China International Marine Containers (Group) Co., Ltd.

Third Quarterly Report for 2003

§1. Important Notice

1.1 The Board of Directors of China International Marine Containers (Group) Co., Ltd. (hereinafter referred to as the Company) and its Directors ensure that there is no any falsehood, misleading statement or material omission carried in the report and shall individually and jointly take on the responsibility for the truthfulness, accuracy and completeness of its contents.

1.2 Independent Director Mr. **Xiao Zhuoji** is absent from the Board meeting due the reason of work and has not exercised the rights of voting.

1.3 The quarterly financial report of the Company has not been audited.

1.4 Chairman of the Board, Mr. **Li Jianhong**, President of the Company, Mr. **Mai Boliang** and General Manager of Financial Management Dept., Mr. **Jin Jianlong** announce: ensure the correctness and completeness of financial report in this report.

§2. Company Profile

2.1 Basic Information of the Company

Short form of stock	CIMC, CIMC-B
Stock code	000039, 200039
	Secretary of the Board of Directors
Name	Wu Fapei
Liaison Address	No.2 R&D Center of CIMC, Shenkou Industrial Zone, Shenzhen, Guangdong
Tel.	(0755) 2669 1130
Fax	(0755) 2682 6579
E-mail	shareholder@cimc.com

2.2 Financial Information

2.2.1 Main accounting data and financial indexes

Unit: RMB'000

	Sept. 31, 2003	Dec. 31, 2002	Increase/decrease (%)
Total assets	9,420,320	8,073,894	16.68
Total equity (excluding Minority interest)	3,421,981	2,850,497	20.05
Equity per share (RMB Yuan)	6.71	5.59	14.70
	In the report period (July—Sept.)	**From year-beginning to end of report period**	Increase/decrease compared with the same period last year (%)
Net cash outflow from operating activities	---	**－11,761**	---
Earnings per share(RMB Yuan)	0.45	**1.12**	80.52
Rate of Return on Equity (%)	6.74	**16.70**	46.29

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

	Profit attributable to shareholders for the period ended 30 September 2003 ***RMB'000***	*Net assets at 30 September 2003* ***RMB'000***
Prepared under the PRC Accounting Rules and Regulations	**570,733**	**3,426,755**
Adjustments to align with IFRS:		
(i) Adjustment to minority interests	-	7,970
(ii) Adjustment to deferred tax assets	-	19,896
(iii) Adjustment to goodwill and negative goodwill	(6,916)	(47,225)
(v) Adjustment to interest capitalisation	2,513	11,264
(vi) Others	5,154	3,321
Prepared under IFRS	**571,484**	**3,421,981**
	========	========

2.2.2 Consolidated income statement for the period ended 30 September 2003

	2003 RMB'000	2002 RMB'000
Revenue	9,923,560	6,177,810
Cost of sales	(8,664,968)	(5,382,037)
Gross profit	1,258,592	795,773
Other operating income	94,657	57,027
Distribution expenses	(257,242)	(66,056)
Administrative expenses	(293,313)	(207,893)
Other operating expenses	(59,694)	(50,280)
Profit from operations	743,000	528,571
Net financing costs	(29,961)	(52,350)
Income from associates	5,238	24,565
Profit before tax	718,277	500,786
Income tax expense	(71,124)	(40,441)
Profit after tax	647,153	460,345
Minority interests	(75,669)	(73,839)
Net profit for the period	571,484	386,506
	========	========

2.3 At the end of the report period, the total number of shareholders of the Company was 41,560 persons, including 27,192 shareholders of A share and 14,368 shareholders of B share.

§3. Discussion and Analysis of the Management

3.1 Brief analysis to the whole operating activities of the Company in the report period

In the report period, the Company realized Revenue and net profit amounting to RMB

9,923,560,000 and RMB 571,484,000 respectively, an increase of 60.63% and 47.86% respectively.

In the report period, the productive and sales situation of the container business of the Group was good and the output was the highest than that of the same period of the previous years. Ended the third quarter, the sales volume of containers of the Group reached 842,600 TEU, an increase of 64.57% than that of the same period of last year, of which, the sales volume of dry van containers reached 783,400 TEU, an increase of 65.27% than that of the same period of last year and the sales of reefers reached 40,300 TEU, an increase of 6.00%. In the third quarter, the price of containers climbed up somewhat than the average price in the first half of the year and the price of steels, the main raw material of containers, declined somewhat than that of the first half of the year.

On Sept. 22, 2003, Eastern Factory of Shenzhen Southern CIMC Container Manufacture Co., Ltd., a wholly owned subsidiary of the Company, was established and put into production and operation. In the report period, in order to meet the market demand in East China, the Company and CIMC B.V.I. Ltd., a wholly owned subsidiary of the Company decided to set up "**Ningbo CIMC Logistics Equipment Co., Ltd**.", whose registered capital is USD 15 million and 100% equity is held by the Group. In order to meet the further development need of container manufacture factory of the Group in Dalian, the Company planned to moved the container manufacture factory in Dalian to bonded area of Dalian and established **Dalian CIMC Container Co., Ltd.** and completed and liquidated Dalian Container Manufacture Co., Ltd.. The registered capital of Dalian CIMC Container Co., Ltd., established newly, was USD 15 million, whose 66.67% equity was held by the Company through its wholly owned subsidiary --- CIMC Holdings B.V.I. Ltd..

In the aspect of special container business, since the demand in tank container market in 2003 was becoming prosperous, in order to meet the market demand, develop container products with high technical contents and expand the relevant product lines, the Group decided to separate the original production business of tank containers from Nantong CIMC Special Transport Equipments Manufacture Co., Ltd.. The Group set up **Nantong CIMC Tank Equipment Co., Ltd.** (hereinafter referred to as Nantong CIMC Tank Co.). The Group holds 61.8% equity of Nantong CIMC Tank Co. through wholly owned subsidiaries and associated companies. Nantong CIMC Tank Co. is mainly engaged in the development, production and sale of mobile and fixed storage and transport equipments for media such as petrochemical and liquefied gas with low temperature etc. and the design production capability is 6,000 units per year. It shall bring essential push effect for the Group to realize the strategic development objectives of "Providing equipments and service for modern transportation".

The production and sale of the Group's modern road transport vehicle business was also comparatively good. Ended the end of the 3rd quarter, the Group's **Shenzhen**

CIMC Heavy Machinery Co., Ltd., **Yangzhou Tonghua Special Vehicle Co., Ltd.** and **Jinan Kogel Special Automobile Co, Ltd**. totally sold 6,221 units of trailers accumulatively and accomplished sale amounting to RMB 507 million. Of which, Shenzhen CIMC Heavy Machinery Co., Ltd., a wholly owned subsidiary of the Group, accumulatively sold 727 units of chassis and realized sales income amounting to RMB 36,240,000. Ended Sept. 30, 2003, the transfer of equity of Yangzhou Tonghua Special Vehicle Co., Ltd., whose 75.53% shares are held by the Group, and Jinan Kogel Special Automobile Co, Ltd., whose 48% shares are held by the Group, was still not approved by the relevant departments of the government, thus the said two companies were not listed into the consolidated scope of financial statements of the Company in the report period.

On Sept. 22, 2003, **Shenzhen CIMC Heavy Machinery Co., Ltd**. **East Plant** laid a foundation and started to be constructed, which was mainly engaged in the production of various kinds of trailers, special vehicles and other products. It is to be put into trial production at the end of 2003 with production capability amounting to 15,000 units per year. The total planned investment amount of the project was RMB 113 million.

Vanguard National Trailer Corporation, which is a wholly owned subsidiary of the Group and is engaged in manufacture and sales business of trailers in America conducted technical restructure to the purchased plant of HPA Monon Corporation, which still did not accrue sales income.

The Group also had a good progress in other business.

3.1.1 Main business industry or product, which occupied 10% of income from main business lines or total profit from main business

√ Applicable ☐ Inapplicable

*Unit: **RMB ’000***

Main industry	Revenue	Cost of sales	Gross Margin (%)
Container	**9,837,052,869.45**	**8,432,488,516.33**	**14.28**

3.1.2 Characteristic of periodicity and season period of the Company’s operation

√ Applicable ☐ Inapplicable

The production of containers has a certain seasonal change: Generally speaking, the 1st and 4th quarter each year is low season correspondingly, while the 2nd and 3rd quarter is peak season correspondingly.

3.1.3 Profit composing in the report period

√ Applicable ☐ Inapplicable

Unit: ***RMB'000***

Item	July--Sept., 2003		Jan.--June, 2003		Proportion Increase/decrease (%)
	Amount	Proportion in Profit before tax (%)	Amount	Proportion in Profit before tax (%)	
Gross profit	519,900	182.37	738,692	170.52	6.95
Other operating income	34,357	12.05	60,300	13.92	－13.43
Distribution expense, Administration expense and Other operating expense	256,656	90.03	353,593	81.62	10.30
Income from associates	1,410	0.50	3,828	0.88	－43.18
Profit before tax	285,075	100	433,202	100	－

Analysis of Increase/decrease:

The proportion of profit from core business in Profit before tax decreased 43.18% compared with the first half year of 2003, which was mainly because that Income from associates decreased between July and September in 2003.
The changes of the other items are between the normal ranges.

3.1.4 Significant changes in core business and its structure compared with the previous report period and explanation of reasons
□Applicable √Inapplicable

3.1.5 Material changes in profitability of core business (gross profit ratio) compared with the previous report period and explanation of reasons
□Applicable √Inapplicable

3.2 Significant events and analysis to their influences and solutions
□Applicable √Inapplicable

3.3 Changes in accounting policy, accounting estimate and consolidated scope and significant accounting errors and reasons
□Applicable √Inapplicable

3.4 Relevant explanations from the Board of Directors and the Supervisory Committee in the event of being audited and produced "Non-standard Opinion"
□Applicable √Inapplicable

3.5 Forecasting of accumulated net profit from the beginning of the year to the end of the next report period probably to be in deficiency or warning of its great changes than that of the same period of last year and reasons

□Applicable √Inapplicable

3.6 Roll adjustments of the Company to the disclosed annual business plan or budget

□Applicable √Inapplicable

China International Marine Containers (Group) Co., Ltd.

Oct. 24, 2003

Consolidated income statement

for the period ended 30 September 2003

	2003	***2002***
	RMB'000	***RMB'000***
Revenue	9,923,560	6,177,810
Cost of sales	(8,664,968)	(5,382,037)
Gross profit	1,258,592	795,773
Other operating income	94,657	57,027
Distribution expenses	(257,242)	(66,056)
Administrative expenses	(293,313)	(207,893)
Other operating expenses	(59,694)	(50,280)
Profit from operations	743,000	528,571
Net financing costs	(29,961)	(52,350)
Income from associates	5,238	24,565
Profit before tax	718,277	500,786
Income tax expense	(71,124)	(40,441)
Profit after tax	647,153	460,345
Minority interests	(75,669)	(73,839)
Net profit for the period	571,484	386,506
	========	========

Consolidated balance sheet
as at 30 September 2003 and 31 December 2002

	30 Sept 2003	*31 Dec 2002*
	RMB'000	***RMB'000***
Assets		
Property, plant and equipment	1,720,178	1,482,419
Lease prepayments – non-current portion	236,277	187,189
Construction in progress	422,642	226,717
Timber concession rights	217,689	228,967
Intangible assets	15,020	14,824
Interests in associates	74,723	617,584
Investments in equity securities	296,736	292,359
Long-term receivables	63,258	86,621
Prepayments for investments	174,745	6,749
Deferred tax assets	19,897	19,897
Total non-current assets	3,241,165	3,163,326
Lease prepayments – current portion	8,825	7,216
Investments in equity securities	121,343	16,468
Properties under development	139,761	150,382
Completed properties for sale	64,878	72,027
Inventories	1,277,692	1,081,516
Trade and other receivables	4,209,047	3,201,022
Cash and cash equivalents	357,609	381,937
Total current assets	6,179,155	4,910,568
Total assets	9,420,320	8,073,894
Equity		
Share capital	510,302	510,302
Reserves	2,911,679	2,340,195
Total equity	3,421,981	2,850,497
Minority interests	528,995	617,625

Consolidated balance sheet
as at 30 September 2003 and 31 December 2002 (continued)

	30 Sept 2003	*31 Dec 2002*
	RMB'000	***RMB'000***
Liabilities		
Non-current liability		
Interest-bearing bank loans	456,084	81,000
Current liabilities		
Interest-bearing bank loans	2,027,438	1,996,679
Trade and other payables	2,578,952	2,128,517
Provision	361,127	373,434
Taxation	45,743	26,142
Total current liabilities	5,013,260	4,524,772
Total liabilities	5,469,344	4,605,772
Total equity, minority interests and liabilities	9,420,320	8,073,894

Consolidated cash flow statement
for the period ended 30 September 2003

	Note	***2003*** ***RMB'000***
Cash flows from operating activities	(a)	(11,761)
Investing activities		
Interest received		15,509
Payment for property, plant and equipment		(50,042)
Payment for construction in progress		(506,494)
Payment for intangible assets		(712)
Acquisition of subsidiary, net of cash acquired		(7,188)
Payment for acquisition of equity securities		(203,104)
Payment for acquisition of minority shareholdings		(84,870)
Payment of acquisition of new associates		(13,500)
Prepayment for investments		(167,996)
Repayment of loans to an associate		108,697
Loan advanced to an associate		(13,500)
Dividend received from an associate		3,049
Proceeds from sales of property, plant and equipment and construction in progress		20,515
Proceeds from dissolution of interest in an associate		463,544
Proceeds from sales of equity securities		105,086
Repayment of advance to minority shareholders		13,811
Advance to minority shareholders		(8,000)
Cash outflow from investing activities		(325,195)

Consolidated cash flow statement
for the period ended 30 September 2003 (continued)

		2003
		RMB'000
Financing activities		
Interest paid		(48,911)
Proceeds from bank loans	(b)	10,381,805
Repayment of bank loans	(b)	(9,975,962)
Proceeds from Receivables Framework Agreement		55,943
Dividends paid to minority shareholders		(100,247)
Cash flows from financing activities		312,628
Net decrease in cash and cash equivalents		(24,328)
Cash and cash equivalents at 1 January		381,937
Cash and cash equivalents at 30 September		357,609

Notes to the consolidated cash flow statement

(a) Reconciliation of operating profit to net cash outflow from operating activities:

	2003
	RMB'000
Net profit for the year	571,484
Depreciation	105,669
Reversal of impairment losses	(7,589)
Amortisation of goodwill	13,590
Amortisation of other intangible assets	2,543
Amortisation of negative goodwill of associates	(191)
Loss on sale of property, plant and equipment	6,915
Interest income	(18,926)
Interest expenses	46,797
Gain on disposal of equity securities	(6,606)
Amortisation of timber concession rights	4,820
Impairment losses on timber concession rights	6,458
Income from associates	(5,238)
Income tax expenses	71,124
Minority interests	75,669
Operating profit before changes in working capital	866,519
Increase in lease prepayments	(50,697)
Decrease in long-term receivables	23,363
Increase in trade and other receivables	(1,058,594)
Increase in inventories	(196,176)
Increase in trade and other payables	449,801
Decrease in provision	(12,307)
Decrease in properties under development	10,704
Decrease in completed properties for sale	7,149
Cash used in operations	39,762
PRC income tax paid	(51,523)
Net cash outflow from operating activities	(11,761)

Notes to the consolidated cash flow statement (continued)

(b) Analysis of changes in financing activities during the period:

	2003
	RMB'000
Bank loans	
Balance at 1 January	2,077,679
Proceeds from bank loans	10,381,805
Repayment of bank loans	(9,975,962)
Balance at 30 September	2,483,522
	========

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

		Profit attributable to shareholders for the period ended 30 September ***2003*** ***RMB'000***	*Net assets at 30 September* ***2003*** ***RMB'000***
Prepared under the PRC Accounting Rules and Regulations		570,733	3,426,755
Adjustments to align with IFRS:			
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