ABCD

China International Marine Containers (Group) Ltd.

中國國際海運集裝箱(集團)股份有限公司

31 December 2005

ABCD

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

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

We have audited the consolidated balance sheet of China International Marine Containers (Group) Ltd. (the "Company") and its subsidiaries (the "Group") as of 31 December 2005 and the related consolidated statements of income, changes in equity and cash flows for the year then ended, set out on pages 2 to 72. 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 10 to 72 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 10 to 72 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 10 to 72 form part of these consolidated financial statements.

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

(Expressed in Renminbi)

	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
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The notes on pages 10 to 72 form part of these consolidated financial statements.

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

(Expressed in Renminbi)

	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 10 to 72 form part of these consolidated financial statements.

Consolidated cash flow statement for the year ended 31 December 2005

(Expressed in Renminbi)

	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 10 to 72 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 pages 10 to 72 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 10 to 72 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	*2004*
	RMB'000	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	*2004*
	RMB'000	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)

(c) Other items

	2005 RMB'000	*2004* RMB'000
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 RMB'000	*2004* 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 RMB'000	*2004* 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 RMB'000	*2004* 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	*2004*
	RMB'000	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 RMB'000	*2004* 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 RMB'000	*2004* 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 '000		*2004* '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	*2004*
	RMB'000	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	*2004*
	RMB'000	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	*Guarantee loss*	*Total*
	RMB'000	RMB'000	RMB'000
	(a)	(b)	
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 RMB'000	*2004* 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 RMB'000	*2004* 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	0.72% - 4.54%	0.72% - 4.23%
Loans and borrowings	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	*2004*
	RMB'000	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:

			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 (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*			*Principal activity*
			Group's effective interest	*Held by the Company*	*Held by subsidiaries*	
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*			*Principal activity*
			Group's effective interest	*Held by the Company*	*Held by subsidiaries*	
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	*Total equity attributable to equity shareholders of the Company at 31 December 2005*
	RMB'000	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