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

ANNUAL REPORT 2003

Important Notes

The Board of Directors of *CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) CO., LTD.* (hereinafter referred to as the Company) and its directors individually and collectively accept full responsibility for the correctness, accuracy and completeness of the contents of this report and confirm that there is neither any omission of material facts, untrue presentations, nor any misleading statement contained in the information herein.

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

Eight Directors were expected to attend the Board meeting and actually seven of them were present. Director Mr. Yan Chengxiang was absent from the Board meeting due to some reasons.

Shenzhen Pan-China Schinda Certified Public Accountants audited Financial Report of the Company and issued a standard unqualified Auditors' Report for the Company.

Chairman of the Board of the Company Mr. Li Jianhong, President Mr. Mai Boliang and General Manager of Financing & Management Dept. Mr. Jin Jianlong hereby confirm that the Financial Report contained in the Annual Report is authentic and complete.

Definition

1. **CIMC** (the Company): China International Marine Containers (Group) Co., Ltd.
2. **The Group**: the Company and its subsidiary companies
3. **TEU**: Twenty-foot equivalent unit. This is unit for conversion, is also called standard container, and namely takes twenty-foot container as the unit for measuring container.
4. **Trailer/Semi-trailer**: A trailer that is dragged by the semi-tractor with part of its mass borne by it.

Content

I. Company Profile

1. 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 Chinese name: **中集集团**
   In English: China International Marine Containers (Group) Co., Ltd.
   Short form of English name: CIMC
2. Legal Representative: *Mr. Li Jianhong*
3. Secretary of the Board of Directors: *Mr. Yu Yuqun*
   Authorized Representative in Charge of Securities Affairs: *Mr. Wang Xinjiu*
   Contact Address: R&D Center of CIMC, No. 2 Gangwan Avenue, Shekou Industrial Zone, Shenzhen, Guangdong Province, and PRC
   TEL: (86)755-26691130
   FAX: (86)755-26826579
   E-mail: shareholder@cimc.com
4. Registered Address: 5/F, Financial Center of Shekou Industrial Zone, Shenzhen, Guangdong Province, and PRC
   Office Address: R&D Center of CIMC, No. 2 Gangwan Avenue, Shekou Industrial Zone, Shenzhen, Guangdong Province, and PRC
   Post Code: 518067
   Company's Internet Website: http://www.cimc.com
5. Newspapers Chosen for Disclosing Information of the Company:
   Securities Times and Ta Kung Pao
   Internet Website Designated by CSRC for Publishing the Annual Report: http://www.cninfo.com.cn
   The Place Where the Annual Report is Prepared and Placed: Financial Affairs Dept. of the Company
6. Stock Exchange Listed with: Shenzhen Stock Exchange

Short Form of the Stock: CIMC	Stock Code: 000039
CIMC-B	200039

7. Other relevant information
   Registration date after the latest changing: Dec. 1, 2000
   Registered place after changing: Shenzhen Municipal Administration Bureau of Industry and Commerce
   Registered number of the corporate business license for enterprise legal person: QGYSZZ No.101157
   Registered number of Tax:
   National taxation: 440301618869509 Local taxation: 440305618869509
   Name and Address of Certified Public Accountants Engaged by the Company:
   Domestic: Shenzhen Pan-China Schinda Certified Public Accountants
   Office Address: 16/F, Special Zone Securities Bldg., No. 5020, Binhe Av., Shenzhen, Guangdong, and PRC
   Overseas: KPMG Hong Kong Certified Public Accounts
   Office Address:8/F. Prince Bldg., Center of Hong Kong

II. Summary of Financial Highlight and Business Highlight

(I) Three-year Financial Information Summary *(Prepared under International Financial Reporting Standards [" IFRS"])*

Unit： *RMB'000*

Items	2003	2002	Increase/Decrease in the year (%)	2001
Container sales volume (TEU)	1,173,293	751,578	65.80	453,299
Revenue	13,705,212	9,025,986	51.84	6,666,880
Profit from operations	905,376	512,948	76.50	765,443
Income from associates	8,747	121,677	-92.81	49,018
Profit before tax	888,830	569,622	56.04	711,941
Income tax expense	111,361	58,669	89.81	(88,847)
Profit after tax	777,469	510,953	52.16	623,094
Minority interests	83,418	87,660	-4.84	(58,919)
Net profit of the year	694,051	423,293	63.96	564,175
Basic earnings per share* (RMB Yuan)	1.33	0.83	60.24	1.11
Total assets	10,258,356	8,073,894	27.06	6,108,082
Shareholders' equities	5,295,653	2,850,497	85.78	2,597,305
Net assets per share (RMB Yuan)	8.40	5.59	50.27	5.09
Rate of Return on Stockholders' Equity (ROE)	13.11	14.85	-11.72	21.72
Cash flows from operating activities	615,122	-677,635	190.78	1,517,087
Net (decrease)/increase in cash and cash equivalents	324,667	-9,441	3612.75	166,170
Dividend (per share)	Cash dividend of RMB0.38, converting public reserve into share capital at the rate of 0.6 share	–	–	RMB0.50 Yuan, 0.50 share bonus

** The calculation of basic earnings per share is based on profit attributable to shareholders of RMB694,051,000 (2002: RMB423,293,000) and a weighted average number of shares in issue during the year ended 31 December 2003 of 522,137,712 (2002: 510,302,000).*
There were no diluting potential ordinary shares in existence during the years ended 31 December 2002 and 2003.

(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:

	Profit attributable to shareholders for the year ended 31 December 2003 RMB'000	Net assets at 31 December 2003 RMB'000
Prepared under the PRC Accounting Rules and Regulations	682,688	5,290,940
Adjustments to align with IFRS:		
(i) Adjustment to minority interests	665	8,635
(ii) Adjustment to deferred tax assets	306	20,202
(iii) Adjustment to goodwill and negative Goodwill	(9,579)	(51,388)
(iv) Adjustment to interest capitalization	1,051	12,938
(v) Others	19,938	14,326
Prepared under IFRS	694,051	5,295,653
	========	========

III. Changes in Capital Shares and Particulars about Shareholders

(I) Statement of change in share of the Company

	Before the change	Increase/decrease (+/−)	After the change	Share ratio (%)
I. Unlisted shares				
1. Sponsor's shares	227,363,133	0	227,363,133	36.07
Including:				
Shares held by domestic legal person	102,313,410	0	102,313,410	16.23
Shares held by foreign legal person	125,049,723	0	125,049,723	19.84
2. Shares held senior executives*	346,332	−109,308	237,024	0.04
Total unlisted shares	227,709,465	−109,308	227,600,157	36.11
II. Listed shares				
1. RMB ordinary shares	68,986,930	120,109,308	189,096,238	30.00
2. Domestically listed foreign shares	213,605,701	0	213,605,701	33.89
Total listed share	282,592,631	0	402,592,631	63.89
III. Total shares	510,302,096	120,000,000	630,302,096	100

Note: Shares held by senior executives refer to the frozen shares held by directors, supervisors and senior executives with totally amounting to 237,024 shares.

(II) Issuance and listing of the share

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

Year	Type of share	Issuance date	Issuance price (RMB)	Quantity of issuance (share)	Listing date	Quantity of shares approved for trading	Finishing date
2003	A-share	Nov. 20, 2003	15.00	120,000,000	Dec. 5, 2003	120,000,000	—

2. On Nov. 20, 2003, the Company additionally issued 120,000,000 A shares, thus, the Company's shares has increased to 630,302,096 shares from 510,302,096 shares, proportion of listed shares in total shares has raised to 63.87% from 55.38%.

3. Issuance of shares held by inner employees of the Company
On Dec. 15, 1992, approved by People's Bank of China Shenzhen Special Economic Zone Branch, the Company issued 64 million internal shares, including 5.76 million inner employee's shares with issuance price of RMB 1.65 per share. Except for the 237,024 shares held by present Directors, Supervisors and Senior Executives of the Company, other inner employee's shares have been listed for circulation early and late.

(III) About shareholders

1. Total shareholder at the end of the report period
Ended Dec. 31, 2003, the Company has totally 38,370 shareholders, of them, 27,193 shareholders of A-share and 11,177 shareholders of B-share.

2. Particulars about shares held by main shareholders (the top ten shareholders of the Company ended Dec. 31, 2003)

Name of shareholders	Increase/decrease in this report period	Holding shares at the period-end (share)	roportion	Type of shares	Number of share pledged or frozen	Nature of shareholders
1. China Ocean Shipping (Group) Company	0	102,313,410	16.23%	Non-circulating	0	Domestic legal person
2. CHINA MERCHANTS CONTAINER INDUSTRIAL CO., LTD.	0	102,313,410	16.23%	Non-circulating	0	Foreign legal person
3. FAIR OAKS DEVELOPMENT LIMITED	+1,213,680	38,278,680	6.07%	Circulating	0	Foreign investment shareholder
4. PROFIT CROWN ASSETS LIMITED	0	22,736,313	3.61%	Non-circulating	0	Foreign legal person
5. EMERGING MARKETS GROWTH FUND,INC.	+10,069,645	10,069,645	1.60%	Circulating	Unknown	Foreign investment shareholder
6. GT PRC FUND	+5,639,126	7,639,126	1.21%	Circulating	Unknown	Foreign investment shareholder
7. JPMORGAN FLEMING FUNDS-ASIA EQUITY FUND	+6,907,282	6,907,282	1.10%	Circulating	Unknown	Foreign investment shareholder
8. LONG HONOUR INVESTMENTS LIMITED	0	5,994,817	0.95%	Circulating	Unknown	Foreign investment shareholder
9. HONGYANG SECURITIES INVESTMENT FUNDS	+5,516,269	5,516,269	0.88%	Circulating	Unknown	Social public
10. E FUND STEADY INCREASE SECURITIES INVESTMENT FUNDS	+5,184,245	5,184,245	0.82%	Circulating	Unknown	Social public

Note: (1) Among the above the top ten shareholders, there exists the associated relationship as well as the consistent action between the No. 1 shareholder and No. 7 shareholder, namely Long Honour Investment Limited is the wholly-owned subsidiary company of China Ocean Shipping (Group) Company (COSCO). 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 Companies with the other shareholders.

There existed the associated relationship as well as the consistent action between the No. 2 shareholder and the No. 3 shareholder, namely China Merchants Container Industrial Co., Ltd. and Fair Oaks Development Limited are the wholly-owned subsidiary companies of China Merchant Holdings (International) Co., Ltd. (CMHI). 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 Companies with the other shareholders.

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

(2) On Dec. 22, 2003, CSRC approved to transfer 102,313,410 non-listed foreign shares of the Company held by China Merchants Container Industry Co., Ltd. and 22,736,313 non-listed foreign shares of the Company held by Profit Crown Assets Limited into B shares, which will be listed and circulated in B share market of Shenzhen Exchange after one year since the approval date.

3. Particulars about the largest shareholder

There are no shareholders (holding shareholder) who hold over 30% of the Company's total shares.

Shareholder's name	Proportion	Legal representative	Date of foundation	Registered capital	Structure of equity	Business scope
COSCO	16.23%	Wei Jiafu	Apr. 27, 1961	RMB 1.9 billion	(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 CONTAINER INDUSTRIAL CO., LTD.	16.23%		Jan. 17, 1995	HKD 10,000	(Note 2)	Investment and Shareholding

Note 1: COCSO is one of the 44 mainstay enterprises under the direct control of the central

government.

Note 2: China Merchants Container Industrial Co., Ltd. is a wholly-owned subsidiary company of CMHI, which is mainly engaged in investment and shareholding. CMHI is a listed company in the Stock Exchanges of Hong Kong, China Merchants Group (Hong Kong) Co., Ltd. holds 53.146% equity of CMHI.

4. Particulars about the top ten shareholders of circulating share

Shareholders' name	Holding shares at the period-end (share)	Proportion	Type of shares
1. FAIR OAKS DEVELOPMENT LIMITED	38,278,680	6.07%	B-share
2. EMERGING MARKETS GROWTH FUND,INC.	10,069,645	1.60%	B-share
3. GT PRC FUND	7,639,126	1.21%	B-share
4. JPMORGAN FLEMING FUNDS-ASIA EQUITY FUND	6,907,282	1.10%	B-share
5. LONG HONOUR INVESTMENTS LIMITED	5,994,817	0.95%	B-share
6. HONG YANG SECURITIES INVESTMETN FUNDS	5,516,269	0.88%	A-share
7. E FUNDS PLACIDNESS INCREASE SECURITIES INVESTMENT FUNDS	5,184,245	0.82%	A-share
8. SOUTERN STEADY GROWING SECURITIES INVESTMENT FUNDS	5,099,396	0.81%	A-share
9. E FUNDS STRATEGY GROWING SECURITIES INVESTMENT FUNDS	4,642,859	0.74%	A-share
10. JING FU SECURITIES INVESTMENT FUNDS	4,484,063	0.71%	A-share

IV. Particulars about Directors, Supervisors, Senior Executives and Employees

(I) Particulars about Directors, Supervisors and Senior executives

1. Basic information

Name	Title	Sex	Age	Office term	Holding share at the year-begin	Holding share at the year-end	Increase or decrease	Reason for change
Li Jianhong	Chairman of the Board	Male	47	May 2001 -May 2004	0	0	0	
Zhao Huxiang	Vice Chairman of the Board	Male	48	May 2001 -May 2004	0	0	0	
Mai Boliang	Director President	Male	45	May 2001 -May 2004 May 2001 -May 2004	117,117	117,117	0	
Du Feng	Director	Male	60	May 2001-June 2003	109,308	0	－109,308	resigned from the position of Director
Wang Xiaodong	Director	Male	45	May 2001-June 2003	0	0	0	
Yan Chengxiang	Director	Male	35	May 2001 -May 2004	0	0	0	
Wang Zhixian	Director	Male	37	May 2002-May 2005	0	0	0	
Liu Jie	Director	Male	32	May 2002-June 2003	0	0	0	
Xiao Zhuoji	Independent Director	Male	70	May 2001 -May 2004	0	0	0	

Han Xiaojing	Independent Director	Male	48	May 2001 -May 2004	0	0	0
Zhang Limin	Independent Director	Male	48	Nov. 2002-Nov. 2005	0	0	0
Zhao Qingsheng	Vice-president	Male	52	Aug. 2003 -Aug. 2004	0	0	0
Li Yinhui	Vice-president	Male	36	Oct. 2002-Oct. 2003	0	0	0
Li Ruiting	Vice-president	Male	56	June 2001 -June 2004	78,078	78,078	0
Tang Guocai	Vice-president	Male	65	June 2001 -June 2004	0	0	0
Gu Hongren	Vice-president	Male	48	June 2001-June 2004	41,828	41,828	0
Zhou Bosheng	Vice-president	Male	61	Aug. 2003-Aug. 2004	0	0	0
Du Yongcheng	Chairman of the Supervisory Committee	Male	54	May 2002 -May 2005	0	0	0
Shi Lei	Supervisor	Female	46	May 2002 -May 2005	0	0	0
Feng Wanguang	Supervisor	Male	57	May 2002-May 2005	0	0	0
Wu Fapei	Secretary of the Board	Male	46	Aug. 2003-Aug. 2004	0	0	0

Brief introduction in Director:

(1) ***Li Jianhong***, Chairman of the Board, used to be President Assistant and Chief Economist of COCSO. He has taken the post of vice-president and member of CPC of COCSO since 2000.
(2) ***Zhao Huxiang***, Vice Chairman of the Board of the Company. He now acts as Vice-president of China Merchants Group Co., Ltd., even took the post of Director concurrent General Manager of China Merchants International Co., Ltd.. He has taken the post of Vice Chairman of the Board of China Merchants International Co., Ltd. since Nov. 2001.
(3) ***Wang Xiaodong*** was appointed as General Manager of COSCO Industrial Company since Jan. 1998. In June 2003, he resigned from the post of Director of the Company.
(4) ***Yan Chengxiang*** became Manger 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 2001.
(5) ***Wang Zhixian*** acted as General Manager of Enterprise Management Dept. in China Merchants International Co., Ltd. from March 2002.
(6) ***Liu Jie*** took the post of Deputy CFO of China Merchants International Co., Ltd. from March 2002. In June 2003, he resigned from the post of Director of the Company.
(7) ***Mai Boliang*** served in the Company from the year 1982, now he takes the post of Director as well as President of the Company.
(8) ***Du Feng*** took the post of Director of the Company from March 1994, while he resigned from the position of Director of the Company in June 2003.

Brief introduction of Independent Director:
(1) ***Xiao Zhuoji***, Independent Director of the Company, is now professor of economics of Peking University.
(2) ***Han Xiaojing***, Independent Director of the Company, acts as management copartner and lawyer of Beijing Commerce & Finance Law Firm.
(3) ***Zhang Limin***, Independent Director of the Company, now takes as Professor of SUN YAT-SEN University.

Brief introduction of supervisor:
(1) ***Du Yongcheng,*** Chairman of the Supervisory Committee of the Company, acted as Director as well as Deputy General Manager in China Merchants International Co., Ltd. from the year 1998.
(2) ***Shi Lei*** took the post of Chief Accountant of COSCO Shipyard Engineering Group Co., Ltd.

and concurrently CFO in COSCO (Nantong) Shipyard Engineering Co., Ltd. from June 2001.
(3) ***Feng Wanguang*** took the post of Vice Secretary of CPC in the Company since April 1999.

Particulars about Directors and Supervisors taking the post in Shareholding Company:

Name	Name of Shareholding Company	Title in Shareholding Company	Office term	Whether draw remuneration from shareholding company
Li Jianhong	COSCO	Vice-president	2000 to	Drawing from Shareholding Company
Zhao Huxiang	China Merchants Group Co., Ltd.	Vice-president	2001.11 to	Drawing from associated company of shareholder
Wang Xiaodong	COSCO Industrial Co.	General Manager	1998.1 to	Drawing from associated company of shareholder
Yan Chengxiang	COSCO Shipyard Engineering Group Co., Ltd.	Manager of Corporate Planning Dept.	2000.7 to	Drawing from associated company of shareholder
Wang Zhixian	CMHI	General Manager of Enterprise Management Dept.	2002.3 to	Drawing from associated company of shareholder
Liu Jie	CMHI	Deputy CFO	2002.5 to	Drawing from associated company of shareholder
Du Yongcheng	CMHI	Director, Deputy General Manager	1998 to	Drawing from associated company of shareholder
Shi Lei	COSCO Shipyard Engineering Group Co., Ltd.	Chief Accountant	2001.6 to	Drawing from associated company of shareholder

2. Particulars about annual payment drew by directors, supervisors and senior executives in the report period

(1) Decision-making procedure and decision basis of payment drew by directors, supervisors and senior executives:
According to the relevant regulations of Articles of Association of the Company, Shareholders' General Meeting decided the payment of directors and supervisors, while the Board of Directors decided the payment of senior executives.

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

(2) There are 12 persons (including Directors, Supervisors and Senior executives) drew their payment (including basic wage, bonus, welfare, allowance, housing subsidy and other subsidy) from the Company. The total amount of annual remuneration was RMB 4,350,000. The total remuneration of the top three directors drawing the highest payment was RMB 1,260,000, while

the total remuneration of the top three senior executives drawing the highest payment was RMB 1,660,000. Of them, two enjoyed the annual salary between RMB 500,000 and RMB 800,000 respectively, seven enjoyed the annual salary between RMB 300,000 and RMB 490,000 respectively, three enjoyed the annual salary between RMB 50,000 and 100,000 respectively. Xiao Zhuoji, Han Xiaojing and Zhang Limin, Independent Director of the Company, respectively drew the annual remuneration of RMB 80,000 from the Company.

3. Particulars about changing of Directors, Supervisors and Senior executives in the report period
In June 2003, Mr. Liu Jie, Mr. Wang Xiaodong and Mr. Du Feng, Director of the Company, resigned from the post of Director of the Company due to work reason.

(II) About employees

Ended Dec. 31, 2003, the Group had 22,574 employees in total. Of them, HQ of the Company had 128 employees registered in the book.
Composing of the employees of HQ:

	Position composing					Education composing			
	Management	Technology	Financing	Sales	Administration	Postgraduate	Graduate	College graduate	Others
Number of persons	48	38	15	16	11	31	66	20	11
Proportion (%)	37.5%	29.7%	11.7%	12.5%	8.6%	24.2%	51.6%	15.6%	8.6%

There are no retirees that the Company needs to bear costs.

V. Corporate Governance Structure

(I) Explanations in accordance with the regulations on Corporate Governance structure

The Company continually perfected its Corporate Governance structure in compliance with Company Law, Securities Law as well as the relevant laws and regulations of China Securities Regulatory Commission (CSRC), CSRC's representative offices and Shenzhen Stock Exchange.

The Company implemented the following tasks to perfect the Corporate Governance structure during the report period:

1. In the respect of operation of Shareholders' General Meeting, Board of Directors and Supervisory Committee, the Company timely amended the relevant articles based on the present Rules of Procedures for Shareholders' General Meeting, Rules of Procedures for Board of Directors and Rules of Procedures for Supervisory Committee in order to ensure the functions and responsibilities of the shareholders' general meeting, the Board of Directors and the Supervisory Committee to fulfill, and effectively safeguarded the interests of shareholders and the Company. At the same time, the Company would work in a more standardized and effective manner in accordance with the workflows of Shareholders' General Meeting, the Board of Directors and Supervisory Committee in the course of the special operation of Shareholders' General Meeting, the Board of Directors and Supervisory Committee.

2. The Board of Directors of the Company further perfected the Special Committee of the Board of Directors in order to standardize the operation of the Board of Directors, enhance its quality and

efficiency of decision-making. The Board of Directors enacted Detailed Implementation Rules of Strategic Committee and Detailed Implementation Rules of Remuneration & Checking Committee according to the requirements of the Administration Rules of Listed Companies and the Articles of Association of the Company. In 2003, the Board of Directors established the Investment & Examination and Appraisal Group under Strategic Committee, which was responsible for the earlier-stage preparation tasks of Strategic Committee's decision-making, while it set up the Remuneration & Checking Work Group under Remuneration & Checking Committee, which was responsible for the arrangement of the meeting and implementation of the relevant resolutions. In this year, the Board of Directors also set up Audit Committee

3. The Company learned the laws, rules and several standard documents related with the company's administrative in time, actively participated in the experience communion formed by responsible department, and conducted self-scrutiny according to the requirements, abided by the regulation for information disclosure, strictly performed the internal regulations such as Rules of Information Disclosure of CIMC, system and flow, fulfilled the information disclosure obligation of listed companies, actively improved the information disclosure quality of the Company, safeguard faithfully the investors' interests. Through taking the upgrading of images and value of the Company's capital market as target, strengthening the management task of investors' relationship, the Company actively introduced the Company's value to institution investors and mass investors through the various means in order to cause the Company's value gained the remarkable upgrade.

According to the requirements of Administration Rules of Listed Company, the administration status of the Company accords basically with the relevant regulations. From now on, in accordance with the requirements of the laws, regulations and stipulations of regulatory departments such as CSRC and Shenzhen Stock Exchange and other national organizations concerned, the Company shall continue to strengthen company administration, improve faithfully the operation of the special committee of the Board of Directors, bring into play the roles of the Board of Directors, the Supervisory Committee, the Shareholders' General 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 investor relationship.

(II) Selection and Performance of Independent Directors

Pursuant to the requirements of relevant laws and regulations of the Supervisory departments as well as of the Articles of Associations of the Company, 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, ensure 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 significant decision-making activities of the Board of Directors in line with the laws and regulations of Supervisory departments and the Articles of Association of the Company. By taking into account the interests of the shareholders, especially the medium and small shareholders, they issued their own independent opinions supported by their professional knowledge while discussing proposals on operational activities, investment, financing, 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) The Company Separates from the holding shareholder in five aspects of business, personnel, asset, institution and financing.

Two big shareholders of the Company, COSCO and the China Merchants Container Industrial Co., Ltd, hold 16.23% 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 financing. 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 appraisement and incentive mechanisms for senior management

The Company established at an early time the performance appraisement 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 "Checking 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 Board of Directors set the appraisal indication, and at the end of the year, the Board of Directors will decide on the remuneration of every management personnel according to his or her performance of such indicators. The Shareholders' General Meeting authorized the Board of Directors to determine the remuneration of Mai Boliang, Director and concurrently President of the Company, according to the Checking & Administration Method to Management Team of CIMC, while the performance bounty of the other senior executives was determined by President and submitted to the Chairman and Vice Chairman of the Board for examination and approval.

VI. Introduction of the General Meeting of Shareholders

(I) In the report period, the Company did not held extraordinary shareholders' general meeting.

(II) Shareholders' General Meeting 2002

1. The Company published an announcement on convening Shareholders' General Meeting 2002 in Financial News and Ta Kung Pao dated May 7, 2003. The Company published a notice on

adding the proposal of Shareholders' General Meeting 2002 in Securities News and Ta Kung Pao dated May 24, 2003.

2. On June 6, 2003, Shareholders' General Meeting 2002 of the Company was held in R&D Center of CIMC, No. 2 Gangwan Avenue, Shekou Industrial Zone, Shenzhen, Guangdong Province. Total 13 shareholders and shareholder's proxies attended the Annual Shareholders' General Meeting, representing 296,469,262 shares with voting-bearing, which took 58.10 % of the total shares with vote-bearing, including, 6 shareholders of domestic investment shares, representing 117,305,781 shares with voting-bearing, which took 22.99% of the total shares with voting-bearing and 7 shareholders of foreign investment shares, representing 179,163,481 shares with voting-bearing, which took 35.11% of the total shares with voting-bearing. Mr. Wang Zhixian, Director of the Company, presided over the Board meeting; Beijing Tianqin Law Firm issued Law Opinion for the meeting.
The meeting discussed and adopted the following proposals:

1. Work Report 2002 of the Board of Directors;
2. Work Report 2002 of the Supervisory Committee;
3. Annual Report 2002 and its Summary;
4. Suggestion Project of Profit Distribution 2002;
5. Proposal on Establishing Strategy Committee of the Board of Directors;
6. Proposal on Establishing Remuneration and Checking Committee of the Board of Directors;
7. Proposal on Establishing Auditing Committee of the Board of Directors;
8. Proposal on Additionally Issuance A-Share Through Public Shares Offering;
a. Proposal on Application for Additionally Issuing A Share of the Company in Compliance with Management Measure of New Shares Issuance of Listed Company;
b. Proposal on Issue Project of the Additional Issuance Through Public Shares Offering;
c. Proposal on Input Direction of the Proceeds Raised Through the Additional Issuance by Public Shares Offering;
d. Proposal on other Relevant Issues of this Additional Issuance Through Public Shares Offering; and,
1) Provisional Resolution on Changing Number of Directors of the Company;
2) Provisional Resolution on Amending Articles of Association of the Company;
3) Provisional Resolution on Amending Rules of Procedure of Shareholders' General Meeting;
4) Provisional Resolution on Engaging Certified Public Accountants;
5) Proposal on Providing Credit Guarantee for Short-term Credit of Wholly owned and Affiliated Subsidiaries;

3. On June 7, 2003, the Company published the public notice on this shareholders' general meeting in Securities Times and Ta Kung Pao respectively.

4. This shareholders' general meeting examined and approved the provisional resolution, the number of the Board of Directors was changed as 8 directors from 11 directors.

VII. Report of the Board of Directors

(I) Discussion and analysis of the Board of Directors

1. Summary

In 2003 and especially in the second half of the year, the economy in all main areas all over the world took on a trend of strong recovery. The total amount of export in the foreign trade of China increased by 37.1% than that in the same period of last year, jumping to rank in the 4th place all over the world, which was the fastest increase since 1980. The container throughput in main ports of China increased by 31% than that in the same period of last year. Under this background, the global demand of containers climbed up strongly and created the new historical record. The Group realized Revenue and Net profit for the year amounting to RMB13,705,212,000 and RMB694,051,000 respectively, an increase of 51.84% and 63.97% respectively over the same period of last year. The container business continued to keep good condition like last year with product price recovering continuously and the Group sold accumulative containers amounting to 1,173,300TEUs, an increase of 56.11% over the same period of last year, which created the new highest record in the same periods of previous years. The industrial position of the Group's container business was firmer.

In the manufacturing business of road transport vehicles, the Group also gained piercing progress in such aspects as construction of productive base, acquisition and market expansion. The Group sold 8,991 units of vehicles accumulatively in the whole year and realized sales income amounting to RMB 685 million in the road transport vehicle business. Since the equity acquisition has not been approved by the government, the sales income amounting to RMB 667 million in it has not been placed into the consolidated scope of the Company's financial statements.

The Company finished the additional issuance of A shares amounting to 120 million shares and enriched share capital amounting to RMB 1751 million, which has improved the Company's liability structure obviously and has provided strong support of capital for the push of the Group's development strategy; has enhanced the negotiability of A shares and was beneficial for the Company's value to be fully represented in the securities market.

Viewing 2004, the global economy has entered into the rapid recovery phase. The further deepening of upgrading of industrial structure and accelerating of manufacturing industry's transfer to Asia especially to China shall create relatively loose market environment for the rapid and stable growth of international economy and trade in a certain period in the future. The impetus of factors in China to global economy growth boosts up increasingly. Global economy especially territorial trade is hopeful to increase fast and the container trade shall climb up continuously. Thus, the demand for containers shall also continue to keep steady growth.

In the aspect of modern road transport vehicle manufacturing business, in 2004, the Group's semi-trailer business shall receive a broader and more beneficial operating environment. The

Group shall expand the productive scale, do the operating management well, continue to push the acquisition and merger and improve the layout of productive base.

2. Analysis to the main financial data

(1) Particulars about Revenue, profit and cash flow

Unit: RMB'000

Items	Amount in the period	Amount in the same period of last year	Increase/decrease rate (%)
Revenue	13,705,212	9,025,986	51.84
Gross profit	1,783,653	1,166,651	52.89
Net profit for the year	694,051	423,293	63.97
Net increase/decrease in cash and cash equivalents	324,667	−9,441	3538.91%

Analysis:

Revenue increased by 51.84% than that in the same period of last year, which was mainly because that the demand for containers in the whole year kept prosperous and the sales volume of containers increased by a big margin with recovering price.

Gross profit increased by 52.89% than that in the same period of last year and net profit for the year increased by 63.97% than that in the same period of last year, which was mainly because that the sales volume of containers increased by a big margin and the price recovered.

Net increase in cash and cash equivalents increase by 3.54 times than that in the same period of last year, which was mainly because that the Company additionally issued 120 million A shares in Nov. 2003 and its productive and operating scale was expanded.

(2) Particulars about assets and shareholders' equity

Unit: RMB'000

Items	Amount at the period-end	Amount at the period-beginning	Increase/decrease rate (%)
Total assets	10,258,356	8,073,894	27.06
Shareholders' equity	5,295,653	2,850,497	85.78

Analysis:

In the report period, the Company's assets structure was still in good status. The total assets increased by27.06% than that at the beginning of the year, which was mainly because that the sales of products still kept prosperous at the end of the year, resulting into the increase in current assets. In the current assets: Cash and cash equivalents increased by 85.01% than that at the beginning of the period and Trade and other receivables increased by 39.09%. In the report year, the Company's main assets indexes kept in good level: The velocity of total assets was 1.495; the velocity of accounts receivable was 3.58; the velocity of inventories was 9.80; the assets-liability rate decreased to 41.95%.

The shareholders' equity increased by 85.78% than that at the beginning of the year, which was mainly because that the Company finished to additionally issue 120 million A shares in the report period in the report period, from which the raised proceeds was RMB 1,751 million (deducting issuance expense), and at the same time, net profit increased by RMB 694 million.

(II) Operation of the Company

1. Scope of main operations and operation

(1) Structure of income from main operations and profit from main operations

Ended Dec.31, 2003, the Group realized Revenue and net profit for the year amounting to RMB13,705,212,000 and RMB694,051,000 respectively, an increase of 51.84% and 63.97% respectively than that in 2002.

(2) Summary of main operations

The Group is mainly engaged in the manufacturing and sales business of modernized traffic and transport equipments, including design, manufacture, sales and service of such traffic and transport equipments as containers, modern road transport vehicles, airport ground equipments and etc.. Except for this, the Group is also engaged in such businesses as timber, real estate and etc.. The Group is the largest manufacturer of containers in the world.

The product taking over 10% of the Group's income from main operations and total profit from main operations is container.

Statement of main business classified according to industry or product:

Unit: RMB'000

Product	Revenue	Increase/decrease of revenue compared with the previous year (%)
Containers	13,117,175	49.60

Particulars about main business classified according to region:

Unit: RMB'000

Region	Revenue	Increase/decrease of revenue compared with the previous year (%)
USA	3,591,483	65.16
Europe	6,308,050	55.72
Asia	3,504,819	50.59
Other regions	300,860	−61.03
Total	13,705,212	51.84

The container business gained full enhancement in the great increase

In 2003, the global demand for containers continued to increase. The orders of containers took on the following characteristics in 2003: not weak in such low seasons as the 1st and 4th quarter while more prosperous in such midseason as the 2nd and 3rd quarter. The Company realized large growth in the sales income and net profit. The productive and sales volume of containers reached the new highest record in the same historical periods with business scale being expanded and its market position continued to be consolidated. In 2003, the Group accumulatively produced containers amounting to 1,159,350 TEU and sold containers amounting to 1,173,293 TEU, an increase of 52.96% and 56.11% respectively over the same period of last year. Revenue amounting to RMB13,117,175,000 was realized in containers, an increase of 49.60% over the same period of last year.

In 2003, the Company accumulatively sold standard dry van containers, reefers and special containers amounting to 1,075,773 TEU, 63,454 TEU and 34,066 TEU respectively, an increase of 60.70%, 11.75% and 30.12% respectively over the same period. Besides, 1,233 pieces of tank containers were sold, an increase of 393.2% over the last year; 243,100 tray containers were sold, which decreased somewhat over the last year. The Company also became the first enterprise with productive and sales volume exceeding 1 million in the world container industry. In 2003, the market share of the Group's dry container was over 50% and the market share of reefers and tank containers was 46% and 15% respectively.

The reason why the Group gained the said good achievements was that the Group realized the predicted objectives in the following aspects:

① Improving the container industrial base and network layout of customers' service and consolidatankg and strengthening the industrial lead position

In the aspect of dry van containers, Shenzhen Southern CIMC Eastern Plant and Ningbo Plant were newly established, of which, Shenzhen Southern CIMC Eastern Plant was put into production in September. The Company expanded the construction of Shanghai CIMC Baowell Plant, contracted the operation of Fujian Zhangzhou China Merchants Container Co., Ltd. and removed and restructured Qingdao CIMC Plant and Dalian Plant. At the same time, the Company increased to hold 5% equity of Shanghai CIMC Far East Container Co., Ltd. and 8.37% equity of Qingdao CIMC Container Manufacture Co., Ltd..

In the aspect of special containers, the Company confirmed the development planning of important product line and base layout. In order to meet the market demand, develop container products with high-tech contents and expand relevant product lines, based on the production lines of tank containers in the former Nantong Special Transport Equipment Company, Nantong CIMC Tank Storage Equipment Manufacture Co., Ltd. was newly established with registered capital amounting to USD 2.10 million. The Group held 61.8% equity of Nantong CIMC Tank Container Company, which was mainly engaged in the development, production and sales of flexible and fixed equipments for storing such media as petrochemical, liquidized gas with low temperature and etc. with its productive capability reaching 6,000 units/year. Xinhui CIMC Special Transport Equipments Co., Ltd. was newly established with registered capital amounting to USD 3 million, where the Group held its 100% equity. This company was completed and put into production in June 2003, which would strengthen the Group's product competitive force in inland container and two-double container market of North Africa.

In the aspect of reefer, the Group increased to hold another 16.21% equity of Qingdao CIMC Reefer Co., Ltd. and established Qingdao CIMC Special Reefer Co., Ltd. in Feb. 2003.

The said strategic adjustment would completely enhance the Group's global lead position in the aspects of dry containers, reefers and special containers.

② Improving quality system, reinforcing cost control and continuing to enhance basic management level

In order to continue to improve the basic management platform of quality management, the Company continued to strengthen the management on production cost and purchase of raw materials and continuously mined the cost space, which has gained relatively good achievements. The construction of information system gained achievements preliminarily and played more and more important role to the management especially the cost management, which has become the roll booster of the enterprise's development.

③ Making great efforts to push the technical innovation and to lead the advancement of the industry

According to the thought of "Centralized management, distributed R&D and distributed manufacture", the Company has improved the technical R&D organization system, has established the share channels of technology and craftwork resources within the Group and has further improved the technical innovation encouragement mechanism. The Company has exerted the function as industrial leader and has strengthened the R&D of new products, new materials and new technologies. In the aspect of research and application of environmental container's wooden floor project, the Company has gained a breakthrough; Shanghai CIMC designed and produced the first environmental-protecting reefer adopting environmental-protecting vesicant all over the world in July 2003, which indicated that the Group has gained piercing progress in the research field of environmental-protecting reefers; the Company has also gained preliminary progress in the jointly developed project of security smart container.

The frame of modern road transport vehicle business has formed preliminarily

The Group's modern road transport vehicle business mainly included manufacture, sales and maintenance of semi-trailers and special vehicles beyond semi-trailers. The Group accumulatively completed productive and sales volume of vehicles amounting to 8,991 units and realized sales income amounting to RMB 685 million in the whole year. Of which, Yangzhou CIMC Tonghua Special Vehicle Co., Ltd. (hereinafter referred to as Yangzhou Tonghua) realized productive and sales volume amounting to 6,422 units and sales income amounting to RMB 488 million and realized profitability in the whole year (In the report period, Yangzhou Tonghua was still not listed into the consolidated financial statements of the Company.); Jinan KOGEL Special Automobile Co., Ltd. (hereinafter referred to as KOGEL) realized productive and sales volume amounting to 1,466 pieces and sales income amounting to RMB 179 million and realized profitability in the whole year. In the report period, Yangzhou Tonghua and Jinan KOGEL have still not been placed in the consolidated scope of the Company's financial statements. Both Shenzhen Southern Base and America Vanguard National Trailer Corporation did not realize profitability.

① Preliminarily establishing the frame of road transport business and the layout of production base covering South China, East China and majority of Shandong and North China.

In order to continue to realize the Group's production layout objective in modern road transport vehicle business, the Group successfully realized the acquisition of America HPA MONON CORPORATION, Yangzhou Tonghua Special Vehicle Co., Ltd. and Jinan KOGEL in 2003.

In Mar. 2003, the Company acquired 13.5% equity of Yangzhou Tonghua through CIMC Hong Kong, a wholly owned subsidiary of the Company and increased the investment to Yangzhou Tonghua through its wholly owned subsidiary. Through the said acquisition and investment increase, the Company held 75.53% equity of Yangzhou Tonghua and changed the name of Yangzhou Tonghua into " Yangzhou CIMC Tonghua Special Vehicle Co., Ltd.". At present, the productive capability exceeded 6,000 pieces. In Jan. 2004, the equity transfer and investment increase were approved by Ministry of Commerce.

In May 2003, the Company acquired 42% and 6% equity respectively through its wholly owned subsidiaries, namely CIMC Heavy Machinery and CIMC Hong Kong respectively, thus the Company became the first largest shareholder of KOGEL indirectly. Jinan KOGEL Special Automobile Co., Ltd. was a joint venture established jointly by Germany KOGEL Automobile Co., Ltd. and Jinan Automobile Refit Plant in April 1993, which was mainly engaged in the production of refrigerator vacuum automobile, tin automobile, van, rapid-changed container transport auto, constrictive dustbin and etc.. At present, the annual productive capability exceeded 2,000 pieces. On Dec. 17, 2003, the relevant procedures of equity transfer were finished.

In May 2003, the Company acquired the assets related to the production of semi-trailers and relevant assets in accessories distributing center of America HPA MONON CORPORATION through its wholly owned subsidiary called Vanguard National Trailer Corporation, which was beneficial for combining the experience on technology and management of American enterprise and lost-cost strategic advantage and core capability of the Group and forming competitive advantage in road transport vehicle business. HPA MONON CORPORATION originally located in Indiana of America with main products including Dry Freight Vans, Chassis, container and other professional products. American Plant was operated and managed by the Company's subsidiary in America, namely Vanguard National Trailer Corporation. On June 10, 2003, the bankruptcy court in the North of Indiana, America, approved the said assets acquisition. Ended Dec. 31, 2003, the transfer procedure that Vanguard National Trailer Corporation acquired the said assets was in the process. The Group has completed the restructure and trial production of production lines in American Plant and preliminarily realized coordinating operation of national production in accessories and components and American Plant.

After the said series of acquisitions, the Group has preliminarily set up four production bases of road transport vehicles: Jinan, Yangzhou, Shenzhen and Indiana of America.

In Sept. 2003, Shenzhen CIMC Heavy Machinery Co., Ltd. Eastern Plant was laid a foundation and was started in construction, which would be mainly engaged in production of various kinds of semi-trailers and special vehicles etc.. The planned investment of Project I was RMB 113 million with annual production capability of 15,000 pieces. The said Plant, which was the largest production base of semi-trailers in the State, was put into formal production in Feb. 2004.

② The production line of road transport vehicles was formed preliminarily. The mainstay products included dry freight vans, refrigerated vans, tank trailer & other special vehicles, container chassis and platform, refit vehicles and special vehicles etc., which could cover all kinds of special automobile varieties in road logistics transport in a preparatory way.

③ Marketing oriented to global market has gained obvious achievements.

Making use of existing advantages in container business, the Company has preliminarily established national market sales and after service network and has actively expanded the objective customers at home and abroad. Moreover, the Company successfully gained the order of trailers from such big customers as MAERSK Company, China Shipping Logistics Company, Yangming Marine Transport Corporation etc..

2. Operations and achievements of the Company's main holding and share-holding companies

Except for being mainly engaged in the manufacturing business of containers and modern road transport vehicles, the Company was also mainly engaged in the timber, airport ground equipments, other mobile equipments and real estate etc. through its holding and share-holding companies.

(1) In the aspect of airport ground equipments and other mobile equipments business, Shenzhen CIMC Tianda Air and Port Equipments Co., Ltd. (hereinafter referred to as CIMC Tianda), the Group's wholly owned affiliated subsidiary, was mainly engaged in the manufacture, sales and maintenance of airport ground equipments with registered capital amounting to USD 13.50 million. In 2003, CIMC Tianda continued to develop in a healthy way, gained outstanding achievements in such several aspects as production, market sales and etc., successfully gained orders from freight disposal equipments in aviation freight center in Guangzhou New Airport and boarding bridge in Guangzhou New Airport and consolidated the position of main suppliers in boarding bridges in domestic airports: realizing sales income amounting to RMB 130.971 million, an increase of 105.3% over the last year; net profit also reached the highest level since the Company's foundation, reaching RMB 21.258 million.

(2) In the aspect of real estate business, CIMC Shenfa Construction Industrial Co., Ltd. (hereinafter referred to as CIMC Shenfa) was mainly engaged in the investment, construction and operation of infrastructures, development and operation of real estate and industrial investment with registered capital amounting to RMB 150 million, where the Company held 100% equity. In the report period, the Group continued to emphasize on expanding the business in Shanghai and Jiangmen of Guangdong in the aspect of real estate. In 2003, sales income totally amounting to RMB 353.373 million was realized in real estate business, an increase of 105.78% over the last year, and the net profit reached RMB 17.981 million. The project of White Yulan Garden developed by Shanghai Yulan Property Development Co., Ltd., an affiliated company of CIMC Shenfa, was all completed and sold out; the project of Haide Garden developed by Shanghai Fengyang Property Co., Ltd. made progress smoothly; the project of Zhongtian International developed by Jiangmen CIMC Tianyu Real Estate Company started to be presold; the commercial housing developed by Nanjing CIMC Real Estate Co., Ltd. in past years was all sold out with course completion of real estate in Nanjing being finished.

(3) In 2003, in timber business, the Group realized sales income amounting to RMB 452.909 million, an increase of 96.8% over the last year, and realized net profit amounting to RMB 13.053 million. Of which, Xinhui CIMC Container Wooden Floor Manufacture Co., Ltd., where the Group held 72% equity, was mainly engaged in the deep processing of timber with registered capital amounting to USD 11.50 million. The said company realized sales income amounting to RMB 160.556 million and realized net profit amounting to RMB 10.887 million in 2003.

3. Main suppliers and customers

In the report period, the Company's total purchase amount from the top five suppliers took 36.48% of the total annual purchase amount while its total sales amount to the top five customers took 33.10% of the total annual sales amount. There existed no equity held by the Company's main related parties or shareholders holding 5% shares of the issuer in the said suppliers and customers.

4. Problems, difficulties arising from the operation and solutions

(1) Problems and difficulties

Since the world economy continued to grow and the container trade increased by a large margin, the demand for containers was prosperous in 2003. Due to the push of national demand, the price of steel especially the steel materials used in containers ranked a high level and the supply of raw materials in containers was relatively intense, thus the Company still had a certain pressure in the purchase.

(2) Solutions

Facing the new situation in the industry and market environment, the Company adjusted and expanded the productive capability in a fast way in 2003, which has satisfied the market demand, and continued to reinforce and improve the management on supplier and customer relationships and further provided increment service for customers, which made the sale and market share of containers continuously climb up and gross profit ratio keep stable.

5. The Company did not disclose the profitability forecast in public in the report year

(III) Particulars about the investment of the Company

1. Particulars about the utilization of the raised funds

On Nov. 20, 2003, the Company has raised capital of RMB 1.751 billion by the accomplishment of additional issuance of 120,000,000 A shares (issuance costs deducted)

Unit: RMB'000

Committed projects	Planned investment	Accumulated amount of investment in the period-beginning	Planned amount of investment in the period	Actual amount of investment of the period	Progress of project	Profit of project
Transform of dry container plant	329,060	0	329,060	329,060	100%	16,450
Improvement of the productivity of container for district purpose and container for special purpose	413,500	0	181,730	181,730	44%	17,000
Remolding for improving the productivity of the reefer container	221,060	0	182,060	182,060	82%	21,100
Tank Container	145,390	0	110,000	110,000	76%	8,720
Compartmental semi-Trailer	231,560	0	231,560	231,560	100%	Not accrued yet
Container chassis	190,210	0	0	0	0%	Not accrued yet
Compartmental semi-Trailer for the processing of overseas raw materials	240,120	0	213,880	213,880	89%	Not accrued yet
Total	1,770,900		1,248,290	1,248,290	70%	63,270

Note: Some investment of projects have not accrued revenue yet in 2003; The investment of Container chassis project has been postponed contrast with the plan.

Ended the end of the report period, the raised capital amounting to RMB 502.814 million, which hasn't been put into use, would supplement the current fund temporarily.

2.Particulars about the non-raised capital in the period

(1) On Jan.1, 2003, the Company and its subsidiary CIMC (B.V. I). increased investment of USD 10,080,000 and USD 3,420,000 to Shanghai CIMC Baowell Industrial Co., Ltd. respectively. Thus, the registered capital of Shanghai CIMC Baowell Industrial Co., Ltd. increased to USD 28,500,000 from USD 15, 000,000. After the investment increase and payment, the Company and B.V. I. Co., Ltd. held the equity capital of Shanghai CIMC Baowell Industrial Co., Ltd. amounting to 35.37% and 12% respectively.

(2) On Jan. 24, 2003, the Company's wholly owned subsidiary CIMC Hong Kong was assigned the 5% share capital of Shanghai CIMC Far East Container Co., Ltd held by TRADING

RESOURSES CO., LTD.. Thus, the Group held 52.5% equity of Shanghai CIMC Far East Container Co., Ltd.. On Feb. 25, 2003, CIMC Hong Kong signed an agreement of transferring equity with Korea Hundai Mobis Co., Ltd.. Korea Hundai Mobis Co., Ltd. assigned 16.21% equity of Qingdao CIMC Reefer Co., Ltd and 8.37% equity of Qingdao CIMC Container Manufacture Co., Ltd. to CIMC Hong Kong at the price of the USD 4875,000 and USD 2,125,000 respectively. After the accomplishment of the transfer, the Group held 91.44% equity of Qingdao CIMC Reefer Co., Ltd and 89.56% equity of Qingdao CIMC Container Manufacture Co., Ltd..

(3) On Aug. 29,2003, the Board of Directors passed the Resolution on Setting up Ningbo CIMC Logistics Equipment Co., Ltd..
The Company and its wholly owned subsidiary, called B.V. I Co., Ltd. made a decision to set up Ningbo CIMC Logistics Equipment Co., Ltd., whose registered capital was USD 15,000,000, where the Group held 100% equity.

(IV) Particulars about the financial position of the Company

Main financial position of the Company were as follows:

Unit: RMB'000

Items	2003	2004	Increase /decrease (%)	Main Reasons of changes
Total assets	10,258,356	8,073,894	26.86	The enlargement of operational scale and additional issuance of A share
Non-current Liabilities	3,447,140	3,163,326	401.58	Large quantities of long-term loans converting into long-term liabilities due within one year in 2002
Shareholder's equities	5,295,653	2,850,497	85.40	The additional issuance of A share and the increase in net profit of this year
Profit from operations	905,376	512,948	53.72	The increase in sale of containers
Net profit for the year	694,051	423,293	46.86	The increase in sale of containers

(V) Change of environment of production and operation, macroscopic policy and regulations and their influence on the Company

In 2003, the global economy rapidly increased, the increase of the global container trade was more rapid and the growing speed of foreign trade of China created a new record. Meanwhile, because the economy of China continuously increased in temperature, industry structure rapidly developed toward the type under the leading of heavy and chemical industry, the internal need of raw material thrived, the price of steel products could keep in top place in longer time. On Oct. 13, 2003, Ministry of Finance and State Administration of Taxation promulgated Notification on Adjusting Export Rebate Rate that made structure adjustment of the present tax reimbursement rate of VAT of export goods since Jan. 1, 2004. Among of it, the rebate rate of export goods for containers, the main product of the Group, drops from 17% to 13%. In 2003, the national and provincial governments started to adjust policy and regulations on road transportation. For example, some provinces reformed collection way and standard of transit charge of road transportation from collecting as marked rated dead weight tonnage to collecting transit charge as the actual weight of goods; from Dec. 1, 2003, the transportation management departments of five provinces and cities in North of China cooperated and carried on action of Administrating Over-weight and Over-limit of Road Transportation.

The above events show that the danger of road transportation under over-weight and over-limit has aroused the high emphasis of the government. Its influence on the Group's business development mainly shows in the following aspects:

1. The need of containers in the whole year keeps bloom, the price of container also gets rise to the top level in recent years and the order and sale amount increases in a large scope. The dropping of export tax reimbursement rate of partial commodities perhaps has a structure influence on the decrease and increase of some products' export of China. The export tax reimbursement rate of container drops from 17% to 13% and it is estimated to make product's cost increase slightly in 2004.

The Group took such measures as increasing and rebuilding production base, enlarging production ability, improving service of container delivery and so on to meet the market need. Aiming at the pressure of production cost of dry van container of the Group caused by the undulation of price of raw material in high place, the Group improved purchase management, controlled the range of cost's rise and maintained the stability of level of gross ratio. Concerning falling of export rebate rate, since Jan. 1, 2004, the Group will appropriately adjust the sale stratagem, so it is estimated that the influence caused by falling of export rebate rate can be basically counteracted.

2. The national and local governments' starting to adjust and amend policy and regulations on road transportation is in favor of the business development of road transportation vehicle of the Group.

(VI) Operation plan of the Company in the new year

1. Development background and operation goal of the Company's business in 2004

(1) Development background of business

If expecting 2004, the increase speed of the world economy will be accelerated, the progress of the global manufacture industry's diverting to China will continue, the global shipping industry will be a continuous prosperity, the international trade and container trade will stably increase and China will still keep higher increase speed of import and export of foreign trade. It is estimated that the market need of container in the whole 2004 will has some rise compared with that in 2003 and meanwhile, the price of container will has an upcreep in some range.

Seeing from the background of industry development of modern road transportation vehicle, at present, the advantage of China as the global manufacture base appears, the civil consumption structure further upgrades, the internal need further enlarges, the development of modern logistics industry inside the country is rapid, the new-style logistics enterprises are growing and grandness and the need of late-model efficient transportation tool in market of road transportation. On the other hand, the state has established the transportation layout and industry policy of pushing industry development of new-style efficient road transportation vehicle. In 2004, the state will enhance construction of the principal line of the state-owned road, layout the state's freeway network and continue to strengthen administration of road transportation under over-weight and over limit. In Feb. 2004, National Development and Reform Commission promulgated notification and started to administrate vehicles products with the type of carrying goods of Large Tonnage and Small Standard (note: namely the dead weight tonnage stated in vehicle driving certification is less than the actual designed parameter) and it shows nonstandard road transportation's negative influence on such aspects as transportation efficiency, cost and security has already aroused the high emphasis of the government and modern road transportation vehicles' taking place of traditional common carrying trunks has stared in the face.

The step of economy resuscitation of USA clearly quickens, it will enter increasing period and the level of need of road transportation vehicle improves. It will be beneficial to the extension of manufacture business of road transportation of the Group in foreign market.

(2) Business operation goal

The Company will make efforts to hanker higher product quality, wider product line, more normative enterprise's administration structure and operation, customer service with better quality and more added-value business for the consumers and try our best to make the Company become the industry's leader with mission sense and responsibilities.

The whole operation goal is: ① in aspect of container business, the Company will strengthen technology innovation and management innovation, consummate layout of production base, improve products quality and extend service fields; ② in aspect of business of road transportation vehicle, the Company will further consummate distribution of production and sale network, reorganize production elements of the industry, improve rapidly the sale scale and strengthen the benign communication of domestic and foreign businesses; ③ strengthen the group management and fully realize the effect of cooperation; ④ in aspects of other businesses, the Company will continue to maintain the guideline of controlling risk and self-discipline operation, roll and develop by itself.

2. Operation measure of the Company's business in 2004

(1) In aspect of business of container, the Group will continue to optimize the network distribution of industry base; take effective measures to realize the promise that the Company provides more convenient and rapid added-value service for the customers; further establish and consummate the system of technology innovation, consummate management of basic technology and management and service of product's research and development and make the R&D system of products and technology of the Group support the continuous development of businesses in order to ascend the position in the industry; carve out and innovate and extend the service fields of business.

(2) In aspect of business of modern road transportation vehicle, the Group will increase resource's input and rapidly form the industry's scale; ensure the business development of the purchased companies and smooth process of operation and management of the newly-established factories, push the work of purchase and merge of semi-trailer enterprises in a stable step, preliminary complete distribution of production base; strengthen construction of frame and system of marketing service and cooperation system of fitting purchase.

(3) In aspect of other businesses, the Group will continue to exploit manufacture business of airport floor equipments. In 2004, CIMC Tianda will complete the obtained full orders of the domestic main airports and will continue to exploit the real estate market in Shanghai and Guangdong.

(VII) Routine work of the Board of Directors

1. Meetings of the Board of Directors and content of resolutions

In the report period, the Board of Directors of the Company held the following meetings:
1) On Feb. 10, 2003, the Board of Directors of the Company held the first meeting in 2003 by communication vote and the meeting examined and approved Resolution on Investment Item of Renewal and Rebuilding of Xinhui CIMC Container Flooring Co., Ltd..
2) On Mar. 23, 2003, the Board of Directors of the Company held the second meeting in 2003 and the meeting examined and approved the following resolutions:
a. Resolution on Assessment Method for Management Team in 2003
b. Resolution on Appropriating Reward Amount of 2002
c. Resolution on Providing Credit Guarantee for Short-term Bank Credit Loan of the Wholly-owned and Auxiliary Subsidiaries
d. Resolution on Authorizing Appropriation of Provision for Intangible Assets' Depreciation
e. Resolution on Establishing Stratagem Committee and Remuneration and Assessment Committee
f. Resolution on Financing Arrangement in 2003
g. Resolution of the 2nd Meeting in 2003 (including: 2002 Annual Report and Summary; 2002 Profit Distribution Preplan)
h. Resolution on Relevant Accounting Items in 2002
i. Resolution on Changing Director of CIMC(HK)
As well as the documents submitted to Stock Exchange as follows:
a. Explanation of the Board of Directors on Change of Accounting Assessment of the Company in 2002
b. Explanation of Independent Directors on Change of Accounting Assessment of the Company in 2002
The public notice on the meeting's resolutions was published on Securities Times and Ta Kung Pao dated Mar. 25, 2003.
3) On Apr. 23, 2003, the Board of Directors of the Company held the 3rd meeting in 2003 by communication vote and the meeting approved the 1st Quarterly Report of 2003;
4) On Apr. 29, 2003, the Board of Directors of the Company held the 4th meeting in 2003 and the Company formed the resolutions: a. Prolonging Effective Term of Reissuing of A Share; b. Holding 2002 Shareholders' General Meeting;

The public notice on the meeting's resolutions was published on Securities Times and Ta Kung Pao dated May 7, 2003.

5) On May 21, 2003, the Board of Directors of the Company held the 5th meeting in 2003 by communication vote and the Company examined and approved the following items:

Agreeing the Supervisory Committee to submit the four temporary proposals such as Change of Directors, Amendment of Articles of Association of the Company, Amendment of Procedure Rule of the Shareholders' General Meeting and Engagement of Certified Public Accountants to the Shareholders' General Meeting.

6) On Aug. 13, 2003, the Board of Directors of the Company held the 6th meeting in 2003 and the meeting examined and approved Semiannual Report of 2003.

7) On Aug. 29, 2003, the Board of Directors of the Company held the 7th meeting in 2003 and the meeting examined and approved the following resolutions:

a. Resolution on increasing investment to Tin Container of Nantong CIMC Special Purpose Transportation Equipment Co., Ltd.;

b. Resolution on Establishing Ningbo CIMC Logistics Equipment Co., Ltd.;

c. Resolution on Dalian CIMC Container Co., Ltd.;

d. Resolution on Engaging Mr. Wu Fapei as the Secretariat of the Board of Directors of the Company;

e. Resolution on Engaging Mr. Zhao Qingsheng and Mr. Zhou Bosheng as Deputy President of the Company;

8) On Oct. 23, 2003, the Board of Directors of the Company held the 8th meeting in 2003 by communication vote and the meeting examined and approved the 3rd Quarterly Report of 2003.

The public notice of the meeting's resolution was published Securities Times and Ta Kung Pao dated Oct. 24, 2003.

9) On Nov. 30, 2003, the Board of Directors of the Company held the 9th meeting in 2003 and the following resolutions were formed in the meeting:

a. Resolution on Increasing Investment of Qingdao CIMC Container Manufacture Co., Ltd.;

b. Resolution on Amendment of Articles of Association of the Company;

c. Resolution on Newly-added Investment of Xinhui CIMC Container Flooring Co., Ltd.;

d. Resolution on Establishing Qingdao CIMC Special Purpose Freezing Equipment Co., Ltd.;

e. Resolution on Establishing Nantong CIMC Tin Container Storage & Transportation Equipment Manufacture Co., Ltd. and Relevant Items.

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

(1) On June 6, 2003, 2002 Shareholders' General Meeting approved Proposal on Reissuing A Share by Public Financing. On Nov. 14, 2003, ZJFXZ[2003] No. 121 of CSRC authorized the Company to reissue RMB common share totally 120,000,000 shares. On Nov. 20, 2003, the reissuing proposal was implemented. On Dec. 5, 2003, by authorizing Shenzhen Stock Exchange, the reissued share of the Company this time totally 120,000,000 was listed for circulation

(2) On May 31, 2002, 2001 Shareholders' General Meeting approved Proposal on China Ocean Shipping (Group) Company's Transferring Equity of the Company to COSCO Shipping

Engineering Group Co., Ltd. by Assets' Transfer. Ended Dec. 31, 2003, according to the decision of China Ocean Shipping (Group) Company, the equity transfer of the Company ended.

(3) On Nov. 16, 2003, the 1st Extraordinary Shareholders' General Meeting of 2002 approved Proposal on Listing and Circulating of Non-listed Foreign Share of the Company and China Merchants Container Industry Co., Ltd. and Profit Crown Assets Limited applied to list and circulate the non-listed foreign share of the Company held by them and entrusted the Company to deal with the listing and circulating. On Dec. 22, 2003, the Company received the document of CSRC with ZJGSZ[2003] No. 51, namely Notification on Authorizing Listing and Circulating of Non-listed Foreign Share of CIMC. The document agreed to change non-listed foreign share of the Company held by China Merchants Container Industry Co., Ltd. and Profit Crown Assets Limited, respectively 102,313,410 shares and 22,736,313 shares into B share and list and circulate in B share market of Shenzhen Stock Exchange after one year since that date.
Please refer to the public notice on Securities Times and Ta Kung Pao dated Dec. 31, 2003 for the detail content of relevant events and the Noumber of the public notice: 2003-018.

(4) The 1st Extraordinary Shareholders' General Meeting 2002 approved Proposal on Authorizing the Board of Directors to Amend Articles of Association of the Company and the content of the proposal was as follows: considering that the share structure of the Company would change after the listing and circulating of non-listed foreign shares of the Company held by China Merchants Container Industry Co., Ltd. and Profit Crown Assets Limited was authorized, the Board of Directors asked for the Shareholders' General Meeting to authorize the Board of Directors to amend relevant terms of Articles of Association of the Company on change of share structure of the Company after the listing and circulating of non-listed foreign shares obtained authorization.
On Jan. 9, 2004, the Board of Directors amended relevant terms of Articles of Association of the Company.

(VIII) Profit Distribution Preplan of the Company in the report year

Audited by Shenzhen Pan-China Schinda Certified Public Accountants, in 2003 the Company realized net profit less tax and minority's equity amounting to RMB682,688,009.42. Based on the Company's share capital amounting to 630,302,096 shares ended Dec.31, 2003, earnings per share is RMB1.0831. The suggested preplan on profit and dividends distribution in 2003 is: according to the Articles of Association and current Accounting System, based on the net profit amounting to RMB713,772,761.87 of the parent company in 2003, appropriating 10% of the net profit as statutory public reserve amounting to RMB71,377,276.15, appropriating 5% of the net profit as public welfare fund amounting to RMB35,688,638.08, plus the undistributed profit carried down from last year amounting to RMB 532,674,486.59, the total profit available for distribution to the shareholders in 2003 was RMB1,139,381,334.23. Based on the total share capital of the Company amounting to 630,302,096 shares ended Dec.31, 2003, distributing cash dividends at the rate of RMB3.8 (tax included) for every 10 shares, which totally amounts to RMB239,514,796.48. After the distribution, RMB 850,000,000 is appropriated as discretionary reserves.

Preplan on conversion of public reserve into share capital: suggest converting public reserve into share capital at the rate of 6 shares for every 10 shares. After the conversion, the total share capital of the Company increases from 630,302,096 shares to 1,008,483,353 shares and the capital reserve of the Company decreases from RMB 2,257,128,190.94 to RMB1,878,946,933.34.

The above preplans are subject to Annual Shareholders' General Meeting 2003 for consideration and approval before implementation and are to be submitted to the Shareholders' General Meeting for authorizing the Board of Directors to amend the Articles of Association on the clauses relevant to registered capital after their implementations.

(IX) Other disclosed matters

The Company selected Securities Times and Ta Kung Pao as the newspaper for information disclosure of the Company in 2003.

(X) Independent directors' special-item explanation and independent opinion on the Company's guarantee for external parties

1. Special-item explanation on the accumulated and current guarantee of the Company for external parties and implementation of regulation of Document No. 56 of CSRC

Ended as at Dec. 31, 2003, the guarantees of the Company for external parties are as follows:
(1) The Company has not provided guarantee for any company and person outside the Group and only provided guarantee for the operation capital of the auxiliary subsidiaries of the Group. The Company is a wholly owned one and provided guarantee for operation capital in budget of the auxiliary subsidiaries mainly due to the need of operation and development of businesses.

(2) According to the regulation of Document No. 56 of CSRC of 2003, the listed company can not provide guarantee for other related parties, of whom the Company held less 50% equity
The Company provided guarantee for Xinhui CIMC Container Flooring Co., Ltd.. The Company has 40% equity capital of Xinhui CIMC Container Flooring Co., Ltd.. but the Company contracted and operated it through the Company's wholly-owned subsidiary-China International Marine Container (HK) Co., Ltd.. In the contact period from Jan. 1, 2001 to Dec. 31, 2005, China International Marine Container (HK) Co., Ltd. wholly manages the affairs of Xinhui CIMC Container Flooring Co., Ltd. such as operation, operation, financing and personal and etc., so it has actual control right. Ended as at Dec. 31, 2003, the balance of contingent liabilities caused by guarantee that the Company provided for Xinhui CIMC Container Flooring Co., Ltd. was RMB 57.62 million.

(3) According to the regulation of Notification of Problem on Standardizing Current Capital between Listed Company and Related Party and Listed Company's Guarantee for External Parties (ZJF[2003] No. 56), the total amount of guarantee the Company provides for external parties can not exceed 50% of net assets in the latest accounting year.

Ended Dec. 31, 2003, the balance of contingent liabilities caused by guarantee the Company provided for its subsidiaries was RMB 1.207 billion; (including the above guarantee amount for Xinhui CIMC Container Co., Ltd.), taking by 22.82% of net assets at the end of 2003 amounting to RMB 5.298 billion

(4) According to the regulation of Document No. 56 of CSRC, in order to control financial risk in smaller scope, the Company has made amendment aiming at relevant guarantee terms of Articles of Association of the Company and formed relevant proposals which would be submitted to the annul meeting of the Board of Directors held in Mar. 2004 for discussion and approval.

2. Independent opinions

We believe that the control of guarantee for external parties of the Company is better and the control of financial risk is steady. Although the above guarantee for external parties is need of business development, the proportion does not exceed the regulation, there exists no large risk and causes no damage for the interest of the Company's shareholders, especially the minority shareholders, the Company's guarantee for external parties in the future will continue to be conducted according to relevant regulations.

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 Mar. 23, 2003, the Supervisory Committee held its first meeting in 2003 and passed the following resolutions:

(1) Examined and approved Work Report of the Supervisory Committee of 2002;
(2) Agreed Work Report of the Board of Directors of 2002;
(3) Agreed 2002 Annual Report and Summary of 2002 Annual Report.
The Supervisory Committee made its independent opinion on relevant matters of the Company during 2002.
The public notice of the resolution of the meeting was published in Securities Times and Hong Kong Ta Kung Pao on Mar. 25, 2003.

2. On Apr. 21, 2003, the Supervisory Committee held its second meeting in 2003 by communication vote and the meeting examined and approved the 1st Quarterly Report of the Company of 2003.

3. On May 20, 2003, the Supervisory Committee held its third meeting in 2003 by communication vote and the meeting examined and approved the following resolutions:
(1) Provisional Proposal on Change Number of the Company's Directors;

(2) Provisional Proposal on Amending Articles of Association of the Company;
(3) Provisional Proposal on Amending Procedure Rule of the Shareholders' General Meeting of the Company;
(4) Provisional Proposal on Engaging Certified Public Accountants.
The public notice of the resolution of the meeting was published in Securities Times and Hong Kong Ta Kung Pao on May 24, 2003.

4. On Aug. 13, 2003, the Supervisory Committee held its fourth meeting in 2003 by communication vote and the meeting examined and approved 2003 Semiannual Report of the Company of 2003 and its summary.

5. On Oct. 23, 2003, the Supervisory Committee held its fifth meeting in 2003 by communication vote and the meeting examined and approved the 3rd Quarterly Report of the Company of 2003.

(II) Independent opinions of the Supervisory Committee on relevant matters of the Company during 2002

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 reissued 120 million A share on Nov. 20, 2003 and the Supervisory Committee of the Company found that the fund raised this time was input into the projects as pledged.

4. Significant purchase and sale of assets occurred during the report period
No significant purchase and sale of assets occurred during the report period.

5. Associated trade occurred during the report period
No significant associated trade occurred during the report period.

6. During the report period, KPMG Certified Public Accountants issued an unqualified 2003 Auditor's report.
KPMG issued a standard unqualified Auditors' Report 2003 for the Company.

IX. Important Matters

(I) There was no significant lawsuit or arbitration involving the Company in the report 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 and the implementation of the contracts

1. On June 12, 2003, the Company continually signed the Mid-term Loan Contract on Export Bargainor Credit (Mid-term Line of Credit) with China Import & Export Bank with the term of the loan was three years and the total amount of credit was no more than RMB 800 million.
2. Significant guarantee
Ended Dec. 31, 2003, the balance of contingent liabilities caused by guarantee the Company provided for its subsidiaries was RMB 1.207 billion; (including the following guarantee balance for Xinhui CIMC Container Co., Ltd.), taking by 22.82% of net assets at the end of 2003 amounting to RMB 5.298 billion
Of them, the Company provided the guarantee for Xinhui CIMC Container Co., Ltd.. The Company possessed 40% equity capital of Xinhui CIMC Container Co., Ltd., but the Company contracted with and operated Xinhui CIMC Container Co., Ltd. through the wholly-owned subsidiary of the Company — China International Mariner Container (Hong Kong) Co., Ltd.. During the contract period from Jan. 1, 2001 to Dec. 31, 2005, China International Mariner Container (Hong Kong) Co., Ltd. owned the full powers to manage the production, operation, financing, HR and other affairs of Xinhui CIMC Container Co., Ltd.. Therefore, the Company actually controlled Xinhui CIMC Container Co., Ltd.. Ended Dec. 31, 2003, the balance of contingent liability formed due to the guarantee the Company provided for Xinhui CIMC Container Co., Ltd. was RMB 57.62 million.

(V) During the report period, there was no public disclosure of promised matters by the Company and shareholders holding over 5% of the shares.

On May 31, 2002, the Shareholders' General Meeting 2001 approved the proposal on transferring the Company's equity by COSCO to COSCO Shipping Engineering Group Co., Ltd. by Means of Assets Allocation. Ended Dec. 31, 2003, according to the decision of COSCO, COSCO terminate the aforesaid equity transfer.

(VI) During the report period, the Company held the shareholders' general meeting dated June 6, 2003, and decided to reengage Shenzhen Pan-China Schinda Certified Public Accountants to undertake the auditor of the Company for the auditing of the Company's 2003 accounting report, verification of net assets and other relevant consultation services. Shenzhen Pan-China Schinda Certified Public Accountants has provided auditing services of A shares for three years continually since 2001; and KPMG has provided auditing services of B shares for ten years continually since 1994.

During the report period, the payments paid by the Company to Certified Public Accountant were as follows:

The Company paid RMB 2.56 million to Shenzhen Pan-China Schinda Certified Public Accountants, which included fees for auditing 2002 annual financial report and 2003 semi-annual financial report and expenses for business trip.

The Company paid HKD 2 million to KPMG, which included fees for auditing 2002 annual financial report and expenses for business trip.

(VII) During the report period, the Company, its Board of Directors and Directors were not punished by Supervisory Department.

(VIII) Other significant matters

1. The Company put forward the additional issuance of A shares in 2001, and extended the term of validity for one year in 2002. Because of the Proposal on Additional Issuance of A shares was expired on May 31, 2003, according to the requirement of securities supervisory department, the Company re-submitted the Proposal on Additional Issuance of A shares to 2002 Annual Shareholders' General Meeting. The Board of Directors of the Company held the 4th meeting of 2003 on Apr. 29, 2003, the said proposal was examined and approved by the meeting and submitted to 2002 Annual Shareholders' General Meeting for examination and approval. The resolution of public notice was published on Securities Times and Ta Kung Pao dated June 7, 2003 with public notice No. of 2003-009.

2. As approved by CSRC, the Company's 102,313,410 unlisted foreign shares held by China Merchants Container Industrial Co., Ltd. and the Company's 22,736,313 unlisted foreign shares held by Profit Crown Assets Limited were transferred into B shares, which shall be listed and circulated in B-share Market of Shenzhen Stock Exchange after one year since this date. For details, please refer to the suggestive notice on approval of unlisted foreign shares of CIMC for listing and circulation, this notice was published on Securities Times and Ta Kung Pao dated Dec. 31, 2003 with the public notice No. of 2003-018.

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 2003

(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 2003 and the related consolidated statements of income, recognised gains and losses and cash flows for the year then ended, set out on pages 2 to 48. 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. The report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants. 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.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2003, 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 2003

	Note	*2003* RMB'000	*2002* RMB'000
Revenue	3	13,705,212	9,025,986
Cost of sales		(11,921,559)	(7,859,335)
Gross profit		1,783,653	1,166,651
Other operating income	5	141,126	80,198
Distribution expenses		(342,007)	(229,580)
Administrative expenses		(496,964)	(328,311)
Other operating expenses	6	(180,432)	(176,010)
Profit from operations		905,376	512,948
Net financing costs	8	(25,293)	(65,003)
Income from associates		8,747	121,677
Profit before tax		888,830	569,622
Income tax expense	9	(111,361)	(58,669)
Profit after tax		777,469	510,953
Minority interests		(83,418)	(87,660)
Net profit for the year		694,051	423,293
Basic earnings per share (RMB Yuan)	11	1.33	0.83

Consolidated statement of recognised gains and losses for the year ended 31 December 2003

There are no gains or losses other than those recognised in the above consolidated income statement for the current and prior years.

The notes on pages 8 to 48 form part of these consolidated financial statements.

Consolidated balance sheet
for the year ended 31 December 2003

	Note	*2003*	*2002*
		RMB'000	RMB'000
Assets			
Property, plant and equipment	12	2,248,866	1,482,419
Lease prepayments - non-current portion	13	251,434	187,189
Construction in progress	14	172,435	226,717
Timber concession rights	15	175,129	228,967
Intangible assets	16	9,243	14,824
Interests in associates	17	57,555	617,584
Investments in equity securities	18	274,260	292,359
Long-term receivables	19	45,005	86,621
Prepayment for investments	20	193,008	6,749
Deferred tax assets	9	20,205	19,897
Total non-current assets		3,447,140	3,163,326
Lease prepayments - current portion	13	9,572	7,216
Investments in equity securities	18	168,775	16,468
Properties under development	21	62,162	150,382
Completed properties for sale		61,074	72,027
Inventories	22	1,350,628	1,081,516
Trade and other receivables	23	4,452,401	3,201,022
Cash and cash equivalents	24	706,604	381,937
Total current assets		6,811,216	4,910,568
Total assets		10,258,356	8,073,894

The notes on pages 8 to 48 form part of these consolidated financial statements.

Consolidated balance sheet
as at 31 December 2003 (continued)

	Note	*2003*	*2002*
		RMB'000	RMB'000
Equity			
Share capital	25	630,302	510,302
Reserves	26	4,665,351	2,340,195
Total equity		5,295,653	2,850,497
Minority interests		659,804	617,625
Liabilities			
Interest-bearing bank loans	27	422,084	81,000
Total non-current liability		422,084	81,000
Interest-bearing bank loans	27	512,326	1,996,679
Non interest-bearing bank loan	28	29,670	-
Trade and other payables	29	2,906,130	2,128,517
Provision	30	383,846	373,434
Taxation	9	48,843	26,142
Total current liabilities		3,880,815	4,524,772
Total liabilities		4,302,899	4,605,772
Total equity, minority interests and liabilities		10,258,356	8,073,894

Approved and authorised for issue by the board of directors on

)
)
) Directors
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The notes on pages 8 to 48 form part of these consolidated financial statements.

Consolidated cash flow statement
for the year ended 31 December 2003

	2003	*2002*
	RMB'000	RMB'000
Net profit for the year	694,051	423,293
Depreciation	168,136	127,731
Impairment losses of property, plant and equipment	39,248	12,822
Net amortisation of goodwill/(negative goodwill)	18,956	16,503
Amortisation of other intangible assets	4,455	3,088
Amortisation of negative goodwill in an associate	(255)	(255)
Loss on sale of property, plant and equipment and construction in progress	21,282	29,579
Interest income	(19,007)	(11,200)
Interest expenses	45,406	64,580
(Gain)/loss on disposal of equity securities	(7,990)	12,079
Impairment losses of unlisted equity securities	21,805	-
Amortisation of timber concession rights	7,967	6,410
Impairment losses of timber concession rights	45,871	34,996
Dividend income	(8,705)	(2,432)
Income from associates	(8,747)	(121,677)
Income tax expenses	111,361	58,669
Minority interests	83,418	87,660
Operating profit before changes in working capital	1,217,252	741,846
Increase in lease prepayments	(61,255)	(32,827)
Decrease in long-term receivables	41,616	66,960
Increase in trade and other receivables	(951,811)	(2,111,612)
Increase in inventories	(184,745)	(363,612)
Increase in trade and other payables	533,745	977,409
Increase in provision	10,412	76,952
Decrease/ (increase) in properties under development	88,270	(44,511)
Decrease in completed properties for sale	10,953	66,515
Cash generated from/(used in) operations	704,437	(622,880)
PRC income tax paid	(89,315)	(54,755)
Cash flows from operating activities	615,122	(677,635)

The notes on pages 8 to 48 form part of these consolidated financial statements.

Consolidated cash flow statement
for the year ended 31 December 2003 (continued)

	Note	*2003* RMB'000	*2002* RMB'000
Investing activities			
Interest received		15,590	11,200
Payment for property, plant and equipment		(70,674)	(32,883)
Payment for construction in progress		(767,783)	(268,225)
Payment for acquisition of equity securities		(300,948)	(71,161)
Payment for acquisition of associates		(13,500)	-
Prepayment for investments		(186,259)	(6,749)
Payment for acquisition of minority shareholdings		(102,425)	(5,401)
Loan to an associate		(13,500)	-
Repayment of loan to an associate		108,697	278,708
Payment for acquisition of subsidiaries, net of cash acquired	4	(76,857)	-
Dividend received		16,878	2,432
Proceeds from sales of property, plant and equipment and construction in progress		14,972	14,344
Proceeds from dissolution of an associate		477,592	-
Proceeds from disposal of partial interest in subsidiary		5,982	-
Proceeds from sales of equity securities		156,899	83,949
Repayment of advances to minority shareholders		14,460	-
Advance to minority shareholders		(8,000)	(14,047)
Cash flows from investing activities		(728,876)	(7,833)

The notes on pages 8 to 48 form part of these consolidated financial statements.

Consolidated cash flow statement
for the year ended 31 December 2003 (continued)

	Note	*2003* RMB'000	*2002* RMB'000
Financing activities			
Interest paid		(55,338)	(69,080)
Proceeds from bank loans	33	12,210,004	6,487,139
Repayment of bank loans	33	(13,437,263)	(5,886,397)
Proceeds from Receivables Framework Agreement	23	55,943	313,790
Net proceeds from issuance of shares	25 & 26	1,751,105	-
Capital injection from minority shareholders		22,432	46,700
Dividends paid	10	-	(170,101)
Dividends paid to minority shareholders		(108,462)	(46,024)
Cash flows from financing activities		438,421	676,027
Net increase/(decrease) in cash and cash equivalents		324,667	(9,441)
Cash and cash equivalents at 1 January		381,937	391,378
Cash and cash equivalents at 31 December	24	706,604	381,937

The notes on pages 8 to 48 form part of these consolidated financial statements.

Notes on 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 2003 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, trailers, airport support equipment and other mechanical and electrical equipment, 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 Appendix I.

(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 the Group 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 rate 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 note 2(t)(ii)).

(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.

(f) Property, plant and equipment

(i) Items of property, plant and equipment are stated at cost or valuation (refer to note 12) 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.

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

2 Significant accounting policies (continued)

(i) Intangible assets (continued)

(iii) Technological know-how

Other intangible assets represent 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)(ii)).

(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)(ii)). 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 the evaluation of the recoverability of these accounts by the directors 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

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)

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, 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.

(ii) Reversals of impairment losses

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) Trailers

The manufacture and sale of trailers.

3 Segment reporting (continued)

(a) Business segments (continued)

(iv) Infrastructure and property development

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

(v) Timber logging

The logging and sale of timber.

(b) Geographical segments

The containers, mechanical and electrical equipment, trailers, infrastructure and property development, 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 development 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*		*Trailers*		*Infrastructure and property development*		*Timber logging*		*Consolidated*	
	2003	*2002*	*2003*	*2002*	*2003*	*2002*	*2003*	*2002*	*2003*	*2002*	*2003*	*2002*
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	13,117,175	8,768,061	136,434	75,375	58,665	-	329,151	161,008	63,787	21,542	13,705,212	9,025,986
Segment result	1,076,599	623,186	19,728	(14,753)	(28,785)	-	37,023	16,919	(31,662)	(37,143)	1,072,903	588,209
Unallocated net expenses											(167,527)	(75,261)
Profit from operations											905,376	512,948
Net financing costs											(25,293)	(65,003)
Income from associates	8,374	4,124	373	5,576	-	-	-	111,977	-	-	8,747	121,677
Income tax expense											(111,361)	(58,669)
Minority interests											(83,418)	(87,660)
Net profit for the year											694,051	423,293
Segment assets	9,070,327	6,508,654	160,044	156,489	320,819	-	196,799	345,737	452,812	445,430	10,200,801	7,456,310
Interests in associates	30,555	24,512	-	20,967	-	-	27,000	572,105	-	-	57,555	617,584
Total assets											10,258,356	8,073,894
Segment liabilities	(3,959,746)	(4,141,134)	(110,362)	(89,057)	(42,660)	-	(38,553)	(177,683)	(102,735)	(171,756)	(4,254,056)	(4,579,630)
Unallocated liabilities											(48,843)	(26,142)
Total liabilities											(4,302,899)	(4,605,772)
Capital expenditure	892,833	257,761	2,477	7,684	88,462	-	540	1,501	21,380	34,162	1,005,692	301,108
Impairment losses	58,774	12,822	2,279	-	-	-	-	-	45,871	34,996	106,924	47,818

Depreciation and amortisation	180,320	146,864	7,891	884	2,471	-	827	464	16,081	11,697	207,590	159,909
	========	========	=======	=======	========	========	=======	=======	=======	=======	========	========

3 Segment reporting (continued)

Geographical segments

	USA		*Europe*		*Asia*		*Other regions*		*Total*	
	2003	*2002*	*2003*	*2002*	*2003*	*2002*	*2003*	*2002*	*2003*	*2002*
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	3,591,483	2,174,479	6,308,050	4,050,844	3,504,819	2,028,605	300,860	772,058	13,705,212	9,025,986

	PRC		*Outside PRC*		*Total*	
	2003	*2002*	*2003*	*2002*	*2003*	*2002*
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	9,984,723	7,838,845	273,633	235,049	10,258,356	8,073,894
Capital expenditure	964,117	299,933	41,575	1,175	1,005,692	301,108

4 Acquisitions of subsidiaries

Acquisitions

On 31 March 2003, the Group acquired the entire shares and the shareholders' loan in Manson Technology Limited ("Manson") for RMB2,519,591 and RMB4,670,204 respectively, satisfied in cash. The principal activities of Manson and its subsidiaries are the manufacture and sale of trailers. During the period from 1 April 2003 to 31 December 2003, this subsidiary contributed net loss of RMB20,730 to the consolidated net profit for the year.

On 31 December 2003, the Group acquired a 47.37% shareholding interest in Shanghai CIMC Baowell Industries Co., Limited ("Shanghai Baowell") for RMB111,780,000, satisfied in cash. Shanghai Baowell is treated as the Group's subsidiary as the Group has the power to govern the financial and operating policies of Shanghai Baowell. The principal activity of Shanghai Baowell is manufacturing of containers.

Effect of acquisitions

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

	Note	2003 RMB'000	2002 RMB'000
Property, plant and equipment		112,060	-
Lease prepayment (non-current)		4,811	-
Lease prepayment (current)		535	-
Construction in progress	14	70	-
Inventories		84,367	-
Trade and other receivables		352,094	-
Cash at bank		42,113	-
Investments in equity securities		3,974	-
Current interest-bearing bank loan	33	(113,660)	-
Trade and other payables		(248,534)	-
Taxation	9(c)	(1,916)	-
Net identifiable assets and liabilities		235,914	-
Minority interests		(121,042)	-
Goodwill on acquisition	16	4,098	-
Consideration paid, satisfied in cash		118,970	-
Cash acquired		(42,113)	-
Net cash outflow		76,857	-

5 Other operating income

	2003	*2002*
	RMB'000	RMB'000
Gain on disposal of PRC listed securities	7,990	-
Gain on disposal of interests in subsidiary and associate	5,278	-
Tax refunds from capitalisation of subsidiaries' earnings	5,604	4,824
Profit on disposal of scrap materials	89,353	53,926
Service income	5,902	839
Waiver of penalty (note 6(1))	-	14,868
Tax refund or government incentive received	13,065	5,078
Others	13,934	663
	141,126	80,198
	=======	=======

6 Other operating expenses

	2003	*2002*
	RMB'000	RMB'000
Loss on disposal of property, plant and equipment and construction in progress	21,282	29,579
Impairment losses of property, plant and equipment	39,248	12,822
Net amortisation of goodwill/(negative goodwill)	18,956	16,503
Amortisation of timber concession rights	7,967	6,410
Impairment losses of timber concession rights	45,871	34,996
Provision for doubtful debts	7,600	26,353
Loss on disposal of PRC listed securities	-	12,079
Amortisation of other intangible assets	4,455	3,088
Amortisation of negative goodwill in an associate	(255)	(255)
Consultancy fees	4,499	8,942
Penalties (notes 1 and 2)	378	12,846
Impairment losses of unlisted equity securities	21,805	-
Others	8,626	12,647
	180,432	176,010
	=======	=======

6 Other operating expenses (continued)

Penalties in 2002 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 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 5). 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.

7 Staff costs

	2003	*2002*
	RMB'000	RMB'000
Wages and salaries	819,937	465,267
Contributions to defined contribution plans	43,353	40,199
	863,290	505,466
	=======	=======

The number of employees employed by the Group at 31 December 2003 was 22,521 (2002: 13,707).

8 Net financing expenses

	2003 RMB'000	*2002* RMB'000
Interest income	19,007	11,200
Dividend income	8,705	2,432
Foreign exchange gains	9,033	1,170
Total financial income	36,745	14,802
Interest expense	(50,672)	(67,933)
Foreign exchange losses	(7,684)	(7,868)
Other financial expenses	(8,948)	(7,357)
Total financial expenses	(67,304)	(83,158)
Less: Interest capitalised into construction in progress and properties under development *	5,266	3,353
	(62,038)	(79,805)
Net financing expenses	(25,293)	(65,003)

* Interest expense has been capitalised at a rate of 1.9% (2002: 3.7%) per annum.

9 Taxation

(a) Taxation in the consolidated income statement represents:

	2003 RMB'000	*2002* RMB'000
Provision for the PRC income tax for the year	119,145	62,255
Overprovision in respect of the prior year	(9,045)	(1,232)
	110,100	61,023
Share of associates' income tax	1,569	1,977
Deferred taxation (note 9(d))	(308)	(4,331)
	111,361	58,669

9 Taxation (continued)

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

The charge for PRC income tax of the Company is calculated at the rate of 15% (2002: 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 12% 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 subsidiary sustained loss for taxation purposes during 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.

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

	2003	*2002*
	RMB'000	RMB'000
Accounting profit before tax	888,830	569,622
	=======	=======
Computed tax using the PRC income tax rate applicable to foreign investment enterprises in Shenzhen Special Economic Zone	133,325	85,443
Effect of tax rates differential in respect of subsidiaries and associates	(16,142)	(4,736)
Non-taxable income	(44,517)	(29,554)
Non-deductible expenses	39,003	11,847
Effect of tax losses	(308)	(4,331)
Income tax expense	111,361	58,669
	=======	=======

9 Taxation (continued)

(c) Taxation in the consolidated balance sheet represents:

	2003	*2002*
	RMB'000	RMB'000
Provision for the PRC income tax at 1 January	26,142	19,874
Charge for the year	119,145	62,255
Overprovision in respect of the prior year	(9,045)	(1,232)
Addition through acquisitions of subsidiaries (note 4)	1,916	-
Income tax paid	(89,315)	(54,755)
Provision for the PRC income tax at 31 December	48,843	26,142

(d) Deferred taxation

The movements during the year are as follows:

	2003	*2002*
	RMB'000	RMB'000
Balance as at 1 January	19,897	15,566
Recognised during the year (note 9(a))	308	4,331
Balance as at 31 December	20,205	19,897

At 31 December 2003, a deferred tax asset of RMB20 million (2002: RMB20 million) representing unutilised tax losses has been recognised. The remaining balance of deferred tax assets on unutilised tax losses of RMB99 million (2002: RMB85 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.

10 Dividends

(a) Dividend attributable to the year

	2003	*2002*
	RMB'000	RMB'000
Final dividend proposed after the balance sheet date:		
Cash dividend of RMB0.38 per share (2002: RMB Nil per share)	239,515	-
	=======	=======

Pursuant to a resolution passed at the directors' meeting on 16 March 2004, a final dividend of RMB0.38 (2002: Nil) per share totalling RMB239,514,796 (2002: Nil) was proposed for shareholders' approval at the Annual General Meeting.

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

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

	2003	*2002*
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year:		
- Cash dividend - nil (2002: RMB0.5 per share)	-	170,101
- Scrip dividend - nil (2002: Scrip dividend in the ratio of 5 shares for 10 existing issued shares)	-	170,101
	-	340,202
	=======	=======

11 Basic earnings per share

The calculation of basic earnings per share is based on profit attributable to shareholders of RMB694,051,000 (2002: RMB423,293,000) and a weighted average number of shares in issue during the year ended 31 December 2003 of 522,137,712 (2002: 510,302,000), calculated as follows:

Weighted average number of shares

In thousand of shares

	2003	*2002*
Issued shares at 1 January	510,302	340,201
Effect of scrip dividend paid in May 2002	-	170,101
Effect of "A" shares issued in November 2003	11,836	-
Weighted average number of shares during the year	522,138	510,302

There were no diluting potential ordinary shares in existence during the years ended 31 December 2002 and 2003.

12 Property, plant and equipment

	Land and buildings RMB'000	*Machinery and equipment* RMB'000	*Motor vehicles* RMB'000	*Office furniture and other assets* RMB'000	*Total* RMB'000
Cost or valuation:					
Balance at 1 January 2003	852,633	1,195,489	128,735	110,266	2,287,123
Additions					
-through acquisitions of subsidiaries	70,041	89,484	3,639	4,001	167,165
-others	24,383	23,671	6,311	16,309	70,674
Transfer from construction in progress (note 14)	455,525	266,771	20,062	84,993	827,351
Disposals	(60,418)	(44,838)	(11,284)	(8,693)	(125,233)
Balance at 31 December 2003	1,342,164	1,530,577	147,463	206,876	3,227,080
Representing:					
Cost	1,226,661	1,408,107	138,471	199,525	2,972,764
Valuation	115,503	122,470	8,992	7,351	254,316
	1,342,164	1,530,577	147,463	206,876	3,227,080
Depreciation and impairment losses:					
Balance at 1 January 2003	155,247	486,755	91,433	71,269	804,704
Through acquisitions of subsidiaries	17,738	34,788	1,530	1,049	55,105
Charge for the year	34,138	94,246	10,868	28,884	168,136
Impairment losses	25,156	13,313	707	72	39,248
Reversal of impairment losses on disposals	(9,297)	(3,053)	-	-	(12,350)
Disposals	(19,857)	(43,809)	(5,503)	(7,460)	(76,629)
Balance at 31 December 2003	203,125	582,240	99,035	93,814	978,214
Carrying amount:					
At 31 December 2003	1,139,039	948,337	48,428	113,062	2,248,866
At 31 December 2002	697,386	708,734	37,302	38,997	1,482,419

12 Property, plant and equipment (continued)

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

(b) The Group revalues its property, plant and equipment on a rolling basis so that within a seven-year period all the assets are revalued once. Based on a revaluation performed as of 31 December 2003 under this program, the carrying value of the revalued property, plant and equipment did not differ materially from their fair value.

The directors have reviewed remaining property, plant and equipment as of 31 December 2003 to ensure that they are not materially different from their fair value.

13 Lease prepayments

Lease prepayments represent the land use rights of the Group in respect of land located in the PRC for a period of 11 to 50 years from the respective dates of grant. The remaining lease periods of these land use rights range from 6 to 50 years.

14 Construction in progress

	2003	*2002*
	RMB'000	RMB'000
At 1 January	226,717	97,594
Additions		
-through acquisitions of subsidiaries (note 4)	70	-
-others	767,783	268,225
Transfer to property, plant and equipment (note 12)	(827,351)	(138,088)
Interest capitalised (note 8)	5,216	2,732
Disposal	-	(3,746)
At 31 December	172,435	226,717
	=======	=======

14 Construction in progress (continued)

Construction in progress at 31 December 2003 is analysed as follows:

	2003	*2002*
	RMB'000	RMB'000
Projects		
Machinery and equipment	61,000	56,341
Office buildings and factories	106,696	162,529
Network facilities	4,739	7,498
Transformation of plant	-	349
	172,435	226,717
	=======	=======

15 Timber concession rights

	2003	*2002*
	RMB'000	RMB'000
At 1 January	228,967	270,373
Amortisation for the year	(7,967)	(6,410)
Impairment losses for the year	(45,871)	(34,996)
At 31 December	175,129	228,967
	=======	=======

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 and 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.

16 Intangible assets

	Goodwill RMB'000	*Negative goodwill* RMB'000	*Technological know-how* RMB'000	*Total* RMB'000
At 1 January 2003	20,775	(15,158)	9,207	14,824
Addition				
-through acquisitions of subsidiaries (note 4)	4,098	-	-	4,098
-through acquisitions of additional interests in subsidiaries	13,732	-	-	13,732
	38,605	(15,158)	9,207	32,654
Amortisation for the year	(22,909)	3,953	(4,455)	(23,411)
At 31 December 2003	15,696	(11,205)	4,752	9,243
	=======	=======	=======	=======

17 Interests in associates

	2003 RMB'000	*2002* RMB'000
Unlisted associates		
Share of net assets	44,055	508,887
Loans to an associate	13,500	108,697
	57,555	617,584
	=======	=======

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

Details of the associates at 31 December 2003 are as follows:

Name of company	*Place of establishment/ operation*	*Percentage of equity held by the Group*	*Principal activities*
KYH Steel Holdings Limited	The British Virgin Islands/ Hong Kong	31.83%	Investment holding with subsidiaries principally engaged in

			trading of steel products
Jiangmen CIMC Skyspace Real Estate Co., Ltd. ("JMSR")	PRC	45%	Property development

18 Investments in equity securities

	2003 RMB'000	*2002* RMB'000
Investments available-for-sale		
Unlisted equity securities, at cost less impairment loss	274,260	292,359
	=======	=======
Investments held for trading		
Listed equity securities, at fair value	168,775	16,468
	=======	=======

Listed equity securities are listed on the PRC Stock Exchanges.

19 Long-term receivables

	2003 RMB'000	*2002* RMB'000
Trade and other receivables	84,639	144,559
Amounts due within one year included in current assets	(39,634)	(57,938)
	45,005	86,621
	=======	=======

Long-term receivables include the following:

(a) RMB34.5 million receivable (2002: RMB69 million) bearing interest at London Inter Bank Offered Rate plus 4% per annum to be received by instalments up to 2005;

(b) RMB2.1 million receivable (2002: RMB3 million) bearing interest at 10% per annum to be received by instalments up to 2005; and

(c) RMB8.4 million interest free car loan (2002: RMB7.3 million) to be received by instalments up to 2008.

20 Prepayment for investments

Prepayment for investments represented proceeds prepaid by the Group for certain investments which have not been completed at 31 December 2003.

21 Properties under development

	2003	*2002*
	RMB'000	RMB'000
At 1 January	150,382	105,250
Additions	193,741	118,962
Interest capitalised (note 8)	50	621
Transfer to completed properties for sale	(282,011)	(74,451)
At 31 December	62,162	150,382

22 Inventories

	2003	*2002*
	RMB'000	RMB'000
Raw materials	973,946	645,050
Work in progress	194,848	117,632
Finished goods	138,305	271,479
Spare parts and consumables	43,529	47,355
	1,350,628	1,081,516
Inventories stated at net realisable value	176,268	147,179

23 Trade and other receivables

	2003 RMB'000	*2002* RMB'000
Trade receivables	3,218,597	2,498,490
Deposits, prepayments and other receivables	1,233,804	702,532
	4,452,401	3,201,022

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 2003, the Group has outstanding trade receivables of RMB1,325 million (2002: RMB974 million) assigned to Oasis and received advances of RMB414 million (2002: RMB358 million) from Oasis.

Deposit, prepayments and other receivables as at 31 December 2003 included value added tax receivables of RMB29,670,000 (2002: Nil) which are secured for an interest-free bank loan of RMB29,670,000 (note 28).

24 Cash and cash equivalents

	2003 RMB'000	*2002* RMB'000
Cash in hand	1,121	267
Bank balances	705,483	381,670
	706,604	381,937

25 Share capital

	2003	*2002*
	RMB'000	RMB'000
Registered, issued and paid up capital		
227,363,133 legal person shares (2002: 227,363,133 shares) of RMB1 each	227,363	227,363
189,333,262 "A" shares (2002: 69,333,262 shares) of RMB1 each	189,333	69,333
213,605,701 "B" shares (2002: 213,605,701 shares) of RMB1 each	213,606	213,606
	630,302	510,302

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

On 26 November 2003, the Company issued 120,000,000 "A" shares at RMB15 per share. Accordingly, the share capital and share premium of the Company as at 31 December 2003 increased by RMB120 million and RMB1,631 million (net of the associated issuance costs of RMB49 million) respectively.

Pursuant to a resolution passed at the directors' meeting on 16 March 2004, increase in the Company's share capital from RMB630 million to RMB1,008 million through capitalisation of share premium amounting to RMB378 million was proposed for shareholders' approval at the forthcoming Annual General Meeting.

26 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 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 10(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
	========	========	=======	========	========	========	=========
Balance at 1 January 2003	613,637	18,521	3,003	975,804	187,261	541,969	2,340,195
Shares issued, net of issuance costs of RMB49 million	1,631,105	-	-	-	-	-	1,631,105
Net profit for the year	-	-	-	-	-	694,051	694,051
Transfer from retained earnings	-	-	-	933,555	35,688	(969,243)	-
Balance at 31 December 2003	2,244,742	18,521	3,003	1,909,359	222,949	266,777	4,665,351
	=======	========	=======	========	========	========	=========

26 Reserves (continued)

(a) Surplus reserve comprises a statutory surplus reserve of RMB332,993,000 (2002: RMB260,869,000) and a discretionary surplus reserve of RMB1,576,366,000 (2002: RMB714,935,000).

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 rules and regulations. The transfer to this reserve must be made before distribution of dividend to shareholders.

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

The transfer to discretionary surplus reserve from the retained 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.

(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 2003, the amount of retained profits available for distribution, which was the amount determined in accordance with the PRC accounting rules and regulations, was RMB289,381,000 (2002: RMB532,691,000).

27 Interest-bearing bank loans

	2003	*2002*
	RMB'000	RMB'000
Unsecured		
Due within 3 months	283,418	680,049
Due after 3 months but within 1 year	228,908	1,316,630
Due after 1 year but within 2 years	34,000	34,000
Due after 2 years but within 5 years	388,084	47,000
	934,410	2,077,679
Amounts due within 1 year	(512,326)	(1,996,679)
Amounts due after 1 year	422,084	81,000
	========	========

Interest rates are within the range of 1.63% to 5.04% per annum (2002: 1.9% to 6.435% per annum).

Bank loans of RMB801 million (2002: RMB1,167 million) are denominated in United States dollars and the remaining balances are denominated in Renminbi Yuan.

28 Non interest-bearing bank loan

	2003	*2002*
	RMB'000	RMB'000
Secured		
Due after 3 months but within 1 year	29,670	-
	========	========

The bank loan of RMB29,670,000 (2002: Nil) is secured by the same amount of value added tax receivables (note 23).

29 Trade and other payables

	2003 RMB'000	*2002* RMB'000
Trade payables	1,544,448	1,259,708
Other payables and accruals	546,532	381,741
Staff bonus	351,954	249,147
Deposits received	68,490	156,915
Bills payable	394,706	81,006
	2,906,130	2,128,517
	========	========

30 Provision

	Warranties RMB'000
Balance at 1 January 2003	373,434
Net provisions made during the year	16,329
Provisions used during the year	(5,917)
Balance at 31 December 2003	383,846
	=======

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.

31 Capital and lease commitments

(a) At 31 December 2003, the Group had capital commitments outstanding as follows:

	2003 RMB'000	*2002* RMB'000
Authorised and contracted for	684,581	552,375
Authorised but not contracted for	138,605	291,924
	823,186	844,299
	=======	=======

31 Capital and lease commitments (continued)

(b) At 31 December 2003, the Group had commitments under non-cancelable operating leases, not provided for as follows:

	2003	*2002*
	RMB'000	RMB'000
Operating lease charges payable:		
Within l year	32,149	28,573
After 1 year but within 5 years	40,796	51,482
After 5 years	81,159	88,767
	154,104	168,822
	=======	=======

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 revised upon renewal to reflect market rentals. None of the leases includes contingent rentals.

32 Contingencies

(a) At 31 December 2003, the Group had provided guarantee to a bank for a loan drawn down by a third party amounting to RMB21 million (2002: Nil).

(b) The Group had not provided guarantees to banks for mortgages granted by those banks to the customers of the Group at 31 December 2003 (2002: RMB59 million).

33 Notes to the consolidated cash flow statement

Analysis of changes in financing activities during the year:

	2003	*2002*
	RMB'000	RMB'000
Bank loans		
Balance at 1 January	2,077,679	1,476,937
Proceeds from bank loans	12,210,004	6,487,139
Additions through acquisitions of subsidiaries (note 4)	113,660	-
Repayment of bank loans	(13,437,263)	(5,886,397)
Balance at 31 December	964,080	2,077,679
	========	========

34 Related parties transactions

(i) The Group has undertaken transactions with the following related parties for the year ended 31 December 2003:

	Relationship with the company	*2003*	*2002*
		RMB'000	RMB'000
Sale of containers to Florens Container Services Company Limited ("Florens")	Subsidiary of shareholder	570,331	352,757
Purchase of raw materials from Hempel-Hai Hong Coating Company Limited ("Hempel")	Subsidiary of shareholder	357,313	290,972
Purchase of steel products from KYH Steel Holdings Limited	Associate	49,516	33,166
Payment of consultancy fee to COSCO Pacific Management Company Limited ("COSCO")	Subsidiary of shareholder	3,146	8,114
		=======	=======

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.

34 Related parties transactions (continued)

The balance with associate is disclosed in note 17 on the consolidated financial statements. Details of the balances with other related parties were as follows:

	2003 RMB'000	*2002* RMB'000
Amount due from Florens	220,817	62,445
Amount due to Hempel	171,565	197,800
Amount due to COSCO	3,146	3,643
Amount due to KYH	811	556
	=======	=======

(ii)*During the year, the Group has not granted any new loans (2002: Nil) to di rectors and executive officers. The movements of the housing loans, car loans a nd other loans during the year were as follows:*

	Balance as at 1 January 2003 RMB'000	*Repayment during the year* RMB'000	*Balance as at 31 December 2003* RMB'000
Directors	2,582	(2,582)	-
Executive officers	1,713	(1,133)	580
	4,295	(3,715)	580
	=======	=======	=======

The outstanding loans are unsecured, interest-free and are to be settled within 2 years after the year end date of 2003.

35 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 27 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.

35 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 24% (2002: 26%) of the Group's total assets at 31 December 2003.

(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 at 31 December 2003, 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 RMB44,345,000 (2002: RMB83,442,000).

As at 31 December 2003, the fair value of the interest-bearing and non 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 RMB964,098,000 (2002: RMB2,077,793,000).

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.

36 Subsidiaries

Details of the Company's principal subsidiaries at 31 December 2003, all of which are unlisted, are as follows:

Name of company	*Issued and fully paid capital*	*Percentage of equity held by the Group*	*Place of establishment and operation*	*Principal activities*
CIMC (Shanghai) Development Limited	RMB150,000,000	100%	PRC	Investment holding
Shenzhen Southern Zhongji Containers Manufacture Co., Ltd.	US$15,500,000	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	85%	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
Xinhui CIMC Container Flooring Co., Ltd.	US$15,500,000	82.94%	PRC	Further processing of timber

36 Subsidiaries (continued)

Name of company	*Issued and fully paid capital*	*Percentage of equity held by the Group*	*Place of establishment and operation*	*Principal activities*
Qingdao CIMC Container Manufacture Co., Ltd.	US$20,300,000	100%	PRC	Manufacture of containers
Qingdao CIMC Reefer Container Manufacture Co., Ltd.	US$39,060,000	89.30%	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	71.39%	PRC	Manufacture of containers
Nantong CIMC - Smooth Sail Container Co., Ltd.	US$7,700,000	56.9%	PRC	Manufacture of containers
Nantong CIMC Special Transportation Equipment Manufacture Co., Ltd.	US$10,000,000	56.9%	PRC	Manufacture of containers
Dalian CIMC Container Manufacturing Co., Ltd.	US$8,855,000	51.17%	PRC	Manufacture of containers
Shenzhen CIMC - Tianda Airport Support Ltd.	US$13,500,000	100%	PRC	Manufacture of airport ground facilities

36 Subsidiaries (continued)

Name of company	*Issued and fully paid capital*	*Percentage of equity held by the Group*	*Place of establishment and operation*	*Principal activities*
Shenzhen CIMC Heavy Industries Co., Ltd.	US$30,000,000	100%	PRC	Manufacture of trailers
Shanghai CIMC Far East Container Co., Ltd.	US$9,480,000	52.5%	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	92%	PRC	Property development
Xinhui CIMC Container Co., Ltd. (note)	US$24,000,000	40%	PRC	Manufacture of containers
Shenzhen CIMC Wood Co., Ltd.	RMB5,000,000	97.95%	PRC	Trading of timber
CIMC USA Inc.	US$10	100%	The U.S.A.	Investment holding
Manson Technology Limited	HK$10,000	100%	Hong Kong	Investment holding
Xinhui CIMC Special Transportation Equipment Manufacture Co., Ltd.	US$ 3,000,000	100%	PRC	Manufacture of containers

36 Subsidiaries (continued)

Name of company	*Issued and fully paid capital*	*Percentage of equity held by the Group*	*Place of establishment and operation*	*Principal activities*
Shanghai CIMC Baowell Industries Co., Ltd. (note)	US$28,500,000	47.37%	PRC	Manufacture of containers
Nantong CIMC Tank Equipment Co., Ltd.	US$2,100,000	66.9%	PRC	Manufacture of containers
Vanguard National Trailer Corporation	US$10	100%	The U.S.A.	Manufacture of trailers

Note: The financial statements of Xinhui CIMC Container Co., Ltd and Shanghai CIMC Baowell Industries 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.

37 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

	Profit attributable to shareholders for the year ended 31 December 2003	*Net assets at 31 December 2003*
	RMB'000	RMB'000
Prepared under the PRC Accounting Rules and Regulations	682,688	5,290,940
Adjustments to align with IFRS:		
(i) Adjustment to minority interests	665	8,635
(ii) Adjustment to deferred tax assets	306	20,202
(iii) Adjustment to goodwill and negative goodwill	(9,597)	(51,388)
(iv) Adjustment to interest capitalisation	1,051	12,938
(v) Others	18,938	14,326
Prepared under IFRS	694,051	5,295,653

XI. Documents Available for Reference

(I) Annual report with signature of the Chairman of the Board;
(II) Financial report with signatures and seals of the president, the person in charge of accounting and the person in charge of accounting organ;
(III) Script of Auditor's Report with seal of Certified Public Accountants and with signatures and seals of the certified public accountants;
(IV) Originals of all documents of the Company ever published in newspapers designated by CSRC during the report period;
(V) Articles of Association of the Company;
(VI) Other documents for reference.

Board of Directors of
China International Marine Containers (Group) Co., Ltd.
Mar. 19, 2004