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

# SEMI-ANNUAL REPORT 2005

August 18, 2005

# Important Notice

**1.1** The Board of Directors of China International Marine Containers (Group) Co., Ltd. (hereinafter referred to as the Company) and its directors individually and collectively accepts responsibility for the correctness, accuracy and completeness of the contents of this report and confirm that there are no material omissions nor errors which would render any statement misleading.

**1.2** No directors stated that he (she) could not ensure the correctness, accuracy and completeness of the contents of the Semi-annual Report or had objection for this report.

**1.3** Summary of Semi-annual Report 2005 was examined and approved by the 8th meeting of the Board of Directors of the Company. Eight directors were expected to attend the Board meeting and actually seven of them were present. Independent Director Mr. Han Xiaojing was absent from the Board meeting due to some reason and entrusted Independent Director Mr. Zhang Limin to exercised the vote right on his behalf.

Chairman of the Board of the Company Mr. Li Jianhong, President of the Company Mr. Mai Boliang and General Manager of Financing & Management Dept. Mr. Jin Jianlong hereby confirm that the Financial Report enclosed in the Semi-annual Report is true and complete.

**1.4**The semi-annual financial report 2005 of the Company has not been audited.

# Paraphrase

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. 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.

# Contents

# I. Company Profile

## (I) Company profile

1. Name of the Company:

In Chinese: 中国国际海运集装箱（集团）股份有限公司

In English: China International Marine Containers (Group) Co., Ltd.

Abbr. of English name: CIMC

2. Stock Exchange Listed with: Shenzhen Stock Exchange

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

3. Registered Address: 5/F, Financial Center of Shekou Industrial Zone, Shenzhen, Guangdong Province, P.R.C

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

Post Code: 518067

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

4. Legal Representative: Mr. Li Jianhong

5. Secretary of the Board: Mr. Yu Yuqun

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

Tel: (86) 755-26691130

Fax: (86) 755-26826579

E-mail: shareholder@cimc.com

Securities Affairs Representative: Wang Xinjiu

Contact Tel: (86) 755-26802706

Fax: (86) 755-26813950

6. Newspapers Chosen by the Company for Disclosing the Information:

Securities Times and Ta Kung Pao

Internet Website Designated by CSRC for Publishing the Semi-annual Report: http://www.cninfo.com.cn

The Place Where the Semi-annual Report is Prepared and Placed: Financing & Management Dept. of the Company, Secretariat of the Board

7. Other relevant information

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

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

Registration code of enterprise's business license of corporation: QGYSZ Zi 101157

Registration code of tax: National revenue: 440301618869509

Local revenue: 440305618869509

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

Domestic: Shenzhen Pan-China Schinda Certified Public Accountants

Office Address: 16/F, Special Zone Securities Bldg., No. 5020, Binhe Av., Shenzhen, Guangdong, and PRC

Overseas: KPMG Hong Kong Certified Public Accounts
Office Address: 8/F. Prince Bldg., Center of Hong Kong

**(II) Major accounting data and financial indexes**

*Unit: RMB*

| Items | At the end of this period | At the end of the last year | Increase/decrease at the end of this report period compared with the year-beginning （%） |
|---|---|---|---|
| Total Current assets | 15,510,296 | 12,261,998 | 26.49% |
| Total Current liabilities | 10,474,246 | 7,787,812 | 34.50% |
| Total assets | 20,842,453 | 16,986,315 | 22.70% |
| Total equity (excluding minority interests) | 9,958,207 | 8,375,775 | 18.89% |
| Net assets per share (RMB yuan) | 4.94 | 8.31 | -40.55% |
| **Items** | **In the report period (Jan. to Jun. 2003)** | **At the same period of last year** | **Increase/decrease in this report period compared with the same period of last year (%)** |
| Net profit for the period | 2,051,852 | 927,283 | 121.28% |
| Earnings per share (RMB yuan) | 1.02 | 0.46 | 121.74% |
| ROE (Return on equity) | 20.60% | 11.07% | 9.53% |
| Net cash flow from operating activities | 782,191 | -943,889 | -182.87% |

Net profit and net assets calculated according to the two different accounting standards and accounting systems and the difference:

*Unit: RMB'000*

| | *Profit attributable to equity holders of the parent for the six months ended 30 June 2005* RMB'000 | *Total equity attributable to equity holders of the parent at 30 June 2005* RMB'000 |
|---|---|---|
| **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 | 3,647 | 21,360 |
| **Prepared under IFRS** | 2,051,852 | 9,082,137 |
| | ======== | ======== |

## II. Changes in Share Capital and Particulars about Shares Held by Main Shareholders

(I) Statement of change in share

Unit: Share

| | **Before the change** | **Other changes in the report period** | **Changes of transferring into share capital in this time (+)** | **After the change** | **Proportion in total shares (%)** |
|---|---|---|---|---|---|
| I. Unlisted shares | | | | | |
| 1. Sponsor's shares | 363,781,013 | －200,079,557 | 163,701,456 | 327,402,912 | 16.23 |
| Including: | | | | | |
| Domestic legal person's share | | 0 | 0 | | 0 |
| Foreign legal person's share | 363,781,013 | - 200,079,557 | 163,701,456 | 327,402,912 | |
| Total unlisted shares | 363,781,013 | - 200,079,557 | 163,701,456 | 327,402,912 | 16.23 |
| II. Listed shares | | | | | |
| 1. RMB ordinary shares | 302,933,219 | 0 | 302,933,219 | 605,866,438 | 30.04 |
| Including:<br>Shares held by senior executives | 302,933,219 | - 66,926 | 312,312 | 624,624 | 0.03 |
| 2. Domestically listed foreign shares | 341,769,121 | +200,079,557 | 541,848,678 | 1,083,697,356 | 53.73 |
| Total listed shares | 644,702,340 | +200,079,557 | 844,781,897 | 1,689,563,794 | 8.77 |
| III. Total shares | 1,008,483,353 | 0 | 1,008,483,353 | 2,016,966,706 | 100.00 |

(II) About shareholders

1. The total shareholders at the end of the report period

Ended June 30, 2005, the Company had 121,893 shareholders in total, including 104,535 shareholders of A-share and 17,358 shareholders of B-share.

2. Particulars about shares held by main shareholders (the top ten shareholders of the Company ended June 30, 2005)

| **Name of Shareholder** | **Increase / decrease in the report period** | **Shares held at the period-end (share)** | **Proportion in total shares (%)** | **Type of shares (Circulating/Non-circulating)** | **Share pledged or frozen** | **Nature of shareholders** |
|---|---|---|---|---|---|---|
| 1. COSCO Container Industries Limited | 163,701,456 | 327,402,912 | 16.23 | Non-circulating | 0 | Foreign share |
| 2. CHINA MERCHANTS CONTAINER INDUSTRY CO., LTD. | 163,701,456 | 327,402,912 | 16.23 | Circulating | 0 | Foreign share |

| | | | | | | |
|---|---|---|---|---|---|---|
| 3. FAIR OAKS DEVELOPMENT LIMITED | 68,650,052 | 131,422,830 | 6.52 | Circulating | 0 | Foreign share |
| 4. PROFIT CROWN ASSETS LIMITED | －7,538,469 | 28,839,632 | 1.43 | Circulating | 0 | Foreign share |
| 5. China Bank – Haifutong Income Growth Securities Investment Funds | 12113,511 | 20,000,000 | 0.99 | Circulating | Unknown | General public share |
| 6. LONG HONOUR INVESTMENTS LIMITED | 9,591,707 | 19,183,414 | 0.95 | Circulating | 0 | Foreign share |
| 7. TOYO SECURITIES ASIA LIMITED-A/C CLIENT | 10,026,341 | 16,412,827 | 0.81 | Circulating | Unknown | Foreign share |
| 8. JPMBLSA RE FTIF TEMPLETON CHINA FUND GTI 5497 | 6,085,171 | 15,307,142 | 0.76 | Circulating | Unknown | Foreign share |
| 9. FF GREATER CHINA FD GT1 24037 | 6,259,560 | 14,259,600 | 0.71 | Circulating | Unknown | Foreign share |
| 10. Galaxy － Charter－CITIGROUP GLOBAL MARKETS LIMITED | 12,461,808 | 13,457,449 | 0.67 | Circulating | Unknown | General public share |

## 3. About shares held by the top ten shareholders of circulation share

**Shares held by the top ten A-share shareholders of circulation share**

| Name of shareholders (full name) | Circulation shares held at the period-end |
|---|---|
| 1. CHINA – HAIFUTONG INCOME GROWRH SECURITIES INVESTMENT FUNDS | 20,000,000 |
| 2. GALAXY – CHARTER – TIANYUAN SECURTIES INVESTMENT FUNDS | 13,457,449 |
| 3. COMMERCIAL BANK OF CHINA – TIANYUAN SECURITIES INVESTMENT FUND | 11,000,000 |
| 4. COMMUNICATIONS BANK OF CHINA – KEHUI SECURITIES INVESTMENT FUND | 8,380,000 |
| 5. CHINA MERCHANTS BANK CO., LTD – ZHONGXIN CLASSIC EQUIPMENT SECURITIES INVESTMENT FUND | 5,780,112 |
| 6. ICBC – SOUTH STEADY GROWTH SECURITIES INVESTMENT FUND | 5,259,625 |
| 7. ICBC – SOUTH ACTIVE EQUIPMENT SECURITIES INVESTMENT FUND | 5,054,062 |
| 8. HE LI JUN | 4,800,007 |
| 9. HONGYANG SECURITIES INVESTMENT FUNDS | 4,595,000 |
| 10. GUOXIN SECURITIES CO., LTD. | 4,590,284 |

Notes:

Among the top ten shareholders: South Steady Growth Securities Investment Fund and South Active Equipment Securities Investment Fund belong to two open funds under South Funds Management Company;

**Shares held by the top ten B- share shareholders of circulation share：**

| Name of shareholders (full name) | Circulation shares held at the period-end |
|---|---|

| | |
|---|---|
| 1. CHINA MERCHANTS CONTAINER INDUSTRY CO., LTD. | 327,402,912 |
| 2.FAIR OAKS DEVELOPMENT LIMITED | 131,422,830 |
| 3.PROFIT CROWN ASSETS LIMITED | 28,839,632 |
| 4.LONG HONOUR INVESTMENTS LIMITED | 19,183,414 |
| 5.TOYO SECURITIES ASIA LIMITED-A/C CLIENT. | 16,412,827 |
| 6.JPMBLSA RE FTIF TEMPLETON CHINA FUND GTI 5497 | 15,307,142 |
| 7.FF GREATER CHINA FD GT1 24037 | 14,259,600 |
| 8.NIKKOCITI TB S/A RE: JF CHINA MOTHER FD (716000) | 13,225,426 |
| 9.TEMPLETON DRAGON FUND, INC. | 12,791,872 |
| 10.GUOTAI JUNAN SECURIES HONG KONG LIMITED | 12,728,672 |

***Note:*** Among the top ten shareholders, there existed the associated relationship as well as the consistent action between the first shareholder and the second shareholder: China Merchants Container Industry Co., Ltd. and Fair Oaks Development limited both are the sole affiliated company of China Merchants International Co., Ltd; they are not belonging to consistent actors among other shareholders regulated by the Management Regulation of Information Disclosure on Change of Shareholding for Listed Company. COSCO Container Industries Limited is the sole affiliated company of COSCO Pacific Ltd., COSCO Pacific Ltd. is wholly-owned subsidiary of; LONG HONOUR INVESTMENTS LIMITED is indirectly held by COSCO Hong Kong Group Ltd.
It's unknown whether there existed related relationship or belongs to consistent actors regulated by the Management Regulation of Information Disclosure on Change of Shareholding for Listed Company.

The two large shareholders of China Merchants Container Industry Co., Ltd. and COSCO Container Industries Limited remained unchanged.

## III. Particulars about Directors, Supervisors and Senior Executives

(I) Particulars about change in shares held by directors, supervisors and senior executives of the Company in the report period
In the report period, Director as well as President of the Company Mr. Mai Boliang and Vice President Mr. Li Ruiting respectively added-holds shares amounting to 187,387 shares and 124,925 shares due to implementing plan of capitalization of public reserve at rate of 10 shares for 10 shares in 2004, ended June 30, 2005, Mr. Mai Boliang and Mr. Li Ruiting respectively holds amounting to 374,774shares and 249,850 shares of the Company. Except for this, directors, supervisors and senior executives of the Company remained unchanged.

(II) Particulars about change of directors, supervisors and senior executives
On Dec. 30, 2004, director Mr. Feng Jinhua resigned the director of the Company; supervisor Mr. Li Beixi resigned supervisor of the Company. On Dec. 31, 2004, the 11$^{th}$ meeting of the Board of the Company approved the resolution on nominated Mr. Sun Jiakang as candidate of director. The 2004 Annual Shareholders General Meeting

held on Apr. 8, 2005 elected Mr. Sun Jiakang as director of the Company. The said public notice on resolution of the Board published on Securities Times and Hong Kong Ta Kung Pao dated Mar. 4, 2005. The public notice on resolution of 2004 Shareholders General Meeting published on Securities Times and Hong Kong Ta Kung Pao dated Apr. 9, 2005.

Supervisor representing shareholders Mr. Li Beixi resigned supervisor, the Supervisory Committee of the Company held the 2nd meeting of 2004 on Dec. 31, 2004. According to nomination of shareholders of the Company, elected Mr. Shi Jing as candidate of supervisor to represent shareholders of the Company, and submitted to 2004 Shareholders' General Meeting to be approved. 2004 Annual Shareholders' General Meeting held on Apr. 8, 2005 elected Mr. Shi Jing as supervisor of the Company. The said public notice on resolution of the Supervisory Committee has been published on Securities Times and Hong Kong Ta Kung Pao dated Mar. 4, 2005. The public Notice on resolution of the 2004 Annual Shareholders' General Meeting has been published on Securities Times and Hong Kong Ta Kung Pao dated Apr. 9, 2005.

## IV. Discussion and Analysis of the Management

(I) Discussion and analysis to financial report period and significant events

1. Summary

In the first half of the year, the Group's main business in manufacturing transportations equipments went off smoothly, orders quantity of main various logistics equipment products including common dry cargo container, tank storage and shipping equipments and other special container, road transportation vehicles all had a large margin increase comparing with same period of pervious year, strong and powerful demands of market made the rising price exceed the margin of rising cost so gross ratio obviously increased. So the Company obtained perfect achievements: the Company realized income from main business and net profit respectively amounting to RMB 18,038,919,000 and RMB 2,051,852,000, so increased by 63.24 % and 121.28 % comparing with the same period of last year.

In the 1st half year, sales income of major sub-divisional products of the Group including common dry container, refrigeration container, logistics vehicle, tank storage and shipping equipments, wood industry, folded container, tray container and area and inland container has exceeded or closed to whole year level of 2004 and they were respectively amounting to RMB 1,418,590,000, RMB 1,195,050,000, RMB 648,240,000, RMB 339,934,000, RMB 131,320,000, RMB 227,120,000 and RMB 174,630,000, and sales income for other type of special container amounted to RMB 686,990,000. Sales income of the above-mentioned products has exceeded or closed to the annual level of 2004.

2. Analysis to main financial data

(1) Income, profit and cash flow

***Unit: RMB'000***

| Items | Amount in the period | Amount in the same period of last year | Increase/decrease ratio (%) |
|---|---|---|---|
| Income from main operations | 18,127,483 | 11,095,870 | 63.24% |
| Profit from main operations | 3,215,346 | 1,680,596 | 91.32% |
| Net profit | 2,051,852 | 927,283 | 121.28% |
| Net amount of cash flow rising from operation activities | 782,191 | -943,889 | 182.87% |
| Net increase in cash and cash equivalents | 1,876,973 | 567,780 | 230.58% |

***Analysis:***

Income from main operations increased by 63.24 % over the same period of last year, Profit of main operations increased by 91.32 % over the same period of last year, which was mainly due to expansion in sales scale and price rising of main products of the Group comparing with the same period of last year. Net profit increased by 121.18% over the same period of last year, which was mainly due to obviously increase of sale volume, prices and gross ratio of products over the same period of pervious year.

Net increase in cash and cash equivalents decreased by 230.58 % over the same period of last year, which was mainly due to large margin increase of net cash flow rising from business activities, which mainly due to the Company adopting efficient measures to strengthen management on purchase capital and account receivable.

(2) Assets and shareholders' equity

***Unit: RMB'000***

| Items | Amount at the period-end | Amount at the period-beginning | Increase/decrease ratio (%) |
|---|---|---|---|
| Total assets | 20,842,453 | 16,986,315 | 22.70% |
| Shareholders' equity | 9,958,207 | 8,375,775 | 18.89% |

***Analysis:***

In the report period, the Company's assets structure still took on good condition. Total assets increased by 22.70% over the beginning of the year, which was mainly because that the product sales increased by a great margin, resulting in increase in current assets.

Shareholders' equity increased by 18.89 % over the beginning of the year, which was mainly because that the net profit in the report period increased by RMB 2.051 billion. Total of assets-liability ratio in the first half year was 52.68% but liability ratio at interest only was 13.16%, which kept healthy level.

**3. Discussion and analysis on significant events**

**(1) On industry development**

Under directions of strategy developing goal of supplying equipments and services for modern transportation, the Group holds operation principle of "globalization of resources, internalization of services" from beginning to now, implementing desperate developing strategy in terms of equipment making and services of transportation, to fully integration of global elemental resources, fully develop China's comparative advantages in manufacturing industry, seized opportunities in process of industry development. The Group had basically confirmed global operation system depending on localization of manufactory of China.

Through productions development and market expanding for several years, the Group had formed several productions group for logistics installation and subdivision system, has possessed strongly capacity of technology development and market expansion and relevant resources. At present it has formed nearly 10 types of series products including standard dry container, refrigerate container, inland container, folded container, tray container, tank storage and shipping equipments, logistics vehicles and airport equipments, etc., which all have considerable large market quantities and growth space. In the first half year, except for common dry container, the proportion of other products' sales income in income from main business has increased from 23% of 2004 to 35% or so. Sales income for special container amounted to RMB 1,527,777,000; proportion in whole income of containers was 9.62%, increased by 3% comparing with same period of last year. With related and monopoly development of business and products, the proportion of future income of standard dry container would cautiously remarkably decreased, income ratio from other mediate and top position of logistics installation products would be on the increase.

① In terms of standard dry container products, in the 1st half year of 2005, its demands of booming season has lasted over one year, there existed certain degree of super large amount of purchase, so its would appear short-term adjustment in the 2nd half year o f2005. However, due to basic element of economic and trade increase and booming industry remained unchanged, imbalance of time and space appeared on selling season and various areas of global market supply and demands, containers throughput capacity having demands of successively expansion in the future, otherwise, after short-term adjustment, considering the quantities of renewal and elimination of old containers successively kept rising, the Company believe that demands of common dry container still increased sustainably and steadily in the future.

② In terms of refrigeration container, global market share exceeded 40%, keeping the No.1. There are two production bases Shanghai and Qingdao, except for producing standard refrigeration container, Qingdao base can produce special refrigeration container.

③ In terms of tank storage and shipping equipments products, products sorts successively enriched. Main products includes tank container, LNG tank cintainer, large scale room pressure storage, low temperature liquid storage, LNG storage, powder bulk cargo tank truck, low temperature liquid tank truck and LNG tank truck. It has formed three bases of Nantong, Zhang Jiagang and Yangzhou. Therein, Nantong CIMC Tank Equipment Co., Ltd sold tank containers amounting to 3,056 sets, increased by 43.68% comparing with the same period of last year. Tank container belongs to one of the major storage and shipping tools for petrol, chemicals, and foods industry of liquid commodity. The market share of marine tank container of the Group has stood in No. 1 of the world.

④ In terms of other special container, tray container and folded container developed with good results, therein, sales of tray container in the first half year amounted to 261,252, increased by 167.55% over the same period of last year. Dalian CIMC Logistics Equipment Co., Ltd has obtained capacity of yearly outputing various tray container 650,000 sets, 10,000 IBC tank containers (that is Intermediate Bulk Container). Various tray containers are mainly used in auto industry, rubber industry, foods, fruits and home appliances; IBC Tank has been used in industries of fine chemicals, synthetics rubber, dangerous articles and foods. At present the Group has processed series of patent technology of DOMINO folded container which holds 70% market share of folded container of the world, and established production base in Guangdong Jiangmen.

⑤ In terms of business of road transport vehicles, in the 1st half year of 2005 the Group made progress in reconstruction of vehicle production base, production administration, products research and development, management of supply chains, network of sales service, construction of informalization of platform, development of overseas market, etc.. Increase of actual market demands for logistics vehicle need a process, but the growth trends is obvious. The Company believes that, the development of China modern logistics stands in a starting period, our government has made out a series of measures to promote the development of modern logistic, China logistics also would be fully open for public in Dec. 2005, severely competences between Chinese and foreign logistics enterprises, logistics enterprise would realize operation-intensive and optimization of organization structure. So domestic market of road transport has a huge developing space in the future, the Company believed, in 2005 and future years, road transport vehicle of the Group would keep a quick increase, so income achievement for the Company would be larger and larger.

**(2) RMB appreciation impact on industry and business of the Company**

We could evaluate the value increase in RMB influencing on business of the Company in terms of increase of China's export, cost and financial statement.
Firstly, In July 2005, Central Bank of China reformed the formation of RMB exchange rate mechanism, referring to bouquet currency to confirm RMB exchange rate, RMB rise against US dollar by 2%. It be universally accepted that its government's plan after weighing advantages and disadvantages, the said appreciation

range cannot result in impact on increase export of China.

Secondly, impact degree on financial statement resulted in appreciation of RMB depends on its currency structure in items of assets, gains and losses, that is, the higher proportion of assets, incomes and expenditures is, the smaller impact degree of appreciation. The financial statement of the Company regarded US dollar as standard money for accounting, income and expenses from main business of the Company based on USD, so it has few impact of RMB appreciation on financial statement but has a few negative impact on financial statement converted into RMB. With the quick development of road transport vehicle industry of the Group, the relevant RMB income successively increasing would reduce single dependence on RMB loans and USD exchange settlement and could release risks brought by RMB appreciation in a certain degree, and counteract negative impact of RMB appreciation on statements of the Group.

Lastly, look through industry aspects and active aspects, because 90% of containers of the world were made in China, impact of RMB appreciation on containers industry was monolithic so as not to resulted in weakening competing power of existing manufacturers, industry and enterprises also can meet an emergency for this.

So, RMB appreciation would have a certain degree of negative impact on business of the Company in a short period, taking long view, its impact degree need considerate changes on business environment, supply and demands of raw material market, the Company's strategy and business structure. The Company has made some adjustments in terms of purchase, payment of exchange settlement and debts structure, and so on, and would preparing successively measures to reply.

## (II) Operations of the Company

### 1. Scope of main operations and details

***(1) Formation of income from main operations and profit from main operations***

***Unit: RMB'000***

| According to different businesses | Income from main operations | Cost of main operations | Gross profit ratio (%) |
|---|---|---|---|
| Containers | 15,885,066 | 12,611,956 | 20.61 |
| Road transport vehicles | 2,072,666 | 1,807,245 | 12.81 |
| Others | 169,751 | 384,783 | -126.67 |
| **Total** | **18,127,483** | **14,803,985** | **18.34** |
| | | | |
| **According to Areas** | **Income from main operations** | **Proportion in income from main operations (%)** | **Increase/decrease over the same period of last year (%)** |
| Surround Bohai areas | 6,807,501 | 37.55 | 45.27 |
| The Yangtze Delta | 6,359,533 | 35.08 | 83.08 |

| | | | |
|---|---|---|---|
| Extensive Zhujiang Delta | 4,159,726 | 22.95 | 47.75 |
| Overseas | 378,961 | 2.09 | — |
| **Other Area of PRC** | 421,762 | 2.33 | 249.52 |
| **Total** | 18,127,483 | 100.00 | 63.37 |

***(2) In the report period, summary of main operations in the Group was as follows:***

The Group is mainly engaged in the manufacturing and sales business of modernized traffic and transport equipments, including design, manufacture, sales and service of such traffic and transport equipments as containers, road transport vehicles, airport ground equipments and etc.. Road transport vehicle of the Group mainly includes semi trailer and manufacture, sales and maintenance of special car except for semi-trailer. Except for this, the Group is also engaged in such businesses as timber, real estate and etc.. Cost volume profit relationship of containers of the Group are holding the No. 1 of the world, at present market share of the world exceeded 50%. The Group has become the largest manufacturer of road transport vehicle in China.

The product taking over 10% of the Group's income from main operations and total profit from main operations is container and road transport vehicles. In the 1st half year cost volume profit relationship of the Group hit a new higher level, accumulated sold containers amounting to 831,284 TEU, increased by 14.74% comparing with same period of last year. Including dry containers, refrigeration container and special container sold respectively amounting to 750,006 TEU, 41,461 TEU and 39,817 TEU, increased by 12.69%, 15.72% and 72.00% comparing with the same period of last year. Road transport vehicle of the Company kept a quick growth, even though domestic market demands temporally slow down over the last year, the orders from overseas has a large margin increase, semi-trailer business in North America expanded scale and realized profit. In the 1st half year realized sales income amounted to RMB 2,100,188,000, accumulated sales amounting to 25,433 sets. Respectively increased by 202.19% and 80.29% over the same period of last year.

Sales income and gross profit of main products during January to June 2005:

Unit: RMB'000

| Products | Sales income | Sales cost | Gross profit ratio (%) |
|---|---|---|---|
| Total containers | 15,885,737 | 12,611,956 | 20.61% |
| Road transport vehicle | 2,072,666 | 1,807,245 | 12.81% |

① business production base further expansion and perfect, scale crowd benefit show off day by day

In the past three years, the Group examined global trends of main business from strategic, prospected Chinese manufacture advantages, depending on several years' successively accumulated experiences in manufacture and improved management capacity, ceaselessly perfect production base layout and chains of main logistics products, established several unit developing platform of related industries so as to seize excellent opportunity of market and industry developing. In terms of areas, the

Group had formed three business bases in surround Bohai area, Yangtze Delta and extensive Pearl River Delta, including main costal cities, central cities and transportation centre, has formed US vehicle production base in overseas. Domestic three large business bases realized sales income respectively amounting to 37.55 %, 35.08%, 22.95 %, which respectively including several production units in terms of container and logistics vehicle, fully realized resource sharing and strategy cooperation and efficiency upgrade in aspects of investment, purchase, production cost and technology research and development, and so on.

In March 2005, the second period of 150,000 TEU production line of Shenzhen South CMIC logistics Equipment Co., Ltd formally put into production; in June 2005, Jiangsu Taicang CMIC Container Manufacture Co., Ltd formally put into production with throughput capacity of 150,000 TEU. On Jul. 1, 2005, the Group and Shanghai Near Port Group signed agreement on investing Shanghai CMIC near Port Logistics Equipment Park, Shanghai CMIC near Port Logistics Equipment Park neighboured Shanghai Yangshan Shenhui Port, would be built into a large scale of modern logistics equipment park with a mixture of several industries of manufacture and service for semi trailer and container. It estimated that the 1$^{st}$ period of the said park would start construction in Sep. 2005. The Group's logistics equipment service in Yangtze Delta would further be strengthened. Ended the 1$^{st}$ half year, the Group has owned 20 container plants, ranging in costal harbour of China, so production capacity completely could meet demands of market.

In Feb. 2005, CMIC Vehicle Shandong Base was put into production. In May 2005 the 1$^{st}$ period project of new district reconstruction of Zhangjiagang CMIC Shengdayin Microtherm Equipment Co., Ltd of the Group began to establish, which would build production lines of yearly output 1000 sets of storage tank and microtherm container, it estimated to finish project and put into production at the end of 2005. In Jan. 2005, Guangdong Xinhui CMIC Composite Material Manufacture Co., Ltd began to build with original investment amounting to USD 11.00 million, mainly produce steel & plastic composite material to equip the production of semi trailer in America CMIC, help to strengthen the competence of overseas semi trailer. Ended the 1$^{st}$ half year, the Group have had 7 plants of road transport vehicles, including 6 branches arranging in costal harbour and inland cities and 1 in America.

② Related service system of logistics products obtained excellent improvement

Since 2004, the Group began to construct operation platform for container stock dump, supplied services for container maintenance, stock and management, leasing and supply of fittings and components and other related services. Ended the 1$^{st}$ half year of 2005, base layout for container service has finished basically, distributed in main costal ports of surround Bohai area, Yangtze Delta and extensive Pearl River Delta: Dalian, Qingdao, Shanghai, Ningbo, Xiamen and Shenzhen. The said business mainly established container service company in forms of controlling and shareholding, has input capital amounting to RMB 0.2 billion, mainly used to purchase share equity.

In terms of establishing layout of vehicle sales network, Shanghai CMIC Vehicle Logistics Equipment Park began to build in Feb. 2005, and the 1st period project has been finished in June and entered into stage on trial. With total investment scale of RMB 0.16 billion, it would become the largest integrated sales base of supply a chains service for full lifecycle to special vehicles in East China of CMIC Vehicle Group. At present CMIC Vehicle has established Shenzhen CMIC Vehicle Shenzhen Yantian 4S Branch and Shanghai CMIC Vehicle 4S branch, in Jul. 2005, Beijing CMIC Vehicle Logistics Equipment Co., Ltd began to build in Beijing State Environment Industrial Zone and estimated to formally open at the end of 2005. Which emblematizes marketing network construction of CMIC Vehicle with symbol of 4S center has borne fruit.

③ Successively striving for construction of self technology invention system, consolidate and upgrade leadership if industry

At present the Group is only manufacturer and sales merchant having whole series of container, could supply dry container, refrigeration container, tank container and special container, etc. series of products. In 202 succeededly enter industry of road transport vehicle, now process several production series of logistics vehicle, tank vehicle, microtherm storage equipment and engineering machine vehicle, etc., totaled over 600 productions.

In term of invention and developing of technology, the Group examined developing trend of the industry from global point of view, and offered to be responsible leader of industry of global containers. Based on introducing technology and cultivating self-technology capacity, technology-developing system of the Group going from imitation to originally invention and integrated invention. In aspects of core patent technique of global container industry processing around 600 self patent, depending sole self intellectual property, the Company participated amendment on ISO/TC104 dry container international standard and compile of several state or industry standards of container, special cars and airport equipment. Belong to only one Chinese enterprise participating constitution of international standard of container industry, and confirmed multi-industry competitive advantages of main products.

The Group strived for production theory of “intelligence, securities, environment, efficiency and saving energy”, purchasing creative solution plans on difficult problems of industry in saving energy, protecting labors, professional safety, environment protection and intellectualities and bring technology improvement and industry promotion through technology creation. Since 2002, research and developing investment of the Company kept still over 3% of sales amount, ratio of sales profit of new products to total products profit was over 35%, developed average yearly around 200 projects. The 1st environmental refrigeration container and environmental production base of the world were both born in the Group, the Group and GE cooperated and developed SSC (Smart Secure Container) has made an actual progress, the said SSC mainly mechanical refining containers and integrating electronic secure system of container, traditional making technology of container is mixed with modern technology, and would bring out technology revolution of global container industry, the Company believes in the value chains of manufacture and service of global transport equipment, the Company would successively conduct invention, and could pursue higher and newer value growth space.

④ Internationalization of business operation moving well, operation scale of Sino-US interaction made original progress

After realization of containers made in China and internationalization of operations, the Company is tightening overseas market expansion, established and modified overseas production and sales system of vehicle business step by step, further explore and modify operation system if internationalization of business.
In 2003, the Group entered into America semi trailer industry through purchasing America semi trailer manufacturer, at present, sole subsidiary – Vanguard National Trailer Corporation of the Company is engaging in manufacturing and sales of semi trailer industry. It produces US box semi trailer with throughput capacity amounting to 10,000 sets. In the 1st half year business in US realized sales amounting to RMB 421,762,000, increased by 258.01%, has realized earnings. Through creation of commercial model, including technology reform, to establish domestic supply chains, products designation in the same platform, and products of the Group has made relevant cost advantages in US market. The overseas vehicle business of the Group succeededly developed group operation advantages and strategy cooperation efficiency. The Company believes in the development of vehicle business, etc. transportation equipment businesses in the future, the said succeeded operation model would be promoted in efficient.

**2. Operations and performance of main controlling company and Shareholding Company**
Besides the manufacturing of containers and road transport vehicles, which is the Company's main business, the Company also engages in the wood industry, airport ground facilities and other electromechanical devices as well as the real estate businesses. The other businesses of the Company all go well.

**(1)** As to the business of airport ground facilities and other electromechanical devices, the Group's wholly-owned subsidiary Shenzhen CIMC – Tianda Airport Support Ltd (hereinafter referred to as "CIMC Tianda") boasted a registered capital of USD 13.5 million, with the manufacture, sales and maintenance of airport ground facilities as its main businesses. During the upper half year of 2005, CIMC Tianda realized a sales income of RMB 42.738 million, an increase of 6% year-on-year, and a net profit of RMB 8.742 million, an increase of 8.59% year-on-year. CIMC Tianda has signed the supply contract of 8 passenger aerobridges with Airport de Paris Company (ADP) of France. These aerobridges would be installed in the Airport Charles de Gaulle in Paris, and put into operation in April 2006. CIMC Tianda's winning in the fierce bidding competition marks that aerobridges made by China has exalted to the advanced team in both technology and quality. This contract also means that large-sized airport ground facilities made in China would march into the European market for the first time.

**(2)** As to the business of real estate, CIMC Shenfa Construction Industrial Co., Ltd mainly engages in the investment, construction and operation of infrastructures, development and operation of real estate, and investment in industries. This company boasts a registered capital of RMB 150 million, of which the Company owns 100% equity. The real estate businesses of the Group mainly scattered in Shanghai and Jiangmen of Guangdong Province. Since most of the real estate projects still remain out of the development stage and sales income has not been balanced, the sales income obtained from real estate business in the upper half year totaled RMB 1.82 million, which showed a fairly large-margin decrease year-on-year.

**(3)** During the upper half year of 2005, the wood industry of the Group has realized a sales income amounted to RMB 339,934,000, keeping balance with that of the same period of the last year. As to the wood business, the Group has begun to expand its production and supply base of the raw materials for the wooden floor of containers within the state. In March 2005, Inner Mongolia Hulunber CIMC Co., Ltd was launched into production and the first batch of single boards came off line smoothly. In June 2005, finished boards formally came off line.

By the end of the upper half year 2005, the production bases of the wooden floorboards for containers have formed an overall distribution of Jiangmen of Guangdong, Jiashan of Zhejiang and Inner Mongolia, and could well satisfy nearly 40% of the demand for container wooden floorboards of the Group.

**3. Problems and difficulties arising out of operation, and solutions**

***(1) Difficulties and problems***

Due to the macro-economic control policy in China, businesses such as the basic raw materials, energy sources and real estate have been affected, and the steel price also suffered large increase in the upper half year, which have brought some difficulties to the purchase and cost control of the Group. Otherwise, appreciation of RMB, China lower drawback ratio of steel and cancel relevant export policy towards for its own steel manufacturer of implementing “ejecting import using production”, the Group would confront settling with RMB when purchasing steel in domestic and risks of cost increase rising from exchange ratio fluctuation

***(2) Solutions***

Confronting with the changeable industry and market environment, the Group has made correct judgment about the situation, taken effective measures in time, adjusted the buying strategy of raw materials, and effectively controlled inventories and costs. The Company has made some adjustment on purchase structure, settlement and liability structure, etc. and would prepare to adopt counter measures

(III) Investments of the Company

1. Use of raised proceeds

On Nov. 20, 2003, the Company finished the additional issuance of 0.12 billion A shares and raised RMB 1.755 billion in total (issuing expenses deducted). The use of raised proceeds in the report period generally conforms to the planned proceeding and predicted earnings.

***Unit: RMB'000***

| **Total amount of raised proceeds** | 1,770,900 | **Total amount of the raised proceeds used in the report period** | | | 80,710 | |
|---|---|---|---|---|---|---|
| | | **Total amount of the raised proceeds used accumulatively** | | | 1,518,373 | |
| **Promised project** | **Amount to be invested as planned** | **Project changed or not** | **Amount actually invested** | **Earnings occurred** | **In accordance with the planned proceeding or not** | **In accordance with the predicted earnings or not** |
| Reconstruction of the dry goods container factory | 329,060 | No | 32,9060 | --- | 100% | Yes |
| Expand the production capability of regional exclusive containers and special-use containers | 413,500 | No | 253,924 | 145,091 | 61% | Yes |
| Reconstruction of production expansion of refrigerant containers | 221,060 | No | 182,060 | --- | 82% | Yes |
| Tank containers | 145,390 | No | 145,390 | 71,040 | 100% | Yes |
| Boxlike semi trailers | 231,560 | No | 231,560 | --- | 100% | Yes |
| Supporting vehicle of containers | 190,210 | No | 155,860 | 6,910 | 82% | Yes |
| Overseas processing of boxlike semi trailers with materials | 240,120 | No | 220,520 | 4,330 | 92% | Yes |
| Total | 1,770,900 | - | 1,518,373 | XX | 86% | Yes |

By the end of the report period, there remained RMB 237.28 million raised proceeds unused that have been supplementing the current capital for the time being.

**2. Investments with funds not raised**

On Mar. 25, 2005, the 2nd meeting of the Board in 2005 approved the resolution that the Company would jointly founded the Bank of Communications Schroeder Fund Management Company as one of the promoters. The Company would invest RMB 10 million and the equity proportion held is 5% of the registered capital. In August 2005, the investment has been put into place.

This business mainly establishes container comprehensive service companies through controlling or shareholding, and is mainly used to acquire equity. By the end of the upper half year of 2005, funds amounting to RMB 0.199 billion have been invested.

**(IV) Modifications to the business plan for the remaining half year.**

In the report period, the Group has pushed all the businesses forward according to the plan for the year of 2005, and has not modified anything about the annual business plan.

**(V)** Warnings of increase or decrease in net profit made during January and September 2005

Naught

## V. Significant Matters

**(I) Management of the Company in the report period**

In the report period, according to the relevant regulations in the Regulations on Strengthening the Protection of General Public Shareholders' Interests issued by the CSRC and the Stock Listing Rules of Shenzhen Stock Exchange (2004 modified), the Company has made some modifications to the relevant contents concerning the convening of shareholders' general meetings, examination of related transactions, and information disclosure, etc, which have been approved by the Shareholders' General Meeting 2004.

Compared with the requirements of the Management Rules of Listed Companies, the corporate management of the Company has been in conformity with relevant regulations, and the corporate administrative structure is comparatively satisfying.

In the report period, the Company has actively learned about the policies and regulations issued by relevant state sections concerning the reform of non-tradable shares, watched the proceedings of the reform of non-tradable shares, and vigorously studied relevant problems on the reform while referring to the actual status of the Company, so as to accomplish the reform within the Company as soon as possible. However, no explicit plans have been drafted out so far.

**(II) Implementation of the profit distribution plan 2004**

The Shareholders' General Meeting 2004 held on Apr. 8, 2005 has approved the Preplan on Profit Distribution, Dividends Granting and Capital Reserve Transferred into Shares 2004, with the main contents as follows: 10% of the parent company's net profit (RMB 2,269,304,559.89) amounting to RMB 226,930,455.99 would be withdrawn as the statutory surplus reserve, while 5% totaling RMB 113,465,227.99 would be withdrawn as statutory welfare funds. Plus the retained profit amounting to RMB 254,850,554.60 at the beginning of the year, the profit available for distribution to shareholders of the year totaled RMB 2,243,584,455.96; taking the total share capital amounting to 1,008,483,353 shares of the Company on Dec. 31, 2004 as the basic number, RMB 5 in cash (including tax) would be granted for each 10 shares, and the total dividends amounted to RMB 504,241,676.50; after the distribution, a discretionary surplus reserve amounting to RMB 1,474,533,737.22 would be withdrawn.

Plan for the capital reserves to be transferred into share capital is as follows: capital reserves would be transferred into share capital in a proportion of 10 shares for each 10 shares. After the transfer, the total share capital of the Company would increase to 2,016,966,706 shares from the original 1,008,483,353 shares.

The Company successively published the Notice on Dividend Distribution and Share Capital Transfer 2004 in Securities Times and Hong Kong Ta Kung Pao on Apr. 18, 2005. The record date for A-share was Apr. 22, 2005 (the last trading date of B-share); the ex dividend was Apr. 25, 2005. By the end of the report period, the Company has finished all dividend distribution work.

**(III) Semi-annual profit distribution preplan 2005**

No profit would be distributed at the mid-term of 2005, nor would capital reserves be transferred into share capital.

**(IV) In the report period, there were no material arbitrations or lawsuits about the Company**

**(V) The Company made no significant purchase or sales of assets in the report period.**

**(VI) There were no important related transactions in the report period.**

**(VII) Important contracts and their implementation**

**1.Significant custodian, contract, lease matters in the report period**

See the details about the contract operation of the Company on the subsidiaries of the Company; please refer to the notes to the financial statements.

**2.Significant guarantee contracts**

(1) According to the requirements of Notification on Standardizing the Capital Current between Listed Companies and the Related Parties and Several Problems about the External Guarantee of Listed Companies (ZJF [2003] No. 56) promulgated by CSRC, in the report period, the Company inspected itself on the capital current with related parties and external guarantee etc.: there was no capital occupied by the controlling shareholder and other related parties and the Company didn't offer capital directly or indirectly to controlling shareholder and other related parties for use.

(2) Special explanation and independent opinion on the external guarantee, guarantee out of line, implementing the above regulations of the Company accumulated and in the current period given by independent directors

In the spirit of Notification on Standardizing the Capital Current between Listed Companies and the Related Parties and Several Problems about the External Guarantee of Listed Companies of CSRC, we inspected the external guarantee of the Company. Now the explanation of the relevant situation was as follows:

Strictly according to the regulations of the Articles of the Association etc., the Company standardized the external guarantee of the Company and controlled the external guarantee risk of the Company. In the report period, the Company provided external guarantee neither to any units nor to individuals out of the Group, only to the operating capital of subsidiaries in the Group.

By Jun. 30, 2005, the balance of contingent liabilities arising out of the guarantees provided by the Company for subordinate subsidiaries was RMB 1.15902 billion, taking up 12.85% of the Company's net assets amounting to RMB 90.1716 trillion on Jun. 30, 2005, not exceeding 50%.

As a whole listed company, the Company provided guarantee for the operating capital in the budget of subsidiaries, mainly out of the need of business operation and development. The guarantee decision procedures were lawful and reasonable without harming the interests of the Company and shareholders of the Company, especially the minorities' interests.

**3. In the report period, the Company didn't entrust others to manage cash assets.**

**4. Other significant contracts**

On Jan. 10, 2005, the Company and China Construction Bank signed an agreement on strategic cooperation in Shenzhen. China Construction Bank would offer a line of credit equivalent in value to RMB 2 billion to the Company and its subordinate companies.

For details, please refer to the relevant notices the Company published in Securities Times and Ta Kung Pao on Jan. 11, 2005.

(VIII) Neither the Company nor shareholders holding over 5% (including 5%) shares of the Company have made any commitments.

(IX) Engagement and disengagement of CPAs

On Apr. 8, 2005, 2004 Shareholders' General Meeting held by the Company approved Proposal on Engaging CPAs, and reengaged Shenzhen Pan-China Schinda Certified Public Accountants as domestic auditors and KPMG Certified Public Accountants as overseas auditors.

(X) In the report period, the Company, the Directors and the Board of the Company have not been criticized or condemned.

(XI) Shareholders holding unlisted foreign shares of the Company: unlisted foreign shares of the Company held by China Merchants Container Industry Co., Ltd and Profit Crown Assets Limited were transferred into B-share circulating shares on Dec. 5, 2003. On Mar. 3, 2005, these shares formally were formally listed in the B-share market of Shenzhen Stock Exchange. For details of the accurate proceedings and contents of this issue, please refer to the following notices:

Notice on the Unlisted Foreign Shares of CIMC Being Approved to Get Listed, published in Securities Times and Hong Kong Ta Kung Pao on Dec. 31, 2003, and the notice number 2003-018; Notice on the Unlisted Foreign Shares of CIMC Got Listed at the Shenzhen Stock Exchange, published in Securities Times and Hong Kong Ta Kung Pao on Mar. 1, 2005, and the notice number 2005-005.

# Ⅵ. 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

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 | | (14,823,573) | (9,369,875) |
| **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 | (62,123) | (215,779) |
| **Operating profit before net financing costs** | | 2,398,330 | 1,124,642 |
| Financial income | 8 | 9,073 | 17,497 |
| Financial expenses | 8 | (110,439) | (33,952) |
| **Net financing costs** | 8 | (101,366) | (16,455) |
| Share of the profit of associates | | 4,916 | 13,731 |
| **Profit before tax** | | 2,301,880 | 1,121,918 |
| Income tax expense | 9(a) | (195,691) | (138,511) |
| **Profit for the period** | | 2,106,189 | 983,407 |
| | | ========= | ========= |
| **Attributable to:** | | | |
| Equity holders of the parent | | 2,051,852 | 927,283 |
| Minority interests | 27 | 54,337 | 56,124 |
| **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)

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

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) | 49,397 | 52,373 |
| **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 | 1,876,973 | 1,483,165 |
| **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 | 7,065,171 | 6,512,793 |
| **Total equity attributable to equity holders of the parent** | | 9,082,137 | 7,521,276 |
| **Minority interests** | 27 | 876,070 | 854,499 |
| **Total equity** | | 9,958,207 | 8,375,775 |
| **Liabilities** | | | |
| Interest-bearing bank loans | 28 | 410,000 | 822,728 |
| **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) | 154,091 | 200,110 |
| **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* | *2004* |
| | RMB'000 | 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 | 5,414 | - |
| **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 | 1,691 | 3,938 |
| **Cash generated from the operations** | 1,020,323 | (874,820) |
| PRC income tax paid | (238,132) | (69,069) |
| **Cash flows from operating activities** | 782,191 | (943,889) |

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)

| | *Six months ended 30 June* | |
|---|---|---|
| | *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 | (1,366) | (12,377) |
| **Cash flows from investing activities** | (617,693) | (633,402) |

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)

| | *Note* | *Six months ended 30 June* *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 | | (28,307) | (66,237) |
| **Cash flows from financing activities** | | 229,310 | 1,438,467 |
| Net increase / (decrease) in cash and cash equivalents | | 393,808 | (138,824) |
| Cash and cash equivalents at 1 January | | 1,483,165 | 706,604 |
| **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

| | *Containers* | | *Trailers* | | *Mechanical and electrical equipment* | | *Property development* | | *Timber logging and trading* | | *Consolidated* | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Six months ended 30 June* | | *Six months ended 30 June* | | *Six months ended 30 June* | | *Six months ended 30 June* | | *Six months ended 30 June* | | *Six months ended 30 June* | |
| | *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 30/06/05 | At 31/12/04 | At 30/06/05 | At 31/12/04 | At 30/06/05 | At 31/12/04 | At 30/06/05 | At 31/12/04 | At 30/06/05 | At 31/12/04 | At 30/06/05 | At 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)

| | *Containers* | | *Trailers* | | *Mechanical and electrical equipment* | | *Property development* | | *Timber logging and trading* | | *Consolidated* | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Six months ended 30 June* | | *Six months ended 30 June* | | *Six months ended 30 June* | | *Six months ended 30 June* | | *Six months ended 30 June* | | *Six months ended 30 June* | |
| | *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 |
| 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

| | *USA* | | *Europe* | | *Asia* | | *Other regions* | | *Total* | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *Six months ended 30 June* | | *Six months ended 30 June* | | *Six months ended 30 June* | | *Six months ended 30 June* | | *Six months ended 30 June* | |
| | *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 |
| 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 |

| | *PRC* | | *Non PRC* | | *Total* | |
|---|---|---|---|---|---|---|
| | *Six months ended 30 June* | | *Six months ended 30 June* | | *Six months ended 30 June* | |
| | *2005* | *2004* | *2005* | *2004* | *2005* | *2004* |
| | 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 |

| | *PRC* | | *Non PRC* | | *Total* | |
|---|---|---|---|---|---|---|
| | *At 30/06/05* | *At 31/12/04* | *At 30/06/05* | *At 31/12/04* | *At 30/06/05* | *At 31/12/04* |
| | 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

| | *Six months ended 30 June* *2005* RMB'000 | *2004* 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 | 24,529 | 16,413 |
| | 147,297 | 131,276 |
| | ======= | ======= |

## 6 Other operating expenses

| | *Six months ended 30 June* *2005* RMB'000 | *2004* 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 | 3,825 | 8,422 |
| | 62,123 | 215,779 |
| | ======= | ======= |

## 7 Staff costs

| | *Six months ended 30 June* | |
|---|---|---|
| | *2005* | *2004* |
| | RMB'000 | RMB'000 |
| Wages and salaries | 921,405 | 527,960 |
| Contributions to defined contribution plans | 51,372 | 31,267 |
| | 972,777 | 559,227 |

## 8 Net financing costs

| | *Six months ended 30 June* | |
|---|---|---|
| | *2005* | *2004* |
| | RMB'000 | RMB'000 |
| Interest income | 6,784 | 5,287 |
| Dividend income | - | 8,319 |
| Foreign exchange gains | 2,289 | 3,891 |
| Total financial income | 9,073 | 17,497 |
| Interest expense | (82,438) | (22,796) |
| Foreign exchange losses | (25,265) | (4,020) |
| Other financial expenses | (8,341) | (10,291) |
| Total financial expenses | (116,044) | (37,107) |
| Less: Interest capitalised into construction in progress* | 5,605 | 3,155 |
| | (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:

| | *Six months ended 30 June* | |
|---|---|---|
| | *2005* | *2004* |
| | RMB'000 | RMB'000 |
| Provision for the PRC income tax for the period | 195,768 | 134,073 |
| Overprovision in respect of the prior year | (3,655) | (1,290) |
| | 192,113 | 132,783 |
| Share of associates' income tax | 602 | 2,498 |
| Deferred taxation (note 9(d)) | 2,976 | 3,230 |
| | 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 | (572) | 3,230 |
| Income tax expense | 195,691 | 138,511 |
| | ======= | ======= |

### (c) Taxation in the consolidated balance sheet represents:

| | *At 30 June 2005* | *At 31 December 2004* |
|---|---|---|
| | RMB'000 | 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 | (238,132) | (181,955) |
| 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:

| | *At 30 June 2005* RMB'000 | *At 31 December 2004* 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 | - | 52,373 |
| Balance at 30 June / 31 December | 49,397 | 52,373 |
| | ======= | ======= |

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

| | *At 1 January* 2005 RMB'000 | *Recognised in income* RMB'000 | *At 30 June* 2005 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 | 3,730 | - | 3,730 |
| | 30,838 | (3,548) | 27,290 |
| Tax losses | 21,535 | 572 | 22,107 |
| | 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:

| | *At 30 June 2005* RMB'000 | *At 31 December 2004* RMB'000 (audited) |
|---|---|---|
| Deductible temporary differences | 157,188 | 112,531 |
| Tax losses | 72,234 | 71,965 |
| | 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

| | *Land and buildings* RMB'000 | *Machinery And Equipment* RMB'000 | *Motor vehicles* RMB'000 | *Office furniture and other assets* RMB'000 | *Total* RMB'000 |
|---|---|---|---|---|---|
| ***Cost or valuation:*** | | | | | |
| Balance at 1 January 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 | (13,312) | (15,037) | (1,270) | (11,199) | (40,818) |
| Balance at 30 June 2005 | 2,030,842 | 2,206,569 | 168,116 | 299,483 | 4,705,010 |
| **Representing:** | | | | | |
| Cost | 1,434,575 | 1,537,733 | 90,573 | 229,268 | 3,292,149 |
| Valuation | 596,267 | 668,836 | 77,543 | 70,215 | 1,412,861 |
| | 2,030,842 | 2,206,569 | 168,116 | 299,483 | 4,705,010 |
| ***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 | (1,747) | (7,785) | (539) | (3,955) | (14,026) |
| Balance at 30 June 2005 | 313,098 | 766,942 | 87,537 | 138,425 | 1,306,002 |
| ***Carrying amount:*** | | | | | |
| At 30 June 2005 | 1,717,744 | 1,439,627 | 80,579 | 161,058 | 3,399,008 |
| At 31 December 2004 | 1,650,006 | 1,251,646 | 71,135 | 131,139 | 3,103,926 |

## 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) | 5,605 | 6,806 |
| 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 | 1,716 | - |
| | 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 | - | (90,687) |
| 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

| | *Goodwill* RMB'000 | *Negative Goodwill* RMB'000 | *Technological know-how* RMB'000 | *Total* 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) | (119,018) | 13,250 | - | 105,768 |
| Balance at 1 January 2005, after opening balance adjustment and balance at 30 June 2005 | 94,247 | - | 26,381 | 120,628 |
| ***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) | 119,018 | - | - | 119,018 |
| Balance at 1 January 2005, after opening balance adjustment | - | - | (16,511) | (16,511) |
| Amortisation for the period | - | - | (885) | (885) |
| Impairment for the period | (14,549) | - | - | (14,549) |
| A 30 June 2005 | (14,549) | - | (17,396) | (31,945) |
| ***Carrying amount:*** | | | | |
| Balance at 30 June 2005 | 79,698 | - | 8,985 | 88,683 |
| Balance at 31 December 2004 | 94,247 | (13,250) | 9,870 | 90,867 |

## 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 | 31,500 | 13,500 |
| | 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) |
|---|---|---|
| ***Investments available-for-sale*** | | |
| Unlisted equity securities | | |
| At cost | 296,617 | 301,256 |
| Less: impairment loss | (29,349) | (29,349) |
| | 267,268 | 271,907 |
| ***Investments held for trading*** | | |
| 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 | (20,068) | (22,237) |
| Net investment | 82,358 | 86,240 |
| Current portion (note 23) | (7,401) | (7,643) |
| | 74,957 | 78,597 |
| Unguaranteed residual values | (1,451) | (1,451) |
| | 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 | 45,278 | 4,430 | 40,848 | 55,442 | 6,520 | 48,922 |
| | 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 | 29,149 | 30,772 |
| At 30 June / 31 December | 122,083 | 92,934 |

## 22 Inventories

| | *At 30 June 2005* RMB'000 | *At 31 December 2004* 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 | 83,075 | 79,417 |
| | 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

| | *At 30 June 2005* RMB'000 | *At 31 December 2004* 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 | 1,040,374 | 1,113,716 |
| | 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 | 1,876,011 | 1,482,540 |
| | 1,876,973 | 1,483,165 |

## 25 Share capital

| | *At 30 June 2005* RMB'000 | *At 31 December 2004* RMB'000 (audited) |
|---|---|---|
| ***Registered, issued and paid up capital*** | | |
| 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 | 1,083,697 | 341,769 |
| | 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* | | | | | | |
|---|---|---|---|---|---|---|---|
| | *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 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 | - | - | - | 1,745,689 | 129,135 | (1,874,824) | - |
| 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)

| | *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 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) | - | - | - | - | - | 13,250 | 13,250 |
| 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 | - | - | - | 41,732 | - | (41,732) | - |
| Balance at 30 June 2005 | 858,078 | 13,950 | 7,720 | 3,696,780 | 352,084 | 2,136,559 | 7,065,171 |
| | ======= | ======== | ======= | ======= | ======== | ======== | ======== |

## 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 | (28,307) | (81,452) |
| 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 | | 410,000 | - |
| | | 3,314,901 | 2,495,257 |
| ***Total*** | | 3,334,901 | 2,515,257 |
| Amounts due within 1 year | | (2,924,901) | (1,692,529) |
| 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 | 3,238 | - |
| | 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 | 427,796 | 851,960 |
| | 6,776,502 | 5,343,023 |

## 30 Provisions

| | *Warranties* RMB'000 (a) | *Guarantee loss* RMB'000 (b) | *Total* 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 | (6,867) | - | (6,867) |
| 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:

| | *At 30 June 2005* RMB'000 | *At 31 December 2004* RMB'000 (audited) |
|---|---|---|
| ***Operating lease charges payable:*** | | |
| Within l year | 44,968 | 63,262 |
| After 1 year but within 5 years | 40,667 | 27,127 |
| After 5 years | 28,349 | 64,145 |
| | 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 | (8,334,586) | (10,892,959) |
| 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:

| | *Relationship With the Company* | *Six months ended 30 June 2005* RMB'000 | *2004* 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:

| | *At 30 June 2005* RMB'000 | *At 31 December 2004* 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:

| | *Balance at 1 January 2005* RMB'000 | *Addition during the Period* RMB'000 | *Repayment during the Period* RMB'000 | *Balance at 30 June 2005* RMB'000 |
|---|---|---|---|---|
| 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:

| | *Six months ended 30 June 2005* RMB'000 | *2004* RMB'000 |
|---|---|---|
| Short-term employee benefits | 2,980 | 2,720 |
| Post-employment benefits | 67 | 62 |
| | 3,047 | 2,782 |
| | ======= | ======== |

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

| | *Six months ended 30 June 2005* RMB'000 | *2004* RMB'000 |
|---|---|---|
| Directors | 120 | 120 |
| Executive officers | 2,927 | 2,662 |
| | 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:

| *Name of company* | *Issued and Fully paid capital* | *Percentage of equity held by the Group* | *Place of establishment and operation* | *Principal activities* |
|---|---|---|---|---|
| CIMC (Shanghai) Development Limited | RMB150,000,000 | 100% | PRC | Investment holding |
| Shenzhen Southern Zhongji Containers Manufacture Co., Ltd. | US$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)

| *Name of company* | *Issued and fully paid capital* | *Percentage of equity held by the Group* | *Place of establishment and operation* | *Principal activities* |
|---|---|---|---|---|
| Qingdao CIMC Container Manufacture Co., Ltd. | US$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)

| *Name of company* | *Issued and fully paid capital* | *Percentage of equity held by the Group* | *Place of establishment and operation* | *Principal activities* |
|---|---|---|---|---|
| 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)

| *Name of company* | *Issued and fully paid capital* | *Percentage of equity held by the Group* | *Place of establishment and operation* | *Principal activities* |
|---|---|---|---|---|
| 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)

| *Name of company* | *Issued and fully paid capital* | *Percentage of equity held by the Group* | *Place of establishment and operation* | *Principal activities* |
|---|---|---|---|---|
| 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 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)

| *Name of company* | *Issued and fully paid capital* | *Percentage of equity held by the Group* | *Place of establishment and operation* | *Principal activities* |
|---|---|---|---|---|
| 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 |

## 36 Subsidiaries (continued)

| *Name of company* | *Issued and fully paid capital* | *Percentage of equity held by the Group* | *Place of establishment and operation* | *Principal activities* |
|---|---|---|---|---|
| Shenzhen 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

| | *Profit attributable to equity holders of the parent for the six months ended 30 June 2005* | *Total equity attributable to equity holders of the parent at 30 June 2005* |
|---|---|---|
| | RMB'000 | RMB'000 |
| **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 | 3,647 | 21,360 |
| **Prepared under IFRS** | 2,051,852 | 9,082,137 |

## VII. Documents Available for References

(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) Originals of all documents of the Company ever published in newspapers designated by CSRC during the report period;
(IV) Articles of Association of the Company;
(V) Other documents for reference.

**Board of Directors of**
**China International Marine Containers (Group) Co., Ltd.**
Aug.18, 2005