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

Annual Report 2005

Important Statement

The Board of Directors and the directors of the Company guarantee that there are no significant omissions, fictitious or misleading statements carried in the Report and we will accept individual and joint responsibilities for the truthfulness, accuracy and completeness of the Report.

None of the directors, supervisors, and senior executives demonstrated uncertainty or disagreement about the truthfulness, accuracy, and completeness of this report.

All of the eight directors presented the board meeting.

Deloitte Touche Tohmatsu CPAs audited the current Financial Report of the Company and issued standard Auditors' Report without qualified opinions.

Mr. *Li Jianhong* – Chairman of the Board, Mr. *Mai Boliang* – President of the Company, Mr. *Jin Jianlong* – the General Manager of Accounting & Administration Dept. declares: The truthfulness and completeness of the report are guaranteed.

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I. Company Profile

China International Marine Containers (Group) Co., Ltd. (referred as "the Company" hereinafter) is a sino-foreign joint shareholding company with limited liabilities. The Company and its subsidiaries (referred as "the Group" hereinafter) are devoted mainly in manufacturing and trading of modern transportation equipment, namely designing, manufacturing and maintaining of international standard dry-cargo containers, reefer containers, special containers, airport facilities and vehicles.

Legal Name in Chinese : 中国国际海运集装箱（集团）股份有限公司

Abbreviation in Chinese: 中集集团

Legal Name in English: CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) CO., LTD.

Abbreviation in English: CIMC

Legal representative: *Li Jianhong*

Secretary of the Board: *Yu Yuqun*

Securities Affairs Representative: *Wang Xinjiu*

Address: R&D Center, CIMC, No.2 Gangwan Road, Shekou, Nanshan, Shenzhen, Guangdong.
Tel: (86) 755-2669 1130
Fax: (86) 755-2682 6579
Email: shareholder@cimc.com

Registered Address: R&D Center, CIMC, No.2 Gangwan Road, Shekou, Nanshan, Shenzhen, Guangdong.

Office Address: R&D Center, CIMC, No.2 Gangwan Road, Shekou, Nanshan, Shenzhen, Guangdong.

Post Code: 518067

Official Website: http://www.cimc.cn

Official Presses of the Company as Designated by China Securities Regulatory Commission: Securities Times and Ta Kung Pao

Website Designated by China Securities Regulatory Commission: http://www.cninfo.com.cn

The Annual Report is available for enquiry at: Secretariat of the Board of Directors, Accounting & Administration Dept. of the Company.

Stock Exchange in where the stocks are listed: Shenzhen Stock Exchange

Stock ID and Stock Code:	CIMC (中集集团)	000039
	CIMC B (中　集B)	200039

Misc. Information

1. Date of initial registration: September 30th 1992
2. Place of initial registration: Shenzhen Industry & Commerce Administrative Bureau
3. Date of latest alteration of business registration: December 27th 2004
4. Place of latest alteration of business registration: Shenzhen Industry & Commerce Administrative Bureau
5. Registration No. of Business License: 企股粤深总字101157号
   Taxation Registration No.:
   National Taxation 440301618869509
   Municipal Taxation 440305618869509
6. CPAs employed by the Company and their addresses:

   Domestic auditor: Deloitte Touche Tohmatsu CPAs Shenzhen Office

   Address: 13/F, China Resources Building, 5001 Shennan Rd. East, Shenzhen, Guangdong, China

   Overseas auditor: KPMG CPA

   Address: 8/F Prince's Building 10 Chater Road Central, Hong Kong

Primary Banks Connected:

中国进出口银行The Export-Import Bank of China

交通银行Bank of Communications

招商银行China Merchants Bank

中国建设银行China Construction Bank

中国银行Bank of China

花旗银行 Citibank,N.A.

香港上海汇丰银行有限公司 The Hongkong and Shanghai Banking Corporation Limited

渣打银行Standard Chartered Bank

南洋商业银行Nanyang Commercial Bank

II. Financial Highlights

(I) Primary accounting data of the year

RMB *'000*

Items	Amount
Profit before taxation	3,172,223
Profit attributable to: Equity shareholders of the Company	2,807,466
Gross profit	4,695,539
Other net income	236,179
Profit from operations	3,282,637
Net cash generated from operating activities	5,232,159
Cash and cash equivalents at 31 December	2,828,223

(II) Accounting data and financial indices of the latest 3 years prior to the end of the report term

RMB'000

Items	Year 2005	Year 2004	Year 2003
Sales of Containers (TEU)	1,361,358	1,570,809	1,173,293
Sales of Vehicles (Units)	53,055	37,926	8,991
Revenue	30,938,522	26,557,657	13,705,212
Profit attributable to: Equity shareholders of the Company	2,807,466	2,464,992	694,051
Total Assets	17,020,469	16,986,385	10,258,356
Total equity attributable to equity shareholders of the Company	9,613,787	7,521,276	5,295,653
Earnings per share (**EPS**, diluted)	1.39	2.44	1.33
Net asset per share (*RMB yuan*)	4.77	7.46	8.40
Rate of Return on Shareholders' Equity (**ROE**, diluted)	29.20%	34.17%	13.11%
Net Cash flow per share generated from operating activities	2.76	1.49	1.21
Dividend (per share)	Cash dividend of RMB 0.38, converting public reserve into share capital at the rate of 0.1 share	Cash dividend of RMB 0.50, converting public reserve into share capital at the rate of 1.0 share	Cash dividend of RMB 0.38, converting public reserve into share capital at the rate of 0.6 share

III. The Shareholders and Changing of Share Capital

(I) Changing of Share Capital

In shares

	Before the change	Changed in current term (+,-)		After the change	Share portion (%)
		Placing of non-current foreign shares	Capitalizing of common reserves		
I. None negotiable shares					
Promoter's shares	363,781,013	−200,079,557	+163,701,456	327,402,912	16.23
Including:					
Overseas legal person shares	363,781,013	−200,079,557	+163,701,456	327,402,912	16.23
Total of non-negotiable shares	363,781,013	−200,079,557	+163,701,456	327,402,912	16.23
II. Negotiable shares					
1． RMB common shares	302,933,219		+302,933,219	605,866,438	30.04
Incl. Executive shares	312,312		+312,312	624,624	0.03
2． Foreign shares listed at home	341,769,121	+200,079,557	+541,848,678	1,083,697,356	53.73
Total of negotiable shares	644,702,340	+200,079,557	+844,781,897	1,689,563,794	83.77
III. Total of capital shares	1,008,483,353		+1,008,483,353	2,016,966,706	100.00

Note 1: Changes shown above were caused by dividend distribution & capitalizing of common reserves carried out for year 2004 and placing of non-current foreign shares.

Note 2: Shares held by senior executives amounted to 624,624 shares are those which have been frozen.

(II) Share placing and listing

1. Share placing status of the latest 3 years prior to the end of the report term.

Year	Category of share	Date of issue	Price of issuing (RMB)	Amount issued (shares)	Date of listing	Approved amount to be listed	Date when trading is terminated
2003	A shares	2003.11.20	15.00	120,000,000	2003.12.5	120,000,000	—

On November 2003, the Company issued additional 120,000,000 A-shares. The total capital shares were increased from 510,302,096 to 630,302,096 shares. The portion of current shares (negotiable shares) was increased from 55.38% to 63.87% in the total capital shares thereafter.

2. On April 25th 2005, the Company conducted the dividend distribution and capitalizing of common reserves for year 2004, which was, 10 shares increasing over each 10 shares. The total capital shares and shareholding structure were changed as the followings:

In shares

	Before the change	Share proportion (%)	Shares increased by capitalizing of common shares	After the change	Share proportion (%)
I. None negotiable shares					
Promoter's shares	163,701,456	16.23	163,701,456	327,402,912	16.23
Including:					
Overseas legal person shares	163,701,456	16.23	163,701,456	327,402,912	16.23
Total of non-negotiable shares	163,701,456	16.23	163,701,456	327,402,912	16.23
II. Negotiable shares					
1． RMB common shares	302,933,219	30.04	302,933,219	605,866,438	30.04
Incl. Executive shares	312,312	0.03	312,231	624,624	0.03
2． Foreign shares listed at home	541,848,678	53.73	541,848,678	541,848,678	53.73
Total of negotiable shares	844,781,897	83.77	844,781,897	844,781,897	83.77
III. Total of capital shares	1,008,483,353	100.00	1,008,483,353	2,016,966,706	100.00

(III) Profiles of the shareholders

1. Total shareholders at the end of the report period

As of December 31st 2005, the shareholders of the Company were totalled to 133,888, in which there were 114,785 of A-share holders and 19,103 of B-share holders.

2. Shareholding status of major shareholders (top 10 shareholders as of December 31st 2005)

Name of the shareholder	Changed in the report term	Shares held at the end of term (shares)	Share proportion (%)	Negotiable or not	Pledged or frozen	Properties of shareholder
1． COSCO Container Industries Limited	163,701,456	327,402,912	16.23	Non-negotiable	0	Foreign
2. China Merchants (CIMC) Investment Ltd.	163,701,456	327,402,912	16.23	Negotiable	0	Foreign
3. China Merchants (CIMC) Holdings Ltd.	68,775,052	131,547,830	6.52	Negotiable	0	Foreign
4． PROFIT CROWN ASSETS LIMITED	－2,869,232	33,508,869	1.66	Negotiable	0	Foreign
5． TOYO SECURITIES ASIA LIMITED-A/C CLIENT	N/A	22,144,318	1.10	Negotiable	N/A	Foreign
6． LONG HONOUR INVESTMENTS LIMITED	9,591,707	19,183,414	0.95	Negotiable	0	Foreign
7． GALAXY－CHARTER－CITIGROUP GLOBAL MARKETS LIMITED	N/A	18,306,605	0.91	Negotiable	N/A	Domestic
8． NAITO SECURITIES CO., LTD	N/A	15,911,942	0.79	Negotiable	N/A	Foreign
9． JPMBLSA RE FTIF TEMPLETON CHINA FUND GTI 5497	6,085,171	15,307,142	0.76	Negotiable	N/A	Foreign
10． CMBLSA RE FTIF TEMPLETON ASIAN GRW FD GTI 5496	N/A	15,289,705	0.76	Negotiable	N/A	Foreign

Remarks:

Among the top 10 shareholders, the 1st and 6th shareholder are regarded as related and act-in-concert parties. COSCO Container Industries Limited is an entire subsidiary of COSCO Pacific Ltd., COSCO Pacific Ltd. is under the controlling of COSCO Group; while Long Honour Investments Limited is an entire subsidiary of COSCO (Hong Kong) Group, COSCO (Hong Kong) Group is under the controlling of COSCO Group. Neither of the two shareholders is acting-in-concert with any other shareholders in the list as described by Administrative Rules on Information Disclosure about Changing of Shareholding Status.

The 2nd and 3rd shareholders are regarded as related and act-in-concert parties. Both of China

Merchants (CIMC) Investment Ltd. and China Merchants (CIMC) Holdings Ltd. are the entire subsidiaries of China Merchants International Ltd., which is the controlled subsidiary of China Merchants Group Ltd. Neither of the two shareholders is acting-in-concert with any other shareholders in the list as described by Administrative Rules on Information Disclosure about Changing of Shareholding Status.

It is unknown whether there is any relationship among other shareholders, or whether there is any action-in-concert among them as described by Administrative Rules on Information Disclosure about Changing of Shareholding Status.

3. Legal person shareholders holding 10% or above of the total shares

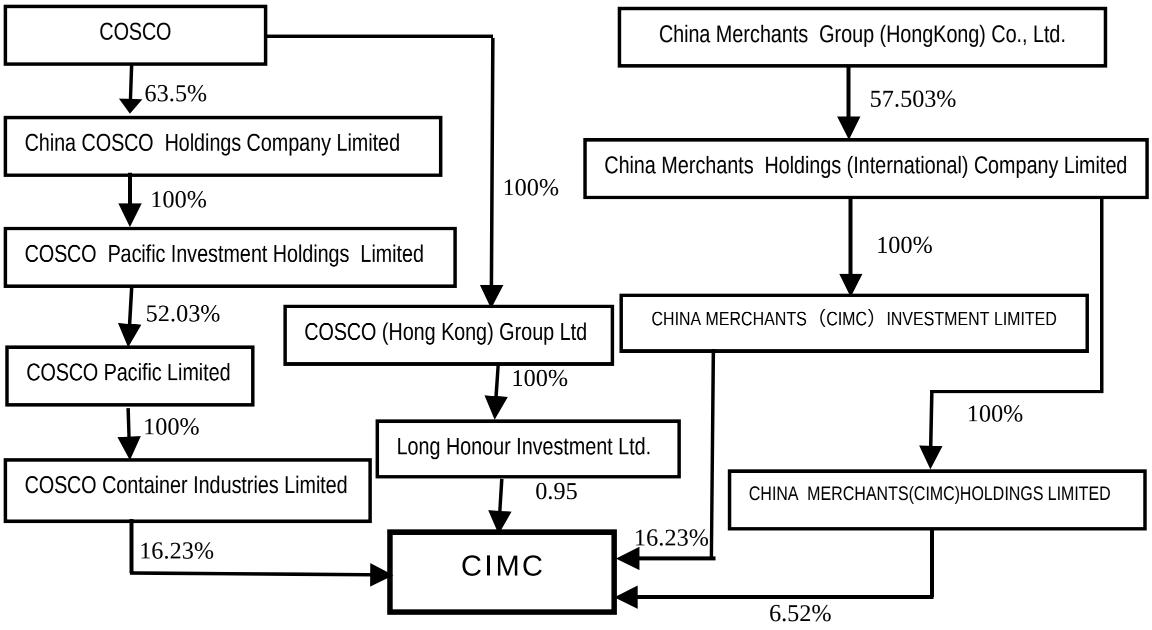
There isn't any shareholder (controlling shareholder) holding 30% or above of the total shares.

Name of the shareholder	Share proportion %	Director	Date of Incorporation	Registered capital	Share structure	Business Scope
COSCO Container Industries Limited	16.23%	*Wangzhi, Chen Keng, Ying Haifeng*	2004.4.26	USD1	Fully owned by COSCO Pacific Ltd.	Investment, holding
China Merchants (CIMC) Investment Ltd.	16.23%	*Du Yongcheng, Wang Zhixian, Liu Jie*	1995.1.17	HKD10,000	Fully owned by CMHI	Investment, holding

(1) COSCO Container Industries Limited is a limited company incorporated in British Virgin Islands, and it is a wholly owned subsidiary of COSCO Pacific Limited. COSCO Pacific Investment & Holdings Co., Ltd. is holding 52.03% of share equity of COSCO Pacific Ltd., while COSCO Pacific Investment & Holdings Ltd. is the wholly-owned subsidiary of COSCO Holdings Ltd. COSCO is holding 63.5% of the shares of COSCO Holdings Ltd. Ended Dec. 31, 2005, COSCO Container Industries Ltd. held 16.23% equity of the Company; Long Honour Investments Limited is an wholly-owned subsidiary of COSCO Hong Kong, and held 0.95% equity of the Company.

(2) China Merchants (International) Investment Co., Ltd. (formerly China Merchants Container Industry Co., Ltd.) is the wholly-owned subsidiary of China Merchant Holdings (International) Company Limited ("CMHI"). China Merchants Group held 57.503% equity of CMHI. China Merchants Container Industries Co., Ltd. held 16.23% equity of the Company, at the same time, China Merchants Holdings (International) Co., Ltd. (formerly Fair Oaks Development Limited), a wholly-owned affiliated company of CMHI, held 6.52% equity of the Company, China Merchants (International) Investment Co., Ltd. and China Merchants Holdings (International) Co., Ltd. are the wholly-owned subsidiaries of CMHI, thus, CMHI is actually holding 22.75% equity of the Company.

Chart of shareholding relationships among the substantial holders and the Company



4. Changing of major shareholders in the report term

China Merchants Containers Industry Co., Ltd. and Fair Oaks Development Ltd., the shareholders of the Company, have changed their name. Both of the above two are the entire subsidiaries of China Merchants International Ltd. China Merchants Containers Industry Ltd. was changed to China Merchants International (CIMC) Investment Ltd. While Fair Oaks Development Ltd. was changed to China Merchants (CIMC) Holdings Ltd. The Public Notice on Altering of Shareholders' Names was announced by September 2nd 2005 issues of *Securities Times* and *Ta Kung Pao*. The above changes have been registered in China Securities Depository & Clearing Corporation Ltd. on August 26th 2005.

5. The top 10 current share holders

Name of the shareholder	Shares held at the end of term	Share roportion (%)	Category of share
1. China Merchants (CIMC) Investment Ltd.	327,402,912	16.23	B shares
2. China Merchants (CIMC) Holdings Ltd.	131,547,830	6.52	B shares
3．PROFIT CROWN ASSETS LIMITED	33,508,869	1.66	B shares
4．TOYO SECURITIES ASIA LIMITED-A/C CLIENT	22,144,318	1.10	B shares
5．LONG HONOUR INVESTMENTS LIMITED	19,183,414	0.95	B shares
6.GALAXY-CHARTER-CITIGROUP GLOBAL MARKETS LIMITED	18,306,605	0.91	A shares
7．内藤证券株式会社	15,911,942	0.79	B shares
8． JPMBLSA RE FTIF TEMPLETON CHINA FUND GTI 5497	15,307,142	0.76	B shares
9．CMBLSA RE FTIF TEMPLETON ASIAN GRW FD GTI 5496	15,289,705	0.76	B shares
10． HSBC BROKING SECURITIES (ASIA) LIMITED-CLIENTS A/C	14,417,914	0.72	B shares

Remarks:

Among the top ten shareholders of circulating share, There exists associated relationship between China Merchants (CIMC) Investment Ltd. and China Merchants (CIMC) Holdings Ltd.: Both of China Merchants (CIMC) Investment Ltd. and China Merchants (CIMC) Holdings Ltd. are the wholly-owned subsidiaries of China Merchants International Ltd.

The Company is not aware of any associated relationships among other shareholders.

IV. The Directors, Supervisors, Senior Management and Employees

(I) Particulars about the Directors, Supervisors and Senior Executives

1. Profiles

Name	Position	Gender	Age	Job term	Shares at the beginning of year	Shares at the end of year	Changed	Cause of change
Li Jianhong	Chairman	M	50	2004.4.21—2007.4.21	0	0	0	
Zhao Luxiang	Vice Chairman	M	50	2004.4.21—2007.4.21	0	0	0	
Mai Boliang	Director President	M	47	2004.4.21—2007.4.21 2004.3.16—2007.3.16	187,387	374,774	187,387	Capitalizing of common reserves
Sun Jiakang	Director	M	45	2005.4.8—2007.4.21	0	0	0	
Wang Zhixian	Director	M	40	2005.4.8—2007.4.21	0	0	0	
Xiao Zhuoji	Independent Director	M	72	2004.4.21—2007.4.21	0	0	0	
Han Xiaojin	Independent Director	M	51	2004.4.21—2007.4.21	0	0	0	
Zhang Limin	Independent Director	M	51	2005.4.8—2007.4.21	0	0	0	
Du Yongcheng	Chief Supervisor	M	57	2005.4.8—2007.4.21	0	0	0	
Shi Jingwei	Supervisor	M	41	2005.4.8.—2005.12.29	0	0	0	
Ying Haifeng	Supervisor	M	34	2005.12.29--2007.4.21	0	0	0	
Feng Wan'guang	Supervisor	M	59	2005.5.25—2007.4.21	0	0	0	
Zhao Qingsheng	Vice President	M	53	2004.3.16—2007.3.16	0	0	0	
Li Yueting	Vice President	M	58	2004.3.16—2007.3.16	124,925	249,850	124,925	Capitalizing of common reserves
Wu Fapei	Vice President	M	47	2004.3.16—2007.3.16	0	0	0	
Li Yinhui	Vice President	M	38	2004.3.16—2007.3.16	0	0	0	
Liu Xuebin	Vice President	M	47	2004.3.16—2007.3.16	0	0	0	
Jin Jianlong	Financial GM	M	52	2004.3.16—2007.3.16	0	0	0	
Yu Yuqun	Secretary of the Board	M	40	2004.3.16—2007.3.16	0	0	0	

2. Profiles of the current directors, supervisors and senior executives

(1) Members of the Board of Directors

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

Mr. Zhao Huxiang, Vice Chairman of the Board, graduated from Dalian Marine University with major of electronic engineering and MBA of University of Louisville of USA. He ever took posts in Ocean Management Bureau of Ministry of Communications of PRC, jointed in China Merchants Group

Company Limited in 1985, consecutively took posts of General Manager of Hoi Tung Marine Machinery Suppliers Limited, Assistant of President and Director of China Merchants Group Company Limited and Director General Manager of China Merchants Holdings (International) Co., Ltd.. Since Nov. 2001, he took concurrent posts of Vice-president of China Merchants Group Company Limited and Deputy Chairman of the Board of China Merchants Holdings (International) Co., Ltd.. He has taken the positions of Director, President, and Chief Secretary of China National Foreign Trade Transportation (Group) Corporation (SINOTRANS) since Dec. 2005. Since May 1998, he held the posts of Director and Vice Chairman of the Board of the Company.

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

Mr. Sun Jiakang, Director. Bachelor of Engineering - Marine Piloting - Dalian Maritime College, 1982. Bachelor of Economics – Remin University of China, 1987. Master of Management Dalian Maritime University, 2001. Doctor of Philosophy –Princeton University, 2005. Mr. Sun joined COSCO Group in 1982 as soon as he had graduated from the college, and had been in the positions of Assistant to the President and spokesman COSCO Group. He joined COSCO Pacific Co., Ltd. in September 2002. Currently he is the Vice Cairman and Director General Manager of COSCO Pacific Co., Ltd., Chairman of Investment & Strategic Committee of the Board of Directors, Vice President of China COSCO Holdings Company Limited, Non-standing Director of Liu Chong Hing Bank Ltd., Senior Member of HKIoD, and member of International Who's Who of Professionals. Mr. Sun had taken the position of the Company's director since April 2005.

Mr. Wang Zhixian, Director, Bachelor of Chemical Department of Tianjin University, Master of Application Chemical Department of Shanghai Jiaotong University, at present assumes the post of general manger of Strategy & planning department of China Merchants International Co., Ltd. (CMHI). Since Mar. 1989 to Mar. 1996, he worked for Shenzhen Haihong Chemical Co., Ltd. and took the post of sales representative and manger of sales department successively; From April 1996 to Mar., 2001, he worked in Seagull Oldie Dope Co., Ltd. and assumed the post pf sales manager; From April 2001 to Mar., 2002, he assumed the post of deputy general manger of industry department of China Merchants International Co., Ltd.; From Mar., 2002 to Sept., 2005, he assumes the post of Vice general manger of business management department of CMHI. From Sept., 2005 to present he assumes the post of general manger of Strategy & planning department of CMHI. Since May 2002, he took the post of Director of the Company.

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

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

Mr. Zhang Limin, Independent Director, Professor and Doctor Tutor in accounting of Management College of Zhongshan University, got Bachelor's Degree, Master and Doctor (accounting and auditing direction) in economics of public finance major of Tianjin University of Finance & Economics. From 1982 to 1998 he took the post of teacher in Tianjin University of Finance & Economics. From 1999 to the present, he is Professor and Doctor Tutor in accounting of Management College of SUN YAT-SEN University. He ever took the post of member of Canada Comprehensive Auditing fund Committee, member of Auditor's Qualification Test Committee of Audit, Vice Chairman of Tianjin Society Union, and member of American Accounting Association. In 1993, he obtained special allowance from the

State Council. At present, he concurrently assumed Vice president of China Auditing Association, Vice president of Guangdong Auditing Association. From Nov., 2002, he has been Independent Director of the Company.

(2) Members of the Supervisory Committee:

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

Mr. Ying Haifeng, Supervisor. Bachelor of International Finance & Accounting, Renmin University of China, 1994. Master of Economics, 2000. Mr. Ying is a professional accountant with over 7 years of experience in working in COSCO Finance Co., Ltd. He took the position of Vice General Manager of Accounting Dept. of Florence Container Limited in 2001, and becomes the Accounting General Manager in 2003. He took the position of General Manager of Accounting Dept. of COSCO Pacific Ltd. in November 2005, and Commissioner of Investment & Strategic Committee and Company Administrative Committee under the Board of Directors. He has been in the position of Supervisor of the Company since December 2005.

Mr. Feng Wanguang, employees' representative supervisor. He was graduated from Engineering Dept. of South China University of Science & Technologies. He had been working in: Shekou Huamei Steel Plant, since January 1982; The orgnizational dept. of Sekou Industrial Zone, from January 1983 through September 1986; General Manager of Hongda Optician Co., Ltd. The Vice General Manager in charge of HR Dept., and Secretariat of the Board of China Merchants (Hong Kong), from January 1987 through September 1996; Vice General Manager, Vice Chief Secretary of China Merchants Zhangzhou Development Zone, September 1996 through April 1999; Vice Chief Secretary of the Company, since April 1999 up to present. He has taken the position of Supervisor of the Company since May 2002.

(3) Senior Executives

Mr. Mai Boliang, Director and President, see above in the profiles of directors.

Mr. Li Ruiting, Vice-president, graduated from South China University of Technology with major of Mechanical Manufacture. Senior Engineer; he now acts as Vice-president of the Company. Mr. Li served in the Company since 1987, and ever took the post of Manager of Technology Department and QC Department, Vice GM and GM of Shenzhen Southern CIMC Container Manufacturing Co., Ltd, and GM of Shanghai CIMC Reefer Containers Co., Ltd.. Since 1995, he has taken the post of Vice-president of the Company.

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

Mr. Wu Fapei, Vice-president, he graduated from South China University of Technology with major of Bachelor Degree of Mechanical Manufacture and Master Degree of MBA. He ever took the posts of Teacher and Associate Professor of MBA School of South China University of Technology, Deputy

General Manager of Guangdong Zhaoqing Nanhua Bicycle Ronghui Co., Ltd.. He jointed in the Company in 1996, and took the post of Manager of Information Management Department of the Company in July 1996; he took Assistant President of the Company in Dec. 1998. He took the post of Secretary of the Board of the Company in Dec. 1999. In Mar. 2004, he held the post of Vice-president.

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

Mr. Li Yinhui, Vice-president, graduated from Jilin University with major of Bachelor Degree of History Department, Nanjing University International Business School with MBA, Jilin University with Doctor Degree of World Economy. He worked in the Central Committee of Chinese Communist Youth League in 1999. From May 1993 to Mar. 2003, he worked in the State Economic and Trade Commission; he worked in Department of Commerce in Mar. 2003. He was engaged as Vice-president of the Company (taking a temporary post) from Oct. 2002 to Oct. 2003. He took the post of Vice-president of the Company in Mar. 2004.

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

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

Particulars about the directors and supervisors who take jobs in entities other than shareholding companies

Name	Position in the Company	Jobs taken in	Relationship with the Company	Position
Li Jianhong	Chairman	China COSCO Holdings Company Limited	Associated	Director
		Nantong COSCO KHI Ship Engineering Co., Ltd.	non-associated	Vice Chairman
		COSCO Shipping Engineering Group Ltd.	non-associated	Chairman
		COSCO Investment (Singapore) Ltd.	non-associated	Director
		COSCO International Holdings Ltd.	non-associated	Director
		COSCO Pacific Ltd.	Associated	Director
Zhao Huxiang	Vice Chairman	China Merchants Group Co., Ltd.	Associated	Director
		China National Foreign Trade Transportation (Group) Corporation (SINOTRANS)	non-associated	Director, President
		China Merchants Shipping Holdings Ltd.	Associated	Director
		China Merchants Group (HK) Ltd.	Associated	Standing Director
		China Merchants International Ltd.	Associated	Vice Chairman
Sun Jiakang	Director	Antwerp Gateway NV	non-associated	Director
		COSCO Logistics Co., Ltd.	non-associated	Director
		COSCO Pacific Ltd.	Associated	Director
		COSCO International Container Wharf (HK) Ltd.	non-associated	Director
		Qingdao Qianwan Container Wharf Co., Ltd.	non-associated	Director
Wang Zhixian	Director	China Merchants Port Service (Shenzhen) Ltd.	non-associated	Director
		China Merchants Container Services Ltd.	non-associated	Director
		Hempel – Hai Hong Co., Ltd.	non-associated	Director

		PPG Painting (Tianjin) Co., Ltd.	non-associated	Vice Chairman
Mai Boliang	Director / President	Take positions in 21 controlled subsidiaries such as CIMC Vehicle (Group) Co., Ltd. and Shenzhen Southern CIMC Containers Manufacturing Co., Ltd.	Controlled subsidiary of the Company	Chairman/ Director
Han Xiaojin	Independent Director	None		
Xiao Zhuoji	Independent Director	Konka Group Co., Ltd.	non-associated	Independent Director
Zhang Limin	Independent Director	Shenzhen Changcheng Real-estate (Group) Co., Ltd.	non-associated	Independent Director
		Shenzhen Airport Co., Ltd.	non-associated	Independent Director
		SHENZHEN CHIWAN WHARF HOLDINGS LIMITED	non-associated	Independent Director
Du Yongcheng	Chief Supervisor	Asian Air Freight Center Co., Ltd.	non-associated	Director
		Modern Container Wharf Co., Ltd.	non-associated	Director
		ZhangZhou China Merchants Wharf Co., Ltd.	non-associated	Vice Chairman
		China Merchants Port Service (Shenzhen) Co., Ltd.	non-associated	Vice Chairman
Ying Haifeng	Supervisor	COSCO Pacific Co., Ltd.	Associated	GM of Accounting Dept.
		COSCO Logistics Co., Ltd.	non-associated	Director
		COSCO Wharf (Dalian Vehicle) Co., Ltd.	non-associated	Director
		COSCO Wharf (Nansha) Co., Ltd.	non-associated	Director
		Florens U.S. Holdings, Inc.	non-associated	Director
Feng Wanguang	Supervisor	CIMC Holding (B.V.I.) Co., Ltd.	Controlled subsidiary of the Company	Director
Zhao Qingsheng	Vice President	Take positions in 9 controlled subsidiaries such as Shenzhen Southern CIMC Containers Manufacturing Co., Ltd.	Controlled subsidiary of the Company	Chairman/ Director
Wu Fapei	Vice President	Take positions in 16 controlled subsidiaries such as Shenzhen Southern CIMC Containers Manufacturing Co., Ltd.	Controlled subsidiary of the Company	Director / Chairman
Li Ruiting	Vice President	Take positions in 16 controlled subsidiaries such as Shanghai CIMC Refrigerator Co., Ltd.	Controlled subsidiary of the Company	Chairman / Vice Chairman
Liu Xuebin	Vice President	Take positions in 3 controlled subsidiaries such as Shenzhen Southern CIMC Containers Manufacturing Co., Ltd.	Controlled subsidiary of the Company	Chairman/ Director
Li Yinhui	Vice President	Take positions in 3 controlled subsidiaries such as Shenzhen CIMC Special Vehicle Co., Ltd., Shanghai CIMC Vehicle & Logistics Equipment Co., Ltd.	Controlled subsidiary of the Company	Director
Jin Jianlong	Financial & Administrative General Manager	Take positions in 19 controlled subsidiaries such as Shenzhen Southern CIMC Containers Manufacturing Co., Ltd.	Controlled subsidiary of the Company	Director
Yu Yuqun	Secretary of the Board	Shenzhen CIMC Tianda Airport Equipment Co., Ltd.	Controlled subsidiary of the Company	Director

3. Annual remunerations of the directors, supervisors and senior executives

(1) Decision-making procedure and basis of remuneration judging for directors, supervisors and senior executives:

According to the relevant regulations of Articles of Association of the Company, Shareholders' General Meeting shall decide the remuneration of directors and supervisors, while the Board of Directors shall decide the remuneration of senior executives. During the report period, the Company's senior executives drew their remuneration from the Company and subsidiaries.

The Company has set up an optimized salary system and encouragement method. At first, the Company carried out the annual remuneration system for directors, supervisors and senior executives drawing the payment and taking the post in the Company; besides, the Board of Directors of the Company shall set down this year's "Assessment & Administration Provisions for Executive Team of CIMC " at the beginning of year, carried through the annual assessment to the related personnel brought into the assessment scope, and determined the total performance bounty according to the accomplishment of indexes at the year-end. The Shareholders' General Meeting authorized the Board of Directors to determine the remuneration of Mai Boliang, Director and concurrently President of the Company, according to the Assessment & Administration Provisions for Executive Team of CIMC, while the performance bounty of the other senior executives were proposed by the President and submitted to the Remuneration Committee of the Board for approval.

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

Remunerations of Directors, Supervisors, and Senior Executives from the Company

Name	Position	Annual Remuneration *(RMB 0'000)*	Remarks
Mai Boliang	President	275.60	
Xiao Zhuoji	Independent Director	8.00	allowance of Year 2005(from Jan. to Dec.)
Han Xiaojin	Independent Director	8.00	allowance of Year 2005(from Jan. to Dec.)
Zhang Limin	Independent Director	8.00	allowance of Year 2005(from Jan. to Dec.)
Feng Wanguang	Supervisor	109.20	
Zhao Qingsheng	Vice President	119.60	
Li Ruiting	Vice President	106.44	
Wu Fapei	Vice President	106.35	
Li Yinhui	Vice President	75.20	
Liu Xuebin	Vice President	106.44	
Jin Jianlong	Financial GM	75.20	
Yu Yuqun	Secretary of the Board	61.18	
Total		1,059.21	

Status of Directors, Supervisors and Senior Executives who are not paid by the Company

Name	Name of the shareholder	Job taken	Job term	Whether or not get paid by shareholding parties
Li Jianhong	COSCO (Group) Co., Ltd.	Vice President	2000.8—	Paid by related shareholding parties

Zhao Luxiang	China Merchants Group Co., Ltd.	Vice President	2001.11—	Paid by related shareholding parties
Sun Jiakang	COSCO Pacific Ltd.	Director, GM	2002.9—	Paid by related shareholding parties
Wang Zhixian	China Merchants International Ltd.	GM of Enterprise Administration Dept.	2002.3—	Paid by related shareholding parties
Du Yongcheng	China Merchants International Ltd.	Director, Vice GM	1998—	Paid by related shareholding parties
Ying Haifeng	COSCO Pacific Ltd.	GM of Financial Dept.	2005.11—	Paid by related shareholding parties

4. Alternation of Directors, Supervisors, and Senior Executives

December 30th 2004, Mr. Feng Jinhua, the former director, resigned from his position in the Company, while Mr. Li Xibei, the former supervisor, resigned from his position too. On December 31st 2004, the 11th meeting of the Board of year 2004 nominated Mr. Sun Jiakang as the candidate of the new director. The 2nd meeting of the Supervisory Committee of year 2004, as nominated by the shareholders, also nominated Mr. Shi Jingwei as the candidate of the new supervisor. On the Shareholders' General Meeting 2004 held on April 8th 2005, Mr. Sun Jiakang was elected the director of the Company, while Mr. Shi Jingwei was elected the supervisor. The resolutions of the Board meeting can be seen on the March 4th 2005 issues of Securities Times and Ta Kung Pao. The resolutions of the Shareholders' General Meeting 2004 can be seen on the April 9th 2005 issues of *Securities Times* and *Ta Kung Pao*.

On December 2005, Mr. Shi Jingwei, the former supervisor, quitted for business reason. On the 1st Provisional Shareholders' General Meeting 2004 held on December 29th 2005, Mr. Ying Haifeng was elected the new supervisor of the Company. The resolutions of the meeting was published by the December 30th 2005 issues of *Securities Times* and *Ta Kung Pao*.

(II) Status of the employees

1. Amount of employees

The amount of employees was averaged to 32,755 for the year of 2005.

2. Distribution

	Distribution on Positions			Distribution on Professions	
	Admin	Direct production	Auxiliary	Engineering	Staffs with professional qualifications
Amount	3,455	27,798	1,502	937	1,435
Ratio (%)	10.55	84.87	4.58	2.86	4.38

There are no retired employees that under the cover of the Company.

V. Company Administrative Structure

(I) Company Administration

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

The Company studied on the laws, rules and several standard documents related with the company's administrative in time, actively participated in the experience communion formed by responsible department, and conducted self-scrutiny according to the requirements, abided by the regulation for information disclosure, strictly fulfilled the information disclosure obligation of listed companies, actively improved the information disclosure quality of the Company, continually strengthened the management task of investors' relationship, safeguard faithfully the investors' interests.

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

(II) Performance of the Independent Directors

Independent directors' presenting of board meetings

Name of Independent Director	Times of board meetings to present	Presented personally	Presented by proxy	Absented
Xiao Zhuoji	14	13	1	0
Zhang Limin	14	14	0	0
Han Xiaojin	14	13	1	0

In the report period, the 3 independent directors of the Company did not propose the objection on all proposals and other issues of the Company examined at the Board meetings, and they conducted seriously examination on significant events, which need independent opinion presented by the Independent Directors, and issued independent director opinions in written.

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

COSCO Container Industries Limited and China Merchants International (CIMC) Investment Co., Ltd, the largest shareholders of the Company, are holding 16.23% of the Company's shares respectively. The Company and its largest shareholders practice separate accounts and undertake their own responsibilities and risks since they have realized their separation in five aspects of business, personnel, asset, institution and financing. Big shareholders have never bypassed the Board of Directors to have any interference, direct or indirect, with the decision-making or legitimate corporate production or management of the Company. The Company has never been involved in any competition with major shareholders in operation of similar products of the same trade.

(IV) Performance assessment of senior executives and motivation & supervising system

The Company has established the performance assessment and motivation mechanism for senior executives to link their remuneration with the performance of the Company.

In order to promote the standardized, healthy and ordered development of the Company, to attract talented personnel and ensure the stability of senior management, the Board of Directors shall set down this year's "Assessment & Administration Provisions for Executive Team of CIMC " at the beginning of year, carried through the annual assessment to the related personnel brought into the assessment scope, and determined the total performance bounty according to the accomplishment of indexes at the year-end. The Shareholders' General Meeting authorized the Board of Directors to determine the remuneration of Mai Boliang, Director and concurrently President of the Company, according to the Assessment & Administration Provisions for Executive Team of CIMC, while the performance bounty of the other senior executives were proposed by the President and submitted to the Remuneration Committee of the Board for approval.

VI. The Shareholders' General Meeting

(I) The Shareholders' Annual Meeting

The Shareholders' General Meeting 2004 was held in Shenzhen on April 8th 2005. Totally 19 shareholders' (or proxies) presented the meeting, representing 464,008,786 shares which takes 46.01% of the total voting shares of the Company.

The resolutions of the meeting were published by the April 9th 2005 issues of *Securities Times* and *Ta Kung Pao*.

(II) The Provisional Shareholders' Meeting

The 1st Provisional Shareholders' Meeting of year 2004 was held in Shenzhen on December 29th 2005. Totally 62 shareholders (or proxies) presented the meeting. They were representing 897,958,126 shares of the Company, which accounted for 44.52% of the total voting shares of the Company.

The resolutions of the meeting were published by the December 30th 2005 issues of *Securities Times* and *Ta Kung Pao*.

VII. Report of the Board of Directors

(I) Business Analysis

1. Reviewing of Operation in Report Period

(1) Analysis on overall operation status

In 2005, a year full of opportunities and challenges, the board of directors and executives of the Company firmly held the strategy of providing equipment and services for modern transportation, found a foothold in global market, seized good opportunities of steady increase in the world trade, gave full play to all-round competitiveness advantages, aggressively forging ahead, which made such indices as the company incomes, profits jumped to a record high from the level of dramatic increase in 2004. In 2005, the Company's Revenue reached 30,939 million Yuan, and net profit 2,807 million Yuan, which respectively increased by 16.50% and 13.89% over the same period last year, and the yield of net asset reached 29.20%.

The analysis on income from major business and profit variation is shown in the following table

Unit: *RMB' 000 Yuan*

Items	At current period	At same period of last year	Rate of increase (%)
Revenue	30,938,522	26,557,657	16.50%
Gross Profit	4,695,539	4,396,273	6.81%
Net profit	2,807,466	2,464,992	13.89%

The Revenue enjoys a year-on-year increase of 16.50%. The main reasons include: the average price of containers increased; the number of products with relatively high technical contents, such as tank containers, reefer containers and special containers, rose rapidly; and the sales volume of road transport vehicles jumped.

Gross Profit enjoys a year-on-year increase of 6.81%, and the net profit has a year-on-year increase of 13.89%. The main reason is the sales volume and prices of containers rose dramatically. The rate of gross profit of container product is 16.51%, which remains at a close level to that of same period in last year. The profitability of containers remains leading place in this industry.

--- Macro economy increases steadily, and operating environment changes greatly

Based on the continuous growth of global economy, every business of our Group increased to certain extent.

In 2005, the global economy was still in upward cycle of steady booming, and the global economic growth was 3.2%. The economy of China, with an increase rate of 9.9%, was still in the speedy development period. The growth rate of world trade and that of containers trade were 6.2% and 10.8% respectively, which still remains in steady increasing. The trade volume of global marine containers was 105 million TEU, and the throughput of containers was about 378 million TEU (Statistics from CLARKSON). In China, the yearly throughput of containers trade in 2005 was 75 million TEU, with a year-on-year increase of about 22%.

In the first half of 2005, the market demand of containers keeps prosperous, and the price of dry van containers keeps rising. Owing to the overbuying during 14-month long continuous blooming demand since the second quarter in 2004, the market demand of dry van containers entered into slack season in advance in the second half of 2005. Meantime, under the influence of macroeconomic regulation measures, the price of steels started to fall back, from US$700 per ton in Quarter 1 to US$400~450 per ton in Quarter 4. The price of containers went down in turn, and dropped down to US$ 1450~1550/TEU in Quarter 4.

Against the above-mentioned background, the quantity of newly purchased containers in the world in 2005 fell back considerably, from 3 million TEU in the first half year to around 2.40 million TEU. It is mainly because the decrease of sale quantity and its price of dry van containers. However, the demand and price of reefer containers, tank containers and other special containers remained stable.

In 2005, considerable amount of new capital was input to the production of dry van containers, and the expansion speed of production capacity accelerated. According to the statistics from China Container Industry Society, the newly added production capacities of dry van containers in China were 530,000 TEUs, 300,000 TEUs and 550,000 TEUs respectively during 2003~2005. It may reach 5.80 million TEUs in 2007.

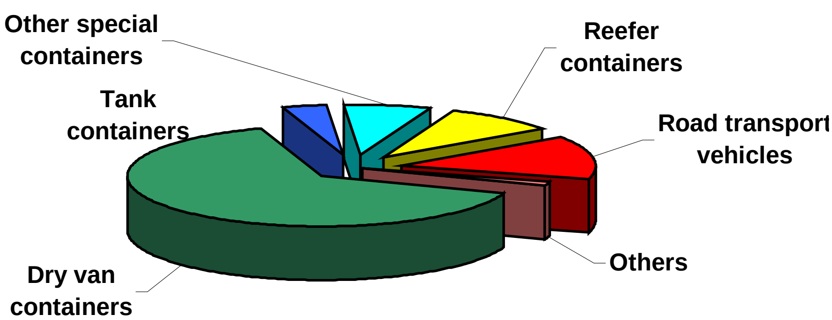
During 2003~2004, the demand on road transport vehicles for highway logistics increased rapidly. Moreover, for pushing forward the structural optimization of vehicle products, the state issued a blanket of policies including unifying and normalizing the technical standards of road transport vehicles, lowering the level of road fee rate charged on large vehicles, and bringing the overrun and overload under control. These measures normalized the market entry and product standards for road transport vehicles in China, further improved the market environment for road transport vehicles.

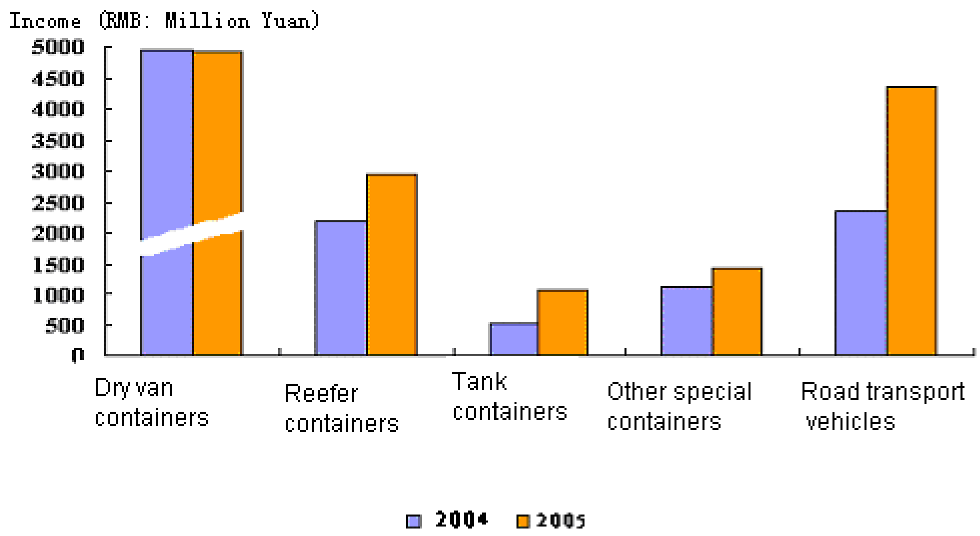
In 2005, considerable influences were brought about to the road transport vehicles industry, thanks to the macroscopic readjustment and control policies for restraining high demand for investment in China, and the change of work process for bringing the overrun and overload under control, the once specific administration has turned to the establishment of the long-term effective system. Having experienced explosive increase in 2004, the market demand in 2005 fell back considerably. The year-on-year demand on heavy trunk dropped by 36% in China.

--- Tendency of diversified business and product structure is evident; and ability to resist the periodical fluctuation is constantly rising

Main product series in the Company include normal dry van containers, reefer containers, tank containers, other special containers and road transport vehicles. Every business achieved sound increase in 2005. The proportion of normal dry van containers in the sales income dropped to 64.57%, while that of reefer containers, tank containers, special containers and road transport vehicles rose to 9.56%, 3.49%, 7.16%, and 13.72% respectively, which strengthened the Company's ability to resist the risk of industry periodic fluctuation due to single product.

Shares of the Incomes from Major Business





--- Strengthen existing advantage and uplift system competitive power

Having developed for more than 20 years, under the edification of the unique Group culture, a team with a good sense of mission and objective has formed, which has the enterprise spirit of "constantly striving to become stronger, challenge the best" and the professional qualities of "working with your heart and soul to become better". This is the indispensable part of core competitive power and the most valuable asset to the Company.

Directed by the concept of "Good faith first, Customers foremost", the Company achieved high recognition and satisfaction of leading companies in the world for its quality products and perfect services provided to customers. In the course of connecting with the operation system of global customers, we have learned advanced management experiences, which speed the industry development and promote ourselves.

The Company further upgraded its ability to judge the tendency of price-changing of raw materials, guaranteed the quality of raw materials, optimized the transport schemes, simplified the transportation chains; therefore, its management level and operation efficiency are improved. A highly effective and complete management system for supply chains came into being.

The Company with healthy and speedy development as well as the good reputation has been recognized by domestic and global capital markets, and a sound financing ability has been cultivated.

An effective internal management system has been formed, including the quality management system (QMS) aimed to improve customers' satisfaction, the information management system (IMS) with a core application of MAS system, the designing and manufacturing platform taking the PDM system as a bond, the gauge rod management system driven by the performance signboard, and the experience sharing system in the form of "outstanding center".

Through establishing a technical development system of "centralized management, and distributed R&D", a technical innovation system guided by the idea of "innovation pushing forward the value-adding" had come into being. The Company has developed 493 items of new products in the whole year, participated in the formulation of 29 items of various industry standards, and applied for more than 300 patents. The Smart Secure Container (SSC) project is listed in the national "863" Program. The Company has participated in the ISO, COA, IICL, China Container Standardization Committee, National Automobile Standardization Technology Committee, National Boiler Pressure Container Standardization Technology Committee, and part of their work in the formulation (revision) of standards and regulations.

--- Orient value-creation for customers, and strengthen strategic cooperation relationship with customers

The Company firmly sticks to the concept of "Good faith first, customer foremost" toward customers, striving to satisfy customers' demand; expands the industry chain, insisting on providing the customers with "one stop" service and concept of lifecycle services for products; constantly creates values for customers, always giving top priority to the benefits of customers.

In the respect of container business, in 2005, the Company preliminarily established a relatively complete service network system in the major port across the whole country, and was able to provide the container maintenance service, storage yard service for containers, spare parts and fittings provision service, and other related service.

In the respect of vehicle business, the Company has, step by step, established the 4S center stores, and the widely distributed marketing and service network with all-round functions in major areas of China, providing the customers with sales, repairs, and parts, as well as the financing and mortgage, insurance agent, automobile lease, examination for safety, and other value-added services.

--- Actively respond to the call of constructing "harmonious society" and "abstemious society", and try to achieve the object of sustainable development and become a responsible enterprise according to the scientific developmental viewpoint

The Company put RMB 56.5 million Yuan into the increment and supplement of environmental protection equipment, added 18 sets of dust catchers and exhaust emission treatment equipment, which reduce the impact to environment. Actively responding to government calls and consider people's livelihood without thought of gain, the Company closed the Shanghai CIMC Far East Container Factory, which is not suitable for further producing because of surrounding change. The Company won good comments by consensus.

Actively adopt new technology and process to develop new environment protection materials such as environment protection wooden floor, refrigerated container vesicant and vehicle lightweight design, and lead the industry to healthy development.

Actively improve labor protection conditions for the employees.

Support social services through contributing various social services, and support education development through setting up scholarships for students and teachers in several colleges and universities.

--- Strengthen the management of relationship with investors and improve images in capital market

The Company is one of listed companies that introduce the "Investors Relationship Management" in early times in China. It enhances and improves the service for investors continuously. The Company keeps a good communication with investors, securities analysts and medium with such means as telephone consultation, company investigation, road show on the network, spot recommendation and the company websites.

The investor relation management of the Company has won consensus recognition from the market and investors. The Company won the "Best Company Award" in the appraisal of 2004 Chinese A-share company investor relation, the Fifth place and "Best Public Image Directorate Award" in the appraisal of 2nd (2005) Chinese listed company directorate golden round table award. It was selected as the "Chinese Most Admired Listed Company" and "Top 100 of Chinese Listed Company Best Corporate Governance" in the appraisal of 2005 Chinese company corporate governance structure, and selected as Top 50 of Chinese Most Potential Listed Company in China Securities - Asia Business.

(2) Major business range, industry background and operation state

The Company dedicates itself to providing equipment and services for modern traffic and transportation. Its major business includes the design, manufacturing, sales and services of such traffic and transportation equipment as containers, road transport vehicles and airport equipment. In addition, a small quantity of real estate is included in the business of the Company.

The Company is the only manufacturer which can produce all of the series of container production and own independent intellectual property rights in the world. Dry van container, reefer container, special container and tank container are major products. The container output of the Company keeps No. 1 in the world for 10 years since 1996. Road transport vehicle is the new business the Company stress to exploit. The Company has become the No. 1 manufacturer of semi-trailer transportation vehicle in China.

The products of Containers and road transportation vehicle are over 10% of major business income or profit amount of the Company.

The analysis on the structure and variation of major business income and profit is as follows:

Unit: RMB 1 Million Yuan

Business	Income	Cost	Gross Margin (%)
Container	26,572	22,275	16.17
Road transport vehicle	4,244	3,644	14.15
Airport equipment	160	100	37.43
Others	13	16	-19.48
Consolidated	-51	-141	—
Total	30,938	25,894	16.30

Region	Income	Proportion (%)	Year-on-year increase (%)
USA	8,631	27.90	30.66
Europe	12,307	39.78	-10.48
Asia	9,447	30.54	64.90
Other regions	553	1.79	16.56
Total	30,938	100.00	16.50

Container Business

In 2005, the income and net profit of container business increased greatly and the sale income was 26.572 billion Yuan, with a year-on-year increase of 10.41%. 1,304,500 TEU were produced and 1,361,400 TEU were sold in total, with a year-on-year decrease by 20.44% and 13.34% respectively. Up to the end of the year, 22 containers manufacturing factories were owned by the Company, distributing at 11 major coastal ports or cities in China.

--- Normal dry van containers

In 2005, 1,204,736 TEU of normal dry van containers were sold in total and sales income was 19.977 billion Yuan, with a year-on-year decrease of 16.76% and 0.89% respectively. The average price of dry van containers increased by 10% compared with the same period last year.

The layout of containers industry base was further optimized, and the Company was consolidated and improved in the industry. In 2001, the Company seized the opportunity and rapidly finished the layout of manufacturing base and output when it predicted there would be an explosive increasing demand of normal dry van containers during 2003 to 2005. The preparation including the construction of Shenzhen East Phase 2, Jiangsu Taicang and the adjustment of dry van containers manufacturing bases in Shanghai near port was finished in 2005, which was part of established planning of base layout.

Up to the end of the year, the output of normal dry van containers reached 1.8 million TEU.

--- Reefer containers

Reefer containers widely apply to storage and long-distance transportation of primary products such as fruits and vegetables, and foods such as beverages, dairy products and meats. In 2005, the Company sold 45,160 vehicles in total and reached a new record in history, with a year-on-year increase of 28.38%. The Company achieved sales income of 2.959 billion Yuan, increased by 34.89% compared with the same period last year. The sales income was 11.09% of container business, while it was 9.06% for the same period of last year. The manufacturing bases distributed in Shanghai and Qingdao, and the output is over 50,000 vehicles. The Company kept the leading place in this industry.

--- Tank containers

As one of major storage and transportation vehicles for liquid cargo of oil, chemical and food industries, tank containers have the advantages of high technical contents, safe and environment-friendly, and can be used for combined transport by rail and sea, and even for door-to-door service. Tanker transportation is the first choice to substitute barreled and liquid boat transportation for liquid products. It is booming in Asia and other areas. In 2005, The sales income of Nantong CIMC Tank Equipment Co., Ltd. was 1.081 billion Yuan, increased by 105.11% over the same period last year. It was 4.05% of sales income of containers, compared with 2.18% during the same period last year. The Company was boosting business of tank equipment actively.

--- Special containers

Other special container business include standard special container, area special container, folding container, special reefer container and pallet container (including the tank pallet). In 2005, 63,992 TEU (excluding the tank pallet) were sold in total and achieved a year-on-year increase of 25.94%. The Company achieved sales income of 2.216 billion Yuan with a year-on-year increase of 93.74%. It took 8.31% of sales income of containers, compared with 4.73% during the same period of last year. The work went well for industry structure optimization of tank pallet, folding container, special reefer container. Through product chain extension and resource integration in the manufacturing bases like Dalian, Tianjin, Nantong, Xinhui and Qingdao, the Company established cooperation of manufacturing and sales for multiple products.

--- Container Wooden floor

With the wooden floor production bases (in Xinhui of Guangdong, Jiashan of Zhejiang and Yakeshi of Inner Mongolia) put into production, the area layout strategy of wooden floor was initiatively established in 2005. The advantage of resource inter-supplement was formed and strong support for container and vehicle industry was provided. In 2005, it achieved sales income of RMB 0.663 billion Yuan. The Company participates in preparing wooden floor industry standards. It actively seeks for new environment-friendly material while strengthening container business core competence, which embodies its social responsibility.

--- Container comprehensive service

While further improving network layout of container production bases, the Company concentrated on and mastered the development trend of global container industry, kept the point of providing customers with the concept of one-stop and lifecycle service for products, extended the value chain of business and exploited container comprehensive service business quickly. The Company has built storage yards and service bases for containers in Shenzhen, Xiamen, Shanghai, Dalian, Ningbo and Qingdao, and provided services such as transfer, storage, repair, maintenance and retread and reconstruction of dry van container, reefer container and special container for customers. In 2005, the Company completed 150,000 TEU of container repair and 1,280,000 TEU of storage yard treatment with net profit.

Road transport vehicle business

In 2005, the Company sold 53,055 vehicles in total, which represents a 39.89% rise over the same period last year, and achieved sales revenue of RMB 4.244 billion, an increase of 81.53% compared with the same period last year. The production base of CIMC in North America alone manufactured and sold 4,875 vehicles and made profits with the sales revenue of RMB 0.823 billion.

The Company has established eight production bases, including Shenzhen CIMC Special Vehicle, Yangzhou CIMC Tonghua, Zhumadian CIMC Huajun, Shandong and Qingdao CIMC Special Vehicle, Zhang Jiagang CIMC Sanctum, Xinhui CIMC Composite Material, and CIMC VANGUARD in USA. The Company has started to construct production bases in Baiyin City, Gansu Province and Yingkou City, Liaoning Province. Meanwhile, the Company has made investigations on setup of a production base in the southwest region of China.

The Company offers a variety of products, including five categories such as semi-trailers (container semi-trailer, flat semi-trailer, and van semi-trailer), tankers (powder tanker, refueling truck, cement-stirrer vehicle, pressure tanker, low temperature tanker, and tank semi-trailer), dump trucks, vans (ordinary van and refrigerated van), and special vehicles (such as car transport vehicles and emergency communication vehicle).

The Company has made outstanding achievements in technical innovation. The Company completed the Phase 1 technical innovation project for Shenzhen Special Vehicle and Phase 2 technical innovation project for Yangzhou CIMC Tonghua, and completed the construction of Section 1 of CIMC Huajun Industrial Park Phase 2. CIMC Huajun has made an investment on foundry capacity expansion project Phase 1. CIMC has set up a new plant for Phase 1 vehicle production base in Shandong and put it into operation. CIMC Sanctum has improved most of the product lines for the low temperature tanker and tank container. Qingdao CIMC Special Vehicle Co., Ltd. was set up and put into operation. CIMC production base in North America has gone through a successful technical innovation. The composite material product line in Xinhui City, Guangdong Province has been put into operation, which manufactures spare parts for vehicles.

The Company has set up vehicle 4S stores in Shanghai, Beijing and Shenzhen and put them into operation.

The Company strengthened its position as one of the market leaders. In order to promote the sound development of road transportation vehicle industry in China and offer safe, environment-friendly and energy-saving road transportation equipment, CIMC has taken an active role in many activities that aim to maintain sound development of the industry and blaze a way for technological progress. CIMC organized and participated in the topics Research on Development Trend and Industrial Restructure of Special Vehicle and Trailer in China and Research on Mid and Long Term Development Trend and Strategies for Automotive Industry in China sponsored by the National Development and Reform Commission. It participated in the formulation of Special Eleventh Five-Year Development Plan for Special Vehicles in China. It participated in the project Research on Standard and Regulatory System for Special Vehicle and Trailer, which was sponsored by the Special Vehicle Subcommittee and the Trailer Subcommittee under the National Automotive Technical Committee. As the major drafting unit, it participated in the formulation and revision of more than 20 national standards for vehicle and trailer, especially the Technical Requirements for Safety of Vehicles for Transportation of Exploder and Highly Toxic Chemical and the Tanker for Road Transportation of Dangerous Liquid Goods Part 1: Technical Requirements for Metallic Tank with Normal Pressure, which provide a basis for the competent authorities to formulate provisions on design, manufacturing and inspection of tankers for transportation of dangerous goods. By participating such activities, the Company not only considerably boosted the industrial restructure and the industrial technologies, but also sharpened the competitive edge of its vehicles.

CIMC made use of its existing advantages for the vehicle business in the course of vehicle development.

In management of supply chain, the Company achieved centralized procurement of 90% of the steel products and universal parts by adopting the centralized procurement and domestic production of raw materials (such as steel product) and universal parts.

In technical cooperation, the Company fully exerted its advantages as the national technical center and organized strong technical forces to design and develop the universal products in the automotive industry with other companies. A product manager was appointed in such cases and the achievements were shared between the cooperated companies.

In marketing, the Company exploited the markets in USA and Japan by making full use of its overseas customer resources and secured the major customers in China. Furthermore, it set up three 4S stores in Shanghai, Beijing and Shenzhen according to the current status of the domestic automotive industry and characteristics of special vehicles. It explored regional integration in the marketing field and offered one-stop, full lifecycle services consistently.

With the support of pertinent ministries and commissions, the Company actively promoted group operation and achieved outstanding success. Moreover, it actively promoted the certification of automotive quality system for enterprise (ISO16949) in the Company.

In exploiting overseas market, the Company boosted "Sino-US Interaction" and increased the competitive advantage of the products from the production base of CIMC in North America by stepping up the proportion of domestically supplied parts in the production base of CIMC in North America, as well as making an effort to export more products to the overseas market.

By virtue of the above measures, the Company witnessed a growth of vehicle business in 2005 and laid a foundation for sound development in the future.

Airport support equipment

Shenzhen CIMC - Tianda Airport Support Ltd. (hereinafter referred to as "CIMC Tianda") is principally engaged in manufacture, marketing and maintenance services of airport support equipment (including passenger boarding bridge, air goods handling system), ship boarding bridge, and urban multistory parking garage. CIMC Tianda achieved favorable business growth in 2005, with the sales revenue of RMB 160 million and the net profit of RMB 26.19 million, which respectively represent 12.46% and 15.08% increases over last year.

In 2005, CIMC Tianda maintained its lion's share in the domestic market by taking advantage of the opportunity that many airports are under construction in China, and doubled the orders from the international market. CIMC Tianda has obtained most of boarding bridge orders for Beijing Capital International Airport Phase 3 built for 2008 Olympic Games, and all boarding bridge orders for the Shanghai Pudong International Airport Phase 2 built for the World Exposition Shanghai China 2010. By the end of 2005, the Company has obtained orders for 228 passenger boarding bridges at home and abroad, which accounts for 40% of global passenger boarding bridge orders and rises to Number one for the first time.Among the overseas orders for 39 boarding bridges, 8 boarding bridges will be provided for France De Gaulle Airport (2 boarding bridges are specially used for upper layer passenger cabin in A380 passenger plane). The Company obtained the order for 2 ship boarding bridges from Sinorail Bohai Train Ferry Co., Ltd. and became the first manufacturer of ship boarding bridge in China.

(3) Suppliers and customers

The purchase amount to the first five suppliers from CIMC amounted to RMB 0.661 billion , which accounts for 50.38% of annual total purchase amount. The sales revenue to the first five customers was RMB 0.806 billion in total from CIMC, which accounts for 26.03% of annual total sales revenue in report period. The chief related parties and shareholders who hold 5% shares of CIMC have no interest in the abovementioned suppliers and customers.

(4) Variation analysis for company assets and expense structure

Unit: RMB million

Items	2005	2004	Increase or decrease (%)
Total assets	17,020	16,986	0.20
Total liabilities	6,509	8,610	-24.40
Trade and other receivables	4,410	6,038	-26.97
Inventories	3,435	4,587	-25.11
Property, plant and equipment	4,185	3,104	34.85
Short term bank loans	502	1,692	-70.37
Long term bank loans	436	8223	-47.05
Distribution costs	-684	-428	60.00
Finance costs	-127	-65	94.58
Income tax	-225	-273	-17.74
Ratio of liabilities to total assets	38.25%	50.69%	-12.45%

CIMC maintained favorable main assets indices in 2005: the ratio of liability to assets decreased continuously and the turnover of accounts receivable was accelerated.

Trade and other receivables and inventory decreased in 2005 largely because the production and sales volumes in the fourth quarter of 2005 are lower than the same period last year.

Property, plant and equipment increased sharply mainly because of more mergers and addition of investments on renovation and reconstruction.

Short term and long term bank loans decreased substantially because production and sales volumes decreased in the fourth quarter of 2005, occupation to fund decreased appropriately while funds returned from sales within a shorter time and a large amount of funds were paid back to banks.

Distribution costs increased considerably because the ratio of special container, reefer container and vehicles increased and the ratio of business expense for these products in its sales revenue was comparatively higher in 2005. Another reason is that new companies were acquired.

Financial expense increased greatly mainly because U.S. dollar interest was increased unceasingly in 2005 and the ratio of U.S. dollars loan for CIMC Tianda was relatively larger.

Income tax decreased distinctively mainly because some newly built container plants that were put into operation enjoyed tax-free or half-tax policy and the ratio of profit was relatively large.

(5) Analysis for cash flow structure

In the report period, the Company had RMB 5.562 billion net cash flow from operating activities, an increase of 26947% from RMB 1.448 billion net cash flow in the same period last year. Per share represents RMB 2.76 net cash flow from operating activities, as opposed to RMB 1.49 over the same period last year.

According to the characteristics of container industry, more funds will be used in production peak period and cash flow status is relatively bad; but less funds will be used in production slack period and business cash flow status is relatively favorable. In the fourth quarter in 2005, the slack period for container production, the Company adopted such measures as account receivable management and centralized management of funds, so as to substantially increasing the net cash flow from operating activities.

(6) Business situation and business performance of major holding companies and joint-stock companies

The Company operates small quantity of real estates through holding companies and joint-stock companies as well as chief businesses such as container, road transportation vehicle and air support equipment, etc.

The real estate business for the Company is distributed in Shanghai, Jiangmen and Shenzhen in 2005. Shanghai Haide Garden project and Jiangmen Zhongtian International Project are under construction. Shenzhen CIMC Real Estate Co., Ltd. that CIMC holds 100% interest has achieved sales revenue of RMB 17.72 million.

2. Company Outlook

According to the development strategy of “Providing Equipment and Services for Modern Transportation”, CIMC focuses its future development path on establishing global operation system based on China’s advantages. This mainly contains the following three aspects. Firstly, eye on the world, especially the mainstream market in North America, Europe and Asia, and develop transportation products and services with comparative advantages. Secondly, fully exert China’s advantages, especially those advantages that CIMC itself possesses. Finally, make the whole operation system comply with the internationally accepted business operation rules, so that it will be in line with the operation systems of customers around the world.

Even though factors influencing the world economy become more complex and periodic fluctuations still exist, growth and development remain the mainstreams of world economy.

CIMC has an optimistic outlook for future development, and expect to expand and strengthen the existing business in the coming three to five years:

Further consolidate the leading position in the industry of container business, and strengthen the development of reefer containers and special reefer containers;

Properly speed up the development of vehicle industry and accelerate the development towards internationalization, for the sake of making further progress in the mainstream market in North America, Europe and Asia and realizing the output of 150,000 vehicles in the year of 2008;

Based on the existing tank equipment industry, the Company will actively integrate relative resources from home and abroad and build a development platform for Chinese and global mainstream markets, to make it become another main business of the Company as soon as possible;

In the aspect of airport support equipment, it will continuously exploit the international market, strengthen technology research and development, and strive to expand new products business.

In addition, CIMC will still follow the established development strategy to energetically utilize the advantages of the Company and to seek new breakthroughs in relative industries. In order to realize the above goals, it is required to construct perfect management system, focus on management and technology innovation, and further strengthen and improve the competitive power of core system.

(1) Industry Development Trend and Market Outlook

— International trade will still maintain a high-speed growth in 2006

International Monetary Fund (IMF) and other relative organizations forecast that international trade will still maintain a good momentum, and the growth rate will be 7.4%, an increase from 7% in 2005. According to the forecasts by Ministry of Commerce of China, China's foreign trade volume is expected to exceed $1.6 trillion and the growth rate will be up to more than 15%. CLARKSON forecasts that the maritime trade volume will hit 117 million TEU and the growth rate will be about 10.1%. As a whole, container trade will still maintain a high-speed growth in 2006, while the growth rate will be lower than that in 2005.

— Steadily growing demand for containers, and serious superfluity for dry van containers may lead to severe competition

Based on the above judgments, the whole demand for containers will still maintain a momentum of steady and small growth. The reefer containers and special reefer containers market will still maintain a good momentum of continuous and healthy development. However, the dry van containers market, which is influenced by serious superfluity, will face increasingly tough competition.

— Tank equipment market will maintain a steady growth

With the steady development of the global economy, tank equipments will be applied more widely. Therefore, the year 2006 will witness a steady growth of the tank equipment market.

— Road transportation vehicles market will maintain a steady growth

According to the forecasts, the demand in home market will be gradually increased in 2006, the effect of government's policy that encouraging to develop advanced road transportation vehicles will further show up, the measures that using mandatory technology standards and governing over limit and over load will play a much more important role, and the industry development environment will continue to get improved. The demand in overseas market is in a period of a steady growth, which is expected to continue.

— Airport support market has larger development space

In the year of 2006, many air stations will be constructed in China, the international market will maintain a steady growth, and the shift of manufacture of airport support equipment to China will be accelerated.

(2) Overall operation measures for business development

With regard to the container business, the Company will continue to strengthen its industry position, quicken the development of reefer containers and special reefer containers business, and further enhance the ability to resist the risk of industry fluctuation.

Accelerate the development in various aspects (such as containers products development, manufacturing technology and basic research and development), and promote the key basic research and development projects (such as smart containers, environment protection, energy saving and labor protection) that will influence sustainable development.

The Company will fully exert advantages of base network layout that has been established by Container Flooring, to give powerful support to the development of container and vehicle industry.

Expand the service field; speed up constructing operation platform of storage yard service for containers; promote the ability and expand the business scope; foster professional and network overall competitive forces; build up a service brand; and enlarge the market share.

With regard to the tank equipment business, the Company will speed up constructing business platform in mainstream markets at home and abroad; actively exploit internationalization channels and ways in the aspects of new products and new projects; and cooperate with overseas advantageous enterprises.

With regard to road transportation vehicle business, the layout of production base in northeast, northwest and southwest areas will be improved. Meanwhile, layout of overseas bases will be actively discussed and the construction will be accelerated.

Speed up the construction of sales and marketing service network to increase overseas market share.

Actively seek to use the existing predominance of the Company for vehicle business to enhance the Company management of supply chain.

Considerably increase the level of technology development and promote industrial technology innovation and introduction and development of new material and environment-friendly vehicles.

Actively comply with polices of the state to promote construction of standard regulations and laws on vehicles and maintain healthy development of the industry.

With regard to the airport support equipment business, the Company will try to become the world's leading supplier in the industry, speed up progress of technology and continue to explore international market. Continue to explore the market in air cargo processing system, gangway and other relevant fields at the same time.

According to development strategy of providing equipment and service for modern transportation, CIMC is confident to be the major supplier of world's leading modern transportation equipment and relevant services in response to customer’s requirements in the global market, build up a renowned brand that customers trust, and maintain healthy development and continuous value appreciation of the Company, so as to provide favorable return for shareholders and employees as well.

(3) Increasingly strong competitive advantage will provide powerful support for the future development

As the establishment of the goal of “global operation system based on China’s advantages", CIMC has a clearer development strategy towards “providing equipment and services for modern transportation”.

As the earliest competitor in international market and a company of comparatively strong international competitiveness, CIMC is experiencing internalization in its development history. In this process, the Company has established a team that boasts expertise and internalization experience, which will ensure the establishment of this system.

The facts prove that in the process of development, CIMC will change every challenge into opportunity, further expand development space and lead the development of the industry all the time by means of global customer resources, perfect management of supply chain, favorable financing capability, strong technical innovation ability, stable management basis and other system competitiveness. It will also be the powerful support for the establishment of global operation system and entry to world-class companies for CIMC in the future.

Based on the summary of 20 years development experience and after reasonable research, CIMC has established development strategy with clear direction and specific goal, which will stably promote the expansion and development of future industry.

(4) Capital expenditure and financing plan

According to the market situation, it is estimated that capital expenditure of main projects are investment of about RMB 800 million in container manufacture business, RMB 480 million in container business and RMB 800 million in road transportation vehicle.

Relevant financing channels are mainly from its own capital and loan from the bank.

(5) Risk factors faced in the future development

The industry of common dry van container is and will be expanding quickly, and the production capacity will probably reach 5.8 million TEU by 2007, according to statistics of China Container Industry Association. Although competent authorities for state macro-control is taking active countermeasures against the risks, the severely superfluous production capacity has already formed. The competition in production of common dry van container will become tougher in 2006 or even in the years to come, but other business of the Company will witness favorable development. It is predicted that the proportion of income from the common dry van container in the total business income of the Company will be reduced to less than 50%, while the operation risk caused by the business fluctuation of common dry van container will be greatly reduced as other businesses grow.

It is difficult to achieve an ultimate improvement of dispersive, disordered and poor conditions of vehicle industry in a short term; and the effects of relevant policies, regulations and laws of the state vary with areas and periods, which may negatively affect the healthy development of vehicle industry. Therefore, CIMC will promote the industrial restructure and industry consolidation by actively complying with polices of the state.

The challenges bought by the future global operation include difference of culture and operation environment in different areas, reasonable and effective allocation of global resources, etc. The Company will speed up the construction of “global operation system based on China’s advantages” and enhance effort in training global operation talents in the future.

(II) Investment in the report term

The Company totally spent RMB92.39 million in the report term, on purchasing of share equities of the Company, launching of new companies or expanding of the subsidiaries' capital. While the Company spent RMB966.88 million in the report term, on launching of new companies or expanding of the subsidiaries' capital. The net increasing of fixed assets (including construction in process) was RMB1,343.65 million, which were mainly utilized in purchasing, construction, re-engineering, or reconstruction of the plants and equipment of the subsidiaries.

1. Statement on utilizing of raised fund in the report term

On November 20th 2003, the Company issued 120 million of new A-shares, which brought RMB1.755 billion of proceeds (publication expenses excluded). Utilizing of the proceeds was on schedule and realized the profitability as expected.

In RMB 0'000

Total of proceeds	1,771		Total of proceeds utilized in the report year	13,360	
			Total of proceeds utilized accumulatively	160,085	
Committed projects	Planned investment	Changed or not	Practical investment	Progress	Income generated
Reconstruction of dry cargo container factory	32,906	No	32,906	100%	9,214
Production expanding of regional special containers and special containers	41,350	No	30,191	73%	8,454
Reefer Container production expanding project	22,106	No	18,206	82%	5,098
Tank container		No	14,539	100%	4,071
Compartment Semi-trailer	23,156	No	23,156	100%	7,642
Container chassis	19,021	No	19,021	100%	5,036
Overseas OEM compartment semi-trailer	24,012	No	22,066	92%	—
Total	177,090	—	160,085	90%	39,515

As of the end of report term, there still was RMB154.80 million of proceeds from financing processes not put into operation, and was used temporarily as current capital.

2. Investment of fund from non-financial activities

In RMB million

Items	Planned investment (Translated to RMB)	Direct / indirect shareholding portion of the Company	Year 2005 Progress of the project	Accumulated investment at the year-end (Translated to RMB)
1. Taichang CIMC Container Co., Ltd.	161	100	Put into production in June	161
2. Xinhui CIMC Container Co., Ltd.	89	100	Started in Jan, and put into production in Dec.	89
3. Purchasing of 30% share equity of Dalian Jilong Logistics Co., Ltd.	15	30	Completed	15
4. Purchasing of 80% share equity of Qingdao Hengfeng Logistics Co., Ltd.	26	80	Completed	26
5. Investing in Qingdao CIMC Yulong Logistics Co., Ltd.	48	59	Completed	28
6. Acquisition of Shanghai Donghua Logistics Co., Ltd.	58	70	Completed	58
7. Incorporation of Ningbo CIMC Logistics Co., Ltd.	30	100	Completed	18
8. Incorporation of Xiamen CIMC Haitou Logistics Co., Ltd.	6.9	45	Completed	6.8
9. Shenzhen CIMC Yantian Port Containers Co., Ltd.	11	55	Completed	6.6
10. Capital enlarging of CIMC Vehicle (Group) Co., Ltd. by the Company and its wholly-owned subsidiaries	261	100	Completed	261
11. CIMC Vehicle Base in Shandong	156	87.01	Put into operation in Feb. 2005	156
12. Enlarging project of Zhangjiagang CIMC Sanctum Machinery Co., Ltd.	114	97.05	Started in May 2005, will be completed in June 2006	36
13. The 1st phase of Qingdao CIMC Special Vehicle Co., Ltd.	70	100	Put into production in June 2005	70
14. 4S Service Center of Shanghai CIMC Vehicle Logistic Equipment Co., Ltd.	110	98	Completed in June 2005 and put into trial operation	87
15. 4S Service Center of Beijing CIMC Vehicle Logistics Equipment Co., Ltd.	48	100	Started in July 2005, completed in Jan 2006	25

(III) Routine works of the Board of Directors

1. Board meetings and resolutions

(1) On March 2nd 2005, the Board held a meeting. The resolutions were announced with Securities Times and Ta Kung Pao on March 4th.(No. [CIMC]2005—009)

(2) On March 25th 2005, the Board held a meeting and adopted "The proposal on starting of the fund management company". As one of the sponsor, the Company promoted the starting of Bank Of Communications Schroder Fund Management Co., Ltd. The Company put RMB10 million to hold 5% of the registered capital of the fund management company.

(3) On April 22nd 2005, the Board of Directors convened a meeting in term of telecommunication voting. The resolution was adopted over the 1st Quarterly Report of Year 2005.

(4) On August 15th 2005, the Board of Directors convened a meeting in term of telecommunication voting. The following resolutions was adopted:

1) The proposal of buying out the 100% share equity of Burg Industries B.V. together with Peter.

2) The Semi-annual Report 2005. and the proposal of set up Shanghai Yangshan CIMC Logistics Equipment Co., Ltd.

(5) On October 26th 2005, the Board of Directors convened a meeting in term of telecommunication voting. The resolution was adopted over the 3rd Quarterly Report of Year 2005.

(6) On November 22nd 2005, the Board of Directors convened a meeting in term of telecommunication voting, and adopted the proposals including "The Articles of Association", and altering of domestic CPA for year 2005. The resolutions were announced on the November 26th 2005 issues of Securities Times and Ta Kung Pao. (No. [CIMC]2005-029)

(7) On December 6th 2005, the Board of Directors convened a meeting in term of telecommunication voting, and adopted "The proposal on share equity relocation scheme of China Merchants Bank Co., Ltd."

2. Executing of the resolutions adopted by the Shareholders' General Meeting

The Board has executed all of the resolutions adopted by the Shareholders' General Meeting properly.

(1) The Shareholders' General Meeting has authorized the Board of Directors to revise The Articles of Association of the Company and also The Rules of Shareholders' General Meeting. The 1st Provisional Shareholders' General Meeting 2005 authorized the Board of Directors to revise The Articles of Association. All of these have been done in the report term.

(2) Executing of the plan of profit distribution and capitalizing of common reserves

The Profit Distribution and Capitalizing of Common Reserves Plan for Year 2004 was adopted by the Shareholders' General Meeting 2004 held on April 8th 2005. The plan was: According to the Articles of Association and current accounting standard, upon the net profit of the parent Company for year 2004, which is amounted to RMB2,269,304,559.89, after providing of statutory surplus reserves at 10% amounted to RMB226,930,455.99, and statutory public welfare at 5% amounted to RMB113,465,227.99, plus the attributable profit of RMB254,850,554.60 at the beginning of year, the total attributable profit of the year is amounted to RMB2,243,584,455.96. Over the total capital shares of 1,008,483,353, a RMB5.00 (tax included) will be allocated to each 10 shares. Totally RMB504,241,676.50 is about to be distributed. An optional surplus reserve will be provided at amount of RMB1,474,533,737.22 thereafter.

Capitalizing of common reserves: Common reserves will be capitalized at the ratio of 10 to 10. Upon that, the total capital shares of the Company will be increased from 1,008,483,353 to 2,016,966,706 shares.

The Preplan of Profit Distribution and Capitalizing of Common Shares for year 2004 was announced with Securities Times and Ta Kung Pao on April 18th 2005. The registration date was April 22nd 2005 and the ex-dividend date was April 25th 2005. As of the end of the report term, all of the works related to the profit distribution had been completed.

(IV) Preplan of Profit Distribution or Capitalizing of Common Reserves for Year 2005

As audited by Deloitte Touche Tohmatsu CPAs, the domestic public accountant, the Company has realized a consolidated net profit of RMB2,669,140,758.72 after deducting of tax and minority shareholders' equity. Upon the total capital share of 2,016,966,706 shares as of December 31st 2005, the earnings per share was RMB1.3233. The profit allocation and dividend preplan is proposed as: According to the Articles of Association and current accounting standard, 10% of the net profit (RMB2,707,991,725.48) will be provided as statutory surplus reserves, 5% of the net profit will be provided as statutory public welfare, therefore the attributable profit of the year will be RMB2,301,792,966.66 (there was no attributable profit retained at the beginning of year). Upon the total capital share of 2,016,966,706 as of December 31st 2005, a cash dividend of RMB3.8 (tax included) will be distributed to each 10 shares with adopting of the optional surplus reserves. Totally RMB766,447,348.28 is about to be distributed.

Preplan on conversion of public reserve into share capital: suggest converting public reserve into share capital at the rate of 1 share for every 10 shares. After the conversion, the total share capital of the Company increases from 2,016,966,706shares to 2,218,663,377 shares.

The above preplan shall only be executed after being approved by the Shareholders' General Meeting 2005. Related articles of the Articles of Association of the Company shall be revised by the Board of Directors as soon as it is proposed and approved by the Shareholders' General Meeting.

(V) There isn't any other issues need to be disclosed.

VIII. Report of the Supervisory Committee

(I) Meetings and Resolutions of the Supervisory Committee

The Committee convened 5 meetings in the report term:

1. The 1st meeting of year 2005 was held on March 2nd 2005. The supervisors heard The Report of the Board of Directors for Year 2004, and examined and approved The Report of the Supervisory Committee for Year 2004, as well as the Annual Report 2004 and the Summary of Annual Report 2004 of the Company.

2. The 2nd meeting of year 2005 was held on March 25th 2005. The following proposals were adopted as resolutions: The extraordinary proposal on revising of the Articles of Association of the Company rose to the Shareholders' General Meeting 2004. The extraordinary proposal on revising of the Rules of Shareholders' General Meeting rose to the Shareholders' General Meeting 2004. Nominating of Mr. Wang Zhixian as the candidate of director, for the office term until year 2007. Nominating of Mr. Zhang Limin as the candidate of independent director, for the office term until year 2007. The above proposals were submitted to the Shareholders' General Meeting 2004. Nominating of Mr. Du Yongcheng as the supervisor for office term until 2007. And submitted to the Shareholders' General Meeting 2004 for approval.

3. The 3rd meeting of year 2005 was held on April 8th 205. Mr. Du Yongcheng was elected the Chairman of the Supervisory Committee.

4. The 4th meeting of year 2005 was held on May 25th 2005. Mr. Feng Wanguang was nominated the supervisor representing the employees for the office term till 2007.

5. The 5th meeting of year 2005 was held on November 22nd 2005. Mr. Ying Haifeng was nominated the supervisor representing the employees for the office term till 2007. It has been submitted to the Shareholders' General Meeting for approval.

(II) Independent opinions of the Supervisory Committee over the issues occurred in year 2005

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

1. Validity of the Company's operation

According to the relevant regulations of the Company Law, the Articles of the Association, the Supervisory Committee seriously fulfilled its obligations. In this year, the members of the Supervisory Committee attended all the meetings of the Board of Directors, in line with relevant laws and regulations, and supervised holding procedures, decision-making procedures of Shareholders' General Meeting and Board meetings, implementation of the resolutions of Shareholders' General Meeting by the Board and decision operation of the Company. The Supervisory Committee believes that, in this year, the Company abided by law with its decision making procedures, had a complete system of inner control, and there were no acts of the members of the Board of Directors, President, or Senior executives in their routine work that violated the Articles of Association of the Company or harmed the Company's benefit, nor was there any abuse of power or damage to interests of the shareholders and employees.

2. Inspection over the financial status of the Company

In this year, the Supervisory Committee inspected the Company's business and financial status, examined the annual financial report, interim report and other documents the Board of Directors submitted. The Supervisory Committee found that the financial reports truthfully and justly reflected the financial condition and operation achievements of the Company. In the report period, both of Deloitte Touche Tohmatsu and KPMG presented standard auditor's reports without qualified opinion for 2004 Financial Report. The Supervisory Committee believes the auditor's opinions presented by Deloitte Touche Tohmatsu and KPMG were objective.

3. Utilizing of proceeds raised from the latest financing activity

The Company issued 120 million of new A-shares on Nov. 20, 2003 and the Supervisory Committee of the Company found that in the report period, the fund raised this time was put into the projects as pledged beforehand and obtained prospective gains.

4. In the report term, the transaction price of acquiring and selling assets by the Company was reasonable and the transaction abided by valid procedures. There existed no insider transaction or harm to interest of shareholders or outflow of assets of the Company.

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

IX. Significant Issues

(I) Significant lawsuit or arbitration

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

(II) Significant purchase and selling of assets

There was no such significant issue regarding purchasing or selling of assets.

(III) Significant related transactions

There was no such significant related transaction occurred in the report term.

(IV) Major contracts and implementation

1. On January 10th 2005, the Company entered a strategic cooperation agreement with China Construction Bank in Shenzhen. For details of the agreement please refer to the public notice (CIMC 2005-002) on the January 11th 2005 issues of Securities Times and Ta Kung Pao.

2. Material guarantee contracts

   (1) The Company has not provided guarantee for any company and person outside the Group and only provided guarantee for the operational capital of the auxiliary subsidiaries of the Group.

   (2) Resolutions are made by the Board of Directors at the beginning of each year upon the issues regarding financing operations and guarantees provided to the subsidiaries according to the budget of the current year. No providing of external guarantee is conducted beyond the resolutions as adopted by the Board of Directors.

   (3) Ended Dec. 31st, 2005, the balance of guarantees the Company provided for its subsidiaries was RMB275 million, taking by 2.91% of net assets at the end of 2005 amounted to RMB9456 million

(V) Commitment issues made by the Company or shareholders holding over 5% of the shares and status of fulfilling

1. Commitment on the time of share equity relocation

The share equity relocation is predicted to be carried out in March 2006.

2. There isn't any other commitment issues.

(VI) Engaging and dismissing of public accountants

The Provisional Shareholders' General Meeting was held on December 29th 2005. It has been approved to engage Deloitte Touche Tohmatsu CPAs as the CPA of the Company to provide services including auditing over the Financial Report 2005, net asset verification, and other consulting services. Shenzhen Pan-China Schinda Certified Public Accountants has provided auditing services of A-shares for successively four years since 2001; and KPMG has provided auditing services of B-shares for successively twelve years since 1994.

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

The Company paid RMB2.52 million to Shenzhen Pan-China Schinda Certified Public Accountants, including auditing fees for 2004 and expenses for business travels. The Company paid HKD 2.5 million to KPMG, including auditing fees for 2004 and expenses for business travels.

The regulatory department punished none of the Company, the Board of Directors, or the Directors.

(VIII) Other significant issues

1. The non-negotiable B-shares held by China Merchants Container Industry Co., Ltd. and Profit Crown Assets Limited was put into trade in Shenzhen Stock Exchange on March 3rd 2005. The newly placed B-shares were totaled to 200,079,557. For details about this please go to "The Prompting Announcement for the Placing of Non-negotiable B-shares in Shenzhen Stock Exchange" (No. CIMC 2005-005) publicized with the March 1st 2005 issues of *Securities Times* and *Ta Kung Pao*.

2. CHINA MERCHANTS CONTAINER INDUSTRY COMPANY LIMITED and FAIR OAKS DEVELOPMENT LIMITED, the shareholders of the Company, have altered their names. For details please go to the announcement (No. CIMC 2005-026) publicized by September 2nd 2005 issues of *Securities Times* and *Ta Kung Pao.*

X. Financial Report

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

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

We have audited the consolidated balance sheet of China International Marine Containers (Group) Ltd. (the "Company") and its subsidiaries (the "Group") as of 31December 2005 and the related consolidated statements of income, changes in equity and cash flows for the year then ended, set out on pages 4 to 115. These consolidated financial statements are the responsibility of the directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2005, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Certified Public Accountants
Hong Kong, China

Consolidated income statement for the year ended 31 December 2005

(Expressed in Renminbi)

	Note	*2005*	*2004 (restated)*
		RMB'000	RMB'000
Revenue	5&12	30,938,522	26,557,657
Cost of sales		(26,242,983)	(22,161,384)
Gross profit		4,695,539	4,396,273
Other revenue	6	149,193	79,293
Other net income	6	236,179	211,796
Distribution costs		(684,157)	(427,604)
Administrative expenses		(1,013,964)	(1,072,874)
Other operating expenses		(100,153)	(300,096)
Profit from operations		3,282,637	2,886,788
Finance costs	7(a)	(126,699)	(65,113)
Share of profits less losses of associates		16,285	21,489
Profit before taxation		3,172,223	2,843,164
Income tax	8(a)	(224,624)	(273,060)
Profit for the year		2,947,599	2,570,104
		=========	=========
Attributable to:			
Equity shareholders of the Company		2,807,466	2,464,992
Minority interests		140,133	105,112
Profit for the year		2,947,599	2,570,104
		=========	=========
Dividends payable to equity shareholders of the Company attributable to the year:	10		
Final dividend proposed after the balance sheet date		766,447	504,241
		=========	=========
Earnings per share (RMB Yuan)			
Basic	11	1.39	1.22
		=========	=========

The notes on pages 50 to111 form part of these consolidated financial statements.

Consolidated balance sheet at 31 December 2005

(Expressed in Renminbi)

	Note	*2005* RMB'000	*2004* RMB'000
Non-current assets			
Property, plant and equipment	13	4,185,522	3,103,926
Lease prepayments - non-current portion	14	638,800	486,007
Construction in progress	15	236,765	446,778
Timber concession rights	16	73,905	81,237
Intangible assets	17	28,649	9,870
Goodwill	18	105,068	80,997
Interest in associates	19	159,456	94,248
Finance lease receivable	20	68,006	77,146
Prepayment for investments	21	38,830	4,471
Deferred tax assets	29(b)	85,843	52,373
Other financial assets	22	291,536	287,264
		5,912,380	4,724,317
Current assets			
Lease prepayments - current portion	14	15,590	13,460
Trading securities	23	419,401	140,081
Inventories	24	3,435,181	4,587,044
Trade and other receivables	25	4,409,694	6,038,248
Cash and cash equivalents	26	2,828,223	1,483,165
		11,108,089	12,261,998
Current liabilities			
Trade and other payables	27	4,891,039	5,343,023
Bank loans	28	501,520	1,692,529
Current taxation	29(a)	129,202	200,110
Provisions	30	552,086	552,150
		6,073,847	7,787,812
Net current assets		5,034,242	4,474,186
Total assets less current liabilities		10,946,622	9,198,503
Non-current liabilities			
Bank loans	28	435,650	822,728
NET ASSETS		10,510,972	8,375,775

The notes on pages 50 to 111 form part of these consolidated financial statements.

Consolidated balance sheet at 31 December 2005 (continued)

(Expressed in Renminbi)

	Note	*2005* RMB'000	*2004* RMB'000
CAPITAL AND RESERVES			
Share capital	31	2,016,967	1,008,483
Reserves	32	7,596,820	6,512,793
Total equity attributable to equity shareholders of the Company		9,613,787	7,521,276
Minority interests		897,185	854,499
TOTAL EQUITY		10,510,972	8,375,775

Approved and authorised for issue by the board of directors on

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The notes on pages 50 to 111 form part of these consolidated financial statements.

Consolidated statement of changes in equity
for the year ended 31 December 2005

	Attributable to equity shareholders of the Company									
	Share capital	*Share premium*	*Property revaluation reserve*	*Exchange reserve*	*Surplus reserve*	*Statutory public welfare fund*	*Retained profits*	*Total*	*Minority interests*	*Total equity*
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 31)	*(note 32(a))*			*(note 32(b))*	*(note 32(c))*				
At 1 January 2004	630,302	2,244,742	18,521	3,003	1,909,359	222,949	266,777	5,295,653	659,804	5,955,457
Capitalisation of share premium	378,181	(378,181)	-	-	-	-	-	-	-	-
Reversal on dissolution of subsidiaries	-	-	(4,571)	4,717	-	-	-	146	(20,627)	(20,481)
Dividends approved in respect of the previous year (note 10(b))	-	-	-	-	-	-	(239,515)	(239,515)	-	(239,515)
Dividends paid to minority interests	-	-	-	-	-	-	-	-	(81,452)	(81,452)
Profit for the year	-	-	-	-	-	-	2,464,992	2,464,992	105,112	2,570,104
Acquisition of additional interests in existing subsidiaries	-	-	-	-	-	-	-	-	(1,177)	(1,177)
Capital injection	-	-	-	-	-	-	-	-	24,856	24,856
Acquisition of new subsidiaries	-	-	-	-	-	-	-	-	152,902	152,902
Repayment of advances to minority interests	-	-	-	-	-	-	-	-	17,486	17,486
Advances to minority interests	-	-	-	-	-	-	-	-	(2,405)	(2,405)
Transfer from retained profits	-	-	-	-	1,745,689	129,135	(1,874,824)	-	-	-
At 31 December 2004	1,008,483	1,866,561	13,950	7,720	3,655,048	352,084	617,430	7,521,276	854,499	8,375,775
	=======	=======	=========	========	========	=======	========	=======	========	=======

Consolidated statement of changes in equity

for the year ended 31 December 2005 (continued)

	Attributable to equity shareholders of the Company									
	Share capital RMB'000 *Note(31)*	*Share premium* RMB'000 *(note 32(a))*	*Property revaluation reserve* RMB'000	*Exchange reserve* RMB'000	*Surplus reserve* RMB'000 *(note 32(b))*	*Statutory public welfare fund* RMB'000 *(note 32(c))*	*Retained profits* RMB'000	*Total* RMB'000	*Minority interests* RMB'000	*Total equity* RMB'000
At 1 January 2005	1,008,483	1,866,561	13,950	7,720	3,655,048	352,084	617,430	7,521,276	854,499	8,375,775
Opening balance adjustment in respect of goodwill (notes 3(a) and 18)	-	-	-	-	-	-	13,250	13,250	-	13,250
As 1 January 2005, after opening balance adjustments, carried forward	1,008,483	1,866,561	13,950	7,720	3,655,048	352,084	630,680	7,534,526	854,499	8,389,025
Capitalisation of share premium	1,008,484	(1,008,484)	-	-	-	-	-	-	-	-
Dividends approved in respect of the previous year (note 10(b))	-	-	-		-	-	(504,241)	(504,241)	-	(504,241)
Dividends paid to minority interests	-	-	-	-	-	-	-	-	(81,391)	(81,391)
Exchange difference on translation of financial statements of foreign operations	-	-	-	(223,964)	-	-	-	(223,964)	-	(223,964)
Profit for the year	-	-	-	-	-	-	2,807,466	2,807,466	140,133	2,947,599
Acquisition of additional interests in existing subsidiaries	-	-	-	-	-	-	-	-	(29,297)	(29,297)
Capital injection	-	-	-	-	-	-	-	-	10,171	10,171
Acquisition of new subsidiaries	-	-	-	-	-	-	-	-	675	675
Repayment of advances to minority interests	-	-	-	-	-	-	-	-	7,769	7,769
Advances to minority interests	-	-	-	-	-	-	-	-	(5,374)	(5,374)
Transfer from retained profits	-	-	-	-	335,894	138,224	(474,118)	-	-	-
At 31 December 2005	2,016,967	858,077	13,950	(216,244)	3,990,942	490,308	2,459,787	9,613,787	897,185	10,510,972
	=======	=======	=======	=======	=======	=======	=======	=======	======	=========

The notes on pages 50 to 111 form part of these consolidated financial statements.

Consolidated cash flow statement
for the year ended 31 December 2005

	Note	*2005* RMB'000	*2004 (restated)* RMB'000
Operating activities			
Profit before taxation		3,172,223	2,843,164
Adjustments for:			
Depreciation		305,229	226,714
Impairment losses of property, plant and equipment		-	76,505
Impairment losses of unlisted equity securities		-	3,694
Impairment losses of prepayment for investments		5,414	6,044
Impairment losses of timber concession rights		-	90,687
Impairment losses of positive goodwill		14,447	-
Amortisation of positive goodwill		-	14,607
Amortisation of negative goodwill		-	(5,452)
Amortisation of other intangible assets		2,945	1,733
Amortisation of timber concession rights		5,839	3,205
Amortisation of negative goodwill included in share of profits less losses of associates		-	(255)
Gain on recognition of negative goodwill		(5,917)	(4,776)
Net loss on sale of property, plant and equipment		10,516	9,274
Bank interest income		(58,858)	(14,457)
Finance costs		126,699	65,113
Net realised and unrealised gains on trading securities		(26,056)	(18,527)
Dividend income from equity securities		(10,367)	(13,377)
Share of profits less losses of associates		(16,285)	(21,489)
Operating profit before changes in working capital		3,525,829	3,262,407
Increase in lease prepayments		(162,625)	(161,075)
Decrease / (increase) in long-term receivables		3,402	(47,498)
Decrease / (increase) in trade and other receivables		1,464,108	(659,931)
Decrease / (increase) in inventories		1,064,751	(2,707,690)
(Decrease) / increase in trade and other payables		(347,471)	1,650,927
Increase in provisions		14,188	168,304
Cash generated from operations		5,562,182	1,505,444
Tax paid		(330,023)	(181,955)
Net cash generated from operating activities		5,232,159	1,323,489

The notes on pages 50 to 111 form part of these consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 December 2005 (continued)

(Expressed in Renminbi)

	Note	*2005* RMB'000	*2004 (restated)* RMB'000
Investing activities			
Interest received		59,379	17,307
Payment for the purchase of property, plant and equipment		(239,227)	(175,073)
Payment for the purchase of intangible assets		(15,670)	-
Payment for construction in progress		(996,642)	(903,252)
Payment for purchase of trading securities		(517,357)	(291,694)
Payment for acquisition of associates		(45,021)	(13,816)
Prepayment for investments		(44,244)	(7,640)
Payment for acquisition of minority shareholdings		(42,786)	(1,998)
Loan to an associate		(18,000)	-
Payment for acquisition of subsidiaries, net of cash acquired	4	(6,470)	(109,745)
Payment for dissolution of subsidiaries, net of cash disposed of		-	(13,973)
Dividend received from investments in equity securities		10,367	13,486
Dividend received from an associate		2,257	-
Proceeds from sales of property, plant and equipment		23,998	2,599
Proceeds from sale of partial interest in subsidiary		-	1,739
Proceeds from dissolution of interest in an associate		8,219	-
Proceeds from sales of equity securities		253,607	353,606
Repayment of advances to minority interests		7,769	17,486
Advances to minority interests		(5,374)	(2,405)
Net cash used in investing activities		(1,565,195)	(1,113,373)

The notes on pages50 to 111 form part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2005 (continued)

(Expressed in Renminbi)

	Note	*2005*	*2004 (restated)*
		RMB'000	RMB'000
Financing activities			
Interest paid		(117,408)	(54,640)
Other borrowing costs paid		(7,191)	(8,293)
Proceeds from new bank loans		11,841,263	12,232,448
Repayment of bank loans		(13,399,538)	(10,892,959)
Repayment of advances from Receivables Framework Agreement		-	(414,000)
Capital injection from minority interests		10,171	24,856
Dividends paid to equity shareholders of the Company		(504,241)	(239,515)
Dividends paid to minority interests		(81,391)	(81,452)
Net cash (used in) / generated from financing activities		(2,258,335)	566,445
Net increase in cash and cash equivalents		1,408,629	776,561
Cash and cash equivalents at 1 January		1,483,165	706,604
Effect of foreign exchange rate changes		(63,571)	-
Cash and cash equivalents at 31 December	26	2,828,223	1,483,165

The notes on pages 50 to 111 form part of these consolidated financial statements.

Notes to 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 Group is principally engaged in the design, manufacturing, marketing and maintenance of containers, trailers, and airport support 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 ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and their interpretations issued 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 shareholders of the Company prepared under IFRSs and the PRC Accounting Rules and Regulations is presented on Appendix I.

The IASB has issued a number of new and revised IFRSs that are effective for accounting periods beginning on or after 1 January 2005. Information on the changes in accounting policies resulting from initial application of these new and revised IFRSs for the current and prior accounting periods reflected in these financial statements is provided in note 3.

(b) Basis of preparation of the financial statements

The consolidated financial statements of the Company for the year ended 31 December 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 16 March 2006.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for certain property, plant and equipment (see note 2(h)), trading securities (see note 2(f)) and derivative financial instrument (see note 2(g)) which are stated at fair value as explained in the accounting policies set out below.

2 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements (continued)

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, 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 judgements 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.

Judgements made by the management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 40.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group 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 or convertible 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.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

2 Significant accounting policies (continued)

(c) Subsidiaries (continued)

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(d) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investment in associates recognised for the year (see notes 2(e) and 2(l)).

When the Group's share of losses exceeds its interest in the associate, the Group's interest 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 the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

(e) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

2 Significant accounting policies (continued)

(e) Goodwill (continued)

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment as well as when there are indications of impairment (see note 2(l)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in profit or loss.

On disposal of a cash generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries and associates are as follows:

Investments in securities held for trading are classified as current assets and are initially stated at fair value. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 2(l)).

Other investments in securities are classified as available-for-sale securities and are initially recognised at fair value plus transaction costs. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except for impairment losses (see note 2(l)) and, in the case of monetary items such as debt securities, foreign exchange gains and losses which are recognised directly in profit or loss.

Investments are recognised / derecognised on the date the Group commits to purchase / sell the investments or they expire.

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

2 Significant accounting policies (continued)

(h) Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost less accumulated depreciation and impairment losses (see note 2(l)) and remeasured at revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of self-constructed items of property, plant and equipment 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 and borrowing costs (see note 2(w)).

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.

Changes arising on the revaluation of properties, plant and equipment are generally dealt with in reserves. The only exceptions are as follows:

- when a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

- when a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

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 item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- Freehold land is not depreciated.
- Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 30 years after the date of completion.

- Machinery and equipment	10 - 12 years
- Motor vehicles	3 - 8 years
- Office furniture and other assets	5 years

2 Significant accounting policies (continued)

(h) Property, plant and equipment (continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) 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 (see note 2(l)). Cost comprises cost of materials, direct labour, borrowing costs capitalised (see note 2(w)), 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.

(j) Intangible assets (other than goodwill)

Expenses incurred for the acquisition of patents, trademarks and technological know-how by the Group, are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is other than indefinite) and impairment losses (see note 2(l)).

Timber concession rights represent costs incurred to acquire the rights to extract timber from forest concession areas for an approved duration and are stated in the balance sheet at cost less accumulated amortisation and impairment losses (see note 2(l)). Cost includes cost of purchase and expenses exclusively related to the acquisition of timber concession rights.

Amortisation of intangible assets is charged to profit or loss on a straight-line basis over the assets' estimated useful lives unless such lives are indefinite. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

- Patents and trademarks	5 -10 years
- Technological know-how	10 years

Timber concession rights are amortised over the remaining licence period until the expiry of the timber licences.

2 Significant accounting policies (continued)

(k) Leased assets

(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

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(l) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

- For unquoted equity securities and current receivables that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for current receivables are reversed if in a subsequent period the amount of the impairment loss decreases. Impairment losses for equity securities are not reversed.
- For financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets).

2 Significant accounting policies (continued)

(l) Impairment of assets (continued)

(i) Impairment of investments in equity securities and other receivables (continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

- For available-for-sale equity securities, the cumulative loss that had been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- lease prepayments;
- construction in progress;
- intangible assets;
- timber concession rights;
- prepayment for investments;
- investments in associates; and
- goodwill

2 Significant accounting policies (continued)

(l) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- 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, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2 Significant accounting policies (continued)

(m) Inventories

(i) Products manufacturing

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

- Property under development for sale

  The cost of properties under development for sale comprises specifically identified cost, including borrowing costs capitalised (see note 2(w)), aggregate cost of development, materials and supplies, wages and other direct expenses and an appropriate proportion of overheads. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

- Completed properties for sale

  In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

  The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

2 Significant accounting policies (continued)

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 2(l)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 2(l)).

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest method.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(r) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

2 Significant accounting policies (continued)

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

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

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

No temporary differences are recognised on the initial recognition of goodwill. In addition, the following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

2 Significant accounting policies (continued)

(s) Income tax (continued)

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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)

(u) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Sale of properties

Revenue from the sale of properties is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under forward sales deposits and instalments received.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Dividend income

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) 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.

(vi) Repair and maintenance service income

Revenue is recognised when the related service has been rendered to the customer.

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

2 Significant accounting policies (continued)

(v) Translation of foreign currencies (continued)

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Renminbi Yuan at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Renminbi Yuan at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(w) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, 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 or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 Significant accounting policies (continued)

(x) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, 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 significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/ or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(y) 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.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

3 Change in accounting policies

The IASB has issued a number of new and revised IFRSs that are effective for accounting periods beginning on or after 1 January 2005.

The accounting policies of the Group after the adoption of these new and revised IFRSs have been summarised in note 2. The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in these financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 41).

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

In 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 of 5 years and was subject to impairment testing when there were indications of impairment.
- Positive goodwill which arose from a business combination for which the agreement date was on or after 31 March 2004 was stated in the consolidated balance sheet 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.
- 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.
- 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.

In 2005:

The accumulated amortisation of positive goodwill brought forward from 31 December 2004 is eliminated against the relevant cost as at 1 January 2005 under IFRS 3. In addition, the carrying value of negative goodwill brought forward from 31 December 2004 is derecognised as at 1 January 2005, with a corresponding adjustment to the opening balance of retained profits under IFRS 3.

As a result, the accumulative amount of amortisation as at 1 January 2005 of RMB119,018,000 has been offset against the cost of the positive goodwill and no amortisation charge for goodwill has been recognised in the consolidated income statement for the year ended 31 December 2005. The effect of this change to the Group’s profit for the year ended 31 December 2005 is an increase of profit by RMB20,138,000.

3 Change in accounting policies (continued)

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

Also in accordance with the requirements under IFRS 3, the negative goodwill as at 1 January 2005 has been derecognised, with a corresponding adjustment to the opening balance of retained profits as at 1 January 2005. The effect of this change is an increase in both of the opening balance of retained profits and goodwill by the same amount of RMB13,250,000 and an increase in the profit for the year ended 31 December 2005 of RMB430,000.

The effect of changes in these accounting policies on the balances as at 1 January 2005 are disclosed in note 18.

(b) Presentation of shares of associates' taxation (IAS 1, Presentation of financial statements)

In prior years, the Group's share of taxation of associates accounted for using the equity method was included as part of the Group's income tax in the consolidated income statement. With effect from 1 January 2005, in accordance with the implementation guidance in IAS 1, the Group has changed the presentation and includes the share of taxation of associates accounted for using the equity method in the share of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before tax. These changes in presentation have been applied retrospectively and resulted in a decrease in income tax expense and share of associate's profit for the year ended 31 December 2004 by the same amount of RMB4,045,000.

(c) Definition of related parties (IAS 24, Related party disclosures)

As a result of the adoption of revised IAS 24, Related party disclosures, the definition of related parties as disclosed in note 2(x) has been expanded. The revised IAS 24 also requires the compensation of key management personnel to be disclosed. The Group has included these additional disclosures in the financial statements.

3 Change in accounting policies (continued)

(d) Accounting for investments in subsidiaries and associates (IAS27, Consolidated and separate financial statements)

In prior years, investments in subsidiaries and associates are accounted for using the equity method in the Company's stand-alone balance sheet.

With effect from 1 January 2005, in order to comply with the revised IAS 27, the Company has elected to account for the investments in subsidiaries and associates using the cost method. The retained profits in the Company's stand-alone balance sheet as at 31 December 2004 have been restated from a retained profit of RMB504,241,000 to an accumulated deficit of RMB4,281,788,000.

4 Acquisitions of subsidiaries

Acquisitions

On 30 September 2005, the Group acquired an 80% shareholding interest in Qingdao Hengfeng Logistics Co., Ltd. ("QDHFL") for RMB6,200,000, satisfied in cash. The principal activities of QDHFL are the provision of container storage and related services. During the year, QDHFL contributed net loss of RMB4,730,000 to the consolidated net profit for the year.

On 30 September 2005, the Group acquired an 88.2% shareholding interest in Yangzhou Xincheng Tonghua Trailers Spare-parts Co., Ltd. ("XCTTS") for RMB900,000, satisfied in cash. The principal activity of XCTTS is sales of trailer spare parts. During the year, XCTTS contributed net profit of RMB84,000 to the consolidated net profit for the year.

4 Acquisitions of subsidiaries (continued)

Effect of acquisitions

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

	Note	2005 RMB'000
Property, plant and equipment	13	18,857
Lease prepayment - non-current portion		4,089
Lease prepayment - current portion		96
Inventories		4,351
Trade and other receivables		2,984
Cash and cash equivalents		630
Trade and other payables		(19,253)
Current taxation	29(a)	(6)
Non-current bank loan		(8,000)
Net identifiable assets and liabilities		3,748
Minority interests		(675)
Goodwill on acquisition		4,027
Consideration paid in current year, satisfied in cash		7,100
Cash acquired		(630)
Net cash outflow		6,470

5 Revenue

Revenue represents the sales value of goods supplied to customers and income from sales of property. The amount of each significant category of revenue recognised in revenue during the year is as follows:

	2005	*2004*
	RMB'000	RMB'000
Sales of containers	26,541,661	24,065,800
Sales of trailers	4,223,652	2,322,996
Sales of airport support equipment	159,818	164,569
Gross proceeds from properties sold	13,391	4,292
	30,938,522	26,557,657

6 Other revenue and net income

	2005	*2004*
	RMB'000	RMB'000
Other revenue		
Dividend income from investments in equity securities	10,367	13,377
Finance lease income	4,663	2,056
Tax refunds from capitalisation of subsidiaries' earnings	5,641	5,086
Tax refund / incentive received	13,427	6,085
Consultancy fee	7,000	-
Compensation income	11,185	2,737
Bank interest income	58,858	14,457
Others	38,052	35,495
	149,193	79,293

	2005	*2004*
	RMB'000	RMB'000
Other net income		
Net loss on sale of property, plant and equipment	(10,516)	(9,274)
Net gain on sale of scrap materials and spare parts	183,562	176,476
Net realised and unrealised gains on trading securities	26,056	18,527
Net repair and maintenance service income of containers and trailers	21,680	15,044
Gain on recognition of negative goodwill	5,917	4,776
Others	9,480	6,247
	236,179	211,796

7 Profit before taxation

Profit before taxation is arrived at after charging / (crediting):

	2005 RMB'000	*2004* RMB'000
(a) Finance costs		
Interest expense on bank loans	126,291	63,626
Other borrowing costs	7,191	8,293
Total borrowing costs	133,482	71,919
Less: borrowing costs capitalised into construction in progress * (note 15)	(6,783)	(6,806)
	126,699	65,113

*: The borrowing costs have been capitalised at a rate of 4.55% per annum (2004: 2.8%).

	2005 RMB'000	*2004* RMB'000
(b) Staff costs#		
Salaries, wages and other benefits	1,547,481	1,858,124
Contributions to defined contribution plans	94,652	70,590
	1,642,133	1,928,714

7 Profit before taxation (continued)

	2005	*2004*
	RMB'000	RMB'000
(c) Other items		
Amortisation#		
-positive goodwill	-	14,607
-negative goodwill	-	(5,452)
-negative goodwill included in share of profits less losses of associates	-	(255)
-land lease prepayment	13,603	10,350
-other intangible assets	2,945	1,733
-timber concession rights	5,839	3,205
Depreciation #	305,229	226,714
Impairment losses		
-property, plant and equipment	-	76,505
-positive goodwill	14,447	-
-timber concession rights	-	90,687
-unlisted equity securities	-	3,694
-prepayment for investments	5,414	6,044
Guarantee losses (see note 30)	-	80,000
Consultancy fees	-	7,545
Increase in provisions	108,136	95,484
Net foreign exchange loss / (gain)	57,664	(491)
Operating lease charges: minimum lease payments – hire of property#	108,898	67,603
Share of associates' taxation	3,150	4,045
Cost of inventories # (see note 24(b))	26,134,847	22,065,900
	===========	===========

\# Cost of inventories include RMB 1,406,680,000 (2004: RMB1,471,119,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 7(b) for each of these types of expenses.

8 Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	2005	*2004 (restated)*
	RMB'000	RMB'000
Current tax – PRC income tax		
Provision for the year	292,429	316,402
Over-provision in respect of the prior years	(45,295)	(17,366)
	247,134	299,036
Current tax – Overseas		
Provision for the year	12,940	6,192
Deferred tax		
Origination and reversal of temporary differences	(35,450)	(32,168)
	224,624	273,060

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 year determined in accordance with relevant income tax rules and regulations.

The income tax rates applicable to the Company's principal subsidiaries in the PRC range from 10% to 33%, and some subsidiaries have been granted a tax holiday for not more than five years.

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

8 Income tax in the consolidated income statement (continued)

(b) Reconciliation of tax expense and accounting profit at applicable tax rates:

	2005	*2004*
		(restated)
	RMB’000	RMB’000
Profit before tax	3,172,223	2,843,164
Notional tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	923,956	588,537
Effect of tax incentive	(299,638)	(258,579)
Tax effect of non-deductible expenses	78,130	155,322
Tax effect of non-taxable income	(482,966)	(206,519)
Tax effect of unused tax losses not recognized	50,437	11,665
Over-provision in prior years	(45,295)	(17,366)
Actual tax expense	224,624	273,060

9 Key management personnel compensation

The key management personnel compensation is as follows:

	2005	*2004*
	RMB’000	RMB’000
Short-term employee benefits	10,592	5,720
Post-employment benefits	146	146
	10,738	5,866

Total compensation is included in “staff costs” (see note7(b)).

10 Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2005	*2004*
	RMB'000	RMB'000
Final dividend proposed after the balance sheet date of cash dividend of RMB0.38 per share (2004: RMB0.50 per share)	766,447	504,241
	========	========

Pursuant to a resolution passed at the directors' meeting on 16 March 2006, a final dividend of RMB0.38 (2004: RMB0.50) per share totalling RMB766,447,000 (2004: RMB504,241,000) was proposed for shareholders' approval at the forthcoming Annual General Meeting.

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

(b) Dividend payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2005	*2004*
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.50 per share (2004: RMB0.38 per share)	504,241	239,515
	========	========

11 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB2,807,466,000 (2004: RMB2,464,992,000) and the weighted average of 2,016,966,706 shares (2004: 2,016,966,706 shares after adjusting for the share premium capitalisation issue in 2005) in issue during the year, calculated as follows:

	2005	*2004*
	’000	’000
Issued shares at 1 January	1,008,483	630,302
Effect of capitalisation issue (note31(a))	1,008,484	1,386,665
Weighted average number of shares at 31 December	2,016,967	2,016,967
	========	========

(b) Diluted earnings per share

There were no diluting potential ordinary shares in existence during the years ended 31 December 2004 and 2005.

12 Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

Containers: the manufacture and sale of marine containers, dry-freight containers, refrigerated containers and special types of containers, and the logging and sale of timber for containers business.

Trailers: the manufacture and sale of trailers.

Airport ground facilities: the manufacture and sale of airport ground facilities.

Other operations: the construction and development of properties for sale.

	Containers		*Trailers*		*Airport ground facilities*		*Other operations*		*Inter-segment elimination*		*Consolidated*	
	2005	*2004 (restated)*	*2005*	*2004 (restated)*	*2005*	*2004 (restated)*	*2005*	*2004 (restated)*	*2005*	*2004*	*2005*	*2004 (restated)*
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	26,541,661	24,065,800	4,223,652	2,322,996	159,818	164,569	13,391	4,292	-	-	30,938,522	26,557,657
Inter-segment revenue	30,378	-	21,095	15,359	-	-	-	-	(51,473)	(15,359)	-	-
Total	26,572,039	24,065,800	4,244,747	2,338,355	159,818	164,569	13,391	4,292	(51,473)	(15,359)	30,938,522	26,557,657
Segment result	3,282,527	3,258,847	152,956	66,501	22,464	34,596	(5,362)	(4,390)	-	-	3,452,585	3,355,554
Unallocated operating income and expenses											(169,948)	(468,766)
Profit from operations											3,282,637	2,886,788
Finance costs											(126,699)	(65,113)
Share of profits less losses of associates	13,828	19,660	2,453	1,966	-	-	4	(137)	-	-	16,285	21,489
Taxation											(224,624)	(273,060)
Profit after taxation											2,947,599	2,570,104

12 Segment reporting (continued)

Business segments (continued)

	Containers		*Trailers*		*Airport ground facilities*		*Other operations*		*Inter-segment elimination*		*Consolidated*	
	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
Depreciation and amortisation for the year	276,168	221,083	48,225	25,724	2,658	3,843	565	507	-	-	327,616	251,157
Impairment losses of												
-property, plant and equipment	-	70,393	-	-	-	6,112	-	-	-	-	-	76,505
-positive goodwill	2,317	-	12,130	-		-	-	-			14,447	-
-timber concession right	-	90,687	-	-	-	-	-	-	-	-	-	90,687
-unlisted equity securities	-	3,694	-	-	-	-	-	-	-	-	-	3,694
-prepayment for investments	-	-	5,414	6,044	-	-	-	-	-	-	5,414	6,044
Segment assets	13,141,525	14,127,518	3,220,115	2,370,008	105,209	161,933	321,485	180,235	(13,164)	-	16,775,170	16,839,694
Interests in associates	105,596	50,361	8,990	8,747	-	-	44,870	35,140	-	-	159,456	94,248
Unallocated assets											85,843	52,373
Total assets											17,020,469	16,986,315
											========	========
Segment liabilities	(4,491,316)	(4,644,759)	(825,311)	(1,172,010)	(80,120)	(66,198)	(33,214)	(12,206)	(13,164)	-	(5,443,125)	(5,895,173)
Unallocated liabilities											(1,066,372)	(2,715,367)
Total liabilities											(6,509,497)	(8,610,540)
											========	========
Capital expenditure incurred during the year	924,190	938,292	387,922	611,516	944	1,359	1,568	48	-	-	1,314,624	1,551,215
											========	========

12 Segment reporting (continued)

Geographical segments

The Group's business is managed on a worldwide basis, but participates in three principal economic environments. USA and Europe are the major markets for the containers business. Asia is a major market for trailer business, and to a lesser extent the property development, and manufacturing and sale of airport ground facilities. In Suriname, the only business is the logging and sale of timber.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	USA		*Europe*		*Asia*		*Other regions*		*Total*	
	2005 RMB'000	*2004* RMB'000	*2005* RMB'000	*2004* RMB'000	*2005* RMB'000	*2004* RMB'000	*2005* RMB'000	*2004* RMB'000	*2005* RMB'000	2004 RMB'000
Revenue from external customers	8,631,328	6,606,070	12,306,749	13,747,940	9,447,359	5,729,132	553,086	474,515	30,938,522	26,557,657
Segment assets	416,378	309,014	60,452	47,236	16,081,561	16,416,967	216,779	66,477	16,775,170	16,839,694
Capital expenditure incurred during the year	20,324	18,459	22,207	-	1,272,093	1,531,844	-	912	1,314,624	1,551,215
	========	========	========	========	========	========	=======	=======	========	=======

13 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:					
At 1 January 2004	1,342,164	1,530,577	147,463	206,876	3,227,080
Additions					
-through acquisitions of subsidiaries	174,810	167,728	20,034	15,407	377,979
-others	88,777	57,476	14,823	23,780	184,856
Transfer from construction in progress (note 15)	373,319	308,898	10,903	16,557	709,677
Disposals	(41,899)	(103,863)	(43,502)	(11,852)	(201,116)
At 31 December 2004	1,937,171	1,960,816	149,721	250,768	4,298,476
Representing:					
Cost	1,826,226	1,838,346	140,741	243,417	4,048,730
Valuation	110,945	122,470	8,980	7,351	249,746
	1,937,171	1,960,816	149,721	250,768	4,298,476
At 1 January 2005	1,937,171	1,960,816	149,721	250,768	4,298,476
Additions					
-through acquisitions of subsidiaries	18,359	71	490	150	19,070
-others	49,206	125,370	20,340	81,789	276,705
Transfer from construction in progress (note 15)	636,691	538,266	15,979	17,370	1,208,306
Disposals	(17,517)	(57,344)	(5,404)	(7,267)	(87,532)
Exchange adjustments	(49,963)	(53,332)	(3,818)	(7,006)	(114,119)
At 31 December 2005	2,573,947	2,513,847	177,308	335,804	5,600,906
Representing:					
Cost	1,819,242	1,637,895	123,739	260,496	3,841,372
Valuation	754,705	875,952	53,569	75,308	1,759,534
	2,573,947	2,513,847	177,308	335,804	5,600,906

13 Property, plant and equipment (continued)

	Land and buildings RMB'000	*Machinery and equipment* RMB'000	*Motor vehicles* RMB'000	*Office furniture and other assets* RMB'000	*Total* RMB'000
Accumulated depreciation and impairment losses:					
At 1 January 2004	203,125	582,240	99,035	93,814	978,214
Through acquisitions of subsidiaries	26,952	52,974	6,245	6,047	92,218
Charge for the year	52,220	125,370	15,730	33,394	226,714
Impairment losses	30,101	45,114	19	1,271	76,505
Reversal of impairment losses on disposals	(21,635)	(15,946)	(707)	(3,127)	(41,415)
Disposals	(3,598)	(80,582)	(41,736)	(11,770)	(137,686)
At 31 December 2004	287,165	709,170	78,586	119,629	1,194,550
At 1 January 2005	287,165	709,170	78,586	119,629	1,194,550
Through acquisitions of subsidiaries	46	14	99	54	213
Charge for the year	67,453	169,569	23,055	45,152	305,229
Reversal of impairment losses on disposals	(2,398)	(3,848)	-	(402)	(6,648)
Disposals	(2,023)	(33,581)	(4,488)	(6,278)	(46,370)
Exchange adjustments	(7,434)	(18,570)	(2,128)	(3,458)	(31,590)
At 31 December 2005	342,809	822,754	95,124	154,697	1,415,384
Net book value:					
At 31 December 2005	2,231,138	1,691,093	82,184	181,107	4,185,522
At 31 December 2004	1,650,006	1,251,646	71,135	131,139	3,103,926

13 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 at least once. Based on a revaluation performed by senior management of the Group as at 31 December 2005 under this program, the carrying value of the revalued property, plant and equipment did not differ materially from their fair value. Fair values were determined having regard to replacement cost or recent market transactions for similar property, plant and equipment in the same location or industry.

Had each class of the revalued property, plant and equipment been carried at cost less accumulated depreciation and impairment losses, the carrying amounts would have been:

	2005	*2004*
	RMB '000	RMB '000
Land and buildings	2,221,012	1,639,317
Machinery and equipment	1,691,093	1,251,646
Motor vehicles	82,184	71,135
Office furniture and other assets	181,107	131,139
	4,175,396	3,093,237
	========	========

(c)At 31 December 2005, land use rights, and land and buildings with a carrying amount of RMB23,408,000 (2004: buildings of RMB 13,451,000) were secured for two bank loans (note 28).

14 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 70 years from the respective dates of grant. The remaining lease periods of these land use rights range from 4 to 67 years.

15 Construction in progress

	2005	*2004*
	RMB'000	RMB'000
At 1 January	446,778	172,435
Additions		
-through acquisitions of subsidiaries	-	21,431
-others	996,642	955,783
Transfer to property, plant and equipment (note 13)	(1,208,306)	(709,677)
Interest capitalised (note 7(a))	6,783	6,806
Exchange adjustments	(5,132)	-
At 31 December	236,765	446,778
	=========	=========

15 Construction in progress (continued)

Construction in progress at 31 December 2005 is analysed as follows:

	2005	*2004*
	RMB'000	RMB'000
Projects		
Machinery and equipment	87,264	153,890
Buildings and factories	149,501	292,888
	236,765	446,778

16 Timber concession rights

	RMB'000
Cost:	
At 1 January 2004 and 31 December 2004	298,548
At 1 January 2005	298,548
Exchange adjustments	(5,799)
At 31 December 2005	292,749
Accumulated amortisation and impairment losses:	
At 1 January 2004	123,419
Amortisation charge for the year	3,205
Impairment loss	90,687
At 31 December 2004	217,311
At 1 January 2005	217,311
Amortisation charge for the year	5,839
Exchange adjustments	(4,306)
At 31 December 2005	218,844
Net book value:	
At 31 December 2005	73,905
At 31 December 2004	81,237

16 Timber concession rights (continued)

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 was made on the carrying value of the related concession rights in the Group's financial statements for the year ended 31 December 2004.

The timber concession right in respect of designated areas of land in Suriname is amortised using the straight line method over 14 years.

17 Intangible assets

	Technological know-how RMB'000	*Patents* RMB'000	*Trademarks* RMB'000	*Total* RMB'000
Cost:				
At 1 January 2004	22,420	-	-	22,420
Additions through acquisitions of subsidiaries	-	3,439	7,727	11,166
At 31 December 2004	22,420	3,439	7,727	33,586
At 1 January 2005	22,420	3,439	7,727	33,586
Addition	-	22,207	-	22,207
Disposals	(15,315)	-	-	(15,315)
Exchange adjustments	(256)	(408)	-	(664)
At 31 December 2005	6,849	25,238	7,727	39,814
Accumulated amortisation:				
At 1 January 2004	17,668	-	-	17,668
Charge for the year	700	240	793	1,733
Additions through acquisitions of subsidiaries	-	1,477	2,838	4,315
At 31 December 2004	18,368	1,717	3,631	23,716
At 1 January 2005	18,368	1,717	3,631	23,716
Charge for the year	1,295	708	942	2,945
Disposals	(15,315)	-	-	(15,315)
Exchange adjustments	(181)	-		(181)
At 31 December 2005	4,167	2,425	4,573	11,165

Net book value:

At 31 December 2005	2,682	22,813	3,154	28,649
	==========	=========	==========	=========
At 31 December 2004	4,052	1,722	4,096	9,870
	==========	=========	==========	=========

The amortisation charge for the year is included in “other operating expenses” in the consolidated income statement.

18 Goodwill

	Goodwill RMB'000	*Negative goodwill* RMB'000	*Total* RMB'000
Cost:			
At 1 January 2004	120,108	(49,566)	70,542
Additions through acquisitions of subsidiaries	93,157	(7,497)	85,660
At 31 December 2004	213,265	(57,063)	156,202
At 1 January 2005 before opening balance adjustment	213,265	(57,063)	156,202
Opening balance adjustment in respect of IFRS 3 (notes 3(a))			
- Derecognition of negative goodwill	-	13,250	13,250
- Elimination of accumulated amortisation	(119,018)	43,813	(75,205)
At 1 January 2005 after opening balance adjustment	94,247	-	94,247
Acquisitions through business combinations	27,904	-	27,904
Exchange adjustments	(5,919)	-	(5,919)
At 31 December 2005	116,232	-	116,232
Accumulated amortisation and impairment losses:			
At 1 January 2004	104,411	(38,361)	66,050
Amortisation for the year	14,607	(5,452)	9,155
At 31 December 2004	119,018	(43,813)	75,205
At 1 January 2005 before opening balance adjustment	119,018	(43,813)	75,205
Opening balance adjustment in respect of IFRS 3 (notes 3(a))			
- Elimination of accumulated amortisation	(119,018)	43,813	(75,205)
At 1 January 2005 after opening balance adjustment	-	-	-
Impairment losses	14,447	-	14,447
Exchange adjustments	(3,283)	-	(3,283)
At 31 December 2005	11,164	-	11,164
Carrying amount:			
At 31 December 2005	105,068	-	105,068
At 31 December 2004	94,247	(13,250)	80,997

18 Goodwill (continued)

In 2004, positive / negative goodwill which arose from business combination for which the agreement date was before 31 March 2004 was amortised on a straight-line basis over five years. The amortisation of goodwill for the year ended 31 December 2004 was included in "other operating expenses" in the consolidated income statement.

As explained further in note 3(a), the Group no longer amortises positive goodwill or negative goodwill which arose from business combination in which the agreement date was on or after 31 March 2004, and those negative goodwill was recognised directly in the Group's consolidated income statement. In accordance with the transitional provisions set out in IFRS 3, the accumulated amortisation of positive goodwill as at 1 January 2005 has been eliminated against the cost of goodwill as at that date. In addition, the carrying value of negative goodwill brought forward from 31 December 2004 has been derecognised as at 1 January 2005, with a corresponding adjustment to the opening balance of retained profits as at that date.

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to the business segment as follows:

	2005 RMB'000	*2004* RMB'000
Containers	74,437	48,043
Trailers	30,631	32,954
	105,068	80,997

Containers / trailers

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use actual operation data of 2005, actual averaged gross margin rate and growth rate over the previous five years, and pre-tax market rate for discounting as the key parameters stated below.

Key parameters used for value-in-use calculations:

	2005 %	*2004* %
- Gross margin	13.50%	13.50%
- Growth rate	12.00%	12.00%
- Discount rate	5.85%	5.85%

18 Goodwill (continued)

The impairment loss recognised during the year relates to the Group's trailer manufacturing activities based in the PRC. As the CGU has been reduced to its recoverable amount, any adverse change in the parameters used in the calculation of recoverable amount would cause the carrying value to be less than the recoverable amount.

19 Interest in associates

	2005	*2004*
	RMB'000	RMB'000
Unlisted associates		
Share of net assets	119,518	80,748
Goodwill	8,438	-
Loans to an associate	31,500	13,500
	159,456	94,248
	========	========

Loans to an associate are unsecured, interest-free and expected to be recovered in one year.

The following list contains only the particulars of associates, all of which are unlisted corporate entities, which principally affected the results or assets of the Group:

Name of associate	*Place of establishment/ incorporation /operation*	*Proportion of ownership interest held by subsidiary*	*Principal activity*
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

19 Interest in associates (continued)

Name of associate	*Place of establishment/ incorporation /operation*	*Proportion of ownership interest held by subsidiary*	*Principal activity*
Donghua Container Transportation Service Co., Ltd.	PRC	30%	Container handling, storage and related services
Dalian Jilong Logistics Co., Ltd.	PRC	30%	Container handling, storage and related services
Xiamen CIMC Hai Tou Logistics Co., Ltd.	PRC	45%	Container handling, storage and related services

Summary financial information on associates

	Assets RMB'000	Liabilities RMB'000	Equity RMB'000	Revenues RMB'000	Profit RMB'000
2005					
100 per cent	756,040	(397,506)	358,534	1,206,378	50,791
Group's effective interest	256,387	(136,869)	119,518	393,254	16,285
	========	========	========	========	========
2004					
100 per cent	590,065	(378,196)	211,869	1,006,617	66,665
Group's effective interest	209,615	(128,867)	80,748	331,665	21,489
	========	========	========	========	========

20 Finance lease receivable

The Group has the following interests in finance lease:

	2005 RMB'000	*2004* RMB'000
Gross investment	92,771	108,477
Unearned finance income	(17,574)	(22,237)
Net investment	75,197	86,240
Current portion (note 25)	(7,185)	(7,643)
	68,012	78,597
Unguaranteed residual values	(6)	(1,451)
	68,006	77,146
	========	========

20 Finance lease receivable (continued)

The finance lease receivable is as follows:

	Minimum lease payments at 31 December 2005 RMB'000	Interest at 31 December 2005 RMB'000	Principal at 31 December 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	10,807	3,622	7,185	11,849	4,206	7,643
Between one and five years	43,230	10,590	32,640	39,735	11,511	28,224
More than five years	38,728	3,362	35,366	55,442	6,520	48,922
	92,765	17,574	75,191	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.

21 Prepayment for investments

Prepayment for investments represented proceeds prepaid by the Group for certain investments which have not been completed as at 31 December 2005.

22 Other non-current financial assets

	2005 RMB'000	*2004* RMB'000
Available-for-sale equity securities, at cost less impairment losses		
Unlisted equity securities	270,469	271,907
Car / housing loans to staff / senior management, at amortised cost	21,067	15,357
	291,536	287,264

The car / housing loans are unsecured, interest free and to be settled within 5 years after the year end date of 2005.

23 Trading securities

	2005 RMB'000	*2004* RMB'000
Trading securities (at market value)		
Listed equity securities		
- in PRC	149,792	136,897
- in Hong Kong	269,609	3,184
	419,401	140,081

24 Inventories

(a) Inventories in the consolidated balance sheet comprise:

	2005 RMB'000	*2004* RMB'000
Container, trailer, airport support equipment manufacturing and timber logging and trading		
Raw materials	1,941,608	2,645,623
Work in progress	399,435	375,463
Finished goods	819,246	1,337,914
Spare parts and consumables	48,609	79,417
	3,208,898	4,438,417
Property development		
Property under development for sale	183,764	92,934
Completed property held for sale	42,519	55,693
	226,283	148,627
	3,435,181	4,587,044

The carrying value of PRC land use right held for property development for sale already included in the carrying value of inventories, of which the relevant lease period is 70 years, amounted to RMB114 million (2004: RMB84 million).

(b) The analysis of the amount of inventories recognised as an expense is as follows:

	2005 RMB'000	*2004* RMB'000
Carrying amount of inventories sold	25,880,505	22,061,368
Write down of inventories	260,895	5,776
Reversal of write-down of inventories	(6,553)	(1,244)
	26,134,847	22,065,900

24 Inventories (continued)

(b) The analysis of the amount of inventories recognised as an expense is as follows: (continued)

The reversal of write-down of inventories made in prior years arose due to subsequent sale of inventories.

The amount of properties under development expected to be recovered after more than one year is RMB129 million (2004: RMB93 million). All of the other inventories are expected to be recovered within one year.

25 Trade and other receivables

	2005 RMB'000	*2004* RMB'000
Trade receivables	3,446,478	4,924,532
Finance lease receivable – current portion (note 20)	7,185	7,643
Deposits, prepayments and other receivables	956,031	1,106,073
	4,409,694	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 expired on 10 May 2004.

All of the trade and other receivables, apart from rental and utility deposits of RMB12 million (2004: RMB8 million), are expected to be recovered within one year.

The Group's credit policy is set out in note 33(a).

Included in trade and other receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

		2005 *'000*		*2004* *'000*
Renminbi	RMB	473,348	RMB	646,979
United States Dollars	USD	42,209	USD	18,844
Hong Kong Dollars	HKD	16,018	HKD	17,145
Japanese Yen	JPY	583,517	JPY	531,241
Euros	EUR	348	EUR	13

26 Cash and cash equivalents

	2005 RMB'000	*2004* RMB'000
Deposits with banks and other financial institutions	58,952	76,935
Cash at bank and in hand	2,769,271	1,406,230
Cash and cash equivalents in the consolidated balance sheet and consolidated cash flow statement	2,828,223	1,483,165

Included in cash and cash equivalents in the consolidated balance sheet are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

		2005 '000		*2004* '000
Renminbi	RMB	907,149	RMB	507,907
United States Dollars	USD	24,802	USD	12,468
Hong Kong Dollars	HKD	2,252	HKD	1,032
Japanese Yen	JPY	1,333,979	JPY	317,483
Australian Dollars	AUD	1,571	AUD	1,534
Euros	EUR	20,364	EUR	174

27 Trade and other payables

	2005 RMB'000	*2004* RMB'000
Trade payables	2,395,121	2,733,821
Other payables and accruals	871,901	792,195
Staff salary and bonus payable	1,025,050	832,297
Deposits received	190,589	132,750
Bills payable	408,378	851,960
	4,891,039	5,343,023

All of the other trade and other payables are expected to be settled within one year.

Included in trade and other payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

		2005 '000		*2004* '000
Renminbi	RMB	1,295,310	RMB	1,451,885
United States Dollars	USD	29,435	USD	3,952
Hong Kong Dollars	HKD	2,497	HKD	10,354
Japanese Yen	JPY	8,546	JPY	120,756
Euros	EUR	171	EUR	619

28 Bank loans

At 31 December 2005, the bank loans were repayable as follows:

	2005	*2004*
	RMB'000	RMB'000
Within 1 year or on demand	501,520	1,692,529
After 1 year but within 2 years	419,650	13,000
After 2 year but within 5 years	16,000	809,728
	435,650	822,728
	937,170	2,515,257

At 31 December 2005, the bank loans of RMB116,948,000 (2004: RMB20,000,000) were secured by mortgage over the Group's land use rights and buildings with a carrying value of RMB23,408,000 (2004: buildings of RMB13,451,000).

Included in bank loans are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

		2005		*2004*
		'000		'000
Renminbi	RMB	8,500	RMB	277,000
United States dollars	USD	11,075	USD	24,125
Euros		-	EUR	500

Interest rates are within the range of 2.57% to 6.12% per annum (2004: 1.05% to 6.37% per annum).

Part of the Group's bank loans totalling USD83,500,000 (equivalent to RMB673,861,000) are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the bank loans would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 33(b). As at 31 December 2005 none of the covenants relating to bank loans had been breached (2004: RMB nil).

29 Income tax in the consolidated balance sheet

(a) Current taxation in the consolidated balance sheet represents:

	2005 RMB'000	*2004* RMB'000
Provision for income tax for the year	305,369	322,594
Over-provision in respect of the prior years	(45,295)	(17,366)
Additions through acquisitions of subsidiaries (note 4)	6	27,994
Provisional income tax paid	(129,913)	(133,112)
Exchange adjustments	(965)	-
	129,202	200,110

29 Income tax in the consolidated balance sheet (continued)

(b) Deferred tax assets recognised:

The components of deferred tax assets recognised in the consolidated balance sheet and the movements during the year are as follows:

Deferred tax arising from:	*Revaluation and impairment losses for property, plant and equipment*	*Write down of inventories*	*Impairment losses for bad and doubtful debts*	*Allowance for salary and bonus*	*Tax losses*	*Others*	*Total*
	RMB'000	RMB'000	RMB'000	RMB'000	RMB,000	RMB'000	RMB'000
At 1 January 2004	-	-	-	-	20,205	-	20,205
Credited to profit or loss	9,228	2,320	14,119	95	1,330	5,076	32,168
At 31 December 2004	9,228	2,320	14,119	95	21,535	5,076	52,373
	========	========	========	=======	========	========	=========
At 1 January 2005	9,228	2,320	14,119	95	21,535	5,076	52,373
Credited / (charged) to profit or loss	(1,888)	25,582	(6,869)	15,044	642	2,939	35,450
Exchange adjustment	(199)	(530)	(231)	(280)	(557)	(183)	(1,980)
At 31 December 2005	7,141	27,372	7,019	14,859	21,620	7,832	85,843
	========	========	========	=======	========	========	=========

29 Income tax in the consolidated balance sheet (continued)

(c) Deferred tax assets not recognised

	2005 RMB'000	*2004* RMB'000
Tax losses	103,987	71,965
Deductible temporary differences		
- Impairment losses of timber concession rights	70,076	70,076
- Unrealised losses on trading securities	-	4,402
- Impairment losses of prepayment for investments	1,754	957
- Allowance for salary and bonus	49,530	37,097
	225,347	184,497

The above-mentioned deferred tax assets relating to 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.

The tax losses in respect of the Company's PRC subsidiaries expire in 2008, 2009 and 2010. The tax losses in respect of certain overseas subsidiaries expire in 2024 and 2025. The deductible temporary differences do not expire under current tax legislation.

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 additional provisions made	108,136	-	108,136
Provisions utilised	(14,869)	(80,000)	(94,869)
Exchange adjustments	(13,331)	-	(13,331)
At 31 December 2005	552,086	-	552,086

(a) The provision for warranties mainly relates to containers sold within the three years prior to the balance sheet date. The management consider that 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"), of which RMB80 million was provided as guarantee loss in the Group's financial statements for the year ended 31 December 2004. The provision was settled by CVG in 2005.

31 Share capital

(a) Authorised, issued and paid up capital

	2005	*2004*
	RMB'000	RMB'000
Authorised, 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	605,867	302,933
1,083,697,356 "B" shares (2004: 341,769,121 shares) of RMB 1 each	1,083,697	341,769
	2,016,967	1,008,483

Movement in authorised, issued and paid up capital is as follows:

	2005	*2004*
	RMB'000	RMB'000
Authorised, issued and paid up capital		
At 1 January	1,008,483	630,302
Capitalisation issue	1,008,484	378,181
At 31 December	2,016,967	1,008,483

The holders of all the shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

(b) Capitalisation issue

Pursuant to a resolution passed at the directors' meeting on 16 March 2004 and approved at the Annual General Meeting on 21 April 2004, the Company increased its share capital from RMB630.3 million to RMB1,008.5 million through capitalisation of share premium amounting to RMB378.2 million.

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 RMB1,008.5 million to RMB2,017.0 million through capitalisation of share premium amounting to RMB1,008.5 million.

Pursuant to a resolution passed at the directors' meeting on 16 March 2006, an increase in the Company's share capital from RMB2,017.0 million to RMB2,218.7 million through capitalisation of share premium amounting to RMB201.7 million was proposed for shareholders' approval at the forthcoming Annual General Meeting.

32 Reserves

(a) Share premium

The application of the share premium account is governed by Article 169 of the PRC Company Law.

(b) Surplus reserve

Surplus reserve comprises a statutory surplus reserve of RMB940,042,000 (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 profits is subject to the approval of shareholders at general meetings. Its usage is similar to that of statutory surplus reserve.

(c) Statutory public welfare fund

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.

(d) Distributability of reserves

According to the Company's articles of association, the amount of retained profits available for distribution to shareholders of the Company is the lower of the amount determined in accordance with the PRC accounting rules and regulations and the amount determined in accordance with IFRSs.

At 31 December 2005, the Company reported an accumulated deficit of RMB342,494,000, which was determined in accordance with IFRSs.

After the balance sheet date the directors proposed a final dividend of RMB0.38 per share (2004: RMB0.50 per share), totalling RMB766,447,000 (2004: RMB504,241,000) to be distributed from the discretionary surplus reserve. This dividend has not been recognised as a liability at the balance sheet date.

33 Financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. The credit evaluations are reperformed periodically for the existing customers. The Group chases the customers to settle outstanding balances and monitors the settlement progress on an ongoing basis. Normally, the Group does not obtain collateral from customers. The impairment losses on bad and doubtful accounts are within management's expectation.

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer terms.

(c) Interest rate risk

The Group borrowed bank loans denominated in US dollars at interest rates of USD LIBOR plus certain range of percentages.

To manage this interest rate risk, the Group uses interest rate swaps. The swaps mature every three months over the next 2 years and have fixed swap rates from 2.95% to 4.98% per annum. At 31 December 2005, the Group has interest rate swaps with a notional contract amount of USD188,400,000 (2004: USD328,400,000).

The Group classifies interest rate swaps as trading derivative financial instruments and states them at fair value in accordance with the policy set out in note 2(g).

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

(d) Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales, purchases and borrowings that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Renminbi, United States dollars, Hong Kong dollars, Euros and Japanese Yen.

The Group uses forward exchange contracts to manage its foreign currency risk. At 31 December 2005, there were no forward exchange contracts outstanding in the Group.

33 Financial instruments (continued)

(d) Foreign currency risk (continued)

In respect of other trade receivables and payables held in currencies other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

Most of the Group's borrowings are denominated in the functional currency of the entity taking out the loan.

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2005 and 2004.

(f) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments as mentioned in 33(e) above.

(i) Securities

Fair value is based on quoted market price at the balance sheet date without any deduction for transaction costs.

(ii) Derivatives

The fair value of interest rate swaps is based on broker quotes. Those quotes are back tested using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument having a similar maturity at the balance sheet date. Where other pricing models are used, inputs are based on market related data at the balance sheet date.

(iii) Bank loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(iv) Interest rates used for determining fair value

The Group uses the market rate of similar interest-bearing bank loans announced by the People's Bank of China and USD LIBOR-BBA as of 31 December 2005 to discount financial instruments. The interest rates used are as follows:

	2005	2004
Derivatives	4.98%	2.94%
Receivables		

Loans and borrowings	0.72% - 4.54%	0.72% - 4.23%
	3.56% - 5.76%	3.39% - 5.58%

34 Commitments

(a) Capital commitments outstanding not provided for in the consolidated financial statements were as follows:

At 31 December 2005, the Group had contractual commitments for the acquisitions of property, plant and equipment amounting to RMB223,626,000 (2004: RMB405,992,000).

(b) At 31 December 2005, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2005 RMB'000	*2004* RMB'000
Within l year	34,308	63,262
After 1 year but within 5 years	94,856	27,127
After 5 years	53,641	64,145
	182,805	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.

35 Contingent liabilities

(a) At 31 December 2005, the Group had bills issued to suppliers totalling RMB 513 million with maturity dates ranging from 6 days to 87 days in respect of purchase orders placed but the goods yet to be delivered (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 31 December 2005, the Group had not issued any guarantees (2004: RMB20 million) (note 30(b)).

36 Material related party transactions

(a)The Group has undertaken transactions with the following related parties for the year ended 31 December 2005:

	Relationship With the Company	*2005* RMB'000	*2004* RMB'000
Sale of containers to Florens Container Services Company Limited ("Florens")	Subsidiary of shareholder	821,377	240,281
Sale of trailers to COSCO North America, Inc. ("COSCO North America")	Subsidiary of shareholder	263,558	28,272
Purchase of raw materials from Hempel-Hai Hong Coatings Company Limited ("Hempel")	Subsidiary of shareholder	583,463	525,528
Payment of consultancy fee to COSCO Pacific Management Company Limited ("COSCO")	Subsidiary of shareholder	-	2,567
Purchase of raw materials from YMTC	Associate	3,573	4,864
Purchase of steel products from KYH	Associate	150,463	151,470
Loan to JMSR	Associate	18,000	-
		=========	=========

The directors are of the opinion that these transactions were concluded based on normal commercial terms in the ordinary course of business of the Group and were entered into in accordance with the relevant agreements.

(b) Details of the balances with other related parties were as follows:

	2005 RMB'000	*2004* RMB'000
Amount due from Florens	118,089	5,227
Amount due from COSCO North America	38,291	1,569
Amount due to Hempel	264,622	281,562
Amount due to COSCO	-	2,567
Amount due to KYH	476	732
Amount due to YMTC	180	899
Loans to JMSR	31,500	13,500
	=========	=========

36 Material related parties transactions (continued)

(c) *During the year ended 31 December 2005, the Group has not granted any new loans (2004: RMB105,000) to senior management. The movement of car loan during the year was as follows:*

	Balance at 1 January 2005	*Addition during the year*	*Repayment during the year*	*Balance at 31 December 2005*
	RMB'000	RMB'000	RMB'000	RMB'000
Senior management	245	-	(245)	-
	=======	=======	=======	=======

The above loan was unsecured and interest-free.

(d) Details of key management personnel compensation is disclosed in note 9.

(e) As stipulated by the regulation of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at rates ranging from 10% to 30% of the salaries of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above. The Group's contributions for the year ended 31 December 2005 were RMB94,652,000 (2004: RMB70,590,000).

37 Subsidiaries

Details of the Company's principal subsidiaries at 31 December 2005, all of which are unlisted, are as follows:

Name of the company	*Place of establishment/ incorporation and operation*	*Particulars of issued and paid up capital*	*Proportion of ownership interest*			*Principal activity*
			Group's effective interest	*Held by the Company*	*Held by subsidiaries*	
CIMC (Shanghai) Development Limited	PRC	RMB 150,000,000	100%	98%	2%	Investment holding
Shenzhen Southern Zhongji Containers Manufacture Co., Ltd.	PRC	US$ 16,600,000	100%	75%	25%	Manufacture of containers
Shenzhen CIMC Real Estate Co., Ltd.	PRC	RMB50,000,000	100%	98%	2%	Property development
China International Marine Containers (Hong Kong) Limited.	Hong Kong	HK$2,000,000	100%	100%	-	Trading of containers and investment holding
CIMC Tank Equipment Investment Holdings Co., Ltd. (Formerly National King Development Ltd.)	Hong Kong	HK$4,680,000	100%	-	100%	Investment holding
CIMC Holdings (B.V.I.) Limited.	The British Virgin Islands	US$34,001	100%	-	100%	Investment holding
Tacoba Consultant N.V.	Republic of Suriname	SF3,000,000	100%	-	100%	Timber logging and trading
Xinhui CIMC Container Flooring Co., Ltd.	PRC	US$15,500,000	82.94%	-	82.94%	Further processing of timber
Qingdao CIMC Container Manufacture Co., Ltd.	PRC	US$27,840,000	100%	32.83%	67.17%	Manufacture of containers
Qingdao CIMC Reefer Container Manufacture Co., Ltd.	PRC	US$39,060,000	89.30%	21.07%	68.23%	Manufacture of containers
Shanghai CIMC Reefer Containers Co., Ltd.	PRC	US$31,000,000	72%	52%	20%	Manufacture of containers
Tianjin CIMC North Ocean Container Co., Ltd.	PRC	US$16,682,000	77.50%	47.50%	30.00%	Manufacture of containers
Nantong CIMC – Smooth Sail Container Co., Ltd.	PRC	US$7,700,000	62%	-	62%	Manufacture of containers
Nantong CIMC Special Transportation Equipment Manufacture Co., Ltd.	PRC	US$10,000,000	62%	-	62%	Manufacture of containers

37 Subsidiaries (continued)

			Proportion of ownership interest			
Name of the company	*Place of establishment/ incorporation and operation*	*Particulars of issued and paid up capital*	*Group's effective interest*	*Held by the Company*	*Held by subsidiaries*	*Principal activity*
CIMC Vehicle Group Co., Ltd.	PRC	US$60,000,000	100%	70%	30%	Investment holding
Shenzhen CIMC – Tianda Airport Support Ltd.	PRC	US$13,500,000	100%	24%	76%	Manufacture of airport ground facilities
Shanghai CIMC Far East Container Co., Ltd.	PRC	US$9,480,000	52.5%	47.5%	5%	Manufacture of containers
Shanghai Yulan Property Development Co., Ltd.	PRC	RMB5,000,000	100%	-	100%	Property Development
Shanghai Fengyang Property Development Co., Ltd.	PRC	RMB30,000,000	100%	-	100%	Property Development
Xinhui CIMC Container Co., Ltd. (note)	PRC	US$24,000,000	40%	-	40%	Manufacture of containers
Shenzhen CIMC Wood Co., Ltd.	PRC	RMB5,000,000	97.95%	-	97.95%	Trading of timber
CIMC USA Inc.	The U.S.A.	US$10	100%	100%	-	Investment holding
Manson Technology Limited	Hong Kong	HK$10,000	100%	-	100%	Investment holding
Xinhui CIMC Special Transportation Equipment Manufacture Co., Ltd.	PRC	US$ 9,000,000	100%	75%	25%	Manufacture of containers
Shanghai CIMC Baowell Industries Co., Ltd. (note)	PRC	US$28,500,000	47.37%	35.37%	12%	Manufacture of containers
Nantong CIMC Tank Equipment Co., Ltd.	PRC	US$10,000,000	62%	-	62%	Manufacture of containers
Vanguard National Trailer Corporation	The U.S.A.	US$10	100%	-	100%	Manufacture of trailers
Zhangzhou CIMC Container Co., Ltd.	PRC	US$12,000,000	100%	75%	25%	Manufacture of containers
Dalian CIMC Container Co., Ltd.	PRC	US$17,400,000	100%	33.33%	66.67%	Manufacture of containers
Ningbo CIMC Logistic Equipment Co., Ltd.	PRC	US$15,000,000	100%	25%	75%	Manufacture of containers

37 Subsidiaries (continued)

			Proportion of ownership interest			
Name of the company	*Place of establishment/ incorporation and operation*	*Particulars of issued and paid up capital*	*Group's effective interest*	*Held by the Company*	*Held by subsidiaries*	*Principal activity*
CIMC Vehicle (Shandong) Co., Ltd. (Formerly Jinan CIMC - KOGEL Special Automobile Co., Ltd.)	PRC	USD 18,930,100	87.01%	-	87.01%	Manufacture of trailers
Yangzhou Xing Hua Machinery Co., Ltd.	PRC	RMB9,910,000	75.53%	-	75.53%	Manufacture of trailers
Shenzhen CIMC Vehicle Sales Company Ltd.	PRC	RMB3,000,000	100%	1%	99%	Sales of trailers
CIMC Vehicle Investment Holdings Co., Ltd.	The British Virgin Islands	US$1	100%	-	100%	Investment holding
Qingdao CIMC Special Reefer Co., Ltd.	PRC	US$11,500,000	100%	17.30%	82.7%	Manufacture of containers
Taicang CIMC Containers Co., Ltd.	PRC	US$20,000,000	100%	50%	50%	Manufacture of containers
Qingdao CIMC Special Vehicles Co., Ltd.	PRC	RMB35,000,000	100%	-	100%	Manufacture of trailers
Zhangjiagang CIMC Shendayin Machinery Co., Ltd.	PRC	RMB144,862,042	97.05%	-	97.05%	Design, manufacture and sales of tanks and related equipment
Shenzhen CIMC Special Vehicle Co., Ltd.	PRC	RMB60,000,000	100%	-	100%	Manufacture of trailers
Guangdong Xinhui CIMC Composite Material Co., Ltd.	PRC	US$6,000,000	100%	-	100%	Further processing of timber
Zhumadian CIMC Huajun Vehicle Co., Ltd.	PRC	RMB105,340,000	51%	-	51%	Manufacture and sales of trailers
Shanghai Meiyang Real Estate Co., Ltd.	PRC	RMB9,000,000	100%	-	100%	Property development
Dalian CIMC Logistics Equipment Co., Ltd.	PRC	US$4,000,000	100%	50%	50%	Manufacture of containers
Innermongolia Holonbuir CIMC Wood Co., Ltd.	PRC	US$12,000,000	100%	-	100%	Further processing of timber
CIMC Australia Pty Ltd.	Australia	AUD50,000	70%	-	70%	Trading of container and related products

37 Subsidiaries (continued)

Name of the company	*Place of establishment/ incorporation and operation*	*Particulars of issued and paid up capital*	*Proportion of ownership interest* — *Group's effective interest*	*Held by the Company*	*Held by subsidiaries*	*Principal activity*
Yangzhou CIMC Tong Hua Special Vehicles Co., Ltd.	PRC	RMB67,390,000	75.53%	-	75.53%	Manufacture of trailers
Shenzhen Southern CIMC Eastern Logistics Equipment Manufacturing Co., Ltd.	PRC	US$16,600,000	100%	75%	25%	Manufacture of containers
Tianjin CIMC Logistics Equipment Co., Ltd.	PRC	US$5,000,000	100%	50%	50%	Manufacture of containers
Tianjin CIMC Container Co., Ltd.	PRC	US$6,170,680	100%	50%	50%	Manufacture of containers
Shanghai CIMC Yangshan Logistics Equipment Co., Ltd.	PRC	US$3,000,000	100%	60%	40%	Manufacture of containers
Yangzhou Runyang Logistic Equipment Co., Ltd.	PRC	US$5,000,000	100%	-	100%	Manufacture of containers
Yangzhou Xincheng Tonghua Trailers Spare-parts Co., Ltd.	PRC	RMB500,000	88.2%	-	88.2%	Sales of trailer spare parts
Yangzhou CIMC Tonghua Tank Equipment Co., Ltd.	PRC	US$10,000,000	100%	-	100%	Manufacture and sales of trailers
Shanghai CIMC Vehicle Logistics Equipments Co., Ltd.	PRC	RMB80,000,000	98%	-	98%	Manufacture of mechanical products and provision for logistics and related services
Qingdao Hengfeng Logistics Co., Ltd.	PRC	RMB20,000,000	80%	-	80%	Provision of container storage and related services
Shanghai CIMC Yangshan Conainer Service Co., Ltd.	PRC	US$750,000	100%	-	100%	Provision for logistics, repair and maintenance, and related services

37 Subsidiaries (continued)

Name of the company	*Place of establishment/ incorporation and operation*	*Particulars of issued and paid up capital*	*Proportion of ownership interest* *Group's effective interest*	*Held by the Company*	*Held by subsidiaries*	*Principal activity*
Shanghai CIMC Logistics and services Co., Ltd.	PRC	RMB500,000	88.2%	-	88.2%	Storage and transportation
Shenzhen Southern CIMC Containers Service Co., Ltd.	PRC	US$5,000,000	100%	-	100%	Provision for logistics, maintenance and repair, and related services
Clive-Smith Cowley Ltd.	England	GBP100	60%	-	60%	Manufacture and sales of container components
Shenzhen CIMC Yantian Port Container Service Co., Ltd.	PRC	RMB12,000,000	55%	-	55%	Provision for logistics, maintenance and repair, and related services
Ningbo CIMC Logistics Co., Ltd.	PRC	RMB15,728,350	100%	-	100%	Provision for logistics, maintenance and repair, and related services
Creation Charter Limited	Hong Kong	HK$2	100%	-	100%	Investment holding
Qingdao CIMC Yulong Logistics Co., Ltd.	PRC	RMB28,780,000	100%	-	100%	Provision for logistics, maintenance and repair, and related services
Polyearn Development Corp.	The British Virgin Islands	US$1	100%	-	100%	Investment holding
Speedic Enterprise Corp.	The British Virgin Islands	US$1	100%	-	100%	Investment holding
Goldbird Holding Inc.	The British Virgin Islands	US$1	100%	-	100%	Investment holding

Note: The financial statements of Xinhui CIMC Container Co., Ltd. and Shanghai CIMC Baowell Industries Co., Ltd. are consolidated in the consolidated financial statements (see note 40(b)).

38 Non-adjusting post balance sheet events

(i)After the balance sheet date the directors proposed a final dividend and a capitalisation of share premium. Further details are disclosed in notes 10 and 31.

(ii)On 15 January 2006, the Group has signed a preliminary agreement with all the beneficial shareholders of Burg Industries B.V. to set up a new company, in which the Group will hold 75% of equity shareholding by injecting capital of Euro 37,5000,000 (equivalent to RMB359,238,000). The new company will acquire 100% equity shareholding of Burg Industries B.V., which was incorporated in the Netherlands, at a consideration of Euro110,000,000 (equivalent to RMB1,053,767,000). The principal activities of Burg Industries B.V. are manufacturing and selling of road transportation equipment, tank containers and special static tanks.

(iii)The Company's A shares were suspended from 13 March 2006 pending the announcement of its share reform plan on its non-circulating legal person shares.

39 Comparative figures

Comparative figures have been adjusted or reclassified as a result of the changes in accounting policies. Further details are disclosed in note 3.

Certain comparative figures have also been reclassified to conform with current year's presentation.

40 Accounting estimates and judgments

(a) Key sources of estimation uncertainty

Notes 18 and 33 contain information about the assumptions relating to goodwill impairment and financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Warranty provisions

As explained in note 30, the Group makes provisions under the warranties it gives on sale of its containers and trailers taking into account the Group's past claim experience. As the Group is continually enhancing its product quality and launching new models it is possible that the past claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

(ii) Write-down of inventories

In considering the write-down that may be required for inventories, net realisable value of the inventories needs to be determined. It is difficult to precisely estimate the net realisable value because market prices for these inventories may not be readily available or may fluctuate at different points in time. The Group uses all readily available information in determining the net realisable value, including estimates of selling price in the ordinary course of business, costs of completion and costs necessary to make the sale.

40 Accounting estimates and judgments (continued)

(a) Key sources of estimation uncertainty (continued)

(iii) Impairment losses for bad and doubtful debts

In considering the impairment losses that may be required for current receivables, future cashflows need to be determined. One of the key assumptions that has to be applied is about the ability of the debtors to settle the receivables. Despite that the Group has used all available information to make this estimation, inherent uncertainty exists and actual write-offs may be higher than the amount estimated.

(b) Critical accounting judgements in applying the Group's accounting policies

Consolidation of Xinhui CIMC Container Co., Ltd. and Shanghai CIMC Baowell Industries Co., Ltd.

Although the Group does not hold more than 50% voting rights in Xinhui CIMC Container Co., Ltd. and Shanghai CIMC Baowell Industries Co., Ltd., the financial statements of these two companies have been consolidated in the Group's consolidated financial statements. This is because the Group has the power to govern these two 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.

41 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ended 31 December 2005

Up to the date of issue of these financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ended 31 December 2005 and which have not been adopted in these financial statements:

	Effective for accounting periods beginning on or after
IFRS 6, Exploration for and evaluation of mineral resources	1 January 2006
IFRIC 4, Determining whether an arrangement contains a lease	1 January 2006
IFRIC 5, Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds	1 January 2006
IFRIC 6, Liabilities arising from participating in a specific market – Waste electrical and electronic equipment	1 December 2005
IFRIC 7, Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies	1 March 2006
IFRIC 8, Scope of IFRS 2	1 May 2006
Amendments to IAS 19, Employee benefits – Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2006
Amendments to IAS 39, Financial instruments: Recognition and measurement:	
- Cash flow hedge accounting of forecast intragroup transactions	1 January 2006
- The fair value option	1 January 2006
- Financial guarantee contracts	1 January 2006
IFRS 7, Financial instruments: disclosures	1 January 2007
Amendment to IAS 1, Presentation of financial statements: capital disclosures	1 January 2007

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of IFRS 6, IFRIC 5, IFRIC 6, IFRIC 7 and IFRIC 8 and the amendments to IAS 19 and IAS 39 are not applicable to any of the Group's operations and the adoption of the rest of them is unlikely to have a significant impact on the Group's results of operations and financial position.

Reconciliation of the Group's profit and total equity attributable to equity shareholders of the Company prepared under International Financial Reporting Standards ("IFRSs") and the PRC Accounting Rules and Regulations

	Profit attributable to equity shareholders of the Company for the year ended 31 December 2005 RMB'000	*Total equity attributable to equity shareholders of the Company at 31 December 2005* RMB'000
Prepared under the PRC Accounting Rules and regulations	2,669,141	9,455,913
Adjustments to align with IFRSs:		
(i) Adjustment to minority interests	(1,494)	8,059
(ii) Adjustment to deferred tax assets	35,450	85,843
(iii) Adjustment to goodwill and negative goodwill	7,703	(22,185)
(iv) Adjustment to interest capitalisation	5,706	24,796
(v) Adjustment to trading securities	39,595	39,595
(vi) Others	51,365	21,766
Prepared under IFRSs	2,807,466	9,613,787

XI. Documents for Reference

(I) Original copy of the Annual Report carrying the signature of the Chairman.

(II) Financial Statements carrying the signatures and seals of the legal representative, accounting superior (shall be the Chief Accountant if available), and chief of accounting department (accounting manager).

(III) Original copy of the Auditors' Report carrying the stamps and signatures of the CPAs.

(IV) All of the originals of the Company's documents and public notices publicized by the presses designated by China Securities Regulatory Commission in the report period;

(V) The Articles of Association