estate business

CIMC (Shanghai) Development Corp (hereinafter referred to as "CIMC Shanghai") mainly engages in infrastructure investment, construction and operation, real estate development and operation and industrial investment. Its registered capital is RMB 500,000,000 Yuan and the Company held 100 percent of its equities. In 2002, the Group continued to adjust the business structure of CIMC Shanghai and successfully withdrew from the operation of Shanghai Yi-xian Elevated road and acquired income of USD11,365,823.60 from the assignment of shares, and its real estate business took to the road of healthy development, too.

During the report period, the Group made profits in the real estate and focused on expanding business in Shanghai. In 2002, the sales income of real estate business in Shanghai, Nanjing and Shenzhen added up to RMB174,148,000 Yuan. Shanghai Baiyulan Garden project, of which the Group held 60% of the equity, was making desirable progress and realized a profit of 1,750,000 Yuan. Phase 3 of Baiyulan Garden project provides a floor area of 58,000 sq.m., with its roof covered and its selling begun.

3. About major suppliers and clients

During the report period, the Company's total value of the purchase from its first five largest suppliers accounted for 16.96% of its total purchase in the year while its total value of sales to its first five largest clients made up 41.07% of its total sales in the year. It's the Company's major affiliated parties or its shareholders with five percent of promoter shares have the following equity in the above suppliers and clients: the supplier KYH STEEL HOLDING LTD. of the Company is an affiliated company of the Company.

4. Problems and difficulties encountered in the company's Operation and their solutions

(1) Problems and Difficulties

Since the world economy and trade feature low and fluctuated growth, the demand for containers in 2002 changed substantially: slim in the first quarter, and began to recover to its normal level quickly from the beginning of the second quarter till the fourth quarter. Propelled by the demand and China's security measures for part of its steel products, the prices for steel products used in containers jumped up by a large margin and maintained stiff from the second quarter of 2002. The prices of steel products were at the peak since 1994, leading to the increase in the cost of raw materials for containers, standard dry cargo containers in particular, and the decline of gross profit rate. The productivity and capability of providing steel products are tested in the whole market. In the operational aspects of market, purchase and production, the Company faced the more difficult and relatively competitive pressure.

(2) Solutions:

Facing the sophisticated industrial and market circumstances, the Company adjusted and expanded its productivity in time in 2002, aiming at the target of increasing its market share, which satisfied the market requirements. Besides, the Company continued to strengthen and ameliorate the management of relationship between suppliers and customers, which attracted more customers and occupied more market shares. By optimizing the management goal, further strengthening the basic management, trying out the. In the aspect of modern road transport vehicles industry, the Company made a substantial step forward in production and investment.

5. The company did not announce to public its profit projection in this year

(III) Investment of the Company

1. About the use of the raised fund

There is no raised fund for use in this year.

2. About the investment with the non-raised fund in the report period

(1) On April 15~16, 2002, the Company's subsidiaries—China International Marine Containers (Hong Kong) Co., Ltd. and Shenzhen CIMC Heavy Machinery Co., Ltd.—signed the Share Transfer Agreement with Habatec-Tectrans Beteiligungs-GmbH, China Shipping Shandong Branch and Qingdao Ship Manufacturer respectively. Under this Agreement, China International Marine Containers (Hong Kong) Co., Ltd. and Shenzhen CIMC Heavy Machinery Co., Ltd. Were transferred 40%, 20% and 20% of equity capital of Qingdao Universal Container Engineering Co., Ltd held respectively by Habatec-Tectrans Beteiligungs-GmbH, China Shipping Shandong Branch and Qingdao Ship Manufacturer. According to the Share Transfer Agreement, the benchmark date of share transfer is December 31, 2001.

On April 18, 2002, Qingdao Universal Container Engineering Co., Ltd approved a board resolution, and agreed to change the name of the company to “Qingdao CIMC Transportation Equipment Co., Ltd ; and expand the business scope to cover the production, sales and repair of container carrier, semi-trailer and other transportation vehicles and equipment and their spare parts, and the production, sales and repair of special-purpose containers. 2On May 28, 2002, Qingdao Industry & Commerce Administration issued the changed “ Business License”.

As of December 31, 2002, China International Marine Container (Hong Kong) Co., Ltd., Shenzhen CIMC Heavy Machinery Co., Ltd. Paid to Habatec-Tectrans Beteiligungs-GmbH for the shares transferred to them respectively.

(2) On April 24, 2002, the Company increased an investment of USD4,000,000 to Shenzhen CIMC Heavy Machinery Co., Ltd., then the registered capital of the latter after investment increase amounted to USD5,000,000, and the Company holds 100% of its equity through its subsidiary.

(3) Of the tank container project implemented by Nantong CIMC Special Transportation Equipment Manufacturing Co., Ltd, the Group holds 57.4% equities. This project has a designed annual production capacity of 1,000 ISO/IMO tank containers. The tank container project went into production in the first half of this year, and the end of 2002 produced a total of 250 tank containers. The tank container project has not yet reaped profit.

(4) On October 15, 2002, the Company signed an agreement with the Administrative Committee of Qingdao Economic & Technological Development Zone, under which the Company purchased the use right of a plot of 668,400m² for industrial purpose in the Zone for RMB30,078,000.

(5) On October 30, 2002, CIMC (Hong Kong) Co., Ltd., a wholly owned subsidiary of the Company, reached an agreement on share transfer and share trusteeship with KIC China Holdings LLC of the USA, under which KIC China Holdings LLC transferred its 13.5% equity of Yangzhou Tonghua Special Vehicle Co., Ltd. to CIMC (Hong Kong) Co., Ltd., and such equity was handed over to CIMC (Hong Kong) Co., Ltd. for temporary trusteeship before the completion of assignment procedures. On December 16, 2002, Shenzhen CIMC Heavy Machinery Co., Ltd., a wholly owned subsidiary of the Company, reached an agreement on share transfer and share trusteeship with Yangzhou Xincheng Yongheng Development Co., Ltd., under which Yangzhou Xincheng Yongheng Development Co., Ltd. transferred its 24.5% equity of Yangzhou Tonghua Special Vehicle Co., Ltd. to Shenzhen CIMC Heavy Machinery Co., Ltd. , and such equity was handed over to Shenzhen CIMC Heavy Machinery Co., Ltd. for temporary trusteeship before the completion of the assignment procedures.

(6) On November 6, 2002, the Company and its wholly owned subsidiary CIMC Holdings (B. V.I.) Co., Ltd. added investments of USD10.08 million and USD3.42 million respectively to Shanghai Baowell Industrial Co., Ltd. (hereinafter referred to as “Shanghai Baowell”), after the investment

increase, the Company and CIMC Holdings (B.V.I.) Co., Ltd. hold 35.37% and 12% equity respectively of Shanghai Baowell. Therefore, the Company and its wholly owned subsidiary hold a total of 47.37% equity of Shanghai Baowell.

(IV) Financial status of the Company

For major financial status of the company, please see the table below:

<i>Unit: RMB '000</i>				
Item	2002	2001	Increase/decrease (%)	Main reasons for increase/decrease
Total assets	8,073,894	6,108,082	32.18	Increase in accounts receivable and inventory
Non-current Liabilities	81,000	1,038,450	- 92.20	Most of the long-term borrowing expire within one year
Shareholder's equities	2,850,497	2,597,305	9.75	Increase in net profit for the year
Profit from operations	515,380	765,443	- 32.67	Increase in the price of raw materials
Net profit	423,293	564,175	- 24.97	Increase in the price of raw materials

(V) Changes in the Company's operating environment, macro economic policy and laws and regulations and their impact on the Company

In 2002, the economies of the USA and the rest of the world got recovered, and the global container trade increased at a relatively faster speed, China's foreign trade also recorded a higher growth rate. In this year, the USA invoked Clause 201 to limit the import of iron and steel. European Union, China and other countries and regions also took relative measures to limit the import of iron and steel. The import limitations imposed by three largest iron and steel markets reduced the liberalization of the world iron and steel trade, leading to relative seclusion of regional markets. In addition, China continued its positive financial policies, the industrial production and fixed asset investment got increased, the internal demand was boom, so the steel supply will remain insufficient for a relative long time, driving the price on the rise. As a result, the average prices of major raw materials, especially steel and wooden flooring, were up by big margins over the same period of last year, and the impacts on the production and sales of containers of the Group are as follows:

1. The demand for containers witnessed a rapid increase in the second quarter, and the contain

price also went up. The boom production season got prolonged, the purchase orders and sales volume increased dramatically. Against this background, the Group took measures to make full use of the production capacity, such as increase the production softness and accelerate the production pace, to meet the demand of the market.

2. The continued rise of steel and wooden floor board resulted in higher cost of dry cargo container and less gross profit. To this end, the Group increased the precision of market demand forecast, strengthened the cooperation with suppliers, fostered new suppliers and improved the purchase management in an effort to keep the cost from going up.

(VI) The operational plan of the Company in the New Year

1. Business development background and goal in 2003

(1) Business development background

It is expected that in 2003 the world economy will continued to be recovered. The international trade and container trade will be resuscitated obviously and the world trade of container will further increase. After China's joint into WTO, the open of economic field and the reform of government organization will still be carried through positively, the market oriented course of China will continued to be pushed. The market scale of China is expanded continuously and China is gradually becoming the manufacture center of the world. China will still keep a comparatively high growth speed of foreign trading export and foreign trading favorable balance. And the development space of cargo handling capacity of central container port along the sea in China is great.

In terms of the development background of modern road transportation vehicles, at present the country implements the macro-policies of expanding the interior demand and stimulating the consumption, continues to spread the introduction of foreign capital and cultivates China's advantage as the base of international manufacture, which effectively push the development speed of modern logistics industry domestically. The construction of the national network of super highway is in successive progress and the demand of highway transportation market to new type and effective transportation tools especially the demand to compartmental transportation vehicles continue to be higher and higher. The replacement of special transportation vehicles for ordinary cargo trucks has become the development direction of car industry and highway transportation industry, of which, heavy type of trailer and special trailer with high-graded highway transportation will become the hotspot in the market of the future several years. There is data reflecting that the China's demand of trailer and special vehicle increased by over 30% compared with the previous year in 2002. On the other hand, the planning objectives of national transportation and the adjustment of relevant policies and regulations are also favorable for the transportation vehicle industry of modern roadway. In terms of development actuality of the industry, there are many production enterprises of trailer inside the country at present, but with relevantly small scale. The production and the market are still not normative and the enterprise with dominant advantage is still not formed. At the same time, the manufacture industry of

transportation vehicle of modern roadway of developed countries has a trend to be removed to the regions of low costs. However, the rapid development of the China's super highway and the continuous growth of the transportation vehicle industry of modern roadway also provide the good foundation for transferring of modern road transport vehicle manufacturing center from the modern countries.

(2) Operating objectives of business

Based on the aforesaid judgment, the Company has confirmed the following macro operation objectives: To continue to optimize the connotation and to stick to the technology advancement so as to consolidate and enhance the leading position of container industry in the world market.

To positively push the development of modern road transport vehicles industry, to integrate the production factors of the industry and to develop the key industry skill in order to form a strong comprehensive competitive advantage with low cost and cover the main markets in the world with competitive products and service. To shape modern road transport vehicles' regional layout of China market preliminarily, to establish nice market image at meantime. Other industries will continue to implement the self-disciplined operation and make operating strategies of development steady to match the development strategy of the Group.

2. Operation measures for 2003

(1) In terms of container, to further improve the production layout and to set up the system of flexible production.

At first, the Group will improve the layout of production base in 2003. The main purpose is to meet the successive increasing demand for containers in East and South China, and to concurrently implement of the development planning of main key ports of the container, so as to reduce the production and operating cost of container and to improve the production layout of the region of the Group's containers, and to enhance the Group's capability of customer service.

Since the production period of purchase order of international container is oriented to be shortened and the change margin is oriented to be expanded in the recent years, the Company considers that the perfect network of manufacture and service base, the effective technology and management progress and the continuously increasing service content are propitious to meet the demand of customers in a better way, enhancing customers satisfaction and gain advantage of cost and efficiency in the industry, which means that there is enough production capability when the demand increases and possible production flexibility when the demand decreases.

Secondly, the Group will continue to expand and enrich variety of products, strengthen the R&D of product of special container, and enhancing the production capacity of dry van container, special reefer container and tank container.

Thirdly, the Group also plans to increase the input emphasis the technology innovation and induct the development of the industry of container.

(2) In terms of modern road transport vehicle, the Group plans to increase the resource input.

The Company thinks that the Group has the following competition advantages in developing the business of transportation vehicle of modern roadway: the production base distributed in the coast areas, mature technology of container products which is able to extend naturally to the new business field, abundant purchase and merger, experience of industry integration and international operation angle of view etc.

Thus, the Group shall make full use of the above advantages, try hard to overcome the disadvantages and enter into the domestic industry of transportation vehicle of modern roadway as a high jumping-off point through new construction, purchase and merger. In 2003 the Group will establish the framework of business of transportation vehicle of modern roadway, preliminarily accomplish the layout of production bases. What's more, the Group will strengthen the construction of system of sales, service and purchase of auxiliary facilities, conform the resource of newly purchased enterprise and become the leading enterprise in the Chinese special vehicle industry preliminarily. In terms of oversea market of trailer, the Group shall complete the construction of compartmental trailer project processing with carried materials in America and set up the production base of trailer. Through entering into the American market of trailer, the Company shall unite the American mature special technology, management experience of scale production, mature marketing channel and after service experience and famous brand with the low-cost strategic advantage and core capability of the Group, so as to construct a fully new competition advantage, gradually integrate the industry resources, expand the important market and form the good interactivity between the domestic and the foreign business.

The gradual implementation of the above business development objectives shall form a foundation for the industry of transportation vehicle of modern roadway to become the new increase point of profit of the Company.

(3) In terms of manufacture of airport facilities and service, the Group will continue to expand the manufacture business of airport ground facilities. At the end of June 2003, CIMC Tianda will complete the Cargo Supply Contract of Guangzhou " Freight Disposal Equipment of Aviation and Freight Center of New Baiyun International Airport" with the amount of USD19, 216,000 and will also complete the order of 26 Customers' Bridges of Boarding in Guangzhou New Baiyun International Airport with the amount of USD6, 463,500 in 2003.

(4) In terms of real estate business, CIMC (Shanghai) Development Ltd. will continue to expand the market of Shanghai in 2003.

(5) In terms of timber industry, it is planned to implement the reconstruction and investment to the Xinhui CIMC Container Flooring Co, Ltd.. in 2003 so as to enhance the stability of supply of wooden floor of dry van container of the Group.

(VII) Routine Work of the Board of Directors

1. Meetings of the Board of Directors and Contents of Resolutions

During the report period, the Board of Directors of the Company held the following meetings:

On March 15, 2002, the Board of Directors of the Company held its first meeting in 2002 by way of voting via telecommunication. The meeting passed the resolution that approved the founding of China International Marine Containers (United States) Co. Ltd.

On April 22, 2002, the Board of Directors of the Company held its second meeting in 2002, and passed the following resolutions:

- a. Resolution on the annual report and convening the General Meeting of Shareholders
- b. Resolution on approving COCSO to transfer its equities in the Company to COSCO Ship Engineering (Group) Co., Ltd by assets allocation.
- c. Resolution on the first quarter report of 2002;
- d. Resolution on calculation and withdrawing of the rewards of 2001;
- e. Resolution on accounting affairs in 2001;
- f. Resolution on the way of assessing the management team in 2002;
- g. Resolution on contracts between the Company and the members of the Board of Directors and executives, and on authorization of determining bonuses of executives according to the assessment and management rules;
- h. Resolution on readjusting the plan of issuing A Shares;
- i. Resolution on providing credit guarantee for wholly owned subsidiaries and affiliated companies to get short-term credit rating from banks; and
- j. Resolution on financing arrangement in 2002.

The public notice of the resolutions of the meeting was published in *Securities Times* and *Ta Kung Pao* of Hong Kong on April 30, 2002.

3) On June 27, 2002, the Board of Directors of the Company held its third meeting by way of voting via telecommunication. The meeting ended up with the resolution on setting up a self-examination report according to the modern corporate system in listed companies;

4) On August 10, 2002, the Board of Directors of the Company held its sixth meeting in 2002, which ended up with no resolution.

5) On August 22, 2002, the Board of Directors of the Company held its seventh meeting in 2002 by way of voting via telecommunication, and passed the following resolutions on:

- a. the approval of the 2002 Interim Report of the Company and its abstract;
- b. the agreeing to release the Company's 2002 Interim Report and its abstract on August 27, 2002;

The public notice of the resolutions of the meeting was published in *Securities Times* and *Ta Kung Pao* of Hong Kong on August 27, 2002.

6) On October 14, 2002, the Board of Directors held its 11th meeting in 2002, which ended with the following resolutions:

a. Agree to accept the application for converting the 102,313,410 unlisted foreign investment shares of the Company held by China Merchants Container Industry Co., Limited (hereinafter referred to as “Merchants Container”) and 22,736,313 unlisted foreign investment shares of the Company held by Profit Crown Assets Limited (hereafter referred to as “Profit Crown”) into traded B shares, agree to accept the entrust of applying for the listing of the unlisted foreign investment shares by the Company on their behalf, and submit the application to the Company’s First General Meeting of Shareholders of 2002 for deliberation in accordance with the No.[2002]902 document of the Ministry of Foreign Trade and Economic Cooperation *Complementary Notice on Relevant Questions on Conversion of Unlisted Foreign Investment Shares of Foreign Funded Stock Co., Ltd into Traded B Shares*.

After the conversion, the total equity of the Company stayed the same, while the traded B shares grew from 213,605,701 shares to 338,655,424 shares, accounting for 66.3637 percent of the total equity of the Company.

This proposal was submitted to the General Meeting of Shareholders for approval and reported to the Ministry of Foreign Trade and Economic Cooperation, China Securities Regulatory Commission and Shenzhen Stock Exchange for examination and approval before taking effect. Once it is in effect, the relevant contents of Clause 20 of the Articles of Association of the Company are to be amended accordingly.

b. When the listing of the unlisted foreign investment shares of the Company held by Merchants Container and Profit Crown is approved, the Company’s equity composition will be changed. In view of this, the Board of Directors suggested that the General Meeting of Shareholders authorize the Board of Directors to amend relevant clauses of the Articles of Association of the Company in response to the changes of the structure of the Company’s equity after listing of the unlisted foreign investment shares is approved. The above affairs need to be submitted to the First Interim General Meeting of Shareholders of the Company in 2002 for examination, discussion and approval.

c. Mr. Zhang Limin was nominated a candidate independent director of the Board of Directors of the Company, which is to be submitted to the First Interim General Meeting of Shareholders in 2002 for deliberation.

d. Agree to appoint Mr. Li Yinhui vice-president of the Company for the term of office of one year.

e. Resolution on convening the First Interim General Meeting of Shareholders in 2002.

The Public notice of the resolutions of the meeting was published in *Securities Times* and *Ta Kung Pao* of Hong Kong on October 17, 2002.

7) On October 25, 2002, the Board of Directors of the Company held its 12th meeting in 2002, which ended with the following resolution on examination and approval of the Third Quarter Report of 2002.

The public notice of the resolution was published in *Securities Times* and *Ta Kung Pao* of Hong Kong on October 28, 2002.

8) On November 16, 2002, the Board of Directors of the Company held its 13th meeting in 2002, which ended with the following resolutions:

- a. Resolution on setting up the Auditing Committee of the Board of Directors;
- b. Resolution on increase the holding of equities in Qingdao CIMC Reefer Container Manufacturing Co. Ltd.;
- c. Resolution on establishing an eastern branch of Shenzhen South CIMC Container Manufacturing Co. Ltd.;
- d. Resolution on determining members of the Strategy Committee and the Committee for Remuneration and Assessment;
- e. Resolution on acquiring Shanghai Baorong International Containers Co. Ltd.;
- f. Resolution on purchasing the right of use of a plot of land in Qingdao Economic and Technological Development Zone;
- g. Resolution on increasing the holding of equities in Qingdao CIMC Container Manufacturing Co., Ltd.;
- h. Resolution on purchasing the equities of Yangzhou Tonghua Special Vehicles Co. Ltd.;
- i. Resolution on investing in Shanghai Baowei Industrial Co. Ltd.;
- j. Resolution on the Trailer Project in the United States;
- k. Resolution on founding a special container factory in Xinhui;
- l. Resolution on adding capital to Shenzhen CIMC Heavy Machinery Co. Ltd. and on appointing members of the Board of Directors;
- m. Resolution on assigning the shares of Shenzhen CIMC Heavy Machinery Co. Ltd.

9) On December 6, 2002, the Board of Directors of the Company held its 15th meeting by way of voting via telecommunication, which ended with the following resolution on receiving the assignment of equities of Shenzhen CIMC Real Estate Co. Ltd.

During the report period, the Company was applying for issuing A shares. According to the requirements of China Securities Regulatory Commission, the Board of Directors of the Company held its fourth, fifth, eighth, ninth, tenth and 14th meetings, and made resolutions for the application documents that are required to be resolved by the Board of Directors.

2. Implementation of Resolutions of the General Meeting of Shareholders by the Board of Directors in the report period

(1) On June 5, 2002, the Company's Board of Directors published the public notice of equity distribution of 2001 in *Securities Times* and *Ta Kung Pao* of Hong Kong. The date of record was

June 12, 2002, and the date of ex-warrant and ex-dividend was June 13, 2002. According to the equity distribution plan, 5.00 shares and 5.00 yuan (including tax) were distributed for every 10 shares. After tax, holders of A shares got RMB 3.00 yuan for every 10 shares, and holders of B shares and legal person shareholders got RMB 5.00 yuan for every 10 shares.

(2) On May 31, 2002, the 2001 Annual General Meeting of Shareholders passed the Proposal on Raising Capital by Issuing A Shares. As of December 31, 2002, this issuing plan was still going through the examination and approval procedures of the China Securities Regulatory Commission.

(3) On May 31, 2002, the 2001 Annual General Meeting of Shareholders passed the Proposal on COCSO transferring the Company's equities to COSCO Shipping Engineering Group Co. Ltd. in the Form of Assets Appropriation. By December 31, 2002 the appropriation of equities of the Company was still in the procedure of application and waiting for approval of relevant government departments.

(4) The 2001 Annual General Meeting of Shareholders passed the Resolution on Requesting the General Meeting of Shareholders to Authorize the Board of Directors to Determine the Salaries of Directors Mai Boliang and Du Feng according to the Regulation on Assessment of the Management Team of the CIMC.

The Board of Directors has determined the salaries of Directors Mai Boliang and Du Feng as authorized by the General Meeting of Shareholders and in accordance with the Regulation on Assessment of the Management Team of the CIMC.

(5) On November 16, 2002, the First Interim General Meeting of Shareholders in 2002 passed the Proposal of Listing the Unlisted Foreign Investment Shares of the Company, approved the Application of Merchants Container and Profit Crown for listing the unlisted foreign investment shares of the Company they held, and their entrusting the Company to undertake the application for the listing on their behalf. By December 31, 2002, the application for listing was still waiting for approval of relevant government departments.

(6) The First Interim General Meeting of Shareholders of 2002 passed the Proposal on authorizing the Board of Directors to Amend the Articles of Association of the Company. The resolution goes as follows: When the listing of the Company's unlisted foreign investment shares held by Merchants Container and Profit Crown is approved, the equity structure of the Company will be changed. So the Board of Directors suggests that the General Meeting of Shareholders authorize the Board of Directors to amend relevant clauses of the Articles of Association of the Company when the listing is approved.

As the listing of the unlisted foreign investment held by Merchants Container and Profit Crown has not yet gone through the procedures, the Board of Directors did not amend the Articles of Association of the Company in the report period.

(VIII) Proposal of the Profit Distribution for the year

Audited by the domestic Auditor Shenzhen Pan-China Schinda Certified Public Accountants, the Company realized a net profit of RMB 464,854,557.40 after deducting the tax and minority shareholders' equity in 2002 and the distributable profit as of the year 2002 was RMB (395,522,000.97) based on the share capital of the Company as at the end of 2002 amounting to 510,302,096, as well as earnings per share of RMB 0.9109. The 10% of the distributable profit amounting to RMB 39,552,200.10 was withdrawn as statutory surplus public reserve and 5% of the distributable profit amounting to RMB 19,776,100.05 was withdrawn as statutory welfare fund. The Company will neither to distribute profits nor to convert capital public reserve into share capital in 2002. Adding the undistributed profit at the beginning of the year of RMB 330,100,699.00, the distributable profit for shareholders as of the year 2002 was RMB 712,246,996.22, which was counted as the undistributed profit.

The aforesaid profit distribution preplan shall be implemented subject to the examination and approval of 2002 Shareholders' General Meeting submitted by the Board of Directors.

(IX) Other matters for public disclosure

The Company chose *Securities Times* and *Ta Kun Pao* of Hong Kong to be periodicals for disclosing its information in 2002.

VIII. Work Report of the Supervisory Committee

(I) Meetings and Resolutions of the Supervisory Committee

During the report period, the Supervisory Committee of the Company held the following meetings:

1. On April 22, 2002, the Supervisory Committee held its first meeting in 2002, and passed the following resolutions:

(1) In 2001 there were some unexpected changes in the world economic situation, and the market demand for containers shrank by a big margin. But, thanks to the effective work of the Company's management team, the turnover of the Company still grew greatly, and the Company realized the operation targets that the Board of Directors had set, which is very gratifying. So the management team deserves good rewards.

(2) Approved the 2001 Annual Financial Report;

- (3) Approved the 2001 Annual Report and the “Abstract of the 2001 Annual Report”;
- (4) Passed the 2001 Report of the Supervisory Committee;
- (5) Approved the 2002 First Quarter Report;
- (6) Passed the Regulations of Discussions of the Supervisory Committee;
- (7) Proposal on nomination of candidates for members of the Supervisory Committee;

The Supervisory Committee made its independent opinion on relevant matters of the Company during 2001.

The public notice of the resolution of the meeting was published in *Securities Times* and *Ta Kung Pao* of Hong Kong on April 30, 2002.

2. On August 22, 2002, the Supervisory Committee held its second meeting in 2002 via telecommunication, and passed the following resolution:

- (1) On examining and passing the 2002 Interim Report and its abstract;
- (2) On the election of Mr. Du Yongcheng Chairman of the Supervisory Committee of the Company.

The public notice of the resolution of the meeting was published on *Securities Times* and *Ta Kung Pao* of Hong Kong on August 27, 2002.

(II) Independent Opinions of the Supervisory Committee on Relevant Matters of the Company During 2002

The Supervisory Committee of the Company made its independent opinions on the following matters:

1. The Company's Lawful Operation

In this year, the members of the Supervisory Committee attended all the meetings of the Board of Directors, and supervised the Company's decision-making and operation. The Supervisory Committee found that, in this year, the Company abided by law with its decision making procedures, had a complete system of inner control, and there were no acts of the members of the Board of Directors, President, or senior executives in their routine work that violated the Articles of Association of the Company or harmed the Company's equity, nor was there any abuse of power or damage to interests of the shareholders and employees.

2. Investigation into the Company's Financial affairs

In this year, the Supervisory Committee investigated the Company's business and financial

affairs, examined the annual financial report, interim report and other documents the Board of Directors submitted. The Supervisory Committee found that the auditing results of Shenzhen Pan-China Schinda Certified Public Accountants and KPMG were objective, and that the financial reports truthfully and justly reflected the financial condition and operation achievements of the Company.

3. Use of the Last Fund the Company Raised

During the report period, the Company did not use any of the raised fund. As for the fund raised last time, the Company issued 48 million B Shares on December 30, 1997. The Supervisory Committee of the Company found that the fund raised this time was input into the projects as pledged.

4. The Company's Purchase and Sale of Assets

No significant purchase and Sale of Assets occurred during the report period.

5. Associated Trade

No significant associated trade occurred during the report period.

6. During the report period, KPMG Certified Public Accountants issued an unqualified Auditor's report.

IX Important Matters

(I) There was no significant lawsuit or arbitration involving the Company in the year.

(II) There was no significant purchase and sale of assets, acquisition and merging of the Company during the report period.

(III) No significant associated transactions occurred during the report period.

(IV) Major contracts of the Company during the report period.

1. During the report period, the Company continued its contract operation of Tianjin CIMC North Ocean Containers Co. Ltd. and Shanghai CIMC Far East Containers Co. Ltd.; continued its contract operation of Nantong CIMC Smooth Sail Container Co., Ltd, Nantong CIMC Special Transportation Equipment Manufacturing Co., Ltd., Dalian CIMC Container Manufacturing Co., Ltd. and Qingdao CIMC Container Manufacturing Co., Ltd. through CIMC Holdings (B.V.I.) Co., Ltd.; and continued its contract operation of Xinhui CIMC Containers Co. Ltd. and Qingdao CIMC Reefer Container Manufacturing Co. Ltd. through China International Marine Containers (Hong Kong) Co. Ltd.

2. Major Guarantee Matters

According to the “Complementary Agreement” to the “Contract on Purchasing and Selling Containers” signed by and between the Company and China Railway Container Transportation Center on September 22, 1999, and the “Agreement on Guarantee for Borrowing” signed by and between the Company and the Bank of Communications, Beijing Branch, Gongzhufen banking office, the Company provided guarantee for the borrowing of RMB200,000,000.00 yuan by China Railway Container Transportation Center (for three years) from the Bank of Communications, Beijing Branch, Gongzhufen Banking Office. This was announced in the 1999-2001 annual reports and the 2002 Interim Report.

On November 27, 2002, the Company received a notice from the Bank of Communications, Beijing Branch, Gongzhufen Banking Office that China Railway Container Transportation Center

had repaid the loan of 200,000,000.00 yuan for which the Company provided guarantee. Thus the Company was totally relieved of the guarantee responsibility for the 200,000,000.00 yuan loan according to the Agreement on Guarantee for Borrowing the Company had signed with the Bank of Communications, Beijing Branch, Gongzhufen Banking Office.

3. There were no entrusted financial management affairs during this year.

4. Other Significant Contracts

On December 18, 2002, the Company, Shenzhen CIMC Tianda Airport Equipment Co. Ltd.(a wholly owned subsidiary of the Company), CIMC (Hong Kong) Co. Ltd. (also a wholly owned subsidiary of the Company), signed a contract in Guangzhou for supplying “Cargo Disposal Equipment in Air Cargo Center of New Baiyun International Airport” with the Commanding Department of Relocation and Construction of Southern Airlines Base at the Guangzhou New Baiyun International Airport and Southern Airlines Import and Export Company . The total amount involved was 19.216 million US dollars.

(V) Implementation of promises on public disclosure by the Company or shareholders holding over 5 percent of the shares

During the report period, there was no public disclosure of promised matters by shareholders holding over 5 percent of the shares. The Company has realized the “Forecast of Profit Appreciation Policy in 2002” it had pledged in the 2001 annual report. During the report period, the Company completed the 2001 distribution of dividends and interests it had pledged. (For details, please see *Securities Times* and *Ta Kung Pao* dated June 5, 2002.)

(VI) Information on Engagement of Certified Public Accountants

During the report period, the Company held a general meeting of shareholders on May 31, 2002, and decided to re-engage Shenzhen Pan-China Schinda Certified Public Accountants to undertake the auditing of the Company’s 2002 accounting report, verification of net assets and other relevant consultation services. Shenzhen Pan-China Schinda Certified Public Accountants has provided A shares auditing services for two consecutive years since 2001; and KPMG has provided B shares auditing services for nine consecutive years since 1994.

During the report period, the payments rendered by the Company to the certified public accounts are as follows:

Paid Shenzhen Pan-China Schinda Certified Public Accountants RMB2,583,300 yuan, which included fees for interim A shares auditing in 2001 and 2002 and travel allowances.

Paid KPMG 1,790,000 HK dollars, including the fee for 2001 annual auditing and travel allowances.

(VII) During the report period, the Company, its Board of Directors and directors were not fined or punished by supervisory authorities.

X. Financial Report

China International Marine Containers
(Group) Ltd.

中国国际海运集装箱（集团）股份有限公司

31 December 2002

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

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

We have audited the consolidated balance sheet of China International Marine Containers (Group) Ltd. (the “Company”) and its subsidiaries (the “Group”) as of 31 December 2002 and the related consolidated statements of income and cash flows for the year then ended, set out on pages 2 to 43.

Respective responsibilities of directors and auditors

These consolidated financial statements are the responsibility of the directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable 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 of 31 December 2002, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board.

Certified Public Accountants

Hong Kong, China

Consolidated income statement for the year ended 31 December 2002

	Note	2002 RMB'000	2001 RMB'000
Revenue	3	9,025,986	6,666,880
Cost of sales		<u>(7,859,335)</u>	<u>(5,330,086)</u>
Gross profit		1,166,651	1,336,794
Other operating income	4	82,630	98,041
Distribution expenses		(229,580)	(201,177)
Administrative expenses		(328,311)	(328,367)
Other operating expenses	5	<u>(176,010)</u>	<u>(139,848)</u>
Profit from operations		515,380	765,443
Net financing costs	7	(67,435)	(102,520)
Income from associates		<u>121,677</u>	<u>49,018</u>
Profit before tax		569,622	711,941
Income tax expense	8	<u>(58,669)</u>	<u>(88,847)</u>
Profit after tax		510,953	623,094
Minority interests		<u>(87,660)</u>	<u>(58,919)</u>
Net profit for the year		423,293 =====	564,175 =====
Basic earnings per share (RMB Yuan)	10	0.83 ===	1.11 ===

The notes on pages 8 to 43 form part of these consolidated financial statements.

**Consolidated statement of recognised gains and losses
for the year ended 31 December 2002**

	<i>Note</i>	<i>2002</i> RMB'000	<i>2001</i> RMB'000
Net loss recognised directly to equity			
- Exchange differences arising on translation of subsidiaries	24	-	(228)
Net profit for the year		<u>423,293</u>	<u>564,175</u>
Total recognised gains and losses		423,293 =====	563,947 =====

The notes on pages 8 to 43 form part of these consolidated financial statements.

Consolidated balance sheet as at 31 December 2002

	Note	2002 RMB'000	2001 RMB'000
Assets			
Property, plant and equipment	11	1,482,419	1,492,178
Lease prepayments – non-current portion	12	187,189	155,146
Construction in progress	13	226,717	97,594
Timber concession rights	14	228,967	270,373
Intangible assets	15	14,824	50,907
Interests in associates	16	617,584	776,337
Investments in equity securities	17	292,359	302,777
Long-term receivables	18	86,621	153,581
Deferred tax assets	8	<u>19,897</u>	<u>15,566</u>
Total non-current assets		<u>3,156,577</u>	<u>3,314,459</u>
Lease prepayments – current portion	12	7,216	6,432
Investments in equity securities	17	16,468	30,917
Properties under development	19	150,382	105,250
Completed properties for sale		72,027	138,542
Inventories	20	1,081,516	717,904
Trade and other receivables	21	3,207,771	1,403,200
Cash and cash equivalents	22	<u>381,937</u>	<u>391,378</u>
Total current assets		<u>4,917,317</u>	<u>2,793,623</u>
Total assets		<u>8,073,894</u>	<u>6,108,082</u>
Equity			
Share capital	23	510,302	340,201
Reserves	24	<u>2,340,195</u>	<u>2,257,104</u>
Total equity		<u>2,850,497</u>	<u>2,597,305</u>
Minority interests		<u>617,625</u>	<u>565,229</u>

Consolidated balance sheet as at 31 December 2002 (continued)

	<i>Note</i>	2002 RMB'000	2001 RMB'000
Liabilities			
Interest-bearing bank loans	25	<u>81,000</u>	<u>1,038,450</u>
Total non-current liability		<u>81,000</u>	<u>1,038,450</u>
Interest-bearing bank loans	25	1,996,679	438,487
Trade and other payables	26	2,128,517	1,152,255
Provision	27	373,434	296,482
Taxation	8	<u>26,142</u>	<u>19,874</u>
Total current liabilities		<u>4,524,772</u>	<u>1,907,098</u>
Total liabilities		<u>4,605,772</u>	<u>2,945,548</u>
Total equity, minority interests and liabilities		<u>8,073,894</u>	<u>6,108,082</u>

Approved and authorised for issue by the board of directors on

Mai Boliang)
Du Feng)
) Directors
)
)

The notes on pages 8 to 43 form part of these consolidated financial statements.

Consolidated cash flow statement for the year ended 31 December 2002

	<i>Note</i>	<i>2002</i> RMB'000	<i>2001</i> RMB'000
Cash flows from operating activities	30	(681,952)	1,517,087
		-----	-----
Investing activities			
Interest received		11,200	37,381
Payment for property, plant and equipment		(32,883)	(53,826)
Payment for construction in progress		(268,225)	(188,683)
Payment for acquisition of equity securities		(71,161)	(676,542)
Payment for acquisition of minority shareholdings		(5,401)	(13,154)
Repayment of loans to an associate		278,708	24,401
Dividend received from an associate		-	21,528
Proceeds from sales of property, plant and equipment and construction in progress		14,344	427
Proceeds from sales of partial interest in a subsidiary		-	4,264
Proceeds from sales of equity securities		83,949	435,741
Advance to minority shareholders		<u>(14,047)</u>	<u>(23,664)</u>
Cash flows from investing activities		(3,516)	(432,127)
		-----	-----

**Consolidated cash flow statement
for the year ended 31 December 2002 (continued)**

	<i>Note</i>	2002 RMB'000	2001 RMB'000
Financing activities			
Interest paid		(69,080)	(156,724)
Proceeds from bank loans	30	6,487,139	7,771,169
Repayment of bank loans	30	(5,886,397)	(8,641,107)
Proceeds from Receivables Framework agreement		313,790	187,002
Capital injection from minority shareholders		46,700	68,012
Advance from minority shareholders		-	4,170
Dividends paid	9	(170,101)	(68,040)
Dividends paid to minority shareholders		<u>(46,024)</u>	<u>(83,272)</u>
Cash flows from financing activities		676,027	(918,790)
		<u>-----</u>	<u>-----</u>
Net (decrease)/increase in cash and cash equivalents		(9,441)	166,170
Cash and cash equivalents at 1 January		<u>391,378</u>	<u>225,208</u>
Cash and cash equivalents at 31 December	22	381,937 =====	391,378 =====

The notes on pages 8 to 43 form part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Background

China International Marine Containers (Group) 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 for the year ended 31 December 2002 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates.

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

2 Significant accounting policies

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) promulgated by the International Accounting Standards Board. IFRS includes International Accounting Standards (“IAS”) and related interpretations.

The Company also prepares a set of financial statements which complies with the PRC Accounting Rules and Regulations. A reconciliation of the Group’s consolidated results and net assets prepared under IFRS and the PRC Accounting Rules and Regulations is presented on page 44.

(b) Basis of preparation

The consolidated financial statements are presented in Renminbi Yuan, rounded to the nearest thousand. They are prepared on the historical cost basis except for the carrying amount of certain property, plant and equipment (refer to note 2(f)) and the listed investments in equity securities which are stated at fair value (refer to note 2(j)).

The accounting policies have been consistently applied by Group enterprises and are consistent with those used in the previous year.

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

2 Significant accounting policies (continued)

(c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The results of the subsidiaries are included in the consolidated income statement from the date that control effectively commences until the date that control effectively ceases, and the share attributable to minority interests is deducted from or added to profit from ordinary activities after taxation.

(ii) Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

(iii) Transactions eliminated on consolidation

All significant intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions, are eliminated on consolidation.

(d) Foreign currency

(i) Foreign currency transactions

Transactions in currencies other than Renminbi Yuan are translated to Renminbi Yuan at the foreign exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in currencies other than Renminbi Yuan at the balance sheet date are translated to Renminbi Yuan at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the consolidated income statement other than those eligible for capitalisation as construction in progress (refer to not 2(t)).

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations prepared in currencies other than Renminbi Yuan are translated into Renminbi Yuan at foreign exchange rates ruling at the balance sheet date. The revenue and expense of foreign operations are translated to Renminbi Yuan at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised directly in equity.

2 Significant accounting policies (continued)

(e) Lease prepayments

Lease prepayments represent land use rights paid to the PRC land bureau. Land use rights are stated at cost less accumulated amortisation and impairment losses (refer to note 2(u)). Amortisation is calculated on a straight-line basis over the respective periods of the rights. At 31 December 2002, lease prepayments which comprise land use rights have been presented in a separate balance sheet caption comprising non-current and current portions. Accordingly, the comparative amount at 31 December 2001 which was previously included in property, plant and equipment was reclassified to conform with the current year's presentation.

(f) Property, plant and equipment

(i) Items of property, plant and equipment are stated at cost or valuation (refer to note 11) less accumulated depreciation and impairment losses (refer to note 2(u)). 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.

The cost of property, plant and equipment constructed by the Group includes the cost of materials, direct labour, and an appropriate proportion of fixed and variable overheads.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Depreciation is charged to the consolidated income statement on a straight-line basis, after taking into account the estimated residual value, over the estimated useful lives of items of property, plant and equipment, and major components that are accounted for separately. The estimated useful lives are as follows:

Buildings	20 – 30 years
Machinery and equipment	10 – 12 years
Motor vehicles	3 – 8 years
Office furniture and other assets	5 years

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is substantially completed and ready for its intended use.

(iii) Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the consolidated income statement as an expense as incurred.

(iv) Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised as income or expense in the consolidated income statement on the date of retirement or disposal. The related portions of revaluation surpluses previously taken to reserve is transferred from the reserve to retained profits.

2 Significant accounting policies (continued)

(g) 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 (refer to note 2(u)). Cost comprises cost of materials, direct labour, borrowing costs capitalised (refer to note 2(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.

(h) Timber concession rights

Timber concession rights represent costs incurred to acquire the rights to extract timber from forest concession areas for an approved duration less accumulated amortisation and impairment losses (refer to note 2(u)). Cost includes cost of purchase and expenses exclusively related to the acquisition of timber concession rights. Timber concession rights are amortised over the remaining licence period until the expiry of the timber licences.

(i) Intangible assets

(i) Goodwill

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired. Goodwill is stated at cost less accumulated amortisation and impairment losses (refer to note 2(u)), and is amortised on a straight-line basis over five years in the consolidated income statement. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interests in associates.

(ii) Negative goodwill

Negative goodwill arising on an acquisition represents the excess of the fair value of the net identifiable assets acquired over the cost of acquisition.

To the extent that negative goodwill relates to an expectation of further losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated income statement on a straight-line basis over five years. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated income statement.

2 Significant accounting policies (continued)

(i) Intangible assets (continued)

(ii) Negative goodwill (continued)

In respect of associates, the carrying amount of negative goodwill is included in the carrying amount of the interests in the associates. The carrying amount of other negative goodwill is deducted from the carrying amount of intangible assets.

(iii) Technological know-how

Other intangible assets represented expenses incurred for the acquisition of technological know-how by the Group are stated at cost less accumulated amortisation and impairment losses (refer to note 2(u)), and are amortised on a straight-line basis over their anticipated useful lives, which are between ten to fifteen years from the date of acquisition.

(j) Investments in equity securities

Listed investments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the consolidated income statement. Other listed investments held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in the consolidated income statement.

The fair value of listed investments held for trading and listed investment available-for-sale is their quoted bid price at the balance sheet date.

Unlisted investments are stated in the consolidated balance sheet at cost less impairment losses (refer to note 2(u)).

(k) Properties under development

Properties under development are stated at cost less provision for anticipated losses, where appropriate. Cost includes cost of land use rights acquired, development cost and borrowing costs capitalised (refer to note 2(t)).

(l) Completed properties for sale

Completed properties for sale are stated at the lower of cost and the estimated net realisable value. Cost includes cost of land use rights acquired, development cost and borrowing costs capitalised (refer to note 2(t)). Net realisable value represents the estimated selling price less the estimated costs necessary to make the sale.

2 Significant accounting policies (continued)

(m) Inventories

(i) Inventories, other than spare parts and consumables, are stated at the lower of cost and net realisable value.

Cost includes the cost of purchase computed using the weighted average method and, in the case of work in progress and finished goods, direct labour and an appropriate proportion of production overheads. Net realisable value is determined by reference to the sales proceeds of items sold in the ordinary course of business subsequent to the balance sheet date or to management estimates based on prevailing market conditions, less the estimated costs of completion and the estimated costs necessary to complete the sale.

(ii) Spare parts and consumables are stated at cost less any provision for obsolescence.

(n) Trade and other receivables

Trade and other receivables are stated at their cost less allowance for doubtful debts. An allowance for doubtful accounts is provided based upon an evaluation of the recoverability of these accounts at the balance sheet date.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and time deposits with an initial term of less than three months. Cash equivalents are stated at cost, which approximates fair value.

(p) Trade and other payables

Trade and other payables are stated at their cost.

(q) Provisions and contingent liabilities

A provision is recognised in the consolidated balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

2 Significant accounting policies (continued)

(q) Provisions and contingent liabilities (continued)

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.

(r) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The tax value of losses expected to be available for utilisation against future taxable income is set off against the deferred tax liability within the same legal tax unit and jurisdiction to the extent appropriate, and is not available for set-off against the taxable profit of another legal tax unit.

(s) Revenue recognition

(i) Goods sold

Revenue from the sales of containers and timber, airport ground facilities, internal combustion power-generating equipment and properties is recognised in the consolidated income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods, or when the amount of revenue and the costs incurred or to be incurred in respect of the transaction cannot be measured reliably.

2 Significant accounting policies (continued)

(s) Revenue recognition (continued)

(ii) Interest income

Interest income from deposits is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.

(iii) Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

(t) Expenses

(i) Operating lease payments

Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

Payments made under operating leases are recognised in the consolidated income statement on a straight-line basis over the terms of the respective leases.

(ii) Net financing costs

Net financing costs comprise interest payable on borrowings, interest receivable on funds invested, foreign exchange gains and losses and other costs incurred in connection with borrowings.

All interest and other costs incurred in connection with borrowings are expensed as incurred as part of net financing costs, 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.

(u) Impairment loss

(i) The carrying amounts of the Group's assets, other than listed investments in equity securities (refer to note 2(j)), properties under development (refer to note 2(k)), completed properties for sale (refer to note 2(l)), inventories (refer to note 2(m)), trade and other receivables (refer to note 2(n)) and deferred tax assets (refer to note 2(r)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the consolidated income statement.

2 Significant accounting policies (continued)

(u) Impairment loss (continued)

(ii) The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(iii) An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the consolidated income statement in the year in which the reversals are recognised.

(v) 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.

(w) Employee benefits

Obligations for contributions to the defined contribution plans are recognised as an expense in the consolidated income statement as incurred.

(x) Dividends

Dividends are recognised as a liability in the period in which they are declared or approved.

2 Significant accounting policies (continued)

(y) Related parties

For the purposes of these consolidated financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly through one or more intermediaries, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

3 Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate expenses and related payables.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

(a) Business segments

The Group comprises the following main business segments:

(i) Containers

The manufacture and sale of marine containers, dry-freight containers, refrigerated containers and specified types of containers.

(ii) Mechanical and electrical equipment

The manufacture and sale of airport ground facilities and internal combustion power-generating equipment.

(iii) Infrastructure and property development

The construction, operation and management of roads and toll bridges, and the construction and development of properties for sale.

(iv) Timber logging

The logging and sale of timber.

3 Segment reporting (continued)

(b) Geographical segments

The containers, mechanical and electrical equipment, infrastructure and property developments and timber logging segments are managed in the PRC. The United States of America (the “USA”), Europe and Asia are major markets for sales of containers. The PRC is a major market for infrastructure and property developments which are included in Asia segment. The manufacturing plants and sales offices are operated principally in the PRC.

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

3 Segment reporting (continued)

Business segments

	Containers		Mechanical and electrical equipment		Infrastructure and property development		Timber logging		Consolidated	
	2002 RMB' 000	2001 RMB' 000	2002 RMB' 000	2001 RMB' 000	2002 RMB' 000	2001 RMB' 000	2002 RMB' 000	2001 RMB' 000	2002 RMB' 000	2001 RMB' 000
Revenue	8,768,061 =====	6,448,443 =====	75,375 =====	89 =====	161,008 =====	124,120 =====	21,541 =====	5,108 =====	9,025,986 =====	6,666,880 =====
Segment result	625,618 =====	933,082 =====	(14,753) =====	(22) =====	16,919 =====	10,396 =====	(37,141) =====	(62,797) =====	590,641 =====	858,058 =====
Unallocated net expenses									(75,261) =====	(92,615) =====
Profit from operations									515,380 =====	765,443 =====
Net financing costs									(67,435) =====	(102,520) =====
Income from associates	4,124 =====	(254) =====	5,576 =====	3 =====	111,977 =====	45,857 =====	 =====	- =====	121,677 =====	49,018 =====
Income tax expense									(58,665) =====	(88,847) =====
Minority interests									(87,660) =====	(58,919) =====
Net profit for the year									423,293 =====	564,175 =====
Segment assets	6,508,654 =====	4,423,586 =====	156,489 =====	183 =====	345,737 =====	269,706 =====	445,431 =====	454,797 =====	7,456,310 =====	5,331,745 =====
Interests in associates	24,512 =====	21,056 =====	20,967 =====	15 =====	572,105 =====	739,886 =====	 =====	- =====	617,584 =====	776,337 =====
Total assets									8,073,894 =====	6,108,082 =====
Segment liabilities	(4,141,134) =====	(2,604,425) =====	(89,057) =====	(78) =====	(177,683) =====	(186,325) =====	(171,751) =====	(56,839) =====	(4,579,630) =====	(2,925,674) =====
Unallocated liabilities									(26,142) =====	(19,874) =====
Total liabilities									(4,605,772) =====	(2,945,548) =====
Capital expenditure	257,761 =====	216,672 =====	7,684 =====	 =====	1,501 =====	193 =====	34,161 =====	24,711 =====	301,106 =====	242,509 =====
Impairment losses	12,822 =====	34,462 =====	- =====	 =====	- =====	 =====	34,991 =====	8,933 =====	47,816 =====	43,395 =====
Depreciation and amortisation	146,864 =====	147,233 =====	884 =====	5 =====	464 =====	483 =====	11,691 =====	11,723 =====	159,905 =====	164,509 =====

3 Segment reporting (continued)

Geographical segments

	USA		Europe		Asia		Other regions		Total	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	2,174,4	1,076,890	4,050,844	2,663,207	2,028,605	2,716,394	772,058	210,389	9,025,986	6,666,880
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
					PRC		Non PRC		Total	
					2002	2001	2002	2001	2002	2001
					RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets					7,838,845	5,810,772	235,049	297,310	8,073,894	6,108,082
					=====	=====	=====	=====	=====	=====
Capital expenditure					299,933	241,432	1,175	1,077	301,108	242,509
					=====	=====	=====	=====	=====	=====

4 Other operating income

	2002	2001
	RMB'000	RMB'000
Gain on disposal of PRC listed securities	-	30,363
Tax refunds from capitalisation of subsidiaries' earnings	4,824	21,959
Profit on disposal of scrap materials	53,926	35,013
Service income	839	566
Waiver of penalty (note 5(1))	14,868	-
Others	8,173	10,140
	=====	=====
	82,630	98,041
	=====	=====

5 Other operating expenses

	2002 RMB'000	2001 RMB'000
Loss on disposal of property, plant and equipment and construction in progress	29,579	7,042
Impairment losses of property, plant and equipment	12,822	34,462
Net amortisation of goodwill/(negative goodwill)	16,503	13,938
Amortisation of timber concession rights	6,410	6,097
Impairment losses of timber concession rights	34,996	8,933
Provision for doubtful debts	26,353	7,576
Loss on disposal of PRC listed securities	12,079	-
Amortisation of other intangible assets	3,088	1,715
Amortisation of negative goodwill in an associate	(255)	(255)
Consultancy fees	8,942	5,564
Penalties (notes 1 and 2)	12,846	40,760
Others	<u>12,647</u>	<u>14,016</u>
	176,010	139,848
	=====	=====

Penalties mainly include the following:

- (Note 1) On 29 December 2001, the State Administration of Foreign Exchange ("SAFE") issued a notice of administrative penalty that imposed a penalty of RMB40,760,000 against the Company for violation of foreign exchange regulations during the period from September 1992 to December 1998. The penalty of RMB40,760,000 was charged to the consolidated income statement in 2001. The Company paid RMB22,036,000 to SAFE on 15 January 2002.
- On 5 February 2002, the Company applied to SAFE for an administrative review of the aforesaid penalty.
- On 23 April 2002, SAFE issued a revised notice of administrative penalty that waived part of the aforesaid penalty of RMB14,868,000 (note 4). The Company then paid the remaining outstanding penalty of RMB3,856,000 to SAFE on 8 May 2002.
- (Note 2) On 26 November 2002, SAFE issued another notice of administrative penalty that imposed a penalty of RMB9,936,000 against the Company for violation of foreign exchange regulations during the period from July 1998 to September 1999. The Company paid the penalty on 26 December 2002.

6 Staff costs

	2002 RMB'000	2001 RMB'000
Wages and salaries	465,267	342,148
Contributions to defined contribution plans	<u>40,199</u>	<u>20,237</u>
	505,466 =====	362,385 =====

The number of employees employed by the Group at 31 December 2002 was 13,707 (2001: 11,258).

7 Net financing expenses

	2002 RMB'000	2001 RMB'000
Interest income	11,200	37,345
Foreign exchange gains	<u>1,170</u>	<u>5,404</u>
Total financial income	12,370 -----	42,749 -----
Interest expense	(67,933)	(141,514)
Foreign exchange losses	(7,868)	(6,474)
Other financial expenses	<u>(7,357)</u>	<u>(4,129)</u>
Total financial expenses	(83,158)	(152,117)
Less: Interest capitalised into construction in progress and properties under development *	<u>3,353</u>	<u>6,848</u>
	(79,805) =====	(145,269) =====
Net financing expenses	(67,435) =====	(102,520) =====

* Interest expense has been capitalised at a rate of 3.7% (2001: 6.1%) per annum.

8 Taxation

(a) Taxation in the consolidated income statement represents:

	2002 RMB'000	2001 RMB'000
Provision for the PRC income tax for the year	62,255	86,252
Overprovision in respect of the prior year	<u>(1,232)</u>	<u>(1,482)</u>
	61,023	84,770
Share of associates' income tax	1,977	1,427
Deferred taxation (note 8(d))	<u>(4,331)</u>	<u>2,650</u>
	58,669	88,847
	=====	=====

The charge for PRC income tax of the Company is calculated at the rate of 15% (2001: 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 10% to 33%, and some subsidiaries have been granted a tax holiday for not more than five years.

No provision for Hong Kong Profits Tax for a Hong Kong incorporated subsidiary has been made in the financial statements as the tax losses brought forward from the previous years exceed the estimated assessable profit for the year.

No provision for overseas tax for overseas subsidiaries has been made in the financial statements as the subsidiaries sustained losses for taxation purposes during the year.

8 Taxation (continued)

(b) Reconciliation of income taxes calculated at the applicable tax rate with actual tax expenses:

	2002 RMB'000	2001 RMB'000
Accounting profit before tax	569,622 =====	711,941 =====
Computed tax using the PRC income tax rate applicable to foreign investment enterprises in Special Economic Zone	85,443	106,791
Effect of tax rates differential in respect of subsidiaries and associates	(4,736)	(45,095)
Non-taxable income	(29,554)	(5,100)
Non-deductible expenses	11,847	29,601
Effect of tax losses	<u>(4,331)</u>	<u>2,650</u>
Income tax expense	58,669 =====	88,847 =====

(c) Taxation in the consolidated balance sheet represents:

	2002 RMB'000	2001 RMB'000
Provision for the PRC income tax at 1 January	19,874	43,611
Charge for the year	62,255	86,252
Overprovision in respect of the prior year	(1,232)	(1,482)
Income tax paid	<u>(54,755)</u>	<u>(108,507)</u>
Provision for the PRC income tax at 31 December	26,142 =====	19,874 =====

8 Taxation (continued)

(d) Deferred taxation

The movements during the year are as follows:

2002	2001
------	------

	RMB'000	RMB'000
Balance as at 1 January	15,566	18,216
Recognised/(charge) for the year (note 8(a))	<u>4,331</u>	<u>(2,650)</u>
Balance as at 31 December	19,897	15,566
	=====	=====

At 31 December 2002, a deferred tax asset of RMB20 million (2001: RMB16 million) representing unutilised tax losses has been recognised. While the remaining balance of RMB85 million (2001: RMB64 million) has not been recognised as it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

9 Dividends

(a) Dividend attributable to the year

	2002 RMB'000	2001 RMB'000
Final dividend proposed after the balance sheet date:		
Cash dividend of RMB Nil per share (2001: RMB0.5 per share)	-	170,101
	=====	=====

The final dividend in respect of 2001 proposed after the balance sheet date had not been recognised as a liability at 31 December 2001.

9 Dividends (continued)

(b) Dividend attributable to the previous financial year, approved and paid during the year

2002 2001

	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year:		
- Cash dividend of RMB0.5 per share (2001: RMB0.2 per share)	170,101	68,040
- Scrip dividend in the ratio of 5 shares for 10 existing issued shares (2001: Nil)	<u>170,101</u>	<u>-</u>
	340,202 =====	68,040 =====

10 Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of RMB423,293,000 (2001: RMB564,175,000) and 510,302,000 shares (2001: 510,302,000 shares after adjusting for the scrip dividend issued in 2002) in issue during the year.

There were no diluting potential ordinary shares in existence during the years ended 31 December 2001 and 2002.

11 Property, plant and equipment

(a)

	<i>Land and buildings</i> RMB'000	<i>Machinery and equipment</i> RMB'000	<i>Motor vehicles</i> RMB'000	<i>Office furniture and other assets</i> RMB'000	<i>Total</i> RMB'000
Cost or valuation:					
Balance at 1 January 2002	841,543	1,139,989	123,596	102,429	2,207,557
Additions during the year	-	15,750	8,503	8,630	32,883
Transfer from construction in progress (note 13)	65,431	66,172	1,688	4,797	138,088
Disposals	<u>(54,341)</u>	<u>(26,422)</u>	<u>(5,052)</u>	<u>(5,590)</u>	<u>(91,405)</u>
Balance at 31 December 2002	852,633	1,195,489	128,735	110,266	2,287,123
	-----	-----	-----	-----	-----
Representing:					
Cost	737,130	1,073,019	119,743	102,915	2,032,807
Valuation	<u>115,503</u>	<u>122,470</u>	<u>8,992</u>	<u>7,351</u>	<u>254,316</u>
	852,633	1,195,489	128,735	110,266	2,287,123
	=====	=====	=====	=====	=====
Depreciation and impairment losses:					
Balance at 1 January 2002	158,602	416,851	84,045	55,881	715,379
Charge for the year	17,918	84,710	11,373	13,730	127,731
Impairment losses	6,300	-	-	6,522	12,822
Disposals	<u>(27,573)</u>	<u>(14,806)</u>	<u>(3,985)</u>	<u>(4,864)</u>	<u>(51,228)</u>
Balance at 31 December 2002	155,247	486,755	91,433	71,269	804,704
	-----	-----	-----	-----	-----
Carrying amount:					
At 31 December 2001	682,941	723,138	39,551	46,548	1,492,178
	=====	=====	=====	=====	=====
At 31 December 2002	697,386	708,734	37,302	38,997	1,482,419
	=====	=====	=====	=====	=====

(b) All of the Group's buildings are located in the PRC.

(c) Pursuant to an approval document issued by the Shenzhen Municipal People's Government office on 31 December 1993, property, plant and equipment as at 31 August 1993 were revalued, as required by the relevant PRC rules and regulations, by a registered PRC valuer on a depreciated replacement cost method for the purpose of conversion of the Company into a joint stock company limited by shares. The revaluation surplus was incorporated in the financial statements for the year ended 31 December 1994.

11 Property, plant and equipment (continued)

(d) The Group revalues its property, plant and equipment on a rolling basis so that within a seven-year period all the assets are revalued once. Based on a revaluation performed as of 31 December 2002 on 14% of its property, plant and equipment, the carrying value of which did not differ materially from their fair value.

The directors have reviewed remaining property, plant and equipment to ensure that they are not materially different from their fair value.

12 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 50 years from the respective dates of grant. The remaining lease periods of these land use rights range from 7 to 50 years.

13 Construction in progress

	2002 RMB'000	2001 RMB'000
At 1 January	97,594	89,573
Additions	268,225	188,683
Transfer to property, plant and equipment (note 11)	(138,088)	(186,351)
Interest capitalised	2,732	5,689
Disposal	<u>(3,746)</u>	<u>-</u>
At 31 December	226,717 =====	97,594 =====

Construction in progress at 31 December 2002 is analysed as follows:

	2002 RMB'000	2001 RMB'000
Projects		
Machinery and equipment	56,341	44,693
Office building	162,529	51,162
Network facilities	7,498	724
Transformation of plant	349	356
Storage	<u>-</u>	<u>659</u>
	226,717 =====	97,594 =====

14 Timber concession rights

	2002 RMB'000	2001 RMB'000
At 1 January	270,373	285,403
Amortisation for the year	(6,410)	(6,097)
Impairment losses for the year	<u>(34,996)</u>	<u>(8,933)</u>
At 31 December	228,967 =====	270,373 =====

These rights represent the cost of acquisition of 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 timber concession right in respect of designated areas of land in Cambodia is amortised using the straight-line method over 23 years.

No amortisation of timber concession right has been made in respect of designated areas of land in Suriname as the relevant commercial logging operations have not yet been started.

15 Intangible assets

	<i>Goodwill</i> RMB'000	<i>Negative goodwill</i> RMB'000	<i>Technological know-how</i> RMB'000	<i>Total</i> RMB'000
At 1 January 2002	41,222	(2,610)	12,295	50,907
Acquisition through additional interests in subsidiary	<u>-</u>	<u>(16,492)</u>	<u>-</u>	<u>(16,492)</u>
	41,222	(19,102)	12,295	34,415
Amortisation for the year	<u>(20,447)</u>	<u>3,944</u>	<u>(3,088)</u>	<u>(19,591)</u>
At 31 December 2002	20,775 =====	(15,158) =====	9,207 =====	14,824 =====

16 Interests in associates

	2002 RMB'000	2001 RMB'000
<i>Unlisted associates</i>		
Share of net assets	508,887	388,932
Loans to an associate	<u>108,697</u>	<u>387,405</u>
	617,584 =====	776,337 =====

Loans to an associate are unsecured, interest-free and have no fixed repayment terms.

16 Interests in associates (continued)

Details of the associates are as follows:

<i>Name of company</i>	<i>Place of establishment and operation</i>	<i>Percentage of equity held by the Group</i>	<i>Principal activities</i>
KYH Steel Holdings Limited	The British Virgin Islands	31.83%	Investment holding with subsidiaries principally engaged in trading of steel products
Twinbridge Development Corporation ("Twinbridge")	The British Virgin Islands	40%	(refer to note below)
Beijing Bowei Airport Support Limited	PRC	40%	Provision of repair and maintenance services for airport ground facilities

Note: The principal activity of Twinbridge was investment holding in a co-operative joint venture operating roads and toll bridges in the PRC. On 1 July 2002, Twinbridge disposed of its entire interest in the above co-operative joint venture. From that date onwards, Twinbridge has become dormant.

17 Investments in equity securities

	<i>2002</i> RMB'000	<i>2001</i> RMB'000
<i>Investments available-for-sale</i>		
Unlisted equity securities, at cost	292,359 =====	302,777 =====
<i>Investments held for trading</i>		
Listed equity securities, at fair value	16,468 =====	30,917 =====

Listed equity securities are listed on the PRC Stock Exchanges.

18 Long-term receivables

	2002 RMB'000	2001 RMB'000
Trade and other receivables	144,559	255,355
Amounts due within one year included in trade and other receivables	<u>(57,938)</u>	<u>(101,774)</u>
	86,621 =====	153,581 =====

Long-term receivables include the following:

- (a) RMB69 million receivable (2001: RMB103 million) bearing interest at London Inter Bank Offered Rate plus 4% per annum to be received by installments up to 2005;
- (b) RMB7.3 million receivable (2001: RMB28 million) bearing interest at 6.435% per annum to be received by installments up to 2004;
- (c) RMB3 million receivable (2001: RMB4 million) bearing interest at 10% per annum to be received by installments up to 2005; and
- (d) RMB7.3 million interest free car loan (2001: Nil) to be received by installments up to 2007.

As at 31 December 2001, the above receivables of RMB153,581,000 included an amount of RMB19 million which was interest free and was to be received in 2003.

19 Properties under development

	2002 RMB'000	2001 RMB'000
At 1 January	105,250	23,432
Additions	118,962	117,757
Interest capitalised	621	1,159
Transfer to completed properties for sale	<u>(74,451)</u>	<u>(37,098)</u>
At 31 December	150,382 =====	105,250 =====

20 Inventories

	2002 RMB'000	2001 RMB'000
Raw materials	645,050	447,666
Work in progress	117,632	73,324
Finished goods	271,479	187,990
Spare parts and consumables	<u>47,355</u>	<u>8,924</u>
	1,081,516	717,904
	=====	=====
Inventories stated at net realisable value	147,179	289,676
	=====	=====

21 Trade and other receivables

	2002 RMB'000	2001 RMB'000
Trade receivables	2,498,490	1,110,449
Deposits, prepayments and other receivables	<u>709,281</u>	<u>292,751</u>
	3,207,771	1,403,200
	=====	=====

On 28 December 1999, the Group entered into a "Receivables Framework Agreement" with Oasis Funding Limited ("Oasis"). Pursuant to the agreement, the Group will sell, assign and transfer certain accounts receivable to Oasis. Oasis will accept the assignment of accounts receivable offered by the Group without recourse and provide funds to the Group in this regard. As at 31 December 2002, the Group has outstanding trade receivables of RMB974 million (2001: RMB189 million) assigned to Oasis and received advances of RMB358 million (2001: RMB149 million) from Oasis.

22 Cash and cash equivalents

	2002 RMB'000	2001 RMB'000
Cash in hand	267	425
Bank balances	<u>381,670</u>	<u>390,953</u>
	381,937	391,378
	=====	=====

23 Share capital

	2002 RMB'000	2001 RMB'000
<i>Registered, issued and paid up capital</i>		
227,363,133 legal person shares (2001: 151,575,422 shares) of RMB1 each	227,363	151,575
69,333,262 'A' shares (2001: 46,222,175 shares) of RMB1 each	69,333	46,222
213,605,701 'B' shares (2001: 142,403,801 shares) of RMB1 each	<u>213,606</u>	<u>142,404</u>
	510,302 =====	340,201 =====

All the legal person, 'A' and 'B' shares rank pari passu in all material respects.

On 22 April 2002, the Company proposed a scrip dividend in the ratio of 5 shares for 10 issued shares existed as at 31 December 2001. On 31 May 2002, the Annual General Meeting of the Company approved this scrip dividend distribution. Accordingly, 75,787,711 legal person shares, 23,111,087 'A' shares and 71,201,900 'B' shares were issued at par value during the year.

24 Reserves

	Share premium RMB'000	Property revaluation reserve RMB'000	Exchange reserve RMB'000	Surplus reserve RMB'000	Statutory public welfare fund RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2001	613,637	18,521	3,231	624,002	146,370	355,436	1,761,197
Net profit for the year	-	-	-	-	-	564,175	564,175
Dividends (note 9(b))	-	-	-	-	-	(68,040)	(68,040)
Transfer from statutory public welfare fund	-	-	-	3,854	(3,854)	-	-
Transfer from retained earnings	-	-	-	287,105	29,833	(316,938)	-
Exchange adjustments arising on translation of subsidiaries	-	-	(228)	-	-	-	(228)
Balance at 31 December 2001	613,637	18,521	3,003	914,961	172,349	534,633	2,257,104
	=====	=====	=====	=====	=====	=====	=====
Balance at 1 January 2002	613,637	18,521	3,003	914,961	172,349	534,633	2,257,104
Net profit for the year	-	-	-	-	-	423,293	423,293
Dividends (note 9(b))	-	-	-	-	-	(340,202)	(340,202)
Transfer from statutory public welfare fund	-	-	-	4,934	(4,934)	-	-
Transfer from retained earnings	-	-	-	55,909	19,846	(75,755)	-
Balance at 31 December 2002	613,637	18,521	3,003	975,804	187,261	541,969	2,340,195
	=====	=====	=====	=====	=====	=====	=====

Notes:

- (a) Surplus reserve comprises a statutory surplus reserve of RMB260,869,000 (2001: RMB200,319,000) and a discretionary surplus reserve of RMB714,935,000 (2001: RMB714,642,000).

According to the current PRC Company Law and 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 regulations. The transfer to this reserve must be made before distribution of dividend to shareholders.

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

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

- (b) According to the current PRC Company Law and the Company's articles of association, the Company is required to transfer 5% to 10% of its profit after taxation to the statutory public welfare fund. The statutory public welfare fund can only be used on capital expenditure for the collective benefits of the Company's employees such as the construction of dormitories, canteens and other staff welfare facilities. The fund forms part of the shareholders' equity as individual employees can only use these facilities, the titles of which will remain with the Company. The transfer to this fund must be made before distribution of dividends to shareholders.

24 Reserves (continued)

Notes: (continued)

- (c) 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 IFRS. At 31 December 2002, the amount of retained profits available for distribution, which was the amount determined in accordance with the PRC accounting rules and regulations, was RMB532,691,000 (2001: RMB366,581,000).

25 Interest-bearing bank loans

	2002 RMB'000	2001 RMB'000
Unsecured		
Due within 3 months	680,049	135,031
Due after 3 months but within 1 year	1,316,630	303,456
Due after 1 year but within 2 years	34,000	957,450
Due after 2 years but within 5 years	<u>47,000</u>	<u>81,000</u>
	2,077,679	1,476,937
Amounts due within 1 year	<u>(1,996,679)</u>	<u>(438,487)</u>
Amounts due after 1 year	81,000	1,038,450
	=====	=====

Interest rates are within the range of 1.9% to 6.435% per annum (2001: 2.6% to 6.435% per annum).

Bank loans of RMB1,167 million (2001: RMB166 million) are denominated in United States dollars and the remaining balances are denominated in Renminbi Yuan.

26 Trade and other payables

	2002 RMB'000	2001 RMB'000
Trade payables	1,259,708	388,114
Other payables and accruals	381,741	381,246
Staff bonus	249,147	240,846
Deposits received	156,915	85,437
Bills payable	<u>81,006</u>	<u>56,612</u>
	2,128,517	1,152,255
	=====	=====

27 Provision

	<i>Warranties</i> RMB'000
Balance at 1 January 2002	296,482
Net provisions made during the year	80,391
Provisions used during the year	<u>(3,439)</u>
Balance at 31 December 2002	373,434 =====

The provision for warranties mainly relates to containers sold during the last three years. The provision is based on estimates made from historical warranty data associated with similar products.

28 Capital and lease commitments

(a) At 31 December 2002, the Group had capital commitments outstanding as follows:

	2002 RMB'000	2001 RMB'000
Authorised and contracted for	552,375	10,204
Authorised but not contracted for	<u>291,924</u>	<u>134,214</u>
	844,299 =====	144,418 =====

(b) At 31 December 2002, the Group had commitments under non-cancellable operating leases, not provided for as follows:

	2002 RMB'000	2001 RMB'000
Operating lease charges payable:		
Within 1 year	28,573	32,605
After 1 year but within 5 years	51,482	66,577
After 5 years	<u>88,767</u>	<u>101,348</u>
	168,822 =====	200,530 =====

The Group leases a number of offices and a factory under operating leases. The leases of offices and factory run for an initial period of one to two years and 30 years respectively, with an option to renew the lease after the expiry date. Lease payments of factory are increased every three years to reflect market rentals. None of the leases includes contingent rentals.

29 Contingencies

The Group has provided guarantees to banks for mortgages amounting to RMB59 million (2001: RMB36 million) granted by those banks to the customers of the Group.

30 Notes to the consolidated cash flow statement

(a) Reconciliation of net profit for the year to cash (used in) / generated from operations:

	2002 RMB'000	2001 RMB'000
Net profit for the year	423,293	564,175
Depreciation	127,731	133,598
Impairment losses	12,822	34,462
Net amortisation of goodwill/(negative goodwill)	16,503	13,938
Amortisation of other intangible assets	3,088	1,715
Amortisation of negative goodwill of associates	(255)	(255)
Loss on sale of property, plant and equipment and construction in progress	29,579	7,042
Interest income	(11,200)	(37,345)
Interest expense	64,580	134,666
Loss/(gain) on disposal of equity securities	12,079	(30,363)
Amortisation of timber concession rights	6,410	6,097
Impairment losses of timber concession rights	34,996	8,933
Income from associates	(121,677)	(49,018)
Income tax expenses	58,669	88,847
Minority interests	<u>87,660</u>	<u>58,919</u>
Operating profit before changes in working capital	744,278	935,411
Increase in lease prepayments	(32,827)	(631)
Decrease in long-term receivables	66,960	24,646
(Increase)/decrease in trade and other receivables	(2,118,361)	324,115
(Increase)/decrease in inventories	(363,612)	442,298
Increase/(decrease) in trade and other payables	977,409	(126,049)
Increase in provision	76,952	47,337
Increase in properties under development	(44,511)	(80,659)
Decrease in completed properties for sale	<u>66,515</u>	<u>59,126</u>
Cash (used in)/generated from operations	(627,197)	1,625,594
PRC income tax paid	<u>(54,755)</u>	<u>(108,507)</u>
Cash flows from operating activities	(681,952)	1,517,087
	=====	=====

30 Notes to the consolidated cash flow statement (continued)

(b) Analysis of changes in financing activities during the year:

	2002 RMB'000	2001 RMB'000
Bank loans		
Balance at 1 January	1,476,937	2,346,875
Proceeds from bank loans	6,487,139	7,771,169
Repayment of bank loans	<u>(5,886,397)</u>	<u>(8,641,107)</u>
Balance at 31 December	2,077,679 =====	1,476,937 =====

31 Related parties transactions

(i) The Group has undertaken transactions with the following related parties for the year ended 31 December 2002:

	<i>Relationship with the Company</i>	2002 RMB'000	2001 RMB'000
Sale of containers to Florens Container Services Company Limited ("Florens")	Subsidiary of shareholder	352,757	651,981
Purchase of raw materials from Hempel-Hai Hong Coating Company Limited ("Hempel")	Subsidiary of shareholder	290,972	180,283
Purchase of steel products from KYH Steel Holdings Limited	Associate	33,166	41,873
Payment of consultancy fee to COSCO Pacific Management Company Limited ("COSCO")	Subsidiary of shareholder	8,114	4,471
		=====	=====

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.

The balance with associate is disclosed in note 16 on the consolidated financial statements. Details of the balances with other related parties were as follows:

	2002 RMB'000	2001 RMB'000
Amount due from Florens	62,445	15,398
Amount due to Hempel	197,800	85,754
Amount due to COSCO	3,643	4,471
	=====	=====

31 Related parties transactions (continued)

(ii) During the year, the Group has not granted any new loans (2001: RMB36,437,000) to directors and executive officers. The movements of the housing loans, car loans and other loans during the year were as follows:

	<i>Balance as at 1 January 2002 RMB'000</i>	<i>Repayment during the year RMB'000</i>	<i>Balance as at 31 December 2002 RMB'000</i>
Directors	5,065	(2,483)	2,582
Executive officers	<u>31,372</u>	<u>(29,659)</u>	<u>1,713</u>
	36,437	(32,142)	4,295
	=====	=====	=====

The outstanding loans are unsecured, interest-free and are to be settled within 5 years from the date of the advance.

Subsequent to 31 December 2002, loans totalling RMB2,282,000 were settled.

32 Financial instruments

Financial assets of the Group include cash, securities, and trade and other receivables. Financial liabilities of the Group include loans, and trade and other payables.

(a) Interest rate risk

The interest rates and terms of repayment of bank loans of the Group are disclosed in note 25 of the consolidated financial statements.

(b) Foreign exchange risk

Foreign exchange risk is defined as transaction risk, i.e. the risk of the Group's commercial cash flows being adversely affected by a change in exchange rates for foreign currencies against Renminbi Yuan, and balance sheet risk, i.e. the risk of net monetary assets in foreign currencies acquiring a lower value when translated into Renminbi Yuan as a result of currency movements. The Group strives to minimise the risk by achieving a balance between monetary assets and monetary liabilities in the respective currencies.

32 Financial instruments (continued)

(c) Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted. Concentrations of credit risk (whether on or off balance sheet) that arise from financial instruments exist for groups of customers or counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. To reduce exposure to credit risk, the Group performs ongoing credit evaluations of the financial condition of its counterparties.

Substantially all the Group's cash and cash equivalents are deposited with PRC financial institutions with high credit ratings.

The Group generally does not require collateral from its customers and is exposed to credit-related losses in the event of non-performance by customers. However, the Group does not have significant unwarranted concentration of exposure to individual customers. The ten largest trade debtors accounted for 26% (2001: 17%) of the Group's total assets at 31 December 2002.

(d) Liquidity risk

Liquidity risk is defined as the risk that the Group will be unable to meet its cash flow obligations as they fall due. To manage liquidity risk, the Group closely monitors its liquidity to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding needs.

(e) Fair value

The fair value of unlisted equity securities could not reasonably be estimated without incurring excessive costs as there is no quoted market price for such securities in the PRC.

The fair values of trade and other receivables, and trade and other payables are not materially different from their carrying amounts.

As of 31 December 2002, the fair value of the long-term receivables as estimated by applying a discounted cash flow using current market interest rates for similar financial instruments was RMB83,442,000 (2001: RMB146,200,000).

As at 31 December 2002, the fair value of the interest-bearing bank loans, including the current portion, as estimated by applying a discounted cash flow using current market interest rates for similar financial instruments was RMB2,077,793,000 (2001: RMB1,463,142,000).

Fair value estimates are made at a specific point in time and based on relevant market information and information about the relevant financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

33 Subsidiaries

Details of the Company's principal subsidiaries at 31 December 2002, all of which are unlisted, are as follows:

<i>Name of company</i>	<i>Issued and fully Paid capital</i>	<i>Percentage of equity held by the Group</i>	<i>Place of establishment and operation</i>	<i>Principal activities</i>
CIMC (Shanghai) Development Limited	RMB500,000,000	100%	PRC	Investment holding
Shenzhen Southern Zhongji Containers Manufacture Co., Ltd.	US\$12,000,000	100%	PRC	Manufacture of containers
Shenzhen CIMC Real Estate Co., Ltd.	RMB20,000,000	100%	PRC	Property development
Nanjing Zhongji Real Estate Development Co., Ltd.	US\$2,000,000	100%	PRC	Property development
China International Marine Containers (Hong Kong) Limited	HK\$2,000,000	100%	Hong Kong	Trading of containers and wagons and investment holding
National King Development Ltd.	HK\$4,680,000	70%	Hong Kong	Investment holding
CIMC Holdings (B.V.I.) Limited	US\$34,001	100%	The British Virgin Islands	Investment holding
Silveroad Woodproducts Limited	US\$8,000	100%	Kingdom of Cambodia	Timber logging and trading
Tacoba Consultant N.V.	SF3,000,000	100%	Republic of Suriname	Timber logging and trading

33 Subsidiaries (continued)

<i>Name of company</i>	<i>Issued and fully paid capital</i>	<i>Percentage of equity held by the Group</i>	<i>Place of establishment and operation</i>	<i>Principal activities</i>
Xinhui CIMC Container Flooring Co., Ltd.	US\$11,500,000	77%	PRC	Further processing of Timber
Qingdao CIMC Container Manufacture Co., Ltd.	US\$20,300,000	81.19%	PRC	Manufacture of Containers
Qingdao CIMC Reefer Container Manufacture Co., Ltd.	US\$24,060,000	75.23%	PRC	Manufacture of Containers
Shanghai CIMC Generating Set Co., Ltd.	US\$3,918,700	73%	PRC	Manufacture of Internal Combustion Engine generators and related services
Shanghai CIMC Reefer Containers Co., Ltd.	US\$31,000,000	72%	PRC	Manufacture of Containers
Tianjin CIMC North Ocean Container Co., Ltd.	US\$16,682,000	70.7485%	PRC	Manufacture of Containers
Nantong CIMC - Smooth Sail Container Co., Ltd.	US\$7,700,000	51.8%	PRC	Manufacture of Containers
Nantong CIMC Special Transportation Equipment Manufacture Co., Ltd.	US\$10,000,000	57.4%	PRC	Manufacture of Containers
Dalian CIMC Container Manufacturing Co., Ltd.	US\$8,855,000	51.17%	PRC	Manufacture of Containers

33 Subsidiaries (continued)

<i>Name of company</i>	<i>Issued and fully paid capital</i>	<i>Percentage of equity held by the Group</i>	<i>Place of establishment and operation</i>	<i>Principal activities</i>
Shenzhen CIMC - Tianda Airport Support Ltd.	US\$13,500,000	100%	PRC	Manufacture of airport ground facilities
Shenzhen CIMC Heavy Industries Co., Ltd.	US\$5,000,000	100%	PRC	Manufacture of containers
Shanghai CIMC Far East Container Co., Ltd. (note)	US\$9,480,000	47.5%	PRC	Manufacture of containers
Shanghai Yulan Property Development Co., Ltd.	RMB5,000,000	60%	PRC	Property development
Shanghai Fengyang Property Development Co., Ltd.	RMB30,000,000	100%	PRC	Property development
Xinhui CIMC Container Co., Ltd. (note)	US\$24,000,000	40%	PRC	Manufacture of containers

Note: The financial statements of Xinhui CIMC Container Co., Ltd and Shanghai CIMC Far East Container Co., Ltd. are consolidated in the consolidated financial statements as the Group has the power to govern these companies' financial and operating policies in accordance with the terms of the relevant profit guarantee agreements. The directors are of the opinion that these profit guarantee agreements are extendable upon expiry.

34 Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

Reconciliation of the Group's consolidated results and net assets prepared under International Financial Reporting Standards ("IFRS") and the PRC Accounting Rules and Regulations

	<i>Profit attributable to shareholders for the year ended 31 December 2002 RMB'000</i>	<i>Net assets at 31 December 2002 RMB'000</i>
Prepared under the PRC Accounting Rules and Regulations	464,855	2,853,729
Adjustments to align with IFRS:		
(i) Adjustment to minority interests	(353)	7,970
(ii) Adjustment to deferred tax assets	4,330	19,896
(iii) Adjustment to goodwill and negative goodwill	(8,244)	(40,309)
(iv) Adjustment to interest capitalisation	(26,015)	11,887
(v) Others	<u>(11,280)</u>	<u>(2,676)</u>
Prepared under IFRS	423,293	2,850,497
	=====	=====

XI. Documents for Reference

(I) Accounting statement with signatures and seals of the president and the person in charge of accounting;

(II) Original copy of the auditing report with the seal of the accounting firm, and the signature and seal of the certified public accountant;

(III) Original copies of all documents of the Company that were published in newspapers designated by China Securities Regulatory Commission during the report period;

(IV) Articles of Association of the Company passed at the 2001 Annual General Meeting of Shareholders.