



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

ANNUAL REPORT 2004

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.

Seven directors were expected to attend the Board meeting and actually all of them were present.

KPMG Hong Kong 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 Financial Management Dept. Mr. Jin Jianlong hereby confirm that the Financial Report contained in the Annual Report is authentic and complete.

This report has been prepared in Chinese version and English version respectively. In the event of difference in interpretation between the two versions, the Chinese report shall prevail.

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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

Securities Affairs Representative: Wang Xinjiu

Contact Address: R&D Center of CIMC, No. 2 Gangwan Avenue, Shekou Industrial Zone, Shenzhen, Guangdong Province

TEL: (86)755-2669 1130

FAX: (86)755-2682 6579

E-mail: shareholder@cimc.com

4. Registered Address: 5/F, Financial Center of Shekou Industrial Zone, Shenzhen, Guangdong Province

Office Address: R&D Center of CIMC, No. 2 Gangwan Avenue, Shekou Industrial Zone, Shenzhen, Guangdong Province

Post Code: 518067

Company's Internet Website: <http://www.cimc.com>

5. Newspapers Chosen for Disclosing Information of the Company:

Securities Times, Shanghai Securities News 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: Office of Secretary of the Board and Financial Management 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

Initial registration date: Sep. 30, 1992

Initial registration place: Shenzhen Municipal Administration Bureau of Industry and Commerce

Registration date after the latest changing: Dec. 27, 2004

Registration place after changing: Shenzhen Municipal Administration Bureau of Industry and Commerce

Registered number of the corporate business license for enterprise legal person: QGYSZ Zi No.101157

Registered number of Tax:

National revenue: 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

8. Definition

Unless otherwise stated, the following words and expressions have the following meanings:

- (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, which is called “TEU” for short. Conversion container, is also called standard container, namely takes 20-foot container as conversion unit of the container.
- (4) Semi-trailer: It is trailer, which is towed by the semi-tractor, and its partial quality is supported by the tractor.

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	2004	2003	2002
Container sales volume (TEU)	1,570,809	1,173,293	751,578
Revenue	26,557,657	13,705,212	9,025,986
Net operating profit before net financing costs	2,858,463	905,376	512,948
Share of the profit of associates	25,534	8,747	121,677
Profit before tax	2,847,209	888,830	569,622
Income tax expense	(277,105)	(111,361)	(58,669)
Profit for the year	2,570,104	777,469	510,953
Minority interests	105,112	83,418	87,660
Profit for the year	2,570,104	694,051	423,293
Basic earnings per share* (RMB Yuan)	2.44	0.77	0.83
Total assets	16,986,315	10,258,356	8,073,894
Total equity attributable to equity holders of the parent	7,521,276	5,295,653	2,850,497
Net assets per share (RMB Yuan)	7.46	8.40	5.59
Rate of Return on Stockholders' Equity (ROE)	34.17%	13.11%	14.85%
Cash flows from operating activities	1,315,196	615,122	-677,635
Net (decrease)/increase in cash and cash equivalents	776,561	324,667	-9,441
Dividend (per share)	Cash dividend of RMB0.50, converting public reserve into share capital at the rate of 1.0 share	Cash dividend of RMB0.38, converting public reserve into share capital at the rate of 0.6 share	Cash dividend RMB0.50 per share, 0.50 share bonus

* The calculation of basic earnings per share is based on the profit attributable to shareholders of RMB2,464,992,000 (2003: RMB694,051,000) and 1,008,483,353 shares (2003: 900,428,277 shares after adjusting for the share premium capitalisation issue in 2004) in issue during the year.

There were no diluting potential ordinary shares in existence during the years ended 31 December 2003 and 2004.

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

the PRC Accounting Rules and Regulations:

	<i>Profit attributable to shareholders for the year ended 31 December 2004 RMB'000</i>	<i>Net assets at 31 December 2004 RMB'000</i>
Prepared under the PRC Accounting Rules and Regulations	2,389,024	7,470,724
Adjustments to align with IFRS:		
(i) Adjustment to minority interests	918	9,553
(ii) Adjustment to deferred tax assets	32,168	52,370
(iii) Adjustment to goodwill and negative goodwill	18,571	(47,470)
(iv) Adjustment to interest capitalisation	6,152	19,090
(v) Others	<u>18,159</u>	<u>17,009</u>
Prepared under IFRS	2,464,992 =====	7,521,276 =====

III. Changes in Capital Shares and Particulars about Shareholders

(I) Statement of change in share of the Company

					Unit: share	
	Before the change	Increase/decrease (+/-)		After the change	Share ratio (%)	
		Shares capital transferred from public reserve	Other			

I. Unlisted shares					
Sponsor's shares	227,363,133	+136,417,880		363,781,013	36.07
Including:					
Shares held by domestic legal person	102,313,410	+61,388,046		163,701,456	16.23
Shares held by foreign legal person	125,049,723	+75,029,834		200,079,557	19.84
Total unlisted shares	227,363,133	+136,417,880		363,781,013	36.07
II. Listed shares					
1. RMB ordinary shares	189,333,262	+113,599,957		302,933,219	30.04
Including: shares held by senior executives	237,024	+142,213	- 66,925	312,312	0.03
2. Domestically listed foreign shares	213,605,701	+128,163,420		341,769,121	33.89
Total listed share	402,938,963	+241,763,377		644,702,340	63.93
III. Total shares	630,302,096	+378,181,257		1,008,483,353	100.00

Note 1: Changing in the aforesaid share capital was because the Company implemented 2003 Dividends Distribution Plan and plan on conversion of capital reserve into share capital in the report period.

Note 2: Shares held by senior executives refer to the shares held by directors and senior executives frozen with amounting to 312,312 shares in total. At the end of the report period, shares held by senior executives has decreased by 66,925 shares, which is mainly because that Gu Hongren, original vice-president of the Company, no longer took the post of vice-president since June 2004 and shares of the Company held by Gu Hongren was unfrozen in Dec. 2004.

(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	—

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%.

On June 2, 2004, the Company implemented 2003 dividend distribution plan and plan on conversion of capital reserve into share capital: converting capital reserve into share capital at the rate of 6 shares for every 10 shares. After bonus shares, the Company's total share and structure were changed as follows: (Unit: share)

	Before the change	Share ratio (%)	Increase due to conversion of capital reserve into share capital	After the change	Share ratio (%)
I. Unlisted shares					
Sponsor's shares	227,363,133	36.07	136,417,880	363,781,013	36.07
Including:					
Shares held by domestic legal person	102,313,410	16.23	61,388,046	163,701,456	16.23
Shares held by foreign legal person	125,049,723	19.84	75,029,834	200,079,557	19.84
Total unlisted shares	227,363,133	36.07	136,417,880	363,781,013	36.07
II. Listed shares					
1. RMB ordinary shares	189,333,262	30.04	113,599,957	302,933,219	30.04
Including: shares held by senior executives	237,024	0.04	142,214	379,238	0.04
2. Domestically listed foreign shares	213,605,701	33.89	128,163,420	341,769,121	33.89
Total listed share	402,938,963	63.93	241,763,377	644,702,340	63.93
III. Total shares	630,302,096	100.00	378,181,257	1,008,483,353	100.00

(III) About shareholders

1. Total shareholder at the end of the report period

Ended Dec. 31, 2004, the Company has totally 40,947 shareholders, of them, 30,073 shareholders of A-share and 10,874 shareholders of B-share.

2. Particulars about shares held by main shareholders (the top ten shareholders of the Company ended Dec. 31, 2004)

Name of shareholders	Increase/decrease in this report period	Holding shares at the period-end (share)	Proportion	Type of shares	Number of share pledged or frozen	Nature of shareholders
1. COSCO Container Industries Limited	61,388,046	163,701,456	16.23	Non-circulating	0	Foreign shareholder
2. CHINA MERCHANTS CONTAINER INDUSTRIES CO., LTD.	61,388,046	163,701,456	16.23	Non-circulating	0	Foreign shareholder
3. FAIR OAKS DEVELOPMENT LIMITED	24,494,098	62,772,778	6.22	Circulating	0	Foreign shareholder
4. PROFIT CROWN ASSETS LIMITED	13,641,788	36,378,101	3.61	Non-circulating	0	Foreign shareholder
5. GT PRC FUND	4,783,476	12,422,602	1.23	Circulating	Unknown	Foreign shareholder
6. NIKKOCITI TB S/A RE:JF CHINA MOTHER FD(716000)	Unknown	10,495,949	1.04	Circulating	Unknown	Foreign shareholder
7. LONG HONOUR INVESTMENTS LIMITED	3,596,890	9,591,707	0.95	Circulating	0	Foreign shareholder
8. JPMBSA RE FTIF TEMPLETON CHINA	Unknown	9,221,971	0.91	Circulating	Unknown	Foreign

FUND GTI 5497							shareholder
9. INDUSTRIAL AND COMMERCIAL BANK OF CHINA - CHINA SOUTH STEADY GROWTH SECURITIES INVESTMENT FUND	Unknown	8,259,751	0.82	Circulating	Unknown		
10.FF GREATER CHINA FD GT1 24037	Unknown	8,000,040	0.79	Circulating	Unknown		Foreign shareholder

Note: 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 affiliated wholly-owned subsidiary company of COSCO (Hong Kong) Group, a Hongkong wholly-owned subsidiary company of China Ocean Shipping (Group) Company (COSCO). COSCO Container Industries Limited is the affiliated wholly-owned subsidiary company of COSCO Pacific Limited of COSCO Hong Kong Holdings, 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 Industries Co., Ltd. and Fair Oaks Development Limited are the wholly-owned affiliated companies of China Merchant Holdings (International) Company Limited (CMHI), a shareholding subsidiary company of China Merchant Group; 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, or whether belongs to the persons acting in concert regulated by the Management Regulation of Information Disclosure on Change of Shareholding for Listed Companies.

3. Particulars about the legal person's shareholder holding over 10% of total shares

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

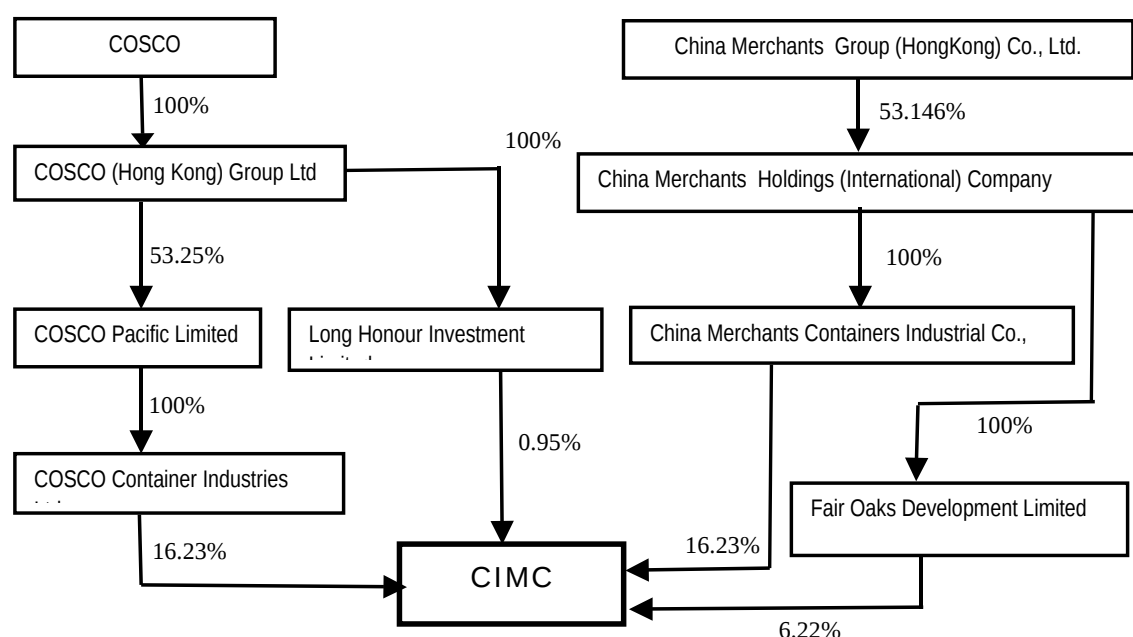
Shareholder's name	Proportion	Legal representative	Date of foundation	Registered capital	Structure of equity	Business scope
COSCO CONTAINER INDUSTRIES LIMITED	16.23%	Lu Chenggang, Wang Zhi, Shi Jingwei	Apr. 26, 2004	USD 1	Wholly held by COSCO Pacific Limited	Investment and Shareholding
CHINA MERCHANTS CONTAINER INDUSTRIES CO., LTD.	16.23%	-	Jan. 17, 1995	HKD 10,000	Wholly held by CMHI	Investment and Shareholding

(1) COSCO is a limited company which was set up in British Virgin Islands, and it is an affiliated wholly-owned subsidiary company of COSCO Pacific Limited. COSCO Hong Kong held 53.07% equity of COSCO Pacific Limited directly and indirectly. Ended Dec. 31, 2004, COSCO Container Industries Limited held 16.23% equity of

the Company; Long Honour Investments Limited is an affiliated wholly-owned subsidiary company of COSCO Hong Kong, and held 0.95% equity of the Company.

(2) China Merchants Container Industries Co., Ltd. is the affiliated wholly-owned subsidiary company of China Merchant Holdings (International) Company Limited (“CMHI”). China Merchants Group held 53.146% equity of CMHI. China Merchants Container Industries Co., Ltd. held 16.23% equity of the Company, at the same time, Fair Oaks Development Limited, a wholly-owned affiliated company of CMHI, held 6.22% equity of the Company, China Merchants Container Industries Co., Ltd. and Fair Oaks Development Limited are the wholly-owned affiliated companies of CMHI, thus, CMHI held 22.45% equity of the Company actually.

The property right and controlling relationship between the Company and the actual controller is as follows:



4. Particulars about change of the largest shareholder in the report period

China Ocean Shipping (Group) Company (hereinafter referred to as COSCO), the shareholder of the Company, signed an Agreement on Share Transfer with COSCO Container Industries Limited dated Aug. 19, 2004. COSCO transferred 163,701,456 shares of the Company held by COSCO (taking 16.23% of the Company's total shares) to COSCO Container Industries Limited, an affiliated wholly-owned subsidiary of COSCO Pacific Limited controlled by COSCO. The relevant public notice on transferring shares of the Company by COSCO (No. 2004-015) was published on Securities Times and Ta Kung Pao dated Aug. 20, 2004. On Dec. 31, 2004, the said shares transfer has been accomplished in China Securities Registration and Clearing Company Limited Shenzhen Branch. The relevant public notice on Accomplishment of Transfer of the Company's Shares by China Ocean Shipping (Group) Company (No. 2005-001) was published on Securities Times, Shanghai Securities News and Ta Kung Pao dated Jan. 7, 2005.

5. Particulars about the top ten shareholders of circulating share

Shareholders' name	Holding shares at the	Proportion	Type of
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	period-end (share)		shares
1. FAIR OAKS DEVELOPMENT LIMITED	62,772,778	6.22%	B-share
2. GT PRC FUND	12,422,602	1.23%	B-share
3. NIKKOCITI TB S/A RE:JF CHINA MOTHER FD(716000)	10,495,949	1.04%	B-share
4. LONG HONOUR INVESTMENTS LIMITED	9,591,707	0.95%	B-share
5. JPMBSA RE FTIF TEMPLETON CHINA FUND GTI 5497	9,221,971	0.91%	B-share
6. INDUSTRIAL AND COMMERCIAL BANK OF CHINA - CHINA SOUTH STEADY GROWTH SECURITIES INVESTMENT FUND	8,259,751	0.82%	A-share
7. FF GREATER CHINA FD GT1 24037	8,000,040	0.79%	B-share
8. BANK OF CHINA- HAIFUTONG INCOME GROWTH SECURITIES INVESTMENT FUND	7,886,489	0.78%	A-share
9. TEMPLETON DRAGON FUND, INC.	7,773,186	0.77%	B-share
10. JIUJIA SECURITIES INVESTMENT FUND	6,601,935	0.65%	A-share

Note: Among the top ten shareholders of circulating share, there exists the associated relationship between Long Honour Investments Limited and COSCO Container Industries Limited: Long Honour Investments Limited is the affiliated wholly-owned subsidiary of COSCO Hong Kong Group; COSCO Container Industries Limited is the affiliated wholly-owned subsidiary of COSCO Pacific Limited. COSCO Hong Kong Group holds 53.07% equity of COSCO Pacific Limited directly and indirectly. There exists the associated relationship between Fair Oaks Development Limited and China Merchants Container Industries Co., Ltd.: China Merchants Container Industries Co., Ltd. and Fair Oaks Development Limited are wholly-owned affiliated companies of China Merchants Holdings (International) Company Limited. The Company is not aware of their associated relationships among other shareholders.

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	49	Apr. 21, 2004- Apr. 21, 2007	0	0	0	
Zhao Huxiang	Vice Chairman of the Board	Male	49	Apr. 21, 2004- Apr. 21, 2007	0	0	0	
	Director			Apr. 21, 2004- Apr. 21, 2007	117,117	187,387	70,270	Transferring capita reserve into share capital
Mai Boliang		Male	46	Apr. 21, 2007				

	President			Mar. 16, 2004- Mar. 16, 2007				
Feng Jinhua	Director	Male	49	Apr. 21, 2004- Dec. 31, 2004				
Wang Zhixian	Director	Male	39	Apr. 21, 2004- Apr. 21, 2007	0	0	0	
Xiao Zhuoji	Independent director	Male	71	Apr. 21, 2004- Apr. 21, 2007	0	0	0	
Han Xiaojing	Independent director	Male	50	Apr. 21, 2004- Apr. 21, 2007	0	0	0	
Zhang Limin	Independent director	Male	50	Nov. 2002- Nov. 2005	0	0	0	
Du Yongcheng	Chairman of the Supervisory Committee	Male	56	May 2002- May 2005	0	0	0	
Li Xibei	Supervisor	Male	43	Apr. 21, 2004- Dec. 31, 2004	0	0	0	
Feng Wanguang	Supervisor	Male	58	May 2002- May 2005	0	0	0	
Zhao Qingsheng	Vice-president	Male	52	Mar. 16, 2004- Mar. 16, 2007	0	0	0	
Li Ruiting	Vice-president	Male	57	Mar. 16, 2004- Mar. 16, 2007	78,078	124,925	46,847	Transferring capita reserve into share capital
Wu Fapei	Vice-president	Male	46	Mar. 16, 2004- Mar. 16, 2007	0	0	0	
Li Yinhui	Vice-president	Male	37	Mar. 16, 2004- Mar. 16, 2007	0	0	0	
Liu Xuebin	Vice-president	Male	46	Mar. 16, 2004- Mar. 16, 2007	0	0	0	
Jin Jianlong	General Manager of Financing Dept.	Male	51	Mar. 16, 2004- Mar. 16, 2007	0	0	0	
Yu Yuqun	Secretary of the Board	Male	39	Mar. 16, 2004- Mar. 16, 2007	0	0	0	

2. 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	Aug. 2000-	Drawing from associated company of shareholder
Zhao Huxiang	China Merchants Group	Vice-president	Nov. 2001-	Drawing from associated

Feng Jinhua	COSCO	General Manager of Financial Dept.	Oct. 2001	company of shareholder Drawing from associated company of shareholder
Wang Zhixian	CMHI	General Manager of Enterprise Management Dept.	Mar. 2002	Drawing from associated company of shareholder
Du Yongcheng	CMHI	Director and Deputy General Manager	1998-	Drawing from associated company of shareholder
Li Xibei	COSCO	Deputy General Manager of Supervision Dept. and Deputy Director of Supervision Office	Dec. 2002	Drawing from associated company of shareholder

3. Particulars about main working experience of directors, supervisors and senior executives

(1) Members of the Board

Mr. Li Jianhong, Chairman of the Board, graduated from Wuhan Shipping Engineering Institute with major of enterprise management, MBA of British East-London University and postgraduate of economic management major in Jilin University. He consecutively took posts of Director of Nantong COSCO Shipyard, General Manager of Nantong Ocean Steel Co., Ltd., Deputy General Manager and Chairman of the Board of Nantong Ocean Shipyard Engineering Co., Ltd., General Manager of COSCO Industrial Company, Assistant of President and Chief Economist of COSCO Group. Since Aug. 2000, he took the post of Vice-president of COSCO Group. Since March 1995, he took the post of Director and Chairman of the Board in the Company.

Mr. Zhao Huxiang, Vice Chairman of the Board, graduated from Dalian Marine University with major of electronic engineering and MBA of University of Louisville of USA. He ever took posts in Ocean Management Bureau of Ministry of Communications of PRC, jointed in China Merchants Group Company Limited in 1985, consecutively took posts of General Manager of Hoi Tung Marine Machinery Suppliers Limited, Assistant of President and Director of China Merchants Group Company Limited and Director General Manager of China Merchants Holdings (International) Co., Ltd.. Since Nov. 2001, he took concurrent posts of Vice-president of China Merchants Group Company Limited and Deputy Chairman of the Board of China Merchants Holdings (International) Co., Ltd.. Since May 1998, he held the posts of Director and Vice Chairman of the Board of the Company.

Mr. Mai Boliang, Director and President, graduated from South China University of Technology with major of machinery engineering. Since 1982, he served for the Company, consecutively took posts of technician, Manager of Production and Technology Dept. and Deputy General Manager. Since 1992, he held the post of President of the Company. Since March 1994, he took the post of Director of the Company.

Mr. Wang Zhixian, Director, Bachelor of Chemical Department of Tianjin University, Master of Application Chemical Department of Shanghai Jiaotong University, at present assumes the post of general manger of business management department of Hong Kong China Merchants International Co., Ltd.. Since Mar. 1989 to Mar. 1996, he worked for Shenzhen Haihong Chemical Co., Ltd. and took the post of sales representative and manger of sales department successively; From April 1996 to Mar., 2001, he worked in Seagull Oldie Dope Co., Ltd. and assumed the post pf sales manager; From April 2001 to Mar., 2002, he assumed the post of deputy general manger of industry department of China Merchants International Co., Ltd.; From Mar., 2002 to present, he assumes the post of general manger of business management department of China Merchants International Co., Ltd.. Since May 2002, he took the post of Director of the Company.

Mr. Feng Jinhua, Director, graduated from Qingdao Ocean Sailor College with major of Accounting. In Jan. 1973, he began to work, successively took the post of auditor of auditing division, deputy section chief, section chief, deputy division chief, division chief of financing division, division chief of planning and financial division, deputy chief accountant, and chief accountant of Qingdao Ocean Transportation Company. At present, he took the post of General Manager of Financing Department of COSCO. In Apr. 2004, he took the post of Director. In Dec. 2004, he resigned the Director of the Company.

Mr. Xiao Zhuoji, Independent Director, is the committeeman of National Committee, Chinese People's Political Consultative Conference, professor of economics and doctor's tutor in Beijing University. Professor Xiao graduated from the postgraduate of Economics Department of Renmin University of China. Since 1959, he taught in Beijing University and become professor of economics in Beijing University since 1985. Enjoying special allowance of specialist with outstanding contributions from the government since 1992, Professor Xiao is a famous economist and has many achievements in the respect of research in economic theory and securities market. Since May 2001, he took the post of Independent Director of the Company.

Mr. Han Xiaojing, Independent Director, lawyer, graduated and obtained bachelor degree in law from SUN YAT-SEN University of Law and was LLM in China University of Political Science and Law. He took the post in Law Affair Center of China from 1985 to 1992 and studied and worked in Zimerman Law Firms of Canada from 1989 to 1991 and worked in LIVASIRI & CO. from 1991 to 1992. Since 1993, he took the posts of management partner and lawyer in Commerce & Finance Law Office. Since May 2001, he took the post of Independent Director of the Company.

Mr. Zhang Limin, Independent Director, Professor and Doctor Tutor in accounting of Management College of Zhongshan University, got Bachelor's Degree, Master and Doctor (accounting and auditing direction) in economics of public finance major of Tianjin University of Finance & Economics. From 1982 to 1986, he took the post of teacher in Tianjin University of Finance & Economics. From 1987 to 1991, he took

the post of teacher and Associate Professor in Tianjin University of Finance & Economics. From 1991 to 1993, he took the post of Dean and Associate Professor of Auditing Department of Tianjin University of Finance & Economics. From 1994 to 1998, he took the post of Professor and Doctor tutor of Tianjin University of Finance & Economics. From 1999 to the present, he is Professor and Doctor Tutor in accounting of Management College of Zhongshan University. He ever took the post of member of Canada Comprehensive Auditing fund Committee, member of Auditor's Qualification Test Committee of Audit, Vice Chairman of Tianjin Society Union, Director of CPA Association, Vice president of Tianjin Certified Accountant Association, Vice president of Tianjin Auditing Association, and member of American Accounting Association. In 1993, he obtained special allowance from the State Council. At present, he concurrently assumed Director of China Auditing Association, Director of Guangdong Auditing Association, Special researcher of City and District of Economics Graduate School of Tianjin Nankai University. From Nov., 2002, he has been Independent Director of the Company.

(2)Members of the Supervisory Committee:

Mr. Du Yongcheng, Chairman of the Supervisory Committee, gained Mechanical Engineering Certificate in Hong Kong in 1977. He achieved British MOT Engine Certificate, and became an ocean shipping engineer certificated by the British. Mr. Du joined China Merchants Group since 1971, now he acts as Director and concurrently Deputy General Manager of the China Merchants Holdings (International) Company Limited.; he ever took Head of Management Dept. of China Merchants; Deputy Manager of Minghua Shipping Company, Deputy General Manager, General Manager and Vice Chairman of the Board of Minghua Shipping Company, General Manager of China Merchants Group Transportation Project Dept. and concurrently took Director of Asia Airfreight Limited and Modern Container Wharf Limited. He took the post of Supervisor of the Company from May 2002.

Mr. Li Xibei, Supervisor, he graduated from Naval Engineering College with major of management engineering, Engineer. He successively took the posts of Crew of Guangzhou Ocean Transportation Company, Cadre of Personnel Division of COSCO, Cadre of COSCO Manning Cooperation Inc ("COSCOMAN"), Deputy Section Chief of Personnel Section of Personnel Division of Organization Department and Principal Officer of Employees Management Office of Personnel Department of COSCO, Deputy Manager and Manager of Personnel Department of COSCO Industrial Company, Division Chief of Auditing Division of Discipline Inspection Group of Party Leadership Group of COSCO. He now acts as Deputy Manager of Supervision Dept. and concurrently Deputy Director of Supervision Office of COSCO. He took the post of Supervisor of the Company in Apr. 2004, and resigned from the post of Supervisor of the Company in Dec. 2004.

Mr. Feng Wanguang, Employee Representative Supervisor. He graduated from South China University of Technology with major of Foundry of Mechanical Engineering. From Jan. 1982, he worked in Shekou Huamei Steel Mill. From Jan. 1983 to Sep. 1986, he worked in Organization Department of Shekou Industrial Zone. From Sep. 1986 to Jan. 1987, he worked in Hongda Glass Co., Ltd. and took the post of General Manager. From Jan. 1987 to Sep. 1996, he worked in Personnel Department and

Office of the Board of Directors of China Merchants Hong Kong and took Deputy General Manager. From Sep. 1996 to Apr. 1999, he worked in China Merchants Zhangzhou Development Zone and took Deputy General Manager and Deputy Secretary of Party Committee. From Apr. 1999 to now, he took the post of Deputy Secretary of Party Committee of the Company. From May 2002, he took the post of Supervisor of the Company.

(3) Senior executives

For the resume of Mr. Mai Boliang, Director and President, please refer to the introduction of director.

Mr. Li Ruiting, Vice-president, graduated from South China University of Technology with major of Mechanical Manufacture. Senior Engineer; he now acts as Vice-president of the Company. Mr. Li served in the Company since 1987, and ever took the post of Manager of Technology Department and QC Department. From 1987, he took the post of Vice-president of the Company.

Mr. Zhao Qingsheng, Vice-president, graduated from Wuhan University of Water Transportation Engineering (Wuhan Jiaotong University of Science and Technology now) with major of gas engine of shipping. Now he took the post of Vice-president. Mr. Zhao jointed in China Merchants Group in 1983; from 1991 to 1995, he took the post of General Manager of Enterprise Department of China Merchants Group; from 1995 to 1999, he took the post of Deputy General Manger of China Merchants Holdings (International) Company Limited; from 1997 to 1999, he took the post of Vice Chairman of the Board of the Company; he took the post of Vice-president of the Company since 1999.

Mr. Wu Fapei, Vice-president, he graduated from South China University of Technology with major of Bachelor Degree of Mechanical Manufacture and Master Degree of MBA. He ever took the posts of Teacher and Associate Professor of MBA School of South China University of Technology, Deputy General Manager of Guangdong Zhaoqing Nanhua Bicycle Ronghui Co., Ltd.. He jointed in the Company in 1996, and took the post of Manager of Information Management Department of the Company in July 1996; he took Assistant President of the Company in Dec. 1998. He took the post of Secretary of the Board of the Company in Dec. 1999. In Mar. 2004, he held the post of Vice-president.

Mr. Liu Xuebin, Vice-president, graduated from Shenzhen University with major of business management. He jointed in the Company from 1982, and ever took the post of Deputy Manager of Purchasing Department of the Company, Deputy General Manager of Nantong Shunda Container Co., Ltd., Deputy General Manager of CIMC Container Branch Company, and General Manager of Xinhui CIMC Container Co., Ltd.; he took the post of General Manager of Shenzhen South CIMC Container Manufacture Co., Ltd. since 1997; he concurrently took the post of Assistant President of the Company and Chairman of the Board of Xinhui CIMC Container Co., Ltd.. In Mar. 2004, he took Vice-president of the Company.

Mr. Li Yinhui, Vice-president, graduated from Jilin University with major of Bachelor Degree of History Department, Nanjing University International Business School with MBA, Jilin University with Doctor Degree of World Economy. He worked in the

Central Committee of Chinese Communist Youth League in 1999. From May 1993 to Mar. 2003, he worked in the State Economic and Trade Commission; he worked in Department of Commerce in Mar. 2003. He was engaged as Vice-president of the Company (taking a temporary post) from Oct. 2002 to Oct. 2003. He took the post of Vice-president of the Company in Mar. 2004.

Mr. Jin Jianlong, General Manager of Financial Management Department, Accountant. He graduated from Ma An Shan Steel University with major of accounting. From Aug. 1975 to Apr. 1989, he worked in Hangzhou Steel Factory and took Section Chief of Financial Division. He joined in the Company in 1989, and held the posts of Manager of Financial Management Dept. of the Company and Manager of Financial Dept. of Shenzhen South CIMC Container Manufacture Co., Ltd. early or late. He took the post of General Manager of Financial Management Dept. of the Company since Oct. 2001.

Mr. Yu Yuqun, Secretary of the Board. He graduated from Beijing University and obtained Bachelor Degree of Economics and Master Degree of Economics. He ever worked in Price Bureau of the State. He joined in the Company in 1992, and successively took the posts of Deputy Manager and Manager of Financial Affairs Dept. early or late and was responsible for the securities affairs and fundraising management. In Mar. 2004, he took the post of Secretary of the Board of the Company.

4. Particulars about holding post and concurrent post of directors, supervisors and senior executives in other companies except for Shareholding Company

Name/title in the Company	Holding post/concurrent post in Shareholding company	Relationship with the Company (shareholding/associated relationship/no relationship)	Title
Li Jianhong/ Chairman of the Board	COSCO Development Co., Ltd.	No relationship	Chairman of the Board
	COSCO Shipping Engineering Group Co., Ltd.	No relationship	Chairman of the Board
	COSCO Investment (Singapore) Co., Ltd.	No relationship	Director
	COSCO International Holdings Co., Ltd.	No relationship	Director
	COSCO Pacific Limited	Associated relationship	Director
Zhao Huxiang/ Vice Chairman of the Board	China Merchants Group	Associated relationship	Director
	China Merchants Ship Co., Ltd.	Associated relationship	Director
	China Merchants Group (Hong Kong) Co., Ltd.	Associated relationship	Standing Director
	CMHI	Associated relationship	Vice Chairman of the Board
Wang Zhixian/Director	China Merchants Port Service (Shenzhen) Co., Ltd.	No relationship	Director
	China Merchants Container Service Co., Ltd.	No relationship	Director
	Hempel-Hai Hong Co., Ltd.	No relationship	Director
	PPG Painting (Tianjin) Co., Ltd.	No relationship	Vice Chairman of the Board
Mai Boliang/	To concurrently take posts in 21 shareholding	Shareholding subsidiary	Chairman of the Board/

Director and President	subsidiaries such as CIMC Vehicle (Group) Co., Ltd. and Shenzhen Southern CIMC Container Manufacture Co., Ltd.	of the Company	Director
Feng Jinhua/ Director	Shanghai COSCO Sanlin Property Group Co., Ltd.	No relationship	Director
	COSCO Development Co., Ltd.	No relationship	Director
	COSCO Real Estate Development Co., Ltd.	No relationship	Director
	COSCO Shipping Engineering Group Co., Ltd.	No relationship	Director
Han Xiaojing/ Independent Director	Naught		
Xiao Zhuoji/ Independent Director	Konka Group Co., Ltd.	No relationship	Independent Director
	Tongwei Co., Ltd.	No relationship	Independent Director
Zhang Limin/ Independent Director	Shenzhen Changcheng Real Estate (Group) Co., Ltd.	No relationship	Independent Director
	Shenzhen Airport Co., Ltd.	No relationship	Independent Director
	Shenzhen Chiwan Wharf Holdings Limited	No relationship	Independent Director
Du Yongcheng/ Chairman of the Supervisory Committee	Naught		
Li Xibei/ Supervisor	Anhui Ocean Transportation Company	No relationship	Supervisor
Feng Wanguang/ Supervisor	CIMC Holding (B.V.I.) Co., Ltd.	Shareholding subsidiary of the Company	Director
Zhao Qingsheng/ Vice-president	To concurrently take posts in 9 shareholding subsidiaries such as Shenzhen Southern CIMC Container Manufacture Co., Ltd.	Shareholding subsidiary of the Company	Chairman of the Board/ Director
Wu Fapei/ Vice-president	To concurrently take posts in 16 shareholding subsidiaries such as Shenzhen Southern CIMC Container Manufacture Co., Ltd.	Shareholding subsidiary of the Company	Director/Chairman of the Board
Li Ruiting/ Vice-president	To concurrently take posts in 5 shareholding subsidiaries such as Shanghai CIMC Refrigeration Co., Ltd.	Shareholding subsidiary of the Company	Chairman of the Board / Vice Chairman of the Board
Liu Xuebin/ Vice-president	To concurrently take posts in 3 shareholding subsidiaries such as Shenzhen Southern CIMC Container Manufacture Co., Ltd.	Shareholding subsidiary of the Company	Chairman of the Board/ Director
Li Yinhui/ Vice-president	To concurrently take posts in 5 shareholding subsidiaries such as Shenzhen CIMC Accommodation Vehicle Co., Ltd. and Shanghai CIMC Vehicle Logistical Equipment Co., Ltd.	Shareholding subsidiary of the Company	Director
Jin Jianlong/ General Manager of Financial Management Dept.	To concurrently take posts in 19 shareholding subsidiaries such as Shenzhen Southern CIMC Container Manufacture Co., Ltd.	Shareholding subsidiary of the Company	Director
Yu Yuqun/ Secretary of the Board	Shenzhen CIMC Tianda Airport Equipment Co., Ltd.	Shareholding subsidiary of the Company	Director

5. 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. During the report period, the Company's senior executives drew their remuneration from the Company and subsidiaries.

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) Among eight directors, Mr. Mai Boliang received his salary from the Company because he took the post of General Manager of the Company, except for this, the Company did not pay remuneration to other directors in the report period. As examined and approved by the Board of Directors and Shareholders' General Meeting, Xiao Zhuoji, Han Xiaojing and Zhang Limin, Independent Directors of the Company, respectively received allowance of independent director of RMB 80,000 in the report period, except for this, the Company did not pay other remuneration to Independent Directors in the report period. Mr. Feng Wanguang, Employee Supervisor of the Company, drew his salary from the Company, except for this, the Company did not pay remuneration to other supervisors in the report period.

There are 9 directors, supervisors and senior executives (excluding independent directors) drew their remuneration (including basic wage, bonus, welfare, allowance, housing subsidy and other subsidy) from the Company. The total amount of annual remuneration was RMB 5,720,000, of which, the total remuneration of the top three senior executives drawing the highest payment was RMB 3,100,000. Of them, one enjoyed the annual remuneration between RMB 1.5 million and RMB 1.8 million, two enjoyed the annual remuneration between RMB 0.7 million and RMB 1 million respectively, two enjoyed the annual remuneration between RMB 0.5 million and 0.7 million respectively, and four enjoyed the annual remuneration between RMB 0.3 million and 0.5 million respectively.

Director Li Jianhong, Director Zhao Huxiang, Director Feng Jinhua, Director Wang Zhixian and Supervisor Du Yongcheng and Supervisor Li Xibei received their salary from the Shareholding Company that they held the post respectively.

6. Particulars about changing of directors, supervisors and senior executives in the report period

In Mar. 2004, Mr. Yan Chengxiang, original director of the Company, resigned from the post of Director of the Company; Ms. Shi Lei, original supervisor of the Company, resigned from the post of Supervisor of the Company. On Mar. 16, 2004, the 2nd Meeting of the Board of Director for the year 2004 approved the resolutions and nominated Mr. Feng Jinhua as director candidate; the Supervisory Committee held the meeting and elected Mr. Li Xibei as supervisor candidate on behalf of shareholders according to nomination of shareholder. Mr. Feng Jinhua and Mr. Li Xibei were respectively elected as Director and Supervisor of the Company in the Shareholders' General Meeting 2003 held on Apr. 21, 2004. The relevant public notice on resolution of the Board of Directors was published on Securities Times and Ta Kung Pao dated Mar. 19, 2004. The public notice on resolution of Shareholders' General Meeting was published on Securities Times and Ta Kung Pao dated Apr. 22, 2004.

The office terms of Mr. Zhou Baisheng, Vice-president of the Company, expired in May 2004, and the office terms of Mr. Gu Hongren and Mr. Tang Guocai, Vice-president of the Company, expired in June 2004, they no longer hold the post of Vice-president of the Company.

On Mar. 16, 2004, as approved by the 2nd Meeting of the Board of Director for the year 2004, the Company engaged Mr. Li Ruiting, Mr. Zhao Qingsheng, Mr. Wu Fapei, Mr. Liu Xuebin and Mr. Li Yinhui as the Vice-presidents of the Company with the office term of three years. The Public Notice on Resolution of the Board of Directors was published on Securities Times and Ta Kung Pao dated Mar. 19, 2004.

On Dec. 30, 2004, Director Mr. Feng Jinhua resigned from the post of Director of the Company; Supervisor Mr. Li Xibei resigned from the post of Supervisor of the Company.

(II) About employees

1. Number of employees

Ended Dec. 31, 2004, the Group had 28,075 employees in total. Of them, HQ of the Company had 147 employees.

2. Composing of the employees of HQ:

	Position composing					Education composing			
	Management	Technology	Financing	Sales	Administration	Postgraduate	Graduate	College graduate	Others
Number of persons	59	40	15	18	15	41	70	25	11
Proportion (%)	40.14%	27.21%	10.20%	12.24%	10.20%	27.89%	47.62%	17.01%	7.48%

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

V. Corporate Governance Structure

(I) Administrative structure of the Company

In the report period, the Company continually perfected its administrative structure in compliance with Company Law, Administration Rules for Listed Companies, Guidelines Opinion on Establishing Independent Director in Listed Companies, the Rules for Listing Shares in Shenzhen Stock Exchange as well as the relevant laws and regulations of the State. In accordance with a series of rules such as Rules of Procedure of Shareholders' General Meeting, Rules of Procedure of the Board of Directors, Rules of Procedure of the Supervisory Committee and Detailed Rules of President, the Company brought into play the roles of Special Committee of the Board of Directors to administered the Company in order to ensure the functions and responsibilities of the shareholders' general meeting, the Board of Directors and the Supervisory Committee to fulfill, effectively safeguard the interests of shareholders and the Company, and set up administrative structure of the Company primarily in line with the requirements of modern enterprise administration.

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 fulfilled the information disclosure obligation of listed companies, actively improved the information disclosure quality of the Company, continually strengthened the management task of investors' relationship, safeguard faithfully the investors' interests.

According to the requirements of the related laws and regulations such as Company Law, Administration Rules for Listed Companies and the Rules for Listing Shares in Shenzhen Stock Exchange, the administration status of the Company accords with the relevant regulations.

(II) Particulars about performance of Independent Directors

Particulars about independent directors' presenting the Board meeting:

Name of independent directors	Times that should be attend the Board meeting	Times of personal presence	Times of commission presence	Times of absence
Xiao Zhuoji	11	11	0	0
Zhang Limin	11	11	0	0
Han Xiaojing	11	10	1	0

In the report period, 3 independent directors of the Company did not propose the objection on all proposals and other issues of the Company examined at the Board meetings, and they conducted seriously check on significant events, which need

independent opinion presented by the Independent Directors, and presented written independent director opinion letter.

(III) The Company Separates from the holding shareholder in five aspects of business, personnel, asset, institution and financing.

COSCO Container Industries Limited and China Merchants Container Industries Co., Ltd, the largest shareholders of the Company, hold 16.23% of the Company's shares respectively. The Company and its largest 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 appraisal and incentive mechanisms for senior management

The Company has established the performance appraisal and incentive mechanism for senior executives 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 Method of Management Team of CIMC" 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 approval.

VI. Introduction of the General Meeting of Shareholders

(I) Annual Shareholders' General Meeting

1. Particulars about notification, convening and holding of Shareholders' General

Meeting

On Mar. 19, 2004, the Company published the notification on holding 2003 Shareholders' General Meeting on Securities Times and Ta Kung Pao.

2003 Shareholders' General Meeting of the Company was held in Minghua International Conference Center, Shekou, Shenzhen at 9:30 am-12:00 am on Apr. 21, 2004. Totally 18 shareholders and shareholder's proxies attended the Annual Shareholders' General Meeting, representing 301,007,826 shares with voting right, which took 47.76 % of the total shares with voting right, including, 11 shareholders of domestic capital shares, representing 121,627,267 shares with voting right, which took 19.30% of the total shares with right to vote and 7 shareholders of foreign capital shares, representing 179,380,559 shares with voting rights, which took 28.46% of the total shares with voting rights. Director of the Company Mr. Wang Zhixian presided over the said meeting.

Lawyer Li Yin from Beijing Lauseed & Titan Law Firm attended the Shareholders' General Meeting and issued Legal Opinion on 2003 Shareholders' General Meeting of China International Marine Containers (Group) Co., Ltd..

2. The shareholders' general meeting examined and approved the following proposals:

- (1) 2003 Work Report of the Board of Directors;
- (2) 2003 Annual Report and its Summary
- (3) 2003 Work Report of the Supervisory Committee
- (4) Proposal on Providing Credit Guarantee for Short-term Credit of Wholly-owned and Affiliated Subsidiaries
- (5) 2003 Preplan on Profit Distribution, Bonus and Dividend Distribution, and the Conversion of Public Reserve to Share Capital
- (6) Proposal on Electing Directors
- (7) Proposal on Authorizing the Board to Determine the Remuneration of Director Mai Boliang according to Checking and Administration Method of Management Team of CIMC submitted to the Shareholders' General Meeting.
- (8) Proposal on Electing Supervisor Representing the Shareholders
- (9) Proposal on Amending Articles of Association of the Company
- (10) Proposal on Amending the Rules of Procedure of Shareholders' General Meeting
- (11) Proposal on Engaging Certified Public Accountants

On Apr. 22 2004, the Company published the public notice of this shareholders' general meeting on Securities Times and Ta Kung Pao respectively.

3. Election and changing of directors and supervisors

The office terms of Director Mr. Li Jianhong, Director Mr. Zhao Huxiang, Director Mr. Mai Boliang, Director Mr. Xiao Zhuoji and Director Mr. Han Xiaojing expired in May 2004; Director Mr. Yan Chengxiang resigned from the post of director of the Company due to work reason. The said shareholders' general meeting elected Mr. Li Jianhong, Mr. Zhao Huxiang, Mr. Mai Boliang and Mr. Feng Jinhua as Director of the Company respectively, and elected Mr. Xiao Zhuoji and Mr. Han Xiaojing as Independent Director of the Company respectively.

Ms. Shi Lei, original director of the Company, resigned from the post of Supervisor of

the Company due to work reason. The said shareholders' general meeting elected Mr. Li Xibei as Supervisor of the Company.

(II) Extraordinary shareholders' general meeting

1. The Company published the public notice on holding the 1st Extraordinary Shareholders' General Meeting 2004 on Securities Times, Shanghai Securities News and Ta Kung Pao dated Nov. 6, 2004.

The 1st Extraordinary Shareholders' General Meeting 2004 of the Company was held in Minghua International Conference Center, Shekou, Shenzhen at 9:30am-12:00am on Dec. 6, 2004. Totally 20 shareholders and shareholder's proxies attended the Extraordinary Shareholders' General Meeting, representing 488,510,969 shares with right to vote, which took 48.44% of the total shares with right to vote, including, 14 shareholders of domestic capital shares, representing 215,385,381 shares with right to vote, which took 21.36% of the total shares with right to vote and 7 shareholders of foreign capital shares, representing 273,125,588 shares with right to vote, which took 27.08% of the total shares with right to vote. One of the shareholders holds A-Share and B-Share at the same time. Director of the Company Mr. Wang Zhixian presided over the meeting. Mr. Xu Shouchun from Beijing Lauseed & Titan Law Firm attended the Extraordinary Shareholders' General Meeting and issued Legal Opinion on the 1st Extraordinary Shareholders' General Meeting 2004 of China International Marine Containers (Group) Co., Ltd..

2. The extraordinary shareholders' general meeting examined and approved the following proposals:

- (1) Proposal on Changes in Business Term of the Company
- (2) Proposal on Increase in Business Scope of the Company
- (3) Proposal on Amending Articles of Association of the Company
- (4) Proposal on Transfer of the Company's Shares Held by China Ocean Shipping (Group) Company, a Shareholder of the Company, and its Relevant Issues

3. On Dec. 7 2004, the Company published the public notice of this extraordinary shareholders' general meeting on Securities Times, Shanghai Securities News and Ta Kung Pao respectively.

VII. Report of the Board of Directors

(I) Discussion and analysis of the management

1. Summary of industry background and operation achievements

2004 was the year when the world economy developed most rapidly over the last 30 years, with the world trade increased by 8.8%. Driven by the global consumer market and multinational purchasing, international container transportation market had been on a sharp upward trend in 2004. The transport volume of main courses grew by two-digits that the berths for containers of main stem were continually not quite enough. The total throughput of containers in main ports of China increased by 27%. Due to the booming export and insufficient transportation, the price index of export container in China increased tremendously, hitting a historical high of the century.

Thanks to this situation, the demand for purchasing new global containers enhanced enormously from 2.38 million TEU to 3 million TEU in 2004, breaking a historical high. Moreover, due to the sharp rise in the price of steel and especially hot-roll plate and local board (the main raw material for container manufacture), the price of dry freight container increased greatly. According to the statistics of related institutes, the price of dry freight container rose by more than 40% over the same period last year. In this prosperous background, the Group made full preparations in the production base layout in advance to capture this historical chance. In this case, the Group grew greatly in business scale and payoff, achieving some historical breakthroughs. It realized revenue amounting to 26.558 and net profit amounting 2.46 billion, an increase of 93.78% and 255.16% respectively. The Group produced containers amounting to 1639.6 thousand TEU accumulatively and sold containers amounting to 1570.8 thousand TEU, an increase of 41.42% and 33.88% respectively over the same period of the last year, breaking a historical high.

The road transport vehicles business was the new business that the Group started in 2002. In 2004, with the rapid increase in the miles of high-grade roads, the road logistics management has improved rapidly, thus the demand for road transport vehicles grew greatly. Meanwhile, the state intensified its administration over the transportation market by formulating Road Transport Vehicles Ordinance and technical standards about the road and transport vehicle production to standardize and adjust the road charge. In the second half-year, seven ministries and commissions including the Ministry of Communications took the actions with a duration of one year to curb the overload on road. These measures have standardized the market access and production of road transport and vehicle in China and improved the road transport vehicle market. All these led to the significant increase in the demand of heavy loading road transport vehicles in China. To meet the fast development of market demand, the Group rapidly expanded its production capacity. In 2004, the Group sold 37,926 vehicles of all sorts accumulatively, an increase of 321.82% over the same period last year. It realized sales revenue amounting to RMB 2.912 billion

(of which 2.323 billion was listed into the consolidated scope of the Company's financial statement), an increase of 325.11% over the same period last year. In road transport vehicles business, the Company made progress in production base formation, products, marketing, purchasing, co-operation and management as expected, continually integrating the resources and further enhancing the production scale and efficiency. The Group has become the greatest manufacturer of road transport vehicles industry.

Looking forward to 2005, the global economy will continue to grow steadily, especially the inter-region trade will be hopefully expanding. The global overseas market will continue to be promising and the trade of containers will grow continually. Moreover, the elimination number of old containers will hopefully rise to a considerably high level in recent years. Therefore, there remains the steady demand for containers. In addition, since the steel and electricity and other resources are relatively insufficient, the price of containers will remain steady.

In respect of road transport vehicles manufacturing, the business of the Group will continue to develop rapidly in the more broad and beneficial operating environment in 2005. The Group will be consistent in improving layout of the production, diversifying product series, expanding overseas market and sharpening competitive edge of products.

2. Analysis to financial position

(1) Particulars about income, profit and cash flow

Unit: RMB'000

Items	Amount in the period	Amount in the same period of last year	Increase/decrease rate (%)
Revenue	26,557,657	13,705,212	93.78%
Gross Profit	4,396,273	1,783,653	146.48%
Net profit	2,464,992	694,051	255.16%
Net increase in cash and cash equivalents	776,561	324,667	139.19%

Analysis:

Revenue increased by 93.78% over the same period of last year, which was mainly because that the demand for containers in the whole year kept growing fast and the sales volume of containers increased sharply and the price picked up.

Gross Profit and net profit increased by 146.48% and 255.16% respectively over the same period of last year, which was mainly because that the sales volume of containers and price increased by a big margin and the gross profit of containers increased significantly.

Net increase in cash and cash equivalents increase by 139.19% over the same period of last year, which was mainly due to the enlargement of the operation scale and the increment of the fund returned at the end of the year and the net increase in the cash flow arising from operation activities.

(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	16,986,315	10,258,356	65.59
Current assets	12,261,998	6,811,216	80.03
Cash and cash equivalents	1,483,165	706,604	109.90
Trade and other receivable	6,038,248	4,452,401	35.62
Inventories	4,438,417	1,350,628	128.62
Interest-bearing bank loan	1,692,529	512,326	230.36
Total Asset-liability ratio	50.69%	41.95%	8.74%
Total equity attributable to equity holders of the parent	7,521,276	5,295,653	42.03

Analysis:

In the report period, the total assets increased by 65.59%, which was mainly because that the operating scale and sales of products grew, resulting in an increase in current assets than those at the beginning of the year. Current assets increased 80.03% over the period-begin; in current assets, Cash and cash equivalents increased by 109.90% than that at the beginning of the period, inventory increased by 128.62%, Trade and other receivable increased by 35.62%. The indexes of main assets kept in good level: The turnover of current assets was 2.28 times, which was quicker than 2.17 times of last year. The turnover of accounts receivable was 4.57 times, an increase of 0.46 times over last year. The turnover inventory was 6.48 times, a decrease of 1.97 over last year. The Total asset-liability ratio was 50.69%, an increased of 8.74% versus 41.95% in the same period last year, which was at the normal level. In the report year, the Group had cash flow for operating activities amounting to RMB 1,315,196,000 , with RMB 1.304 of net cash flow per share. In the whole, the Group realized reflow of sales income amounting to RMB 26,255.89 million, an increase of 78.3% compared with RMB 814.48 million of net cash flow in the same period last year. The Group's container business took 90.6% of income from the main operations. The container industry normally has the peak season from April to October. Due to material preparation for production, the purchase amount was usually large in the first half year. Moreover, Sales usually were usually done by way of taking the delivery of goods before payment, and the main payment incurred in the second half year. Therefore, the operation cash flow was negative in the first half year. However, since the return of fund from sales increased and the purchase amount reduced in the second half year, especially in the fourth quarterly, the operation cash flow was positive.

The total equity attributable to equity holders of the parent increased 42.03% than that at the beginning of last year, which was mainly because the net profit in the report period increased by RMB 2,464,992.

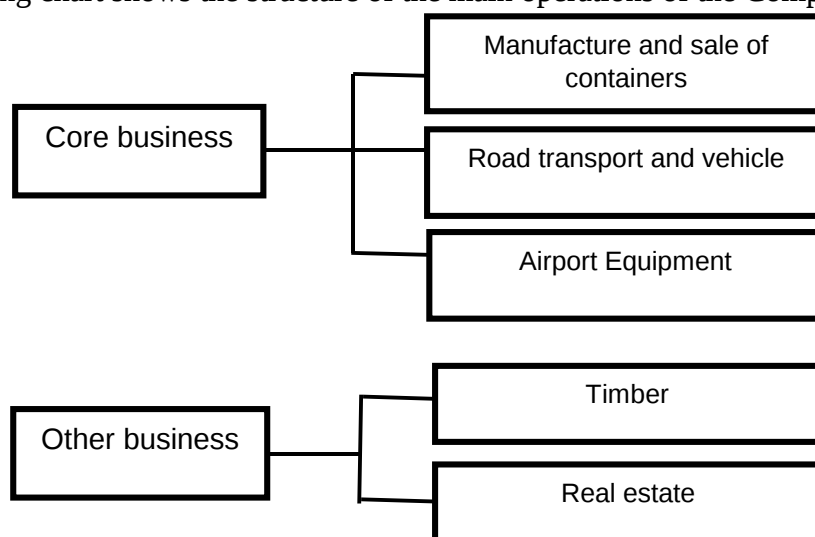
(II) Operation of the Company

1. Scope of main operations and operation

(1) Structure of main operations

The Group mainly engages in the manufacture and sales of modern transportation equipment, including the design, manufacture, sales and services of containers, road transport vehicle and airport facilities such as passenger boarding bridge, air cargo handling system and other transportation equipment. Besides, the Group also manages timber, real estate and other businesses. The Group is the largest manufacturer of containers in the world with the most complete range of articles. The products range from dried food containers, reefer containers and special containers to containers for region purpose. The road transport vehicle is new service, on which the Group is giving emphasis to expand. The Group has become the largest manufacturer in the road transport vehicle since it started this service in 2002.

The following chart shows the structure of the main operations of the Company:



Formation of income and profit form main operations

Unit: RMB'000

Business	Revenue of 2004	Revenue of 2003
Containers	24,043,267	13,117,175
Trailers	2,322,996	58,665
Mechanical and electrical equipment	164,570	136,434
Property development	4,292	329,151
Timber logging	22,532	63,787
Total	26,557,657	13,705,212

Particulars about main business classified according to region:

Unit: RMB'000

Region	Revenue	Increase/decrease of revenue compared with the previous year (%)
USA	6,606,070	83.94

Europe	13,747,940	117.94
Asia	5,729,132	63.46
Other regions	474,515	57.72
Total	26,557,657	93.78

The product taking over 10% of the Group's income from main operations or total profit from main operations is container. The container manufacture group mainly engages in belongs to metal products industry. The Group's output of containers has been ranked No.1 in the world for eight consecutive years from 1966 and its global share accounts for over 50%.

Statement of sales income from main products and gross profit in 2004:

Unit: RMB '000

Product	Sales income	Cost of sales	Gross profit (%)
Containers	24,043,267	19,955,912	17.00%

(2) Review of operation of main operations

Container business

The Company's output and sales volume, revenues and profit all increased by a large margin and created a company record. In 2004, the Company accumulatively produced containers amounting to 163,96 TEU and sold containers amounting to 157.08 TEU, an increase of 41.42% and 33.88% respectively, hitting a historical high. The sales income from container business amounted to 24,043,267,000, up 83.30% over the same period last year. Therein, the sales of standard dry freight containers amounted to 1,447,749 TEU accumulatively, an increase of 34.58%. The sales of reefer containers amounted to 55,818 TEU, an increase of 5.97%, and the sales of special containers amounted to 67,243 TEU, an increase of 63.85%.

The reasons why the container business increased benefits greatly are as follows:

The Group made significant achievements in its layout strategy of container industry, further consolidating and enhancing its leadership in the industry.

In the last three years, the Group has been optimizing the production base layout, by strategically surveying the development trend of the global container industry. In 2004, it captured the market opportunity of the industry. The group also further improved the base network layout. In Jan. 2004, the Group purchased 100% equity of Zhangzhou Merchants Container Co., Ltd. and renamed it as Zhangzhou CIMC Containers Co., Ltd.. In May, 2004, Ningbo CIMC Logistic Equipment Co., Ltd of the Group was completed and put into production. In the same year, the Group trusted Yongzhou Tongyun Container Co., Ltd. and Yangzhou Tonglee Reefer Yangzhou Tongli Container Co., Ltd in 2004. Ended the end of 2004, the Group owned 16 container factories, with coverage in ports along the seaside in China

The Group enhanced the investment and market expansion of special container business. By reorganizing the companies of special contains and tank containers in Nantong, the pallet containers in Dalian and Tianjin, the special reefer containers in Qindao and special containers in Xinhui, the group made its basis for further developing special containers in future. In the first half of the 2004, the Group

purchased 60% equity of Clive-Smith Cowley Ltd. (hereinafter referred to as CSC) in England and owned the patent technology of DOMINO pucker container series. The DOMINO pucker containers presently account for approximately 70% of the world market share of pucker containers. This Purchase was beneficial for sharpening the competitive edge of the Group in pucker containers. Qindao CIMC Special Reefer Equipment Co., Ltd. newly established by the Group started operation formally in July, 2004. The Group had the first production base of special reefers in the world. The annual productive capability designed by the Company could reach 4000 pieces. The special reefer containers are high-end transport vehicles that can meet customers' demand of special goods transportation, which were widely used in storage and remote transportation of fruits, vegetables, drinks, milk products, meats and animals. At present, non-standard special reefers developed by the Group also entered into such four trade zones in the world as mainland of Japan, mainland of North America, Europe and Australia etc. In 2004, Nantong CIMC Tank Equipment Co., Ltd. sold tank containers amounting to 3,944 pieces, an increase of 219.87% over the same period of last year. Tank containers were one of main storage tools for gas, chemicals and liquid goods in foods industry characteristic of safety, environmental protection, connection transport between sea and land and door-to-door service.

The Group continually improved its collectivization operation management. In the respect of supply link, driven by the fast increasing demand of containers, the rapid rise in the price of raw materials especially hot-roll armor plate and the insufficient supply, the Group reinforced tracking and forecasting the macro economy and industry trends and adopted flexible management strategies. By promoting strategic co-operation with the main suppliers of raw materials, the Group exerted its overall resources advantages to ensure normal manufacture and operation and effectively control the purchase costs of raw material. Moreover, by means innovation of technology and management, the Group reinforced the control of production costs and various costs to steadily enhance the payoff. The Group also improved the management system of product quality and adjusted its performance management from "cost control" to "operation performance improvement" with all-round attention. In the aspect of technological innovation, the Group made some breakthroughs in pioneering the industry. It participated in formulating the standards on containers and special vehicles in the industry, nationally or internationally. It also had some achievements in technological research and development. For example, it made some breakthroughs in the Smart and Secure Container (SSC) technology and the development of new species for wooden floor of containers. In Jan. 2005, the Group completed the first commercial test of Tamper Evident Secure Container (TESC) with Safeguard Service Company, a subsidiary of General Electric Co., Ltd., which symbolized the successful experiment of a new container product that can swiftly receive security check, enhance the efficiency of supply link and save commercial costs. In the aspect of manufacturing technology, the Group continued to improve productivity while reducing labor intension. Shenzhen Special Vehicles Base was the first to adopt the standard production line in the domestically. In addition, the Group furthered the research of environment protection, energy saving, security and labor

protection and have gained some obvious achievements. The Group gained preliminary achievements in the construction of information system. It ranked the top 500 enterprises 2004 by the CECA National Information Test Center and Internet Weekly.

Road Transport Vehicle Business

The modern road transport vehicle business mainly included manufacture, sales and maintenance of special vehicles besides semi-trail. The Group sold 37,926 vehicles of all sorts accumulatively in the whole year, an increase of 321.82% over the same period last year. It realized sales revenue amount of RMB 2.912 billion (of which 2.342 billion was listed in the consolidated scope of the Company's financial statements), an increase of 325.11% over the same period last year. Among them, Shenzhen CIMC Special Vehicle Co., Ltd., Yangzhou CIMC Tonghua Special Vehicle Co., Ltd. and Jinan CIMC Kogel Special Automobile Co., Ltd. realized sales amounts of RMB 396.434 million, RMB 849.45 million and RMB 203.532 million respectively. The Group sold 2,507 vehicles to Vanguard National Trailer Corporation in America, realizing sales amount of RMB 436,787 thousand, but it has not realized payoff. From Oct. 1, 2004, CIMC Huajun Vehicle Co., Ltd. was listed in the consolidated scope of the Company's financial statements and the sales income amounted to RMB 367,238 million. From Nov.11, 2004, Zhang Jiagang City Sanctum Chemical Machinery Co., Ltd was listed in the consolidated scope of the Company's financial statements and the sales income amounted to RMB 78.117 million.

Main vehicles	Sales volume (pieces)
Basic vehicles*	35,164
Special vehicles**	2,147
Others	615
Total	37,926

* Main businesses: General semi-trailer, flatbed truck for container, compartmental truck, dump truck, tank truck (normal pressure), container tank, cement-stirrer vehicle, and trailer.

** Main businesses: Car transport vehicle, reefer vehicle, heat preservation vehicle, low-temperature vehicle, low-temperature tanker, big tanker, special vehicle and mobile communication vehicle, etc..

The service frame has preliminarily completed. Ended Dec. 31, 2004, there were three product series: Logistic vehicle, tank equipment and construction engineer vehicle, including dry freight vans, refrigerated vans, tank trailer & other special vehicles, container chassis & platform and dump truck, container tank, tank truck (normal pressure), low-temperature storage tank, low-temperature tanker, cement-stirrer, trailer, special vehicle, mobile communication vehicle, etc., which can cover the regions of road logistics transportation. In Oct. 2004, CIMC Vehicle Group purchased 60% equity of Zhangjiagang Sanctum Chemical & Mechanism Co., Ltd. at RMB 42 million. Sanctum Chemical & Mechanism Co., Ltd. is a leader in the manufacturing technology of low-temperature liquid storage tanker and tank truck. The registered

capital in 1997 was RMB 30 million. It mainly engaged in the design, manufacture and sales of low-temperature liquid storage tanker, tank truck, large normal pressure tanker, petrochemical equipment, storage tanker for liquid natural gas (LNG), tank truck, tank container, load fuel tank, L-CNG auto aeration stop and relevant technology service. These will make the Group further improve the production layout of main operations, diversify the series of vehicle product line, especially promote the manufacture and expansion of the storage tank for low-temperature liquid, low-temperature pressure tank truck and tank container. The production base layout basically took shape. Ended Dec. 31, 2004, the Group owned eight bases, namely, Shenzhen CIMC Special Vehicle Co., Ltd., Yangzhou CIMC Tonghua Special Vehicle Co., Ltd. Zhumadian CIMC Huajun Co., Ltd., Jinan CIMC Kogel Special Automobile Co., Ltd., Qingdao CIMC Special Vehicle Co., Ltd., Zhangjiagang Sanctum Chemical & Mechanism Co., Ltd., CIMC Baowei and the American base. They are situated in Yangtze River Delta, Zhujiang Delta, Central China, Bohai Bay and other regions where the economy develops rapidly.

The technology reform and construction expansion of the production base made some preliminary achievements. In Mar. 2004, Shenzhen CIMC Special Vehicle Co., Ltd. was completed and put into operation. CIMC American Company completed production line restructure. CIMC Tonghua Co., Ltd. finished the technological restructure of the tank truck production line. All of these quickly enhanced the Group's production capacity of road transport vehicles. Other factories of the Group also started new construction and technological restructure. In respect of manufacturing technology, the Group continued to enhance the productivity while reducing labor intension. Shenzhen Special Vehicle Base was the first to adopt the standard production line domestically.

The construction of marketing network and service system has started. Shanghai CIMC Commercial Auto Industry and CIMC Shanghai 4S Shop project have started operation. The Group sold 10,000 container semi-trailers in the North American market. Moreover, it has entered the Japanese market and gained batch orders of container trailers. The Group also innovated the ocean transportation means of semi-trailers to largely cut down the transportation cost, enhance the transportation efficiency and support the expansion of overseas market.

The Group has made material progress in collectivizing the operation of vehicle business. "CIMC Vehicle (Group) Co., Ltd" has been authorized by the Industrial and Commercial Department. The collectivization operation and notice sharing have been authorized by the State Development and Reform Commission. The Group has become the first experimental unit whose special vehicles can run collectively as per the uniform VIN code and the sequence number of catalogue. The group is gradually integrating the inside management such as technology, purchase and marketing in an effort to establish a resources sharing platform.

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

Besides engaging in the manufacturing business of containers and road transport

vehicles, the Company manages timber, airport ground equipment, other machinery and electronic equipment and real estate business through its holding and share-holding companies.

(1) In 2004, the Group's timber business realized sales revenue amounting to RMB 732,117 thousand, an increase of 61.65%. Xinhui CIMC Wooden Floor Manufacture Co., Ltd., where the Group held 82.94% equity, engaged in timber processing business with the registered capital amounting to USD 15,500,000. In 2004, the Group realized sales revenue amounting to RMB 409,087 thousand and net profit amounting to RMB 61,924 thousand, an increase of 154.79% and 468.7% respectively.

(2) In the aspect of airport ground equipment and other machinery and electronic equipment business, Shenzhen CIMC Tianda Air and Port Equipment 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 equipment with registered capital amounting to USD 13.50 million. In 2004, CIMC Tianda realized sales revenue amounting to RMB 142,343 thousand and net profit amounting to RMB 22,756 thousand, an increase of 8.68% and 7.05% over the same period of last year.

(3) In the business of real estate, CIMC Shenfa Construction Industrial Co., Ltd. (hereinafter referred to as "CIMC Shenfa") mainly engaged in the investment, construction and operation of infrastructure, the investment and operation of real estate and industry investment. It has registered capital amounting to RMB 150 million, of which the Company had 100% equity. In 2004, the Group dedicated to the real estate business located in Shanghai and Jiangmen, Guangdong. It totally realized sales revenue amounting to RMB 12,017 thousand, and decrease of 96.60% over the same period of last year. The net profit amounted to RMB 811 thousand. The project of Haide Garden developed by Shanghai Fengyang Real Estate Co., Ltd. is under construction and is not ready for sales. In addition, sales revenue amounting to RMB 67,070 thousand was realized through the project of Zhongtian International developed by Jiangmen CIMC Tianyu Real Estate Co., Ltd. of which the Company owned 45% equity.

3. Main suppliers and customers

In the report period, the Company's total purchase amount of RMB 8,872,020,000 from the top five suppliers took 42.86% of the total annual purchase amount. The Company's total sale amount of RMB 11,559,240,000 from the top customers took 43.51% of the total annual sale amount. Neither the main related parties nor shareholders holding 5% shares of the issuer had equity in the aforesaid suppliers or customers.

4. Problems, difficulties arising from the operation and solutions

In 2004, raw materials especially steel price continued to rise sharply driven by demand and upstream cost, thus the supply was insufficient. The Company reinforced the management of supply link and adopted flexible strategy utilizing the co-operation relationship with the suppliers, so as to best satisfy the demand of customers and achieve tremendous increase in the Company's payoff.

(III) Particulars about the investment of the Company

1. Particulars about the use of the raised capital

On Nov. 20, 2003, the Company has raised capital amounting to RMB 1.751 billion by the accomplishment of additional issuance of 120 million A share (issuance costs deducted). The use of raised capitals was in line with the schedule and forecasted proceeds.

Unit: RMB'000

Raised capital amount	1,770,900	Raised capital amount that have been used in the report period		189,373		
		Accumulated amount of raised capital that have been used		1,437,663		
Committed projects	Planned investment	Whether it the project changed	Planned amount of investment in the period	Actual amount of investment of the period	Progress of completion	Amount of income
Transform of dry van container plant	329,060	No	32,9060	32,9060	100%	—
Improvement of the productivity of container for district purpose and container for special purpose	413,500	No	202,803.5	202,803.5	49%	74,628
Remolding for improving the productivity of the reefer container	221,060	No	182,060	182,060	82%	—
Tin Container	145,390	No	115,800	115,800	80%	26,721
Compartmental semi-Trailer	231,560	No	231,560	231,560	100%	46,985
Container chassis	190,210	No	155,860	155,860	82%	Not accrued yet
Compartmental semi-Trailer for the processing of overseas raw materials	240,120	No	220,519.5	220,519.5	92%	Not accrued yet
Total	1,770,900	—	1,437,663	1,437,663	81%	148,334

Ended the end of the report period, the raised capital amounting to RMB 333,237 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.12, 2004, Yangzhou Tong Hua Special Vehicles Co., Ltd. increased its registered capital from RMB 34 million to RMB 67.39 million, and renamed itself as “Yangzhou CIMC Tong Hua Special Vehicles Co., Ltd.”. CIMC (Hong Kong) invested RMB 6.7 million, and CIMC Vehicle (Group) Co., Ltd. invested RMB 25.38 million, respectively holding 9.95% and 37.66% equity capital of Yangzhou CIMC Tonghua Special Vehicle Holdings Co., Ltd.

(2) On Apr. 20, 2004, CIMC Vehicle Investment Holdings Company Limited, the wholly owned subsidiary of the Company, invested additional RMB 15 million to Jinan CIMC Kogel Special Automobile Co., Ltd. On Dec. 3, 2004, the Board of Jinan CIMC Kogel Special Automobile Co., Ltd. passed the resolution to invest additional capital and purchase the land in Zhangqiu Mingshui Economic and Technology Development Zone to construct a special vehicle base, in which CIMC Vehicle (Group) Co., Ltd. invested additional capital amounting to USD 5,200,00 and CIMC Vehicle Investment Holdings Company Limited invested USD 6,278,100. Ended Dec.31, 2004, the Company held directly and indirectly 71.78% equity capital of Jinan CIMC Kogel Special Automobile Co., Ltd.. Jinan CIMC Kogel Special Automobile Co., Ltd. constructed a project with the annual output of 8,500 special vehicles in the development zone, the investment amount of which did not exceed RMB 160 million. Ended Dec.31, 2004, Jinan CIMC Kogel Special Automobile Co., Ltd. accumulatively invested RMB 8.7846 million, which would mainly used to purchase land for production purpose and factory construction.

(3) On Aug. 18, 2004, Shenzhen Nanfang CIMC Container Manufacture Co., Ltd. and CIMC (Hong Kong) Co., Ltd jointly invested in the establishment of Inner Mongolia Hulunbeier CIMC Timber Co., Ltd with the registered capital amounting to USD 12 million. Shenzhen Nanfang CIMC Container Manufacture Co., Ltd and CIMC (Hong Kong) Co., Ltd held 70% and 30% of the equity capital respectively.

(4) On Oct. 27, 2004, CIMC Vehicle (Group) Co., Ltd. of the Company and CIMC Vehicle Investment Holdings Company Limited, the subsidiaries of the Company, jointly invested in the establishment of Qingdao CIMC Special Vehicles Co, Ltd., with the registered capital amounting to RMB 35 million. CIMC Vehicle (Group) Co., Ltd. and CIMC Vehicle Investment Holdings Company Limited held 51% and 49% of the equity capital respectively.

(5) On Oct. 27, 2004, CIMC Vehicle (Group) Co., Ltd., CIMC Vehicle Investment Holdings Company Limited and Shanghai Yanghang Enterprise Development Co., Ltd. jointly invested the establishment of Shanghai CIMC Vehicle Logistics Equipment Co., Ltd., with the total investment amount and registered capital both amounting to RMB 80 million. Of which, Shanghai Yanghang Enterprise Development Co., Ltd. invested RMB 1.6 million in cash, taking 2% of the registered capital. CIMC Vehicle (Group) Co., Ltd. invested RMB 30.40 million in cash, taking

38% of the registered capital, and CIMC Vehicle Investment Holdings Company Limited invested USD in cash which amounted to RMB 48 million, taking 60% of the registered capital.

(6) In the report year, the registered capital of Shenzhen Nanfang CIMC Container Manufacture Co., Ltd. increased from USD 15.5 million to USD 33.2 million, the additional capital of which was invested by shareholders according to their share proportions.

(IV) Particulars about the financial position of the Company

Main financial position of the Company were as follows:

Unit: RMB'000

Item	2004	2003	Increase /decrease (%)	Main Reasons of changes
Total assets	16,986,315	10,258,356	65.59	The enlargement of operational scale
Long-term Liabilities	825,188	432,126	90.96%	The enlargement of operational scale and increase in capital demand
Total equity attributable to equity holders of the parent	7,521,276	5,295,653	42.03	The increase in net profit
Gross Profit	4,396,273	1,783,653	146.48%	The increase in sales of containers and price and gross profit
Net profit	2,464,992	694,051	255.16%	The increase in sales of containers and price and gross profit

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

In 2004, the demand in global ship transportation market increased enormously, and the global container trading grew considerably. The international trade of China was booming. These exerted some influence on the Group's business: The demand for containers kept growing rapidly, and the container price rose sharply to the highest level in recent years. The orders, sales volume and profit increased tremendously.

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

1. Operation guideline of the Company in 2005

The overall operation guideline is: being down-to-earth and optimizing the inside of the Company to build systematic competitive edge and achieve sustainable growth.

The Group will bring its advantages in the container industry to full display, further tap the Group's operation potential, reinforce performance the management of

performance, supply link, finance and capital as well as human resources, so as to improve the operating management. The Group will also better the product management system to enhance quality competitiveness and pioneer the health development of the industry. It will extend its industry link to build a network service system characteristic of “one-stop whole lifecycle”. Moreover, the Group will establish itself as a responsible industry leader by further devoting efforts in environment protection, energy saving, security and labor protection pursuant to the sustainable development strategy.

2. Operation measure of the Company's business in 2005

(1) In aspect of container business, the Group will make progress in the industry through systematic strategy, try to be practical in basic management, and strengthen technological and management innovation. It will also improve production base layout and production quality while expanding the service region. Besides, it will speed up the establishment of service operation platform and provide service of container yard. In this way, it will promote the sustainable, healthy and steady development of the industry.

(2) In aspect of road transport vehicles, the Group will be consistent in improving the production base layout to complete the technological reform and expansion of the operation base in existence. It will continue to expand and improve the production line, including the manufacture and sales of logistics vehicles, tank equipment and construction vehicles. It will also speed up the construction of marketing network and service system.

(3) In aspect of other services, the Group will manage to continually expand the market by firstly controlling risks.

(VII) Routine work of the Board of Directors

1. In the report period, meetings of the Board of Directors and content of resolutions

(1) On Jan. 9, 2004, the Board of Directors of the Company held the first meeting in 2004 by communication vote and the meeting examined and approved Resolution on Revising the Articles of the Association.

(2) On Mar. 16, 2004, the Board of Directors of the Company held the second meeting in 2004 and the meeting examined and approved the following resolutions:

- 1) 2003 Auditor's Report;
- 2) 2003 Annual Report and its Summary;
- 3) Resolution on Approving to Withdraw Impairment Losses for Intangible Assets and Long-term Investment;
- 4) Resolution on Providing Credit Guarantee for Bank Short-term Credit of wholly subsidiaries and Affiliated subsidiaries;

- 5) Resolution on Revising the Articles of the Association of the Company;
- 6) Revising Rules of Procedures of Shareholders' General Meeting;
- 7) Engagement of CPAs in 2004;
- 8) Preplan on 2003 Profit Distribution, Dividend Distribution and Capital Reserve into Share Capital;
- 9) Proposal on Nominating Candidates for Directors;
- 10) Resolution on Submitting to Shareholders' General Meeting that Authorizing the Board to Determine the Remuneration of Director Mai Boliang according to CIMC Operating Group Assessment Management Measures
- 11) Resolution on Engagement of Operating Group of the Company;
- 12) Reengagement of Secretary of the Board and Securities Affairs Representative;
- 13) Holding 2003 Shareholders' General Meeting;
- (3) On Apr. 21, 2004, the Board of Directors of the Company held the 3rd meeting in 2004 by communication vote and the meeting approved Resolution on Electing Chairman of the Board and Vice Chairman of the Board;
- (4) On Apr. 26, 2004, the Board of Directors of the Company held the 4th meeting in 2004 and the meeting approved Resolution on 1st Quarterly Report of 2004;
- (5) On May 13, 2004, the Board of Directors of the Company held the 5th meeting in 2004 by communication vote and the Company examined and approved Resolution on Increasing Investment on Shenzhen CIMC Property Development Co., Ltd.;
- (6) On Aug. 10, 2004, the Board of the Company held 6th Meeting of 2004 and the meeting examined and approved the following resolutions:
 - 1) Resolution on Withdrawing Impairment Losses on Exploitation Right of Cambodia Woods
 - 2) Resolution on Increasing Operating Scope
 - 3) Resolution on Change of Operating Period
 - 4) Resolution on Change of Registered Place
 - 5) Resolution on Change of Registered Capital
 - 6) Resolution on 2004 Semi-annual Report
 - 7) Resolution on Revising the Articles of the Association of the Company;
 - 8) Resolution on Investment on Dalian CIMC Tray Container Project
 - 9) Resolution on 2nd Phase Construction of East Factory of Shenzhen Southern CIMC Manufacture Co., Ltd.
 - 10) Resolution on Revising Rules of Procedures
 - 11) Special Explanation on External Guarantee and Implementation of Regulations of CSRC No. 56 Document and Independent Director Opinions
- (7) On Aug. 26, 2004, the Board of Directors of the Company held the 7th meeting in 2004 and the meeting examined and approved Resolution on Setting up Inner Mongolia Hulunbeier CIMC Timber Co., Ltd.;
- (8) On Oct. 14, 2004, the Board of Directors of the Company held the 8th meeting in 2004 by communication vote and the meeting examined and approved the Resolution on Holding 2004 1st Provisional Shareholders' General Meeting;
- (9) On Oct. 25, 2004, the Board of Directors of the Company held the 9th meeting in 2004 and the meeting examined and approved Resolution on 3rd Quarterly Report and

Resolution on Increasing Investment on Shenzhen Southern CIMC Container Manufacture Co., Ltd.;

(10) On Dec. 1, 2004, the Board of Directors of the Company held the 10th meeting in 2004 and the meeting examined and approved Resolution on Financing Arrangement of Bank, Resolution on Transferring Share Equity of CIMC Vehicles Co., Ltd. and Resolution on Authorization on Disposal of Fixed Assets;

(11) On Dec. 31, 2004, the Board of Directors of the Company held the 11th meeting in 2004 and the meeting examined and approved Resolution on Nominating Candidates for Directors;

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

The Board implemented every item resolution of Shareholders' General Meeting strictly in the year:

(1) In 2003, Shareholders' General Meeting authorized the Board to revise the Articles of the Association of the Company, Rules of Procedures of Shareholders' General Meeting and to determine the remuneration of Director Mai Boliang according to CIMC Operating Group Assessment Management Measures; 2004 1st Provisional Shareholders' General Meeting authorized the Board to change operating period, to increase operating scope and to revise the Articles of the Association of the Company, which have been implemented in the report period.

(2) Implementation of the Board on 2003 Profit Distribution and Capital Reserve into Share Capital Plan of the Company

2003 Annual Shareholders' General Meeting held on Apr. 21, 2004 examined and approved 2003 Profit Distribution and Capital Reserve into Share Capital Plan. The earning per share was RMB 1.0831 based on the share capital of the Company as of Dec. 31, 2004 amounting to 630,302,096 shares. The suggested preplan of profit distribution, bonus and dividend distribution for 2003 is that according to Articles of Association of the Company and the present accounting system, appropriating 10% of net profit of the parent company in 2003 (RMB 713,772,761.87) as statutory surplus public reserve amounting to RMB 71,377,276.15 and appropriating 5% as statutory welfare reserve amounting to RMB 35,688,638.08, adding undistributed profit totally RMB 532,674,486.59 at the year-begin, the distributable profit for the shareholders in this year is RMB 1,139,381,334.23; on the base of the total share capital amounting to 630,302,096 shares of the Company ended as at Dec. 31, 2003, distribute RMB 3.8 cash (including tax) for every ten shares and the dividend amounts to RMB 239,514,796.48; after the distribution, appropriate RMB 850,000,000.00 arbitrary surplus public reserve.

The preplan of transferring public reserve into share capital: suggest transferring converting 6 shares into share capital for every 10 shares

The Company published 2003 Dividend Distribution and Conversion of Capital Reserve into Share Capital in Securities Times and Ta Kung Pao on May 26, 2004,

which confirmed Jun. 2, 2004 as Register Date for Share Capital and Jun. 3, 2004 as Ex-dividend and Ex-right Date. By the end of the report period, the Company have completed all dividend distribution.

(VIII) Profit Distribution Preplan of the Company or Preplan on Converting Capital Reserve into Share Capital in the report year

Audited by Shenzhen Pan-China Schinda Certified Public Accountants, in 2004, the Company realized net profit after tax and minority interests amounting to RMB **2,389,023,556.10**. Based on the Company's share capital amounting to 1,008,483,353 shares ended Dec. 31, 2004, an earnings per share is RMB **2.37**. The suggested preplan on profit and dividends distribution in 2004 is: according to the Articles of Association of the Company and current Accounting System, based on the net profit amounting to RMB **2,269,304,559.89** of the parent company in 2004, appropriating 10% of the net profit as statutory surplus reserve amounting to RMB **226,930,455.99**, appropriating 5% of the net profit as statutory public welfare fund amounting to RMB **113,465,227.99**, plus the undistributed profit at the year-begin amounting to RMB 254,850,554.60, the total profit available for distribution to the shareholders in 2004 was RMB **2,243,584,455.96**. Based on the total share capital of the Company amounting to 1,008,483,353 shares ended Dec. 31, 2004, distributing cash dividends at the rate of RMB **5.00** (tax included) for every 10 shares, which total dividends amounts to RMB **504,241,676.50**. After the distribution, RMB 1,474,533,737.22 is appropriated as discretionary capital reserves.

Preplan on conversion of public reserve into share capital: suggest converting public reserve into share capital at the rate of 10 shares for every 10 shares. After the conversion, the total share capital of the Company increases from 1,008,483,353 shares to **2,016,966,706** shares.

The above preplans are subject to Annual Shareholders' General Meeting for examination 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) 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, 2004, 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-listed 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 at Dec. 31, 2004, the total guarantee provided for Xinhui CIMC by the Company was RMB 0, and contingent liabilities caused by guarantee that the Company provided for Xinhui CIMC Container Flooring Co., Ltd. was RMB 0.

(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, 2004, the balance of contingent liabilities caused by guarantee the Company provided for its subsidiaries was RMB 983 million; (including the above guarantee amount for Xinhui CIMC Container Co., Ltd.), taking by 13.16% of net assets at the end of 2004 amounting to RMB 7471million.

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.

(XI) No other matters need to be disclosed

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 two meetings:

1. On Mar. 16, 2004, the Supervisory Committee held its first meeting in 2004 and passed the following resolutions:

(1) Examined Work Report of the Supervisory Committee of 2003;

- (2) Examined Work Report of the Board of Directors of 2003;
- (3) Examined 2003 Annual Report and Summary of 2003 Annual Report;
- (4) Examined Proposal on Changing Supervisor.

2. On Dec. 31, 2004, the Supervisory Committee held its second meeting in 2004 by and the meeting examined and approved Proposal on Nominating Candidate for Supervisor. The meeting nominated Mr. Shi Jingwei as candidate for Supervisor of the Company.

(II) Independent opinions of the Supervisory Committee on relevant matters of the Company during 2004

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

1. The Company's lawful operation

According to the relevant regulations of the Company Law, the Articles of the Association, the Supervisory Committee seriously fulfilled obligation. In this year, the members of the Supervisory Committee attended all the meetings of the Board of Directors, in line with relevant laws and regulations, and supervised holding procedures, decision-making procedures of Shareholders' General Meeting and Board meetings, implementation of the resolutions of Shareholders' General Meeting by the Board and decision operation of the Company. The Supervisory Committee believed 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 financial reports truthfully and justly reflected the financial condition and operation achievements of the Company. In the report period, Shenzhen Pan-China Schinda Certified Public Accountants presented unqualified auditor's report for 2004 Financial Report and KPMG presented unqualified auditor's report for 2004 Financial Report. The Supervisory Committee believed, auditor's opinions presented by Shenzhen Pan-China Schinda Certified Public Accountants and KPMG were objective.

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 in the report period, the fund raised this time was input into the projects as pledged and obtained prospective gains.

4. In the report period, the transaction price of acquiring and selling assets by the

Company was reasonable and the transaction abided by lawful procedures. There existed no insider transaction or harm to interest of shareholders or outflow of assets of the Company.

5. In the report period, the Company had no significant related transactions.

IX. Important Matters

(I) Significant lawsuit or arbitration

There was no significant lawsuit or arbitration involving the Company in the report year.

(II) Significant purchase and sale of assets

1. On Apr. 12, 2004, wholly subsidiary of the Company, Shenzhen CIMC Heavy Machinery Co., Ltd. (now named CIMC Vehicle Group Co., Ltd.), and wholly subsidiary of CIMC (Hong Kong) Co., Ltd, CIMC Vehicle Investment Holdings Company Limited signed agreement on increasing registered capital of Huajun Vehicles and operation with 18 natural person shareholders including Guo Yonghua, Zhang Yungen and Zhang Guoqing etc.. After increasing investment, the Company held 51% share equity of Huajun Vehicles through subsidiaries. Acquisition of Huajun Vehicles would further consummate production layout of road transportation vehicles business of the Group, which would had positive influence on the operation of semi-trailers and special vehicles of the Group. See the relevant contents, please refer to Public Notice on Securities Times and Hong Kong Ta Kung Pao on Apr. 12, 2004. (No. CIMC2004-007). Since Oct. 1, 2004, CIMC Huajun Vehicles Co., Ltd. was listed into consolidation scope of financial statements of the Company.

2. On Oct. 15, 2004, wholly subsidiary of the Company, CIMC Vehicles Co., Ltd. ("CIMC Vehicles") and Xinjiang Guanghui Industrial Investment (Group) Co., Ltd. ("Xinjiang Guanghui") signed share equity transfer agreement on acquiring 60% share equity of Shengdayin Chemical Machinery Co., Ltd. of Zhangjia Port City held by Xinjiang Guanghui at the price of RMB 42 million. The share equity transfer would further consummate production layout of road transportation vehicles business of the Group, richen production line of road transportation vehicles, especially in the aspects of products including Liquid Storage Tank with low-temperature, Pressure Tank Cars with low-temperature, tank containers etc., which would had positive influence on the operation of semi-trailers and special vehicles of the Group. See the relevant contents, please refer to Public Notice on Securities Times and Hong Kong Ta Kung Pao on Oct. 20, 2004. (No. CIMC2004-017). Since Nov. 1, 2004, Shengdayin Chemical Machinery Co., Ltd. of Zhangjia Port City was listed into consolidation scope of financial statements of the Company.

(III) Significant related transactions

There was no significant related transactions occurred during the report period.

(IV) Major contracts and the implementation

1. On Feb. 12, 2004, the Company signed the Export Bargainor Credit Contract with

China Import & Export Bank. Please refer to the relevant contents on Securities Times and Hong Kong Ta Kung Pao on Feb. 13, 2004. (No. CIMC2004-001).

2. On Mar. 19, 2004, the Company signed Dongfeng CIMC Strategic Cooperation Frame Agreement with Commercial Vehicle Company, Dongfeng Motor, Co., Ltd. in Shenzhen. Please refer to the relevant contents on Securities Times and Hong Kong Ta Kung Pao on Mar. 23, 2004. (No. CIMC2004-003).

3. On Jun. 4, 2004, the Company signed Bank Group Credit Contract with credit line amounting to USD 100 million arranged by Citigroup and ING Bank N. V.. Please refer to the relevant contents on Securities Times and Hong Kong Ta Kung Pao on Jun. 5, 2004. (No. CIMC2004-011).

4. On Aug. 18, 2004, the Company signed Global Credit Agreement with comprehensive credit line amounting to RMB 1517.2 million with Bank of Communications. Please refer to the relevant contents on Securities Times and Hong Kong Ta Kung Pao on Aug. 19, 2004. (No. CIMC2004-014).

5. On Aug. 19, 2004, shareholder of the Company, COSCO signed shares transfer agreement with COSCO Container Industries Limited. COSCO assigned 163,701,456 shares of the Company held by COSCO (taking 16.23% of the total shares of the Company) to COSCO Container Industries Limited, wholly subsidiary of COSCO Pacific Ocean Co., Ltd. controlled by COSCO. The relevant public notice (No: CIMC 2004-015) were published in Securities Times and Hong Kong Ta Kung Pao on Aug. 20, 2004. On Dec. 31, 2004, the above shares transfer has been transacted transfer procedures in Shenzhen branch of China Securities Register & Depository Clearing Co., Ltd.. The relevant Public Notice on Accomplishment of Transfer shares of the Company by COSCO (No. CIMC2005-001) was published on Securities Times, Shanghai Securities Times and Hong Kong Ta Kung Pao on Jan. 7, 2005.

6. On Dec. 22, 2004, the Company signed Fully Cooperation Agreement with China Merchants Bank. Both parties would cooperate in the aspects of financing and capital settlement. Please refer to the relevant contents on Securities Times, Shanghai Securities Times and Hong Kong Ta Kung Pao on Dec. 23, 2004. (No. CIMC2004-021).

7. Significant guarantee contract

(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.

(2) Ended Dec. 31, 2004, the balance of contingent liabilities caused by guarantee the Company provided for its subsidiaries was RMB 983 million, taking by 13.16% of net assets at the end of 2004 amounting to RMB 7471million.

(V) Commitment and the implementation by the Company and shareholders holding over 5% of the shares

Naught.

(VI) Engagement and disengagement CPAs by the Company

During the report period, the Company held the shareholders' general meeting dated Apr. 21, 2004, 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 2004 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 four years continually since 2001; and KPMG has provided auditing services of B shares for eleven 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 1,448,600 to Shenzhen Pan-China Schinda Certified Public Accountants, including auditing fees for 2003 and expenses for business trip.

The Company paid HKD 2.1 million to KPMG, including auditing fees for 2003 and expenses for business trip.

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

X. Financial report

China International Marine Containers
(Group) Ltd.
中国国际海运集装箱(集团)股份有限公司

31 December 2004

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 2004 and the related consolidated statements of income, recognised income and expense and cash flows for the year then ended, set out on pages 2 to 55. 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. 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 statement 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 2004, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Certified Public Accountants

Hong Kong, China

Consolidated income statement for the year ended 31 December 2004

	Note	2004 RMB'000	2003 RMB'000
Revenue	3	26,557,657	13,705,212
Cost of sales		<u>(22,161,384)</u>	<u>(11,921,559)</u>
Gross profit		4,396,273	1,783,653
Other operating income	5	272,529	141,126
Distribution expenses		(427,604)	(342,007)
Administrative expenses		(1,072,874)	(496,964)
Other operating expenses	6	<u>(309,861)</u>	<u>(180,432)</u>
Net operating profit before net financing costs		2,858,463	905,376
Financial income	8	33,851	36,745
Financial expenses	8	<u>(70,639)</u>	<u>(62,038)</u>
Net financing costs	8	(36,788)	(25,293)
Share of the profit of associates		<u>25,534</u>	<u>8,747</u>
Profit before tax		2,847,209	888,830
Income tax expense	9	<u>(277,105)</u>	<u>(111,361)</u>
Profit for the year		2,570,104 =====	777,469 =====
Attributable to:			
Equity holders of the parent		2,464,992	694,051
Minority interests		<u>105,112</u>	<u>83,418</u>
Profit for the year		2,570,104 =====	777,469 =====
Basic earnings per share (RMB Yuan)	11	2.44 ===	0.77 ===

The notes on pages 54 to 100 form part of these consolidated financial statements.

Consolidated statement of recognised income and expense for the year ended 31 December 2004

	<i>Note</i>	2004 RMB'000	2003 RMB'000
Revaluation reserve realised on dissolution of subsidiaries	26	(4,571)	-
Exchange reserve realised on dissolution of subsidiaries	26	<u>4,717</u>	<u>-</u>
Net income recognised directly in equity		146	-
Profit for the year		<u>2,570,104</u>	<u>777,469</u>
Total recognised income and expense for the year		2,570,250 =====	777,469 =====
Attribute to:			
Equity holders of the parent		2,465,138	694,051
Minority interests		<u>105,112</u>	<u>83,418</u>
		2,570,250 =====	777,469 =====

The notes on pages 54 to 100 form part of these consolidated financial statements.

Consolidated balance sheet
for the year ended 31 December 2004

	Note	2004 RMB'000	2003 RMB'000
Assets			
Property, plant and equipment	12	3,103,926	2,248,866
Lease prepayments - non-current portion	13	486,007	251,434
Construction in progress	14	446,778	172,435
Timber concession rights	15	81,237	175,129
Intangible assets	16	90,867	9,243
Interests in associates	17	94,248	57,555
Investments in equity securities	18	271,907	274,260
Long-term receivables	19	92,503	45,005
Prepayment for investments	20	4,471	193,008
Deferred tax assets	9(d)	<u>52,373</u>	<u>20,205</u>
Total non-current assets		<u>4,724,317</u>	<u>3,447,140</u>
Lease prepayments - current portion	13	13,460	9,572
Investments in equity securities	18	140,081	168,775
Properties under development	21	92,934	62,162
Completed properties for sale		55,693	61,074
Inventories	22	4,438,417	1,350,628
Trade and other receivables	23	6,038,248	4,452,401
Cash and cash equivalents	24	<u>1,483,165</u>	<u>706,604</u>
Total current assets		<u>12,261,998</u>	<u>6,811,216</u>
Total assets		<u>16,986,315</u>	<u>10,258,356</u>

The notes on pages 54 to 100 form part of these consolidated financial statements.

Consolidated balance sheet
as at 31 December 2004 (continued)

	Note	2004 RMB'000	2003 RMB'000
Equity			
Share capital	25	1,008,483	630,302
Reserves	26	<u>6,512,793</u>	<u>4,665,351</u>
Total equity attributable to equity holders of the parent		7,521,276	5,295,653
Minority interests		<u>854,499</u>	<u>659,804</u>
Total equity		8,375,775	5,955,457
		-----	-----
Liabilities			
Interest-bearing bank loans	27	<u>822,728</u>	<u>422,084</u>
Total non-current liability		822,728	422,084
		-----	-----
Interest-bearing bank loans	27	1,692,529	512,326
Non interest-bearing bank loan	28	-	29,670
Trade and other payables	29	5,343,023	2,906,130
Provisions	30	552,150	383,846
Taxation	9	<u>200,110</u>	<u>48,843</u>
Total current liabilities		7,787,812	3,880,815
		=====	=====
Total liabilities		8,610,540	4,302,899
		=====	=====
Total equity and liabilities		16,986,315	10,258,356
		=====	=====

Approved and authorised for issue by the board of directors on

)
)
) Directors
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The notes on pages 54 to 100 form part of these consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 December 2004

	2004 RMB'000	2003 RMB'000
Operating activities		
Profit for the year	2,570,104	777,469
Adjustments for:		
Depreciation	226,714	168,136
Impairment losses of property, plant and equipment	76,505	39,248
Net amortisation of goodwill / negative goodwill	9,155	18,956
Gain on recognition of negative goodwill	(4,776)	-
Amortisation of other intangible assets	1,733	4,455
Amortisation of negative goodwill in an associate	(255)	(255)
Loss on sale of property, plant and equipment	9,274	21,282
Interest income	(14,457)	(19,007)
Interest expenses	56,820	45,406
Gain on disposal of listed equity securities	(18,527)	(7,990)
Impairment losses of unlisted equity securities	3,694	21,805
Amortisation of timber concession rights	3,205	7,967
Impairment losses of prepayment for investments	6,044	-
Impairment losses of timber concession rights	90,687	45,871
Dividend income	(13,377)	(8,705)
Income from associates	(25,534)	(8,747)
Income tax expenses	<u>277,105</u>	<u>111,361</u>
Operating profit before changes in working capital and provisions	3,254,114	1,217,252
Increase in lease prepayments	(161,075)	(61,255)
(Increase) / decrease in long-term receivables	(47,498)	41,616
Increase in trade and other receivables	(659,931)	(951,811)
Increase in inventories	(2,682,299)	(184,745)
Increase in trade and other payables	1,650,927	533,745
Increase in provisions	168,304	10,412
(Increase) / decrease in properties under development	(30,772)	88,270
Decrease in completed properties for sale	<u>5,381</u>	<u>10,953</u>
Cash generated from the operations	1,497,151	704,437
PRC income tax paid	<u>(181,955)</u>	<u>(89,315)</u>
Cash flows from operating activities	<u>1,315,196</u>	<u>615,122</u>

The notes on pages 54 to 100 form part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2004 (continued)

	<i>Note</i>	2004 RMB'000	2003 RMB'000
Investing activities			
Interest received		17,307	15,590
Payment for property, plant and equipment		(175,073)	(70,674)
Payment for construction in progress		(903,252)	(767,783)
Payment for acquisition of equity securities		(291,694)	(300,948)
Payment for acquisition of associates		(13,816)	(13,500)
Prepayment for investments		(7,640)	(186,259)
Payment for acquisition of minority shareholdings		(1,998)	(102,425)
Loan to an associate		-	(13,500)
Repayment of loan to an associate		-	108,697
Payment for acquisition of subsidiaries, net of cash acquired	4	(109,745)	(76,857)
Payment for dissolution of subsidiaries, net of cash disposed of		(13,973)	-
Dividend received		13,486	16,878
Proceeds from sales of property, plant and equipment		2,599	14,972
Proceeds from dissolution of an associate		-	477,592
Proceeds from disposal of partial interest in subsidiary		1,739	5,982
Proceeds from sales of equity securities		353,606	156,899
Repayment of advance to minority interests		17,486	14,460
Advance to minority shareholders		<u>(2,405)</u>	<u>(8,000)</u>
Cash flows from investing activities		<u>(1,113,373)</u>	<u>(728,876)</u>

The notes on pages 54 to 100 form part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2004 (continued)

	Note	2004 RMB'000	2003 RMB'000
Financing activities			
Interest paid		(54,640)	(55,338)
Proceeds from bank loans	33	12,232,448	12,210,004
Repayment of bank loans	33	(10,892,959)	(13,437,263)
Repayment of advances from Receivables Framework Agreement	23	(414,000)	-
Proceeds from Receivables Framework Agreement	23	-	55,943
Net proceeds from issuance of shares		-	1,751,105
Capital injection from minority shareholders		24,856	22,432
Dividends paid	10	(239,515)	-
Dividends paid to minority shareholders		<u>(81,452)</u>	<u>(108,462)</u>
Cash flows from financing activities		574,738	438,421
		=====	=====
Net increase in cash and cash equivalents		776,561	324,667
Cash and cash equivalents at 1 January		<u>706,604</u>	<u>381,937</u>
Cash and cash equivalents at 31 December	24	1,483,165 =====	706,604 =====

The notes on pages 54 to 100 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 2004 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates. The financial statements were authorised for issue by the directors on 2 March 2005.

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”) and interpretations adopted by the International Accounting Standards Board (“IASB”).

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)).

Except IFRS 3 (refer to note 2(i)) which the Group implemented, the accounting policies have been consistently applied to the results, other gains and losses, assets, liabilities and cash flows of entities included in the consolidated financial statements and are consistent with those used in the previous year.

No adjustment to the comparative figures for 2003 or change in presentation of 2004 financial statements is required by IFRS 3. The adoption of IFRS 3 results in an increase in both profit for the year ended 31 December 2004 and shareholders’ equity at 31 December 2004 of the same amount of RMB6,320,000.

2 Significant accounting policies (continued)

(b) Basis of preparation (continued)

The preparation of financial statements in conformity with IFRSs requires management to make judgement, estimate and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those entities 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. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Associates

Associates are those entities 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 commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

(iii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2 Significant accounting policies (continued)

(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)).

Non-monetary assets and liabilities that are measured in terms of historical cost in currencies other than Renminbi Yuan are translated to Renminbi Yuan using the foreign exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in currencies other than Renminbi Yuan that are stated at fair value are translated to Renminbi Yuan at foreign exchange rates ruling at the dates the fair value was determined.

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill arising on consolidation, are translated to Renminbi Yuan at foreign exchange rates ruling at the balance sheet date. The income and expenses of foreign operations are translated to Renminbi Yuan at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised as a separate component of equity.

(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.

2 Significant accounting policies (continued)

(f) Property, plant and equipment

(i) 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)). The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads. 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.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the consolidated income statement as an expense as incurred.

(iii) 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.

(iv) 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.

(v) 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. Pursuant to IFRS 3 “Business Combination”, in respect of business combination for which the agreement date is before 31 March 2004, goodwill is stated at cost less accumulated amortisation, which is based on a straight-line basis over five years, and impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interests in associates. In respect of business combination for which the agreement date is on or after 31 March 2004, goodwill is stated at cost less any accumulated impairment losses.

Goodwill is allocated to cash-generating units. As from 1 January 2005, goodwill is no longer amortised but is tested annually for impairment (refer to note 2(u)).

(ii) Negative goodwill

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

2 Significant accounting policies (continued)

(i) Intangible assets (continued)

(ii) Negative goodwill (continued)

To the extent that negative goodwill in respect of business combination for which the agreement date is before 31 March 2004 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. Pursuant to IFRS 3, negative goodwill at 1 January 2005 will be de-recognised with a corresponding adjustment to the retained earnings at that date.

Pursuant to IFRS 3, in respect of business combination, for which the agreement date is on or after 31 March 2004, negative goodwill is recognised directly 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.

(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 investments available-for-sale is their quoted bid price at the balance.

2 Significant accounting policies (continued)

(j) Investments in equity securities (continued)

Available-for-sale investments are recognised / derecognised by the Group on the date it commits to purchase / sell the investments.

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.

(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.

2 Significant accounting policies (continued)

(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.

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.

2 Significant accounting policies (continued)

(r) Taxation (continued)

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 following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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, trailers, 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.

(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.

2 Significant accounting policies (continued)

(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, dividend income, 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

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.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

(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.

2 Significant accounting policies (continued)

(u) Impairment (continued)

(ii) Reversals of impairment

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.

(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) Trailers

The manufacture and sale of trailers.

(iii) Mechanical and electrical equipment

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

(iv) Property development

The construction and development of properties for sale.

(v) Timber logging

The logging and sale of timber.

(b) Geographical segments

The containers, trailers, mechanical and electrical equipment, property development, and timber logging segments are mainly managed in the PRC. The United States of America (the "USA"), Europe and Asia are major markets for sales of containers and trailers. The PRC is a major market for property development which is 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		Trailers		Mechanical and electrical equipment		Property development		Timber logging		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	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	24,043,267	13,117,175	2,322,996	58,665	164,570	136,434	4,292	329,151	22,532	63,787	26,557,657	13,705,212
Segment result	3,381,771	1,076,599	66,501	(28,785)	34,596	19,728	(4,390)	37,023	(122,924)	(31,662)	3,355,554	1,072,903
Unallocated net expenses											(497,091)	(167,527)
Profit from operations											2,858,463	905,376
Net financing costs											(36,788)	(25,293)
Income from associates	23,356	8,374	2,315	-	-	373	(137)	-	-	-	25,534	8,747
Income tax expense											(277,105)	(111,361)
Minority interests											(105,112)	(83,418)
Net profit for the year											2,464,992	694,051
Segment assets	13,626,227	9,070,327	2,371,478	320,819	163,592	160,044	182,634	196,799	548,136	452,812	16,892,067	10,200,801
Interests in associates	50,361	30,555	8,747	-	-	-	35,140	27,000	-	-	94,248	57,555
Total assets											16,986,315	10,258,356
Segment liabilities	(7,063,246)	(3,959,746)	(1,172,010)	(42,660)	(66,198)	(110,362)	(12,206)	(38,553)	(96,770)	(102,735)	(8,410,430)	(4,254,056)
Unallocated liabilities											(200,110)	(48,843)
Total liabilities											(8,610,540)	(4,302,899)
Capital expenditure	891,779	892,833	600,348	88,462	1,359	2,477	48	540	46,515	21,380	1,540,049	1,005,692
Impairment losses	76,073	58,774	4,057	-	6,112	2,279	-	-	90,688	45,871	176,930	106,924
Depreciation and amortisation	208,810	180,320	25,724	2,471	3,843	7,891	507	827	12,273	16,081	251,157	207,590

3 Segment reporting (continued)

Geographical segments

	USA		Europe		Asia		Other regions		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	6,606,070	3,591,483	13,747,940	6,308,050	5,729,132	3,504,819	474,515	300,860	26,557,657	13,705,212
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
	PRC		Outside PRC						Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	16,448,190	9,927,168	443,877	273,633			16,892,067		10,200,801	
	=====	=====	=====	=====			=====		=====	
Capital expenditure	1,520,679	964,117	19,370	41,575			1,540,049		1,005,692	
	=====	=====	=====	=====			=====		=====	

4 Acquisitions of subsidiaries

Acquisitions

On 1 January 2004, the Group acquired the entire shares in Zhangzhou CIMC Container Co., Ltd. ("ZZCIMC") for RMB49,880,000, satisfied in cash, of which RMB2,294,000 was prepaid in 2003. The principal activities of ZZCIMC are manufacturing and sales of containers. During the year, ZZCIMC contributed net profit of RMB97,340,000 to the consolidated net profit for the year.

On 1 January 2004, the Group acquired a 48% shareholding interest in Jinan CIMC - KOGEL Special Automobile Co., Ltd. ("KGR") for RMB33,601,000, satisfied in cash, of which RMB10,080,000 was prepaid in 2003. The principal activities of KGR are manufacturing and sales of trailers. During the year, KGR incurred net loss of RMB5,759,000 which reduced the consolidated net profit for the year by the same amount.

On 1 January 2004, the Group acquired the entire shares in Yangzhou Xincheng Yongheng Development Co., Ltd. ("XCYH") for RMB17,736,000, satisfied in cash. The principal activities of XCYH are manufacturing and sales of trailers. During the year, XCYH contributed net profit of RMB1,037,000 to the consolidated net profit for the year.

On 1 January 2004, the Group acquired a 75.53% shareholding interest in both Yangzhou CIMC Tong Hua Special Vehicles Co., Ltd. ("YZTH") and Yangzhou CIMC Xing Hua Machinery Co., Ltd. ("YZXH") for a total consideration of RMB71,169,000, satisfied in cash, of which RMB19,131,000 and RMB50,000,000 were prepaid in 2002 and 2003 respectively. At 31 December 2004, part of the consideration amounting to RMB2,038,000 remained unpaid. The principal activities of YZTH and YZXH are manufacturing and sales of trailers. During the year, YZTH contributed net profit of RMB45,392,000 to the consolidated net profit for the year and YZXH incurred net loss of RMB69,000 which reduced the consolidation net profit for the year by the same amount.

On 16 March 2004, the Group acquired a 60% shareholding interest in Clive-Smith Cowley Limited ("CSC") for RMB46,545,000, satisfied in cash. The principal activities of CSC are manufacturing and sales of container components. During the period from 17 March 2004 to 31 December 2004, CSC contributed net profit of RMB14,026,000 to the consolidated net profit for the year.

On 30 April 2004, the Group acquired a 70% shareholding interest in CIMC Australia Pty Ltd. ("CIMC AUS") for RMB7,998,000, satisfied in cash. The principal activity of CIMC AUS is trading of trailers and relevant accessories. During the period from 1 May 2004 to 31 December 2004, CIMC AUS contributed net profit of RMB250,000 to the consolidated net profit for the year.

4 Acquisitions of subsidiaries (continued)

Acquisitions (continued)

On 1 October 2004, the Group acquired a 51% shareholding interest in Zhumadian CIMC Huajun Vehicle Co., Ltd. ("HJCIMC") for RMB100,000,000, satisfied in cash. The principal activities of HJCIMC are manufacturing and sales of trailers and relevant accessories. During the period from 2 October 2004 to 31 December 2004, HJCIMC contributed net profit of RMB20,609,000 to the consolidated net profit for the year.

On 1 November 2004, the Group acquired a 91% shareholding interest in Zhangjiagang CIMC Sanctum Machinery Co., Ltd. ("SDY") for RMB63,700,000, satisfied in cash. The principal activities of SDY are designing, manufacturing and sales of tanks and related equipment. During the period from 2 November 2004 to 31 December 2004, SDY contributed net profit of RMB5,442,000 to the consolidated net profit for the year.

4 Acquisitions of subsidiaries (continued)

Effect of acquisitions

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

	Note	2004 RMB'000	2003 RMB'000
Property, plant and equipment		285,761	112,060
Lease prepayment (non-current)		75,572	4,811
Lease prepayment (current)		1,814	535
Construction in progress	14	21,431	70
Intangible assets	16	6,851	-
Inventories		345,164	84,367
Trade and other receivables		520,472	352,094
Cash at bank		197,341	42,113
Interest in equity securities		21,946	3,974
Current interest-bearing bank loan	33	(173,688)	(113,660)
Trade and other payables		(774,942)	(248,534)
Taxation	9(c)	(27,994)	(1,916)
Non-current interest-bearing bank loan	33	<u>(38,000)</u>	<u>-</u>
Net identifiable assets and liabilities		461,728	235,914
Minority interests		(152,902)	(121,042)
Goodwill on acquisition		81,803	4,098
Consideration paid in 2002 and 2003, satisfied in cash		(81,505)	-
Remaining consideration unpaid		<u>(2,038)</u>	<u>-</u>
Consideration paid in 2004, satisfied in cash		307,086	118,970
Cash acquired		<u>(197,341)</u>	<u>(42,113)</u>
Net cash outflow		<u>109,745</u>	<u>76,857</u>

5 Other operating income

	2004 RMB'000	2003 RMB'000
Gain on disposal of listed equity securities	18,527	7,990
Gain on disposal of interests in associates	-	5,278
Tax refunds from capitalisation of subsidiaries' earnings	5,086	5,604
Profit on disposal of scrap materials and spare parts	176,476	89,353
Service income	15,044	6,157
Tax refund or government incentive received	21,085	13,065
Insurance compensation	2,737	4,607
Gain on recognition of negative goodwill	4,776	-
Others	<u>28,798</u>	<u>9,072</u>
	272,529	141,126
	=====	=====

6 Other operating expenses

	2004 RMB'000	2003 RMB'000
Loss on disposal of property, plant and equipment	9,274	21,282
Impairment losses of property, plant and equipment	76,505	39,248
Net amortisation of goodwill	9,155	18,956
Amortisation of timber concession rights	3,205	7,967
Impairment losses of timber concession rights	90,687	45,871
(Reversal of) / allowance for doubtful debts	(891)	7,600
Amortisation of other intangible assets	1,733	4,455
Amortisation of negative goodwill in an associate	(255)	(255)
Consultancy fees	7,545	4,499
Penalties	616	378
Impairment losses of unlisted equity securities	3,694	21,805
Impairment losses of prepayment for investments	6,044	-
Donations	2,110	356
Guarantee losses (note 30)	80,000	-
Others	<u>20,439</u>	<u>8,270</u>
	309,861	180,432
	=====	=====

7 Staff costs

	2004 RMB'000	2003 RMB'000
Wages and salaries	1,858,124	819,937
Contributions to defined contribution plans	<u>70,590</u>	<u>43,353</u>
	1,928,714 =====	863,290 =====

The number of employees employed by the Group as at 31 December 2004 was 28,075 (2003: 22,521).

8 Net financing costs

	2004 RMB'000	2003 RMB'000
Interest income	14,457	19,007
Dividend income	13,377	8,705
Foreign exchange gains	<u>6,017</u>	<u>9,033</u>
Total financial income	33,851 -----	36,745 -----
Interest expense	(63,626)	(50,672)
Foreign exchange losses	(5,526)	(7,684)
Other financial expenses	<u>(8,293)</u>	<u>(8,948)</u>
Total financial expenses	(77,445)	(67,304)
Less: Interest capitalised into construction in progress and properties under development *	<u>6,806</u>	<u>5,266</u>
	(70,639) =====	(62,038) =====
Net financing costs	(36,788) =====	(25,293) =====

* Interest expense has been capitalised at a rate of 2.8% (2003: 1.9%) per annum.

9 Taxation

(a) Taxation in the consolidated income statement represents:

	2004	2003
	RMB'000	RMB'000
Provision for the PRC income tax for the year	322,594	119,145
Overprovision in respect of the prior year	<u>(17,366)</u>	<u>(9,045)</u>
	305,228	110,100
Share of associates' income tax	4,045	1,569
Deferred taxation (note 9(d))	<u>(32,168)</u>	<u>(308)</u>
	277,105	111,361
	=====	=====

The charge for PRC income tax of the Company is calculated at the rate of 15% (2003: 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 15% 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 accumulated losses for taxation purposes.

The income tax rates applicable to the Company's overseas subsidiaries range from 17.5% to 40%.

9 Taxation (continued)

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

	2004 RMB'000	2003 RMB'000
Accounting profit before tax	2,847,209 =====	888,830 =====
Computed tax using the PRC income tax rate applicable to foreign investment enterprises in Special Economic Zone	427,081	133,325
Effect of tax rates differential in respect of Subsidiaries and associates	(141,146)	(8,666)
Non-taxable income	(123,197)	(44,517)
Non-deductible expenses	129,019	39,003
Overprovision in respect of the prior year	(17,366)	(9,045)
Share of associates' income tax	4,045	1,569
Effect of tax losses	<u>(1,331)</u>	<u>(308)</u>
Income tax expense	277,105 =====	111,361 =====

(c) Taxation in the consolidated balance sheet represents:

	2004 RMB'000	2003 RMB'000
Provision for income tax at 1 January	48,843	26,142
Charge for the year	322,594	119,145
Overprovision in respect of the prior year	(17,366)	(9,045)
Addition through acquisitions of subsidiaries (note 4)	27,994	1,916
Income tax paid	<u>(181,955)</u>	<u>(89,315)</u>
Provision for income tax at 31 December	200,110 =====	48,843 =====

9 Taxation (continued)

(d) Deferred taxation

The movements during the year are as follows:

	2004 RMB'000	2003 RMB'000
Balance at 1 January	20,205	19,897
Utilised during the year (note 9(a))	(20,205)	-
Recognised during the year (note 9(a))	<u>52,373</u>	<u>308</u>
Balance at 31 December	52,373 =====	20,205 =====

Deferred tax assets have not been recognised in respect of the following items:

	2004 RMB'000	2003 RMB'000
Deductible temporary differences	112,531	43,218
Tax losses	<u>71,965</u>	<u>99,322</u>
	184,496 =====	142,540 =====

At 31 December 2004, deferred tax assets of RMB52 million (2003: RMB20 million) are provided for certain unutilised tax losses and deductible temporary differences of RMB 21 million (2003: RMB20 million) and RMB31 million (2003: Nil) respectively. The deductible temporary differences included allowances for doubtful debts (RMB14 million), net realisable value adjustments to inventories (RMB3 million), impairment losses of property, plant and equipment (RMB9 million), and others (RMB5 million). Deferred tax assets relating to unutilised tax losses and deductible temporary differences of RMB72 million and RMB112 million respectively have not been recognised as it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

The tax losses in respect of the Company's PRC subsidiaries expire in 2008 and 2009. The tax losses in respect of certain overseas subsidiaries expire in 2024. The deductible temporary differences do not expire under current tax legislation.

10 Dividends

(a) Dividend attributable to the year

	2004 RMB'000	2003 RMB'000
Final dividend proposed after the balance sheet date:		
Cash dividend of RMB0.50 per share (2003: RMB0.38 per share)	504,241 =====	239,515 =====

Pursuant to a resolution passed at the directors' meeting on 2 March 2005, a final dividend of RMB0.50 (2003: RMB0.38) per share totalling RMB 504,241,677 (2003: RMB239,514,796) 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

	2004 RMB'000	2003 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year:		
- Cash dividend of RMB0.38 per share (2003: Nil)	239,515 =====	- =====

11 Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of RMB2,464,992,000 (2003: RMB694,051,000) and 1,008,483,353 shares (2003: 900,428,277 shares after adjusting for the share premium capitalisation issue in 2004) in issue during the year.

There were no diluting potential ordinary shares in existence during the years ended 31 December 2003 and 2004.

12 Property, plant and equipment

	<i>Land and buildings</i> RMB'000	<i>Machinery and equipment</i> RMB'000	<i>Motor vehicles</i> RMB'000	<i>Office furniture and other assets</i> RMB'000	<i>Total</i> RMB'000
Cost or valuation:					
Balance at 1 January 2004	1,342,164	1,530,577	147,463	206,876	3,227,080
Additions					
-through acquisitions of subsidiaries	174,810	167,728	20,034	15,407	377,979
-others	88,777	57,476	14,823	23,780	184,856
Transfer from construction in progress (note 14)	373,319	308,898	10,903	16,557	709,677
Disposals	<u>(41,899)</u>	<u>(103,863)</u>	<u>(43,502)</u>	<u>(11,852)</u>	<u>(201,116)</u>
Balance at 31 December 2004	<u>1,937,171</u>	<u>1,960,816</u>	<u>149,721</u>	<u>250,768</u>	<u>4,298,476</u>
Representing:					
Cost	1,826,226	1,838,346	140,741	243,417	4,048,730
Valuation	<u>110,945</u>	<u>122,470</u>	<u>8,980</u>	<u>7,351</u>	<u>249,746</u>
	<u>1,937,171</u>	<u>1,960,816</u>	<u>149,721</u>	<u>250,768</u>	<u>4,298,476</u>
Depreciation and impairment losses:					
Balance at 1 January 2004	203,125	582,240	99,035	93,814	978,214
Through acquisitions of subsidiaries	26,952	52,974	6,245	6,047	92,218
Charge for the year	52,220	125,370	15,730	33,394	226,714
Impairment losses	30,101	45,114	19	1,271	76,505
Reversal of impairment losses on disposals	(21,635)	(15,946)	(707)	(3,127)	(41,415)
Disposals	<u>(3,598)</u>	<u>(80,582)</u>	<u>(41,736)</u>	<u>(11,770)</u>	<u>(137,686)</u>
Balance at 31 December 2004	<u>287,165</u>	<u>709,170</u>	<u>78,586</u>	<u>119,629</u>	<u>1,194,550</u>
Carrying amount:					
At 31 December 2004	<u>1,650,006</u>	<u>1,251,646</u>	<u>71,135</u>	<u>131,139</u>	<u>3,103,926</u>
At 31 December 2003	<u>1,139,039</u>	<u>948,337</u>	<u>48,428</u>	<u>113,062</u>	<u>2,248,866</u>

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 by firms of independent valuers as of 31 December 2004 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 2004 to ensure that they are not materially different from their fair value.

(c) At 31 December 2004, land and buildings with a carrying amount of RMB13,451,000 (2003: Nil) were secured for a bank loan (note 27).

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 5 to 50 years.

14 Construction in progress

	2004 RMB'000	2003 RMB'000
At 1 January	172,435	226,717
Additions		
-through acquisitions of subsidiaries (note 4)	21,431	70
-others	955,783	767,783
Transfer to property, plant and equipment (note 12)	(709,677)	(827,351)
Interest capitalised (note 8)	<u>6,806</u>	<u>5,216</u>
At 31 December	446,778 =====	172,435 =====

Construction in progress at 31 December 2004 is analysed as follows:

	2004 RMB'000	2003 RMB'000
Projects		
Machinery and equipment	153,890	61,000
Office buildings and factories	292,888	106,696
Network facilities	<u>-</u>	<u>4,739</u>
	446,778 =====	172,435 =====

15 Timber concession rights

	2004 RMB'000	2003 RMB'000
At 1 January	175,129	228,967
Amortisation for the year	(3,205)	(7,967)
Impairment losses for the year	<u>(90,687)</u>	<u>(45,871)</u>
At 31 December	81,237 =====	175,129 =====

These rights represent the cost of acquisition of the timber concession rights in respect of designated areas of land in the Republic of Suriname ("Suriname") and Kingdom of Cambodia ("Cambodia") with terms expiring between 2016 to 2023.

The Ministry of Agriculture, Forest and Fisheries ("MAFF") of Cambodia has suspended logging activities of all concessionaires, including those of the Group since 2001. The directors are of the opinion that it is unlikely that the above-mentioned suspension will be uplifted in the foreseeable future. In view of this, full impairment loss has been made on the carrying value of the related concession rights up to 31 December 2004.

The timber concession right in respect of designated areas of land in Cambodia has been amortised using straight line method over 23 years until full impairment loss was made. 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 started.

16 Intangible assets

	<i>Goodwill</i> RMB'000	<i>Negative goodwill</i> RMB'000	<i>Technological know-how</i> RMB'000	<i>Total</i> RMB'000
At 1 January 2004	15,696	(11,205)	4,752	9,243
Addition -through acquisitions of subsidiaries	93,158	(7,497)	6,851	92,512
Amortisation for the year	<u>(14,607)</u>	<u>5,452</u>	<u>(1,733)</u>	<u>(10,888)</u>
At 31 December 2004	94,247 =====	(13,250) =====	9,870 =====	90,867 =====

17 Interests in associates

	<i>2004</i>	<i>2003</i>
	RMB'000	RMB'000
<i>Unlisted associates</i>		
Share of net assets	80,748	44,055
Loans to an associate	<u>13,500</u>	<u>13,500</u>
	94,248	57,555
	=====	=====

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

Details of the major associates at 31 December 2004 are as follows:

<i>Name of company</i>	<i>Place of establishment /operation</i>	<i>Percentage of equity held by the Group</i>	<i>Principal activities</i>
KYH Steel Holdings Limited ("KYH")	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
Yangzhou Maxi-Cube Tong Composites Material Co., Ltd. ("YMTC")	PRC	37.77%	Manufacturing and sales of composite materials for vehicle products

18 Investments in equity securities

	2004 RMB'000	2003 RMB'000
<i>Investments available-for-sale</i>		
Unlisted equity securities, at cost less impairment loss	271,907 =====	274,260 =====
<i>Investments held for trading</i>		
Listed equity securities, at fair value	140,081 =====	168,775 =====

Listed equity securities are listed on the PRC Stock Exchanges.

19 Long-term receivables

	2004 RMB'000	2003 RMB'000
Trade and other receivables	110,083	84,639
Amounts due within one year included in current assets	<u>(17,580)</u>	<u>(39,634)</u>
	92,503 =====	45,005 =====

Long-term receivables include the following:

- (a) RMB77.1 million receivable (2003: Nil) bearing interest at London Inter Bank Offered Rate plus 3% per annum to be received by instalments up to 2014;
- (b) RMB15.4 million interest free car loan (2003: RMB 8.4 million) to staff, senior management and directors to be received by instalments up to 2009;
- (c) Nil receivable (2003: RMB34.5 million) bearing interest at London Inter Bank Offering Rate plus 4% per annum to be received by instalments up to 2005; and
- (d) Nil receivable (2003: RMB2.1 million) bearing interest at 10% per annum to be received by instalments up to 2005.

20 Prepayment for investments

Prepayment for investments represented proceeds prepaid by the Group for certain investments which have not been completed as at 31 December 2004.

21 Properties under development

	2004 RMB'000	2003 RMB'000
As at 1 January	62,162	150,382
Additions	30,772	193,741
Interest capitalised (note 8)	-	50
Transfer to completed properties for sale	<u>-</u>	<u>(282,011)</u>
As at 31 December	92,934 =====	62,162 =====

22 Inventories

	2004 RMB'000	2003 RMB'000
Raw materials	2,645,623	973,946
Work in progress	375,463	194,848
Finished goods	1,337,914	138,305
Spare parts and consumables	<u>79,417</u>	<u>43,529</u>
	4,438,417 =====	1,350,628 =====
Inventories stated at net realisable value	362,286 =====	176,268 =====

23 Trade and other receivables

	2004 RMB'000	2003 RMB'000
Trade receivables	4,924,532	3,218,597

Deposits, prepayments and other receivables	<u>1,113,716</u>	<u>1,233,804</u>
	6,038,248	4,452,401
	=====	=====

23 Trade and other receivables (continued)

On 28 December 1999, the Group entered into a “Receivables Framework Agreement” (“the Agreement”) with Oasis Funding Limited (“Oasis”). Pursuant to the agreement, the Group would sell, assign and transfer certain accounts receivable to Oasis. Oasis would accept the assignment of accounts receivable offered by the Group without recourse and provide funds to the Group in this regard. The Agreement was expired on 10 May 2004.

In 2004, the Group paid back the excess advances which were previously received from Oasis totalling RMB 414 million to Oasis (2003: the Group received advances of RMB 414 million from Oasis). In view of expiry of the Agreement, the Group has nil outstanding trade receivables assigned to Oasis at 31 December 2004 (2003: RMB1,325 million).

24 Cash and cash equivalents

	2004 RMB'000	2003 RMB'000
Cash in hand	625	1,121
Bank balances	<u>1,482,540</u>	<u>705,483</u>
	1,483,165	706,604
	=====	=====

25 Share capital

	2004 RMB'000	2003 RMB'000
Registered, issued and paid up capital		
363,781,013 legal person shares (2003: 227,363,133 shares) of RMB 1 each	363,781	227,363
302,933,219 “A” shares (2003: 189,333,262 shares) of RMB 1 each	302,933	189,333
341,769,121 “B” shares (2003: 213,605,701 shares) of RMB 1 each	<u>341,769</u>	<u>213,606</u>

1,008,483	630,302
=====	=====

All legal persons, “A” and “B” shares rank pari passu in all material respects.

25 Share capital (continued)

Pursuant to a resolution passed at the directors’ meeting on 16 March 2004 and approved at the Annual General Meeting on 21 April 2004, the Company increased its share capital from RMB630 million to RMB1,008 million through capitalisation of share premium amounting to RMB378 million (note 26).

Pursuant to a resolution passed at the directors’ meeting on 2 March 2005, increase in the Company’s share capital from RMB1,008 million to RMB2,016 million through capitalisation of share premium amounting to RMB1,008 million was proposed for shareholders’ approval at the forthcoming Annual General Meeting.

26 Reserves

Attributable to equity holders of the parent

	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 2003	613,637	18,521	3,003	975,804	187,261	541,969	2,340,195
Shares issued, net of issuance costs of RMB 49 million	1,631,105	-	-	-	-	-	1,631,105
Net profit for the year	-	-	-	-	-	694,051	694,051
Transfer from retained earnings	<u>-</u>	<u>-</u>	<u>-</u>	<u>933,555</u>	<u>35,688</u>	<u>(969,243)</u>	<u>-</u>
Balance at 31 December 2003	2,244,742 =====	18,521 =====	3,003 =====	1,909,359 =====	222,949 =====	266,777 =====	4,665,351 =====
Balance at 1 January 2004	2,244,742	18,521	3,003	1,909,359	222,949	266,777	4,665,351
Capitalisation of share premium (note 25)	(378,181)	-	-	-	-	-	(378,181)
Reversal on dissolution of subsidiaries	-	(4,571)	4,717	-	-	-	146
Dividends (note 10(b))	-	-	-	-	-	(239,515)	(239,515)
Net profit for the year	-	-	-	-	-	2,464,992	2,464,992
Transfer from retained earnings	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,745,689</u>	<u>129,135</u>	<u>(1,874,824)</u>	<u>-</u>
Balance at 31 December 2004	1,866,561 =====	13,950 =====	7,720 =====	3,655,048 =====	352,084 =====	617,430 =====	6,512,793 =====

26 Reserves (continued)

(a) Surplus reserve comprises a statutory surplus reserve of RMB604,148,000 (2003: RMB332,993,000) and a discretionary surplus reserve of RMB3,050,900,000 (2003: RMB1,576,366,000).

According to 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 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. As at 31 December 2004, the amount of retained profits available for distribution, which was the amount determined in accordance with the PRC accounting rules and regulations, was RMB504,241,000 (2003: RMB289,381,000).

27 Interest-bearing bank loans

	Note	2004 RMB'000	2003 RMB'000
Secured			
Due after 2 years but within 5 years	(a)	20,000	-
		-----	-----
Unsecured			
Due within 3 months		549,204	283,418
Due after 3 months but within 1 year		1,143,325	228,908
Due after 1 year but within 2 years		13,000	34,000
Due after 2 years but within 5 years		<u>789,728</u>	<u>388,084</u>
		2,495,257	934,410
		-----	-----
Total		2,515,257	934,410
Amounts due within 1 year		<u>(1,692,529)</u>	<u>(512,326)</u>
Amounts due after 1 year		822,728	422,084
		=====	=====
Represented by:		2004	2003
Loans denominated in		RMB'000	RMB'000
- United States dollars		2,143,614	801,163
- Renminbi Yuan		366,000	133,247
- Euro		<u>5,643</u>	<u>-</u>
		2,515,257	934,410
		=====	=====

(a) At 31 December 2004, the bank loan of RMB20 million was secured over land and buildings with a carrying amount of RMB13,451,000 (note 12(c)).

(b) Interest rates are within the range of 1.05% to 6.37% per annum (2003: 1.63% to 5.04% per annum).

28 Non interest-bearing bank loan

	2004 RMB'000	2003 RMB'000
Secured		
Due after 3 months but within 1 year	-	29,670
	=====	=====

The bank loan of RMB29,670,000 at 31 December 2003 was secured by the same amount of value added tax receivable.

29 Trade and other payables

	2004 RMB'000	2003 RMB'000
Trade payables	2,733,821	1,544,448
Other payables and accruals	792,195	546,532
Staff salary and bonus payable	832,297	351,954
Deposits received	132,750	68,490
Bills payable	<u>851,960</u>	<u>394,706</u>
	5,343,023	2,906,130
	=====	=====

30 Provisions

	Warranties RMB'000 (a)	Guarantee loss RMB'000 (b) & (note 6)	Total RMB'000
Balance at 1 January 2004	383,846	-	383,846
Net provisions made during the year	95,484	80,000	175,484
Provisions used during the year	<u>(7,180)</u>	<u>-</u>	<u>(7,180)</u>
Balance at 31 December 2004	472,150	80,000	552,150
	=====	=====	=====

- (a) The provision for warranties mainly relates to containers and trailers sold during the last three years. The provision is based on estimates made from historical warranty data associated with similar products.
- (b) During 2004, CIMC Vehicle Group Co., Ltd. ("CVG") provided guarantees totalling RMB100 million for the two bank loans borrowed by Qingdao CIMC Transportation Equipment Co., Ltd. ("QDTE") in which the Group prepaid investment costs amounting to RMB2 million and RMB4 million in 2003 and 2004 respectively.

Given that QDTE sustains adverse financial position continually, the directors are of the opinion that QDTE is unlikely to improve its financial position in the foreseeable future and was resolved to be liquidated in 2005. The directors are also of the opinion that CVG has to repay the bank loans of RMB80 million on behalf of QDTE after assessing the loan repayment ability of QDTE.

In view of the above, the guarantee loss of RMB80 million and full provision on the prepaid investment costs in QDTE of RMB6 million have been provided for in the Group's consolidated financial statements for the year ended 31 December 2004. In addition, the remaining guaranteed amount of RMB20 million has been disclosed as contingent liability in the Group's consolidated financial statements for the year ended 31 December 2004 (note 32(b)).

31 Capital and lease commitments

(a) Capital commitments:

As at 31 December 2004, the Group had capital commitments outstanding as follows:

	2004 RMB'000	2003 RMB'000
Authorised and contracted for	405,992	684,581
Authorised but not contracted for	<u>76,134</u>	<u>138,605</u>
	482,126	823,186
	=====	=====

(b) Lease commitments

As at 31 December 2004, the Group had commitments under non-cancellable operating leases, not provided for as follows:

	2004 RMB'000	2003 RMB'000
<i>Operating lease charges payable:</i>		
Within 1 year	63,262	32,149
After 1 year but within 5 years	27,127	40,796
After 5 years	<u>64,145</u>	<u>81,159</u>
	154,534	154,104
	=====	=====

The Group leases certain areas of land, a number of offices, and a factory under operating leases. The leases of land, offices and factory run for an initial period between 1 to 50 years, 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.

During the year ended 31 December 2004, RMB68 million was recognised as expenses in the consolidated income statement in respect of operating leases (2003: RMB52 million).

32 Contingencies

(a) At 31 December 2004, the Group has bills issued to suppliers totalling RMB659 million with maturity dates ranging from 13 days to 90 days in respect of purchase orders placed but the goods yet to be delivered.

This kind of bills payable represents contingent liability of the Group. The obligation to settle the bills will arise only when the goods are delivered. A bill is recognised as a liability upon the delivery of the goods by the suppliers or the maturity of the bill, whichever is earlier.

(b) At 31 December 2004, the Group had provided guarantee to the banks for loans drawn down by QDTE amounting to RMB100 million, of which RMB80 million had been provided as guarantee loss in the Group's financial statement for the year ended 31 December 2004. This resulted in a net contingent exposure on guarantee of RMB20 million issued by the Group (note 30(b)) (2003: RMB21 million).

33 Notes to the consolidated statement of cash flows

Analysis of changes in financing activities during the year:

	2004	2003
	RMB'000	RMB'000
Bank loans		
Balance at 1 January	964,080	2,077,679
Proceeds from bank loans	12,232,448	12,210,004
Additions through acquisitions of subsidiaries (note 4)	211,688	113,660
Repayment of bank loans	<u>(10,892,959)</u>	<u>(13,437,263)</u>
Balance as at 31 December	2,515,257	964,080
	=====	=====

34 Related parties transactions

(i) The Group has undertaken transactions with the following related parties for the year ended 31 December 2004:

	<i>Relationship with the Company</i>	<i>2004 RMB'000</i>	<i>2003 RMB'000</i>
Sale of containers to Florens Container Services Company Limited ("Florens")	Subsidiary of Shareholder	240,281	570,331
Sale of trailers to COSCO North America, Inc. ("COSCO North America")	Subsidiary of Shareholder	28,272	-
Purchase of raw materials from Hempel-Hai Hong Coatings Company Limited ("Hempel")	Subsidiary of Shareholder	525,528	357,313
Payment of consultancy fee to COSCO Pacific Management Company Limited ("COSCO")	Subsidiary of Shareholder	2,567	3,146
Purchase of steel products from KYH	Associate	151,470	49,516
Purchase of raw materials from YMTC	Associate	4,864	-
		=====	=====

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)

(ii) 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:

	2004 RMB'000	2003 RMB'000
Amount due from Florens	5,227	220,817
Amount due from COSCO North America	1,569	-
Amount due to Hempel	281,562	171,565
Amount due to COSCO	2,567	3,146
Amount due to KYH	732	811
Amount due to YMTC	899	-
	=====	=====

(iii) During the year, the Group has granted a new loan of RMB105,000 (2003: Nil) to an executive officer and has not granted any new loans (2003: Nil) to directors. The movements of the housing loans, car loans and other loans during the year were as follows:

	<i>Balance at 1 January 2004 RMB'000</i>	<i>Addition during the year RMB'000</i>	<i>Repayment during the year RMB'000</i>	<i>Balance at 31 December 2004 RMB'000</i>
Executive officers	580	105	(440)	245
	=====	=====	=====	=====

The outstanding loans are unsecured, interest-free and are to be settled in 2005.

35 Financial instruments

Financial assets of the Group include cash and cash equivalents, 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.

35 Financial instruments (continued)

(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.

(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 19% (2003: 24%) of the Group's total assets as at 31 December 2004.

35 Financial instruments (continued)

(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.

At 31 December 2004, 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 RMB93,985,000 (2003: RMB44,345,000).

At 31 December 2004, the fair value of the interest-bearing bank loans (and non interest-bearing bank loans at 31 December 2003), including the current portion, as estimated by applying a discounted cash flow using current market interest rates for similar financial instruments was RMB2,513,734,000 (2003: RMB964,098,000).

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 2004, all of which are unlisted, are as follows:

<i>Name of company</i>	<i>Issued and Fully paid capital</i>	<i>Percentage of equity held by the Group</i>	<i>Place of establishment and operation</i>	<i>Principal activities</i>
CIMC (Shanghai) Development Limited	RMB150,000,000	100%	PRC	Investment holding
Shenzhen Southern Zhongji Containers Manufacture Co., Ltd.	US\$33,200,000	100%	PRC	Manufacture of containers
Shenzhen CIMC Real Estate Co., Ltd.	RMB50,000,000	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)

<i>Name of company</i>	<i>Issued and fully paid capital</i>	<i>Percentage of equity held by the Group</i>	<i>Place of establishment and operation</i>	<i>Principal activities</i>
Qingdao CIMC Container Manufacture Co., Ltd.	US\$26,300,000	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
Shenzhen CIMC – Tianda Airport Support Ltd.	US\$13,500,000	100%	PRC	Manufacture of airport ground facilities

36 Subsidiaries (continued)

<i>Name of company</i>	<i>Issued and fully paid capital</i>	<i>Percentage of equity held by the Group</i>	<i>Place of establishment and operation</i>	<i>Principal activities</i>
CIMC Vehicle Group Co., Ltd. (formerly Shenzhen CIMC Heavy Industry 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	100%	PRC	Property development
Shanghai Fengyang Property Development Co., Ltd.	RMB30,000,000	100%	PRC	Property development
Xinhui CIMC Container Co., Ltd. (note)	US\$24,000,000	40%	PRC	Manufacture of containers
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\$ 9,000,000	100%	PRC	Manufacture of containers
Shanghai CIMC Baowell Industries Co., Ltd. (note)	US\$28,500,000	47.37%	PRC	Manufacture of containers

36 Subsidiaries (continued)

<i>Name of company</i>	<i>Issued and fully paid capital</i>	<i>Percentage of equity held by the Group</i>	<i>Place of establishment and operation</i>	<i>Principal activities</i>
Nantong CIMC Tank Equipment Co., Ltd.	US\$10,000,000	56.9%	PRC	Manufacture of containers
Vanguard National Trailer Corporation	US\$10	100%	The U.S.A.	Manufacture of trailers
Zhangzhou CIMC Container Co., Ltd.	US\$12,000,000	100%	PRC	Manufacture of containers
Dalian CIMC Container Co., Ltd.	US\$17,400,000	100%	PRC	Manufacture of containers
Ningbo CIMC Logistic Equipment Co., Ltd.	US\$15,000,000	100%	PRC	Manufacture of containers
Yangzhou CIMC Tong Hua Special Vehicles Co., Ltd.	RMB67,390,000	75.53%	PRC	Manufacture of trailers
Yangzhou Xing Hua Machinery Co., Ltd.	RMB9,910,000	75.53%	PRC	Manufacture of trailers
Yangzhou Xincheng Yongheng Development Co., Ltd.	RMB16,000,000	100%	PRC	Investment holding
Jinan CIMC - KOGEL Special Automobile Co., Ltd.	USD 13,730,100	71.78%	PRC	Manufacture of trailers

36 Subsidiaries (continued)

<i>Name of company</i>	<i>Issued and fully paid capital</i>	<i>Percentage of equity held by the Group</i>	<i>Place of establishment and operation</i>	<i>Principal activities</i>
Shenzhen CIMC Vehicle Sales Company Ltd.	RMB3,000,000	100%	PRC	Sales of trailers
Taicang CIMC Containers Co., Ltd.	US\$16,000,000	100%	PRC	Manufacture of containers
Shenzhen CIMC Special Vehicle Co., Ltd.	RMB60,000,000	100%	PRC	Manufacture of trailers
CIMC Vehicle Investment Holdings Co., Ltd.	US\$1	100%	The British Virgin Islands	Investment holding
Qingdao CIMC Special Reefer Co., Ltd.	US\$11,500,000	93.85%	PRC	Manufacture of containers
Qingdao CIMC Special Vehicles Co., Ltd.	RMB35,000,000	100%	PRC	Manufacture of trailers
Zhangjiagang CIMC Sanctum Machinery Co., Ltd.	RMB30,000,000	91%	PRC	Design, manufacture and sales of tanks and related equipment
Guangdong Xinhui CIMC Composite Material Co., Ltd.	US\$3,000,000	100%	PRC	Further processing of timber
Zhumadian CIMC Huajun Vehicle Co., Ltd.	RMB105,340,000	51%	PRC	Manufacture and sales of trailers
Shanghai Meiyang Real Estate Co., Ltd.	RMB9,000,000	100%	PRC	Property development

36 Subsidiaries (continued)

<i>Name of company</i>	<i>Issued and fully paid capital</i>	<i>Percentage of equity held by the Group</i>	<i>Place of establishment and operation</i>	<i>Principal activities</i>
Dalian CIMC Logistics Equipment Co., Ltd.	US\$2,000,000	100%	PRC	Manufacture of containers
Innermongolia Holonbuir CIMC Wood Co., Ltd.	US\$12,000,000	100%	PRC	Further processing of timber
CIMC Australia Pty Ltd.	AUD50,000	70%	Australia	Trading of container and related products
Clive-Smith Cowley Ltd.	GBP100	60%	England	Manufacture and sales of container components

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.

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

	<i>Profit attributable to shareholders for the year ended 31 December 2004 RMB'000</i>	<i>Net assets at 31 December 2004 RMB'000</i>
Prepared under the PRC Accounting Rules and Regulations	2,389,024	7,470,724
Adjustments to align with IFRS:		
(i) Adjustment to minority interests	918	9,553
(ii) Adjustment to deferred tax assets	32,168	52,370
(iii) Adjustment to goodwill and negative goodwill	18,571	(47,470)
(iv) Adjustment to interest capitalisation	6,152	19,090
(v) Others	<u>18,159</u>	<u>17,009</u>
Prepared under IFRS	2,464,992 =====	7,521,276 =====

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;

**Board of Directors of
China International Marine Containers (Group) Co., Ltd.
Mar. 4, 2005**