

China International Marine Containers
(Group) Ltd.

中國國際海運集裝箱(集團)股份有限公司

30 June 2005

Consolidated income statement for the six months ended 30 June 2005 (unaudited)

	Note	Six months ended 30 June 2005 RMB'000	2004 RMB'000
Revenue	4	18,038,919	11,050,471
Cost of sales		<u>(14,823,573)</u>	<u>(9,369,875)</u>
Gross profit		3,215,346	1,680,596
Other operating income	5	147,297	131,276
Distribution expenses		(300,827)	(166,420)
Administrative expenses		(601,363)	(305,031)
Other operating expenses	6	<u>(62,123)</u>	<u>(215,779)</u>
Operating profit before net financing costs		2,398,330	1,124,642
Financial income	8	9,073	17,497
Financial expenses	8	<u>(110,439)</u>	<u>(33,952)</u>
Net financing costs	8	<u>(101,366)</u>	<u>(16,455)</u>
Share of the profit of associates		<u>4,916</u>	<u>13,731</u>
Profit before tax		2,301,880	1,121,918
Income tax expense	9(a)	<u>(195,691)</u>	<u>(138,511)</u>
Profit for the period		2,106,189	983,407
		=====	=====
Attributable to:			
Equity holders of the parent		2,051,852	927,283
Minority interests	27	<u>54,337</u>	<u>56,124</u>
Profit for the period		2,106,189	983,407
		=====	=====
Basic earnings per share (RMB Yuan)	11	1.02	0.46
		===	===

The notes on pages 8 to 58 form part of these consolidated financial statements.

Consolidated statement of recognised income and expense for the six months ended 30 June 2005 (unaudited)

	<i>Six months ended 30 June</i>	
	<i>2005</i>	<i>2004</i>
	RMB'000	RMB'000
Surplus on revaluation of property, plant and equipment	<u>-</u>	<u>1,572</u>
Income recognised directly in equity	<u>-</u>	<u>1,572</u>
Profit for the period	<u>2,106,189</u>	<u>983,407</u>
Total recognised income and expense for the period	<u>2,106,189</u> =====	<u>984,979</u> =====
Attributable to :		
Equity holders of the parent	2,051,852	928,855
Minority interests	<u>54,337</u>	<u>56,124</u>
Total recognised income and expense for the period	<u>2,106,189</u> =====	<u>984,979</u> =====

The notes on pages 8 to 58 form part of these consolidated financial statements.

Consolidated balance sheet as at 30 June 2005 (unaudited)

	Note	At 30 June 2005 RMB'000	At 31 December 2004 RMB'000 (audited)
Assets			
Property, plant and equipment	12	3,399,008	3,103,926
Lease prepayments - non-current portion	13	593,140	486,007
Construction in progress	14	643,649	446,778
Timber concession rights	15	78,301	81,237
Intangible assets	16	88,683	90,867
Interests in associates	17	116,562	94,248
Investments in equity securities	18	267,268	271,907
Finance lease receivable	19	73,506	77,146
Other long-term receivables		15,440	15,357
Prepayment for investments	20	7,203	4,471
Deferred tax assets	9(d)	<u>49,397</u>	<u>52,373</u>
Total non-current assets		5,332,157	4,724,317
		-----	-----
Lease prepayments - current portion	13	15,933	13,460
Investments in equity securities	18	104,078	140,081
Properties under development	21	122,083	92,934
Completed properties for sale		54,002	55,693
Inventories	22	6,565,683	4,438,417
Trade and other receivables	23	6,771,544	6,038,248
Cash and cash equivalents	24	<u>1,876,973</u>	<u>1,483,165</u>
Total current assets		15,510,296	12,261,998
		=====	=====
Total assets		20,842,453	16,986,315
		=====	=====

The notes on pages 8 to 58 form part of these consolidated financial statements.

Consolidated balance sheet as at 30 June 2005 (unaudited) (continued)

	Note	At 30 June 2005 RMB'000	At 31 December 2004 RMB'000 (audited)
Equity			
Share capital	25	2,016,966	1,008,483
Reserves	26	<u>7,065,171</u>	<u>6,512,793</u>
Total equity attributable to equity holders of the parent		9,082,137	7,521,276
Minority interests	27	<u>876,070</u>	<u>854,499</u>
Total equity		9,958,207	8,375,775
		-----	-----
Liabilities			
Interest-bearing bank loans	28	<u>410,000</u>	<u>822,728</u>
Total non-current liability		410,000	822,728
		-----	-----
Interest-bearing bank loans	28	2,924,901	1,692,529
Trade and other payables	29	6,776,502	5,343,023
Provisions	30	618,752	552,150
Taxation	9(c)	<u>154,091</u>	<u>200,110</u>
Total current liabilities		10,474,246	7,787,812
		-----	-----
Total liabilities		10,884,246	8,610,540
		-----	-----
Total equity and liabilities		20,842,453	16,986,315
		=====	=====

The notes on pages 8 to 58 form part of these consolidated financial statements.

Consolidated statement of cash flows for the six months ended 30 June 2005 (unaudited)

	Six months ended 30 June 2005 RMB'000	2004 RMB'000
Operating activities		
Profit for the period	2,106,189	983,407
Adjustments for:		
Depreciation	132,694	123,504
Impairment losses of property, plant and equipment	-	77,417
Net amortisation of goodwill / negative goodwill	-	6,806
Gain on recognition of negative goodwill	(366)	-
Amortisation of other intangible assets	885	212
Amortisation of negative goodwill in an associate	-	(127)
Loss on sale of property, plant and equipment	3,865	1,073
Interest income	(6,784)	(5,287)
Interest expenses	76,833	19,641
Loss / (gain) on disposal of listed equity securities	3,865	(35,282)
Unrealised loss on listed equity securities	6,106	-
Amortisation of timber concession rights	2,936	3,205
Impairment losses of timber concession rights	-	73,509
Dividend income	-	(8,319)
Share of the profit of associates	(4,916)	(13,731)
Income tax expense	195,691	138,511
Impairment loss of goodwill	14,549	-
Impairment loss of prepayment for investment	<u>5,414</u>	<u>-</u>
Operating profit before changes in working capital and provisions	2,536,961	1,364,539
Increase in lease prepayments	(109,606)	(17,109)
Decrease in long-term receivables	3,557	12,268
Increase in trade and other receivables	(732,894)	(2,512,511)
Increase in inventories	(2,127,266)	(1,639,783)
Increase in trade and other payables	1,410,427	1,897,466
Increase in provisions	66,602	27,967
Increase in properties under development	(29,149)	(11,595)
Decrease in completed properties for sale	<u>1,691</u>	<u>3,938</u>
Cash generated from the operations	1,020,323	(874,820)
PRC income tax paid	<u>(238,132)</u>	<u>(69,069)</u>
Cash flows from operating activities	782,191	(943,889)
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The notes on pages 8 to 58 form part of these consolidated financial statements.

Consolidated statement of cash flows for the six months ended 30 June 2005 (unaudited) (continued)

	<i>Six months ended 30 June</i>	
	2005	2004
	RMB'000	RMB'000
Investing activities		
Interest received	6,382	5,287
Payment for property, plant and equipment	(119,775)	(65,530)
Payment for construction in progress	(518,843)	(358,068)
Payment for acquisition of intangible assets	-	(585)
Payment for acquisition of equity securities	(83,649)	(224,420)
Payment for acquisition of associates	-	(7,035)
Prepayment for investments	(12,617)	(247,834)
Payment for acquisition of minority Shareholdings	(4,968)	-
Loan to an associate	(18,000)	-
Payment for acquisition of subsidiaries, net of cash acquired	-	(44,658)
Dividend received	-	8,427
Proceeds from sales of property, plant and Equipment	15,711	67,669
Proceeds from disposal of partial interest in subsidiary	-	1,739
Proceeds from sales of equity securities	114,320	233,350
Repayment of advance from minority interests	5,112	10,633
Advance to minority shareholders	<u>(1,366)</u>	<u>(12,377)</u>
Cash flows from investing activities	<u>(617,693)</u>	<u>(633,402)</u>

The notes on pages 8 to 58 form part of these consolidated financial statements.

Consolidated statement of cash flows for the six months ended 30 June 2005 (unaudited) (continued)

	<i>Note</i>	<i>Six months ended 30 June</i> 2005 RMB'000	2004 RMB'000
Financing activities			
Interest paid		(59,386)	(40,041)
Proceeds from bank loans	33	9,154,230	7,161,552
Repayment of bank loans	33	(8,334,586)	(4,996,821)
Repayment of advances from Receivables Framework Agreement	23	-	(414,000)
Capital injection from minority shareholders		1,600	24,857
Dividends paid		(504,241)	(230,843)
Dividends paid to minority shareholders		<u>(28,307)</u>	<u>(66,237)</u>
Cash flows from financing activities		229,310	1,438,467
		<u>-----</u>	<u>-----</u>
Net increase / (decrease) in cash and cash equivalents		393,808	(138,824)
Cash and cash equivalents at 1 January		<u>1,483,165</u>	<u>706,604</u>
Cash and cash equivalents at 30 June	24	1,876,973 =====	567,780 =====

The notes on pages 8 to 58 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 six months ended 30 June 2005 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 15 August 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 and trading 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 profit and total equity attributable to equity holders of the parent 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 as modified by the revaluation of property, plant and equipment (refer to note 2(f)) and the marking to market of listed investments in equity securities (refer to note 2(j)).

The accounting policies have been applied consistently by the Group and are consistent with those used in the previous year, except for changes resulting from the amendments to IFRSs.

To comply with IFRS 3 ‘Business Combination’, the Group has changed its accounting policies in respect of goodwill. The changes of these accounting policies and their effect on the financial performance and position are described in note 3.

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 entity 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 or income and expenses 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 transaction. 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(u)).

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 directly in 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(v)). 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(v)). 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 recognised 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 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) Gains or losses arising from the retirement or disposal of an item 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 are 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(v)). Cost comprises cost of materials, direct labour, borrowing costs capitalised (refer to note 2(u)), 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(v)). 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 periods until the expiry of the timber licences.

(i) *Intangible assets*

(i) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill arising on acquisitions represents the difference between the cost of the acquisitions and the fair value of the net identifiable assets acquired.

Positive goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is tested annually for impairment (refer to note 2(v)).

In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interests in associates.

2 Significant accounting policies (continued)

(i) *Intangible assets (continued)*

(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.

Negative goodwill is recognised directly in the consolidated income statement.

(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(v)), 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 security investments held by the Group are classified as being available-for-sale and are stated at fair value, unless the investments do not have a quoted price in an active market and for which other methods of valuation are inappropriate or unworkable, in which case the investments are stated at cost less impairment losses (refer to note 2(v)).

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

2 Significant accounting policies (continued)

(k) *Leased assets*

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

(i) Assets leased out under finance leases

Where assets are leased out under finance leases, an amount representing the net investment in the lease is included in the balance sheet as a receivable. Finance income implicit in the lease payments is credited to the income statement over the period of the leases so as to produce an approximately constant periodic rate of return on the outstanding net investment in the leases for each accounting period.

(ii) Operating lease charges

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

(l) *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(u)).

(m) *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(u)). Net realisable value represents the estimated selling price less the estimated costs necessary to make the sale.

(n) *Inventories*

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of other inventories is based on the weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes a share of overheads based on normal operating capacity.

2 Significant accounting policies (continued)

(o) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses (refer to 2(v)).

(p) Cash and cash equivalents

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

(q) Interest-bearing bank loans

Interest-bearing bank loans are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing bank loans are stated at amortised cost with any difference between cost and redemption value being recognised in the consolidated income statement over the period of the loans on an effective interest basis.

(r) Provisions and contingent liabilities

A provision is recognised in the consolidated balance sheet when the Group has a present 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.

2 Significant accounting policies (continued)

(s) *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 in equity, in which case it is recognised in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The 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.

(t) *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. No revenue is recognised if there is significant continuing management involvement with the goods.

2 Significant accounting policies (continued)

(t) *Revenue recognition (continued)*

(ii) Interest income

Interest income is recognised in the income statement as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date..

(iii) Dividend income

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

(iv) Finance lease income

Finance lease income is recognised on a basis of a pattern reflecting a constant periodic rate of return on the lessors' net investment outstanding in respect of the finance lease.

(u) *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.

(v) *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(l)), completed properties for sale (refer to note 2(m)), inventories (refer to note 2(n)) and deferred tax assets (refer to note 2(s)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. 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 unless the asset is recorded at a revalued amount in which case it is treated as a revaluation decrease.

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.

2 Significant accounting policies (continued)

(v) *Impairment (continued)*

(i) Calculation of recoverable amount

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

(ii) Reversals of impairment

An impairment loss in respect of goodwill is not reversed.

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 assets' 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.

(w) *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.

(x) *Employee benefits*

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

(y) *Dividends*

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

2 Significant accounting policies (continued)

(z) *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 Change in accounting policies

The IASB has issued a number of new and revised IFRSs (includes International Accounting Standards and related interpretations) that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. The Board of Directors has adopted the above mentioned new and revised IFRSs which are applicable to the Group in the preparation of this financial report.

The IFRSs that will be effective or are available for voluntary early adoption in the annual financial statements prepared under IFRSs for the year ending 31 December 2005 may be affected by the issue of additional interpretation(s) or other changes announced by the IASB subsequent to the date of issuance of this financial report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this financial report.

The following sets out further information on the changes in accounting policies for the annual accounting period beginning on 1 January 2005 which have been reflected in this financial report.

Amortisation of positive and negative goodwill (IFRS 3, Business combinations and IAS 36, Impairment of assets)

Goodwill that arose from a business combination for which the agreement date was before 31 March 2004:

- Positive goodwill which arose from a business combination for which the agreement date was before 31 March 2004 was amortised on a straight line basis over its useful life and was subject to impairment testing when there were indications of impairment. From 1 January 2005, the amortisation was discontinued and positive goodwill is tested annually for impairment.

3 Change in accounting policies (continued)

- Negative goodwill which arose from a business combination for which the agreement date was before 31 March 2004 was recognised in the consolidated income statement over its estimated useful life of 5 years. The relevant amortisation was discontinued from 1 January 2005. The carrying amount of negative goodwill as at 1 January 2005 is derecognised with a corresponding adjustment to retained earnings at that date.

Goodwill that arose from a business combination for which the agreement date was on or after 31 March 2004:

- Positive goodwill which arose from a business combination for which the agreement date was on or after 31 March 2004 was stated at cost less any accumulated impairment losses. Positive goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount; and
- Negative goodwill which arose from a business combination for which the agreement date was on or after 31 March 2004 was recognised directly in the consolidated income statement.

The new policy in respect of positive goodwill has been applied prospectively in accordance with IFRS 3. As a result, comparative amounts have not been restated, the cumulative amount of amortisation as at 1 January 2005 has been offset against the cost of the goodwill and no amortisation charge for goodwill has been recognised in the consolidated income statement for the six month ended 30 June 2005. This has increased the Group's profit after tax for the six months ended 30 June 2005 by RMB7,303,000.

The change in accounting policy relating to negative goodwill has resulted in an increase in the opening balance of retained earnings and intangible assets by the same amount of RMB13,250,000 and a decrease in the profits for the six months ended 30 June 2005 of RMB2,726,000.

4 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 deferred tax assets, interest-bearing bank loans, 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 period.

(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 and trading

The logging and sale of timber.

(b) *Geographical segments*

The containers, trailers, mechanical and electrical equipment, property development, and timber logging and trading 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.

4 Segment reporting (continued)

Business segments

	<i>Containers</i> <i>Six months ended 30</i>		<i>Trailers</i> <i>Six months ended 30</i>		<i>Mechanical and electrical equipment</i> <i>Six months ended 30</i>		<i>Property development</i> <i>Six months ended 30</i>		<i>Timber logging and trading</i> <i>Six months ended 30</i>		<i>Consolidated</i> <i>Six months ended 30</i>	
	<i>June</i>		<i>June</i>		<i>June</i>		<i>June</i>		<i>June</i>		<i>June</i>	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment Revenue	15,926,238	10,311,531	2,055,810	681,607	44,970	45,843	1,729	1,989	10,172	9,501	18,038,919	11,050,471
Segment result	2,519,995	1,257,913	46,843	(10,862)	7,089	5,518	(3,120)	(8,686)	(28,903)	(86,113)	2,541,904	1,157,770
Unallocated net expenses											(143,574)	(33,128)
Operating profit											2,398,330	1,124,642
Net financing costs											(101,366)	(16,455)
Share of profit of associates	4,880	13,258	356	1,077	-	-	(320)	(604)	-	-	4,916	13,731
Income tax expense											(195,691)	(138,511)
Profit for the period											2,106,189	983,407
	At	At	At	At	At	At	At	At	At	At	At	At
	30/06/05	31/12/04	30/06/05	31/12/04	30/06/05	31/12/04	30/06/05	31/12/04	30/06/05	31/12/04	30/06/05	31/12/04
Segment assets	16,317,470	13,604,806	3,144,308	2,344,588	157,515	161,933	241,027	180,234	816,174	548,133	20,676,494	16,839,694
Interests in associates	54,682	50,361	9,060	8,747	-	-	52,820	35,140	-	-	116,562	94,248
Unallocated assets											49,397	52,373
Total assets											20,842,453	16,986,315
Segment liabilities	(6,030,864)	(4,917,474)	(1,131,149)	(803,526)	(67,432)	(65,198)	(8,593)	(12,206)	(157,216)	(96,769)	(7,395,254)	(5,895,173)
Unallocated liabilities											(3,488,992)	(2,715,367)
Total liabilities											(10,884,246)	(8,610,540)

4 Segment reporting (continued)

Business segments (continued)

	<i>Containers</i>		<i>Trailers</i>		<i>Mechanical and electrical equipment</i>		<i>Property development</i>		<i>Timber logging and trading</i>		<i>Consolidated</i>	
	<i>Six months ended 30 June</i>		<i>Six months ended 30 June</i>		<i>Six months ended 30 June</i>		<i>Six months ended 30 June</i>		<i>Six months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure	394,026	481,488	176,467	268,195	206	847	176	35	67,743	11,631	638,618	762,196
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
Impairment losses	2,334	77,417	17,629	-	-	-	-	-	-	73,509	19,963	150,926
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
Depreciation and amortisation	109,279	118,823	17,113	7,544	1,160	2,071	235	276	8,728	7,876	136,515	136,590
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

Geographical segments

	<i>USA</i>		<i>Europe</i>		<i>Asia</i>		<i>Other regions</i>		<i>Total</i>	
	<i>Six months ended 30 June</i>		<i>Six months ended 30 June</i>		<i>Six months ended 30 June</i>		<i>Six months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	4,208,871	3,078,541	5,785,376	5,334,016	7,826,762	2,527,920	217,910	109,994	18,038,919	11,050,471
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

=

	<i>PRC</i>		<i>Non PRC</i>		<i>Total</i>	
	<i>Six months ended 30 June</i>		<i>Six months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure	631,946	755,163	6,672	7,033	638,618	762,196
	=====	=====	=====	=====	=====	=====
	<i>PRC</i>		<i>Non PRC</i>		<i>Total</i>	
	<i>At</i>	<i>At</i>	<i>At</i>	<i>At</i>	<i>At</i>	<i>At</i>
	<i>30/06/05</i>	<i>31/12/04</i>	<i>30/06/05</i>	<i>31/12/04</i>	<i>30/06/05</i>	<i>31/12/04</i>

China International Marine Containers (Group) Ltd.
Consolidated financial statements
for the six months ended 30 June 2005

	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	20,165,905	16,395,817	510,589	443,877	20,676,494	16,839,694
	=====	=====	=====	=====	=====	=====

5 Other operating income

	<i>Six months ended 30 June</i>	
	<i>2005</i>	<i>2004</i>
	RMB'000	RMB'000
Profit on disposal of scrap materials and spare parts	102,186	76,852
Gain on disposal of listed equity securities	-	35,282
Tax refunds from capitalisation of subsidiaries' earnings	5,639	-
Service income	5,109	-
Tax refund or government incentive received	435	-
Compensation income	9,033	2,729
Gain on recognition of negative goodwill	366	-
Others	<u>24,529</u>	<u>16,413</u>
	147,297	131,276
	=====	=====

6 Other operating expenses

	<i>Six months ended 30 June</i>	
	<i>2005</i>	<i>2004</i>
	RMB'000	RMB'000
Impairment losses of property, plant and equipment	-	77,417
Impairment losses of goodwill	14,549	-
Impairment losses of prepayment for investments	5,414	-
Impairment losses of timber concession rights	-	73,509
Amortisation of goodwill	-	6,806
Amortisation of timber concession rights	2,936	3,205
Amortisation of other intangible assets	885	212
Amortisation of negative goodwill in an associate	-	(127)
Allowance for doubtful debts	20,678	37,471
Loss on sale of property, plant and equipment	3,865	1,073
Loss on disposal of listed equity securities	3,865	-
Unrealised loss of listed equity securities	6,106	-
Compensation fee	-	6,321
Consultancy fees	-	1,470
Others	<u>3,825</u>	<u>8,422</u>
	62,123	215,779
	=====	=====

7 Staff costs

	<i>Six months ended 30 June</i>	
	<i>2005</i>	<i>2004</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Wages and salaries	921,405	527,960
Contributions to defined contribution plans	<u>51,372</u>	<u>31,267</u>
	972,777	559,227
	=====	=====

8 Net financing costs

	<i>Six months ended 30 June</i>	
	<i>2005</i>	<i>2004</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income	6,784	5,287
Dividend income	-	8,319
Foreign exchange gains	<u>2,289</u>	<u>3,891</u>
Total financial income	9,073	17,497
	-----	-----
Interest expense	(82,438)	(22,796)
Foreign exchange losses	(25,265)	(4,020)
Other financial expenses	<u>(8,341)</u>	<u>(10,291)</u>
Total financial expenses	(116,044)	(37,107)
Less: Interest capitalised into construction in progress*	<u>5,605</u>	<u>3,155</u>
	(110,439)	(33,952)
	-----	-----
Net financing costs	(101,366)	(16,455)
	=====	=====

* Interest expense has been capitalised at a rate of 2.84% (2004: 2.8% per annum).

9 Taxation

(a) Taxation in the consolidated income statement represents:

	<i>Six months ended 30 June</i>	
	<i>2005</i>	<i>2004</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Provision for the PRC income tax for the period	195,768	134,073
Overprovision in respect of the prior year	<u>(3,655)</u>	<u>(1,290)</u>
	192,113	132,783
Share of associates' income tax	602	2,498
Deferred taxation (note 9(d))	<u>2,976</u>	<u>3,230</u>
	195,691	138,511
	=====	=====

The charge for PRC income tax of the Company is calculated at the rate of 15% (2004: 15%) on the estimated assessable income of the period 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:

	Six months ended 30 June	
	2005	2004
	RMB'000	RMB'000
Accounting profit before tax	2,301,880	1,121,918
	=====	=====
Computed tax using the PRC income tax rate applicable to the parent company	345,282	168,288
Effect of tax rates differential in respect of subsidiaries and associates	(141,991)	(37,916)
Non-taxable income	(21,492)	(22,028)
Non-deductible expenses	17,517	25,729
Overprovision in respect of the prior period	(3,655)	(1,290)
Share of associates' income tax	602	2,498
Effect of tax losses (utilised) / recognised	<u>(572)</u>	<u>3,230</u>
Income tax expense	195,691	138,511
	=====	=====

(c) Taxation in the consolidated balance sheet represents:

	At 30 June 2005 RMB'000	At 31 December 2004 RMB'000 (audited)
Provision for income tax at 1 January	200,110	48,843
Charge for the period	195,768	322,594
Overprovision in respect of the prior year	(3,655)	(17,366)
Addition through acquisitions of subsidiaries	-	27,994
Income tax paid	<u>(238,132)</u>	<u>(181,955)</u>
Provision for income tax at 30 June / 31 December	154,091	200,110
	=====	=====

9 Taxation (continued)

(d) *Deferred taxation*

The movements during the period / year are as follows:

	<i>At</i> <i>30 June</i> <i>2005</i> RMB'000	<i>At</i> <i>31 December</i> <i>2004</i> RMB'000 (audited)
Balance at 1 January	52,373	20,205
Utilised during the period / year(note 9(a))	(2,976)	(20,205)
Recognised during the period / year	<u> </u>	<u>52,373</u>
Balance at 30 June / 31 December	49,397 =====	52,373 =====

Movement in temporary differences and tax losses during the period are as follows:

	<i>At</i> <i>1 January</i> <i>2005</i> RMB'000	<i>Recognised</i> <i>in income</i> RMB'000	<i>At</i> <i>30 June</i> <i>2005</i> RMB'000
Property, plant and equipment	9,228	(1,442)	7,786
Inventory	2,320	(632)	1,688
Trade and other receivables	14,119	(1,474)	12,645
Provisions	1,441	-	1,441
Others	<u>3,730</u>	<u>-</u>	<u>3,730</u>
	30,838	(3,548)	27,290
Tax losses	<u>21,535</u>	<u>572</u>	<u>22,107</u>
	52,373 =====	(2,976) =====	49,397 =====

The tax losses in respect of the Company's PRC subsidiaries will expire in 2008, 2009 and 2010. The tax losses in respect of certain overseas subsidiaries will expire in 2024. The deductible temporary differences do not expire under current tax legislation.

9 Taxation (continued)

(d) *Deferred taxation (continued)*

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

	<i>At</i> <i>30 June</i> <i>2005</i> RMB'000	<i>At</i> <i>31 December</i> <i>2004</i> RMB'000 (audited)
Deductible temporary differences	157,188	112,531
Tax losses	<u>72,234</u>	<u>71,965</u>
	229,422 =====	184,496 =====

Deferred tax assets relating to the above unutilised tax losses and deductible temporary differences 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.

10 Dividends

(a) Dividend attributable to the period

The Board of Directors does not recommend the payment of any interim dividend for the period ended 30 June 2005 (2004: RMB Nil per share).

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

	Six months ended 30 June	
	2005	2004
	RMB'000	RMB'000
Final dividend in respect of the previous financial year approved during the period:		
- Cash dividend of RMB 0.50 (2004: RMB0.38) per share	504,241 =====	239,515 =====

11 Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2005 is based on the profit attributable to equity holders of the parent of RMB2,051,852,000 (six months ended 30 June 2004: RMB927,283,000) and 2,016,966,706 shares (six months ended 30 June 2004: 2,016,966,706 shares after adjusting for the share premium capitalisation issue in 2005) in issue during the period from 1 January 2005 to 30 June 2005.

There were no diluting potential ordinary shares in existence during the six months ended 30 June 2004 and 30 June 2005.

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 2005	1,937,171	1,960,816	149,721	250,768	4,298,476
Additions	6,072	53,634	13,031	47,038	119,775
Transfer from construction in progress (note 14)	100,911	207,156	6,634	12,876	327,577
Disposals	<u>(13,312)</u>	<u>(15,037)</u>	<u>(1,270)</u>	<u>(11,199)</u>	<u>(40,818)</u>
Balance at 30 June 2005	<u>2,030,842</u>	<u>2,206,569</u>	<u>168,116</u>	<u>299,483</u>	<u>4,705,010</u>
Representing:					
Cost	1,434,575	1,537,733	90,573	229,268	3,292,149
Valuation	<u>596,267</u>	<u>668,836</u>	<u>77,543</u>	<u>70,215</u>	<u>1,412,861</u>
	<u>2,030,842</u>	<u>2,206,569</u>	<u>168,116</u>	<u>299,483</u>	<u>4,705,010</u>
Depreciation and impairment losses:					
Balance at 1 January 2005	287,165	709,170	78,586	119,629	1,194,550
Charge for the period	30,203	69,854	9,490	23,147	132,694
Reversal of impairment losses on disposals	(2,523)	(4,297)	-	(396)	(7,216)
Disposals	<u>(1,747)</u>	<u>(7,785)</u>	<u>(539)</u>	<u>(3,955)</u>	<u>(14,026)</u>
Balance at 30 June 2005	<u>313,098</u>	<u>766,942</u>	<u>87,537</u>	<u>138,425</u>	<u>1,306,002</u>
Carrying amount:					
At 30 June 2005	<u>1,717,744</u>	<u>1,439,627</u>	<u>80,579</u>	<u>161,058</u>	<u>3,399,008</u>
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>

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 at 30 June 2005 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 at 30 June 2005 and confirmed that they are not materially different from their fair value.
- (c) At 30 June 2005, buildings with a carrying amount of RMB13,356,000 (At 31 December 2004: RMB 13,451,000) were secured for a bank loan (note 28).

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 4 to 50 years.

14 Construction in progress

	At 30 June 2005 RMB'000	At 31 December 2004 RMB'000 (audited)
At 1 January	446,778	172,435
Additions		
-through acquisitions of subsidiaries	-	21,431
-others	518,843	955,783
Transfer to property, plant and equipment (note 12)	(327,577)	(709,677)
Interest capitalised (note 8)	<u>5,605</u>	<u>6,806</u>
At 30 June / 31 December	643,649 =====	446,778 =====

14 Construction in progress (continued)

Construction in progress at 30 June 2005 is analysed as follows:

	At 30 June 2005 RMB'000	At 31 December 2004 RMB'000 (audited)
Projects		
Machinery and equipment	233,819	153,890
Buildings and factories	408,114	292,888
Network facilities	<u>1,716</u>	<u>-</u>
	643,649	446,778
	=====	=====

15 Timber concession rights

	At 30 June 2005 RMB'000	At 31 December 2004 RMB'000 (audited)
At 1 January	81,237	175,129
Amortisation for the period / year	(2,936)	(3,205)
Impairment losses for the period / year	<u>-</u>	<u>(90,687)</u>
At 30 June / 31 December	78,301	81,237
	=====	=====

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.

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. The timber concession right in respect of designated areas of land in Suriname is amortised using the straight line method over 14 years. The directors are of the opinion that the carrying value of timber concession rights at 30 June 2005 did not differ materially from their fair value.

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
Cost:				
Balance at 1 January 2005, before opening balance adjustment	213,265	(13,250)	26,381	226,396
Opening balance adjustment in respect of goodwill (notes 3 & 26)	<u>(119,018)</u>	<u>13,250</u>	<u>-</u>	<u>105,768</u>
Balance at 1 January 2005, after opening balance adjustment and balance at 30 June 2005	<u>94,247</u>	<u>-</u>	<u>26,381</u>	<u>120,628</u>
Amortisation and impairment losses:				
Balance at 1 January 2005, before opening balance adjustment	(119,018)	-	(16,511)	(135,529)
Opening balance adjustment in respect of goodwill (note 3)	<u>119,018</u>	<u>-</u>	<u>-</u>	<u>119,018</u>
Balance at 1 January 2005, after opening balance adjustment	-	-	(16,511)	(16,511)
Amortisation for the period	-	-	(885)	(885)
Impairment for the period	<u>(14,549)</u>	<u>-</u>	<u>-</u>	<u>(14,549)</u>
A 30 June 2005	<u>(14,549)</u>	<u>-</u>	<u>(17,396)</u>	<u>(31,945)</u>
Carrying amount:				
Balance at 30 June 2005	<u>79,698</u>	<u>-</u>	<u>8,985</u>	<u>88,683</u>
Balance at 31 December 2004	<u>94,247</u>	<u>(13,250)</u>	<u>9,870</u>	<u>90,867</u>

17 Interests in associates

	At 30 June 2005 RMB'000	At 31 December 2004 RMB'000 (audited)
Unlisted associates		
Share of net assets	85,062	80,748
Loans to an associate	<u>31,500</u>	<u>13,500</u>
	116,562 =====	94,248 =====

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

Details of the major associates at 30 June 2005 are as follows:

Name of company	Place of establishment /operation	Percentage of equity held by the Group	Principal activities
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

	At 30 June 2005 RMB'000	At 31 December 2004 RMB'000 (audited)
<i>Investments available-for-sale</i>		
Unlisted equity securities		
At cost	296,617	301,256
Less: impairment loss	<u>(29,349)</u>	<u>(29,349)</u>
	267,268	271,907
	=====	=====
<i>Investments held for trading</i>		
Listed equity securities, at fair value	104,078	140,081
	=====	=====

Listed equity securities are listed on the PRC and Hong Kong Stock Exchanges.

19 Finance lease receivable

The Group has the following interests in finance lease:

	At 30 June 2005 RMB'000	At 31 December 2004 RMB'000 (audited)
Gross investment	102,426	108,477
Unearned finance income	<u>(20,068)</u>	<u>(22,237)</u>
Net investment	82,358	86,240
Current portion (note 23)	<u>(7,401)</u>	<u>(7,643)</u>
	74,957	78,597
Unguaranteed residual values	<u>(1,451)</u>	<u>(1,451)</u>
	73,506	77,146
	=====	=====

19 Finance lease receivable (continued)

The finance lease is receivable as follows:

	Minimum lease payments at 30 June 2005 RMB'000	Interest at 30 June 2005 RMB'000	Principal at 30 June 2005 RMB'000	Minimum lease Payments at 31 December 2004 RMB'000	Interest at 31 December 2004 RMB'000	Principal at 31 December 2004 RMB'000
Less than one year	11,342	3,941	7,401	11,849	4,206	7,643
Between one and five years	44,355	11,697	32,658	39,735	11,511	28,224
More than five years	<u>45,278</u>	<u>4,430</u>	<u>40,848</u>	<u>55,442</u>	<u>6,520</u>	<u>48,922</u>
	100,975	20,068	80,907	107,026	22,237	84,789
	=====	=====	=====	=====	=====	=====

The Group's interest in finance lease represents lease of containers to third party, which has been classified as finance, rather than operating, leases under IAS 17. The lease terms are for periods of 10 years where substantially all the risks and rewards lie with the lessee. Where the Group enters into such a lease, the Group records a disposal of the containers concerned and recognises an interest in the subsequent finance lease. No contingent rent is receivable.

20 Prepayment for investments

Prepayment for investments represented proceeds prepaid by the Group for certain investments which have not been completed as at 30 June 2005.

21 Properties under development

	At 30 June 2005 RMB'000	At 31 December 2004 RMB'000 (audited)
At 1 January	92,934	62,162
Additions	<u>29,149</u>	<u>30,772</u>
At 30 June / 31 December	122,083	92,934
	=====	=====

22 Inventories

	<i>At</i> <i>30 June</i> <i>2005</i> RMB'000	<i>At</i> <i>31 December</i> <i>2004</i> RMB'000 (audited)
Raw materials	4,291,803	2,645,623
Work in progress	411,753	375,463
Finished goods	1,779,052	1,337,914
Spare parts and consumables	<u>83,075</u>	<u>79,417</u>
	6,565,683 =====	4,438,417 =====

There were no write-downs of inventory recognised during the six months ended 30 June 2005 (six months ended 30 June 2004: RMB500,000).

During the six months ended 30 June 2005, cost of inventories charged to the consolidated income statement amounted to RMB14,822,133,000 (six months ended 30 June 2004: RMB9,368,345,000).

23 Trade and other receivables

	<i>At</i> <i>30 June</i> <i>2005</i> RMB'000	<i>At</i> <i>31 December</i> <i>2004</i> RMB'000 (audited)
Trade receivables	5,723,769	4,916,889
Finance lease receivable – current portion (note 19)	7,401	7,643
Deposits, prepayments and other receivables	<u>1,040,374</u>	<u>1,113,716</u>
	6,771,544 =====	6,038,248 =====

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.

During the six months ended 30 June 2004, the Group paid back the excess advances which were previously received from Oasis totalling RMB414 million to Oasis. In view of expiry of the Agreement, the Group has nil outstanding trade receivables assigned to Oasis at 30 June 2005 and 31 December 2004.

24 Cash and cash equivalents

	At 30 June 2005 RMB'000	At 31 December 2004 RMB'000 (audited)
Cash in hand	962	625
Bank balances	<u>1,876,011</u>	<u>1,482,540</u>
	1,876,973 =====	1,483,165 =====

25 Share capital

	At 30 June 2005 RMB'000	At 31 December 2004 RMB'000 (audited)
<i>Registered, issued and paid up capital</i>		
327,402,912 legal person shares (2004: 363,781,013 shares) of RMB 1 each	327,403	363,781
605,866,438 "A" shares (2004: 302,933,219 shares) of RMB 1 each	605,866	302,933
1,083,697,356 "B" shares (2004: 341,769,121 shares) of RMB 1 each	<u>1,083,697</u>	<u>341,769</u>
	2,016,966 =====	1,008,483 =====

Pursuant to a resolution passed at the directors' meeting on 2 March 2005 and approved at the Annual General Meeting on 8 April 2005, the Company increased its share capital from RMB1,008 million to RMB2,017 million through capitalisation of share premium amounting to RMB1,009 million (note 26).

26 Reserves

Attributable to equity holders of the parent

	<i>Share Premium RMB'000</i>	<i>Property Revaluation reserve RMB'000</i>	<i>Exchange Reserve RMB'000</i>	<i>Surplus reserve RMB'000</i>	<i>Statutory public welfare fund RMB'000</i>	<i>Retained profits RMB'000</i>	<i>Total RMB'000</i>
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	(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	<u>1,866,561</u> =====	<u>13,950</u> =====	<u>7,720</u> =====	<u>3,655,048</u> =====	<u>352,084</u> =====	<u>617,430</u> =====	<u>6,512,793</u> =====

26 Reserves (continued)

Attributable to equity holders of the parent

	<i>Share premium RMB'000</i>	<i>Property Revaluation reserve RMB'000</i>	<i>Exchange Reserve RMB'000</i>	<i>Surplus reserve RMB'000</i>	<i>Statutory public welfare fund RMB'000</i>	<i>Retained profits RMB'000</i>	<i>Total RMB'000</i>
Balance at 1 January 2005, before opening balance adjustment	1,866,561	13,950	7,720	3,655,048	352,084	617,430	6,512,793
Opening balance adjustment in respect of negative goodwill (notes 3 & 16)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,250</u>	<u>13,250</u>
Balance at 1 January 2005, after opening balance adjustment	1,866,561	13,950	7,720	3,655,048	352,084	630,680	6,526,043
Capitalisation of share premium (note 25)	(1,008,483)	-	-	-	-	-	(1,008,483)
Net profit for the period	-	-	-	-	-	2,051,852	2,051,852
Dividends (note 10(b))	-	-	-	-	-	(504,241)	(504,241)
Transfer from retained earnings	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,732</u>	<u>-</u>	<u>(41,732)</u>	<u>-</u>
Balance at 30 June 2005	<u>858,078</u>	<u>13,950</u>	<u>7,720</u>	<u>3,696,780</u>	<u>352,084</u>	<u>2,136,559</u>	<u>7,065,171</u>

26 Reserves (continued)

- (a) Surplus reserve comprises a statutory surplus reserve of RMB645,880,000 (2004: RMB604,148,000) and a discretionary surplus reserve of RMB3,050,900,000 (2004: RMB3,050,900,000).

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 determined under PRC Accounting Rules and Regulations 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.

27 Minority interests

	At 30 June 2005 RMB'000	At 31 December 2004 RMB'000 (audited)
At 1 January	854,499	659,804
Recognised income and expenses	54,337	105,112
Acquisitions of subsidiaries	-	152,902
Capital (withdrawal) / injection	(4,459)	18,133
Dividend paid	<u>(28,307)</u>	<u>(81,452)</u>
At 30 June / 31 December	876,070 =====	854,499 =====

28 Interest-bearing bank loans

	Note	At 30 June 2005 RMB'000	At 31 December 2004 RMB'000 (audited)
Secured			
Due after 3 months but within 1 year	(a)	20,000	-
Due after 1 year but within 2 years	(a)	-	20,000
		-----	-----
Unsecured			
Due within 3 months		1,791,796	549,204
Due after 3 months but within 1 year		1,113,105	1,143,325
Due after 1 year but within 2 years		-	802,728
Due after 2 year but within 5 years		<u>410,000</u>	<u>-</u>
		3,314,901	2,495,257
		=====	=====
Total		3,334,901	2,515,257
Amounts due within 1 year		<u>(2,924,901)</u>	<u>(1,692,529)</u>
Amounts due after 1 year		410,000 =====	822,728 =====

28 Interest-bearing bank loans (continued)

	At 30 June 2005 RMB'000	At 31 December 2004 RMB'000 (audited)
Represented by:		
Loans denominated in		
- United States dollars	2,349,811	2,143,614
- Renminbi Yuan	981,852	366,000
- Euro	-	5,643
- Hong Kong dollars	<u>3,238</u>	<u>-</u>
	3,334,901 =====	2,515,257 =====

(a) At 30 June 2005, the bank loan of RMB20 million was secured over buildings with a carrying amount of RMB13,356,000 (At 31 December 2004: RMB13,451,000) (note 12(c)).

(b) Interest rates are within the range of 2.78% to 5.30% per annum (2004: 1.05% to 6.37% per annum).

29 Trade and other payables

	At 30 June 2005 RMB'000	At 31 December 2004 RMB'000 (audited)
Trade payables	4,119,093	2,733,821
Other payables and accruals	1,009,556	792,195
Staff salary and bonus payable	1,057,110	832,297
Deposits received	162,947	132,750
Bills payable	<u>427,796</u>	<u>851,960</u>
	6,776,502 =====	5,343,023 =====

30 Provisions

	<i>Warranties</i> RMB'000 (a)	<i>Guarantee loss</i> RMB'000 (b)	<i>Total</i> RMB'000
At 1 January 2005	472,150	80,000	552,150
Net provisions made during the period	73,469	-	73,469
Provisions used during the period	<u>(6,867)</u>	<u>-</u>	<u>(6,867)</u>
At 30 June 2005	538,752 =====	80,000 =====	618,752 =====

- (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"), a subsidiary, 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, RMB4 million and RMB5 million in 2003, 2004 and 2005 respectively.

Given that QDTE sustained adverse financial position continually, the directors were of the opinion that QDTE was unlikely to improve its financial position in the foreseeable future and QDTE was resolved to be liquidated by the end of 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 RMB11 million have been provided as at 30 June 2005. In addition, the remaining guaranteed amount of RMB20 million is disclosed as contingent liability of the Group as at 30 June 2005 (note 32(b)).

31 Capital and lease commitments

(a) Capital commitments:

At 30 June 2005, the Group had contractual commitments for the acquisitions of property, plant and equipment amounting to RMB231,017,000 (At 31 December 2004: RMB211,044,000).

At 30 June 2005, in respect of its investment in subsidiaries, the Group was committed to injecting capital of RMB16,797,000 (At 31 December 2004: RMB194,948,000).

(b) Lease commitments

At 30 June 2005, the Group had commitments under non-cancellable operating leases, not provided for as follows:

	<i>At</i> <i>30 June</i> <i>2005</i> RMB'000	<i>At</i> <i>31 December</i> <i>2004</i> RMB'000 (audited)
<i>Operating lease charges payable:</i>		
Within 1 year	44,968	63,262
After 1 year but within 5 years	40,667	27,127
After 5 years	<u>28,349</u>	<u>64,145</u>
	113,984 =====	154,534 =====

The Group leases certain pieces of land, a number of offices, and a factory under operating leases. The leases run for an initial period between 1 to 50 years, with an option to renew the lease after the expiry date. None of the leases includes contingent rentals.

During the six months ended 30 June 2005, RMB 44 million was recognised as expenses in the consolidated income statement in respect of operating leases (2004: RMB34 million).

32 Contingencies

- (a) At 30 June 2005, the Group has bills issued to suppliers totalling RMB 465 million with maturity dates ranging from 14 days to 105 days in respect of purchase orders placed but the goods yet to be delivered (At 31 December 2004: RMB659 million).

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 30 June 2005, 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 statements 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)) (At 31 December 2004: RMB20 million).

33 Notes to the consolidated statement of cash flows

Analysis of changes in financing activities during the period:

	At 30 June 2005 RMB'000	At 31 December 2004 RMB'000 (audited)
Bank loans		
Balance at 1 January	2,515,257	964,080
Proceeds from bank loans	9,154,230	12,232,448
Additions through acquisitions of subsidiaries	-	211,688
Repayment of bank loans	<u>(8,334,586)</u>	<u>(10,892,959)</u>
Balance as at 30 June / 31 December	3,334,901 =====	2,515,257 =====

34 Related parties transactions

- (a) The Group has undertaken transactions with the following related parties for the six months ended 30 June 2005:

	<i>Relationship With the Company</i>	<i>Six months ended 30 June</i>	
		<i>2005</i> RMB'000	<i>2004</i> RMB'000
Sale of containers to Florens Container Services Company Limited ("Florens")	Subsidiary of shareholder	264,148	127,176
Sale of trailers to COSCO North America, Inc. ("COSCO North America")	Subsidiary of shareholder	127,474	-
Purchase of raw materials from Hempel-Hai Hong Coatings Company Limited ("Hempel")	Subsidiary of shareholder	351,652	188,207
Payment of consultancy fee to COSCO Pacific Management Company Limited ("COSCO")	Subsidiary of shareholder	-	3,146
Purchase of steel products from KYH	Associate	124,959	93,629
		=====	=====

- (b) 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:

	<i>At 30 June 2005</i> RMB'000	<i>At 31 December 2004</i> RMB'000 (audited)
Amount due from Florens	115,348	5,227
Amount due from COSCO North America	43,146	1,569
Amount due to Hempel	291,512	281,562
Amount due to COSCO	-	2,567
Amount due to KYH	1,922	732
Amount due to YMTC	-	899
	=====	=====

34 Related parties transactions (continued)

- (c) During the six months ended 30 June 2005, the Group has not granted any new loan (2004: RMB105,000) to executive officer and has not granted any new loans (2004: Nil) to directors. The movements of the housing loans, car loans and other loans during the period were as follows:

	<i>Balance at 1 January 2005 RMB'000</i>	<i>Addition during the Period RMB'000</i>	<i>Repayment during the Period RMB'000</i>	<i>Balance at 30 June 2005 RMB'000</i>
Executive officers	245	-	(140)	105
	=====	=====	=====	=====

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

- (d) The key management personnel compensations are as follows:

	<i>Six months ended 30 June 2005 RMB'000</i>	<i>2004 RMB'000</i>
Short-term employee benefits	2,980	2,720
Post-employment benefits	<u>67</u>	<u>62</u>
	3,047	2,782
	=====	=====

Total remuneration is included in "staff costs" (refer to note 7)

	<i>Six months ended 30 June 2005 RMB'000</i>	<i>2004 RMB'000</i>
Directors	120	120
Executive officers	<u>2,927</u>	<u>2,662</u>
	3,047	2,782
	=====	=====

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.

The Group does not hold nor has issued financial instruments for trading purposes. Exposure to credit, interest and currency risks arises in the normal course of the Group's business.

(a) *Interest rate risk*

The interest rates and terms of repayment of bank loans of the Group are disclosed in note 28 of the consolidated financial statements.

(b) *Foreign currency risk*

Foreign currency 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 12% (At 31 December 2004: 19%) of the Group's total assets as at 30 June 2005.

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 as there is no quoted market price for such securities in the PRC.

The fair values of trade and other receivables, trade and other payables, and current portion of interest-bearing bank loans are not materially different from their carrying amounts due to the nature of short-term maturity of these instruments.

At 30 June 2005, the fair value of the long-term receivables with carrying amount of RMB88,946,000 (At 31 December 2004: RMB92,503,000) as estimated by applying a discounted cash flow using current market interest rates for similar financial instruments was RMB85,996,000 (At 31 December 2004: RMB93,985,000).

At 30 June 2005, the fair value of the non-current portion of interest-bearing bank loans with carrying amount of RMB410,000,000 (At 31 December 2004: RMB822,728,000) as estimated by applying a discounted cash flow using current market interest rates for similar financial instruments was RMB404,902,000 (At 31 December 2004: RMB821,205,000).

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 30 June 2005, 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\$16,600,000	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
CIMC Vehicle (Shandong) Co., Ltd. (formerly Jinan CIMC – KOGEL Special Automobile Co., Ltd.)	USD 18,930,100	87.01%	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
Taichang 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 Shendayin 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\$4,000,000	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
Shanghai CIMC Vehicle Logistics Equipments Co., Ltd.	RMB80,000,000	98%	PRC	Manufacture of mechanical products and provision for logistics and related services
Yangzhou CIMC Tonghua Tank Equipment Co., Ltd.	US\$10,000,000	100%	PRC	Manufacture and sales of trailers
Speedic Enterprise Corp.	US\$1	100%	The British Virgin Islands	Investment holding

Qingdao CIMC Yulong Logistics Co., Ltd.	RMB20,000,000	100%	PRC	Provision for logistics, maintenance and repair, and related services
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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 Southern CIMC Containers Service Co., Ltd.	US\$5,000,000	100%	PRC	Provision for logistics, maintenance and repair, and related services
Shenzhen Southern CIMC Eastern Logistics Equipment Manufacturing Co., Ltd.	US\$16,600,000	100%	PRC	Manufacture of containers
Yangzhou Runyang Logistic Equipment Co., Ltd.	US\$5,000,000	100%	PRC	Manufacture of containers

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 profit and total equity attributable to equity holders of the parent prepared under International Financial Reporting Standards ("IFRS") and the PRC Accounting Rules and Regulations

	<i>Profit attributable to equity holders of the parent for the six months ended 30 June 2005 RMB'000</i>	<i>Total equity attributable to equity holders of the parent at 30 June 2005 RMB'000</i>
Prepared under the PRC Accounting Rules and Regulations	2,051,015	9,017,160
Adjustments to align with IFRS:		
(i) Adjustment to minority interests	552	10,105
(ii) Adjustment to deferred tax assets	(2,976)	49,394
(iii) Adjustment to goodwill and negative goodwill	(5,565)	(40,151)
(iv) Adjustment to interest capitalisation	5,179	24,269
(v) Others	<u>3,647</u>	<u>21,360</u>
Prepared under IFRS	2,051,852 =====	9,082,137 =====