KPMG

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

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

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

We have audited the 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* RMB'000	*2002* 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* RMB'000	*2002* 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

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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*	*2002*
		RMB'000	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 RMB'000	*2002* 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 RMB'000	*2002* 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 RMB'000	*2002* 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 RMB'000	*2002* 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 RMB'000	*2002* 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	*2002*
	RMB'000	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	*2002*
	RMB'000	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 RMB'000	*2002* 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 RMB'000	*2002* 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 directors and executive officers. The movements of the housing loans, car loans and 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