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

2004 First Quarterly Report

§1. IMPORTANT NOTES:

1.1 *Board of Directors of China International Marine Containers (Group) Co., Ltd. (hereinafter referred to as the Company) and directors individually and collectively accept responsibility for the correctness, accuracy and completeness of the contents of this report and confirm that there are no material omissions or errors which would render any statement misleading.*

1.2 *All Directors attended the meeting of the Board and executed voting right.*

1.3 *The first quarterly financial report of 2004 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	Representative in charge of securities affairs
Name	Yu Yuqun	Wang Xinjiu
Liaison Address	No.2 R&D Center of CIMC, Shenkou Industrial Zone, Shenzhen, Guangdong	No.2 R&D Center of CIMC, Shenkou Industrial Zone, Shenzhen, Guangdong
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2.2 Financial Information

2.2.1 Main accounting data and financial indexes

Unit: RMB'000

	At 31 March 2004	At 31 December 2003	Increase/decrease (%)
Total assets	**12,944,210**	**10,258,356**	**26.18**
Total equity (excluding Minority interest)	**5,476,314**	**5,295,653**	**3.41**
Equity per share	**8.69**	**8.40**	**3.41**
	In the report period (Jan.-Mar.)	From year-beginning to end of report period (Jan.-Mar.)	Increase/decrease (%) compared with the same period last year
Net cash outflow from operating activities	**(1,033,897)**	**(1,033,897)**	**-81.92**
Earnings per share	**0.2866**	**0.2866**	**36.74**
Rate of Return on Equity (%)	**3.30**	**3.30**	**-8.84**

2.2.2 Consolidated income statement for the period ended 31 March 2004 *(Please refer to the Appendix: Consolidated financial statements for the period ended 31 March 2004)*

2.3 By the end of the report period, the total amount of shareholders is 35,242, including 25,386 shareholders holding A share and 9,856 shareholders holding B share.

§3. DISCUSSION AND ANALASIS OF THE MANAGEMENT

3.1 Brief Analysis of the Whole Status of Operating Activities in the Report Period

In the report period, the Company realized income from main business of RMB **3,907,214,000** and net profit of RMB **180,661,000**, respectively increasing by **38.11**% and **68.91**% compared with the same period last year.

In the 1st quarter, the business of container manufacture of the Group had a larger increase. The import and export of foreign trade of China kept a strong increase trend and the throughput of foreign trade goods of the main ports increased by 114% compared with the same period of last year and the total value of foreign trade increased by 38.2% compared with the same period of last year. Meanwhile, the global shipping industry has an unexampled prosperity and the need of container market is sufficient. Under the background, the order of container business of the Group is full, the trend of production and sale is good and the output and sale amount created the new top in the same period of the previous years. By the end of the 1st quarter, the sale amount of the Group's container reached 283,800 TEU, increasing by 19.44% compared with the same period of last year. Among it, the sale amount of dry van container and reefer container respectively reached 262,000 TEU and 18,500 TEU, respectively increasing by 19.25% and 45.67% compared with the same period of last year.

In the 1st quarter, the price of steel, the main raw material of container, had a rise in large range on the basis of the high level of last year and the average price of steel in our country rose by 40.9% compared with the same period of last year. But the level of container's price in the 1st quarter also had a rise in a larger range compared with the average price of 2003. Facing the operation environment of sufficient need of container, rise of price of raw material, especially steel and deficient supply, the stratagem of expanding base web distribution implemented by the Group before played its role and the Group could have enough ability to meet the need of customers in the midseason and grasped the opportunity of market; meanwhile, the Group made use of scale advantage, strengthened the resource share, kept good relationship with the suppliers, overcome difficulties and obtained more realistic operating performance.

The progress of the manufacture business of modern road transport vehicle of the Group is realistic. By the end of the 1st quarter, the manufacture business of modern road transport vehicle accumulatively realized sale amount totaling RMB 243 million. Among it, the domestic Shenzhen CIMC Heavy Industries Co., Ltd., Yangzhou Tonghua Special Vehicle Co., Ltd. which was newly listed into the consolidation scope of the financial statement of the Company and Jinan Kogel Special Vehicle Co., Ltd. accumulatively sold the products of road transport vehicle amounting to 2,652 pieces, including CHASSIS of 1,993 pieces, and accumulatively realized sale amount of RMB 217 million. The CHASIS business of the Group in America realized sale amount of RMB 26.12 million.

In Feb. 2004, the eastern factory of Shenzhen CIMC Heavy Industries Co., Ltd. newly-established by the Group is formally put into production and it mainly engages in the production and sale of the products such as all kinds of CHASSIS and special vehicle and its production ability is 15000 pieces each year. The production ability of the wholly-owned subsidiary of the Group in America engaging in manufacture and sale business of CHASSIS, Vanguard National Trailer Corporation approaches 10000 pieces and has started the production and sale of CHASSIS and opponents products in the 1st quarter. In Mar. 2004, the wholly-owned subsidiary of the Group, Shenzhen CIMC Heavy Industries Co., Ltd. signed strategic cooperation agreement with Dongfeng Motor Corporation Commercial Vehicle Company. Please refer to the relevant public notice of the Company in Securities Times and Ta Kung Pao dated Mar. 23, 2004 for the details. In Apr. 2004, The wholly-owned subsidiary of the Group added investment totaling RMB 0.1 billion into the biggest manufacture enterprise of CHASSIS inside the country, Zhumadian Huajun Vehicle Co., Ltd. and the Company will hold 51% equity of it. Please refer to the relevant public notice of the Company in Securities Times and Ta Kung Pao dated Apr. 12, 2004 for the details.

In Feb. 2004, the Company signed Cooperation Agreement of Expanding Foreign

Market in Export Buyer Credit with Import & Export Bank of China. Please refer to the relevant public notice of the Company in Securities Times and Ta Kung Pao dated Feb. 13, 2004 for the details. The cooperation is in favor of expanding foreign market of the Company and establishing long-term and stable strategic cooperation relationship among the Company, the bank and customers.

The progress of other businesses of the Group is good.

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	Income from main business lines	Expenditure from main business lines	Gross Margin (%)
Containers	**3,589,933**	**3,174,479**	**11.57**

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

√ Applicable ☐ Inapplicable

The production of container has some change with season: generally speaking, the 1st and 4th quarter of every year is low season and the 2nd and 3rd quarter is midseason correspondingly.

3.1.3 Profit structure in the report period (material changes in proportions of profit from main operations, profit from other business, period expense, investment earnings, subsidy income and net income and expenditure of non-operating in total profits than those of the last report period and reasons)

√Applicable ☐Inapplicable

RMB'000

Item	1st quarter of 2004		In 2003		Increase/ Decrease
	Amount	Proportion in profit before tax (%)	Amount	Proportion in profit before tax (%)	
Gross profit	450,688	187.76	1,783,653	200.67	-6.43
Other operating income	43,346	18.06	141,126	15.88	13.73
Distribution expense, Administration expense and Other operating expense	246,785	102.81	1,019,403	114.69	-10.36
Profit before tax	240,035	100.00	888,830	100.00	—

Analysis to changes:

The proportion of other operating income in total profit increased by a relatively great margin over that in 2003, which was due to rise in price of steel and increase in earnings from disposal of junk steel.

3.1.4 Explanation on reason and material change in main operations and its structure compared with the previous year

□Applicable √Inapplicable

3.1.5 Explanation on reason and material change in profitability capability of main operations (gross profit ratio) compared with the previous year

□Applicable √Inapplicable

3.2 Analysis and explanation on significant events and their influence and solutions

□Applicable √Inapplicable

3.3 Particulars about changes in accounting policies, accounting estimate, consolidated scope and significant accounting errors and explanation on reasons

□Applicable √Inapplicable

3.4 Relevant explanation on the Board of Directors and the Supervisory Committee under the situation of being audited and provided “Qualified opinion”

□Applicable √Inapplicable

3.5 Estimation on accumulative net profit from the beginning of the year to the end of next report period to be loss probably or the warning of its material change compared with the corresponding period of the last year and explanation on reason

□Applicable √Inapplicable

3.6 Rolling adjustment to annual business plan or budget ever disclosed

□Applicable √Inapplicable

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

Apr. 27, 2004

Consolidated income statement
for the period ended 31 March 2004

	January to March 2004 RMB'000	*January to March 2003* RMB'000
Revenue	3,907,214	2,828,975
Cost of sales	(3,456,526)	(2,538,402)
Gross profit	450,688	290,573
Other operating income	43,346	21,023
Distribution expenses	(66,167)	(74,944)
Administrative expenses	(149,173)	(65,283)
Other operating expenses	(31,445)	(10,209)
Profit from operations	247,249	161,160
Net financing costs	(13,246)	(20,717)
Income from associates	6,032	1,930
Profit before tax	240,035	142,373
Income tax expense	(29,391)	(9,027)
Profit after tax	210,644	133,346
Minority interests	(29,983)	(26,387)
Net profit for the period	180,661	106,959

Consolidated balance sheet
as at 31 March 2004 and 31 December 2003

	31 March 2004 RMB'000	*31 December 2003* RMB'000
Assets		
Property, plant and equipment	2,424,872	2,248,866
Lease prepayments – non-current portion	282,242	251,434
Construction in progress	421,146	172,435
Timber concession rights	171,374	175,129
Intangible assets	20,112	9,243
Interests in associates	81,474	57,555
Investments in equity securities	270,961	274,260
Long-term receivables	44,822	45,005
Prepayment for investment	47,566	193,008
Deferred tax assets	16,949	20,205
Total non-current assets	3,781,518	3,447,140
Lease prepayments – current portion	9,774	9,572
Investments in equity securities	141,838	168,775
Properties under development	71,186	62,162
Completed properties for sale	60,027	61,074
Inventories	2,372,330	1,350,628
Trade and other receivables	6,042,726	4,452,401
Cash and cash equivalents	464,811	706,604
Total current assets	9,162,692	6,811,216
Total assets	12,944,210	10,258,356

Consolidated balance sheet (continued) as at 31 March 2004 and 31 December 2003

	31 March 2004 RMB'000	*31December 2003* RMB'000
Equity		
Share capital	630,302	630,302
Reserves	4,846,012	4,665,351
Total equity	5,476,314	5,295,653
Minority interests	731,472	659,804
Liabilities		
Non-current liability		
Interest-bearing bank loans	440,084	422,084
Current liabilities		
Interest-bearing bank loans	1,738,033	512,326
Non interest-bearing bank loan	29,670	29,670
Trade and other payables	4,069,650	2,906,130
Provision	397,874	383,846
Taxation	61,113	48,843
Total current liabilities	6,296,340	3,880,815
Total liabilities	6,736,424	4,302,899
Total equity, minority interests and liabilities	12,944,210	10,258,356

Consolidated cash flow statement for the period ended 31 March 2004

	January to March 2004 RMB'000	*January to March 2003* RMB'000
Net profit for the period	180,661	106,959
Depreciation	66,892	33,362
Impairment losses	-	251
Amortisation of goodwill	3,397	4,078
Amortisation of other intangible assets	363	58
Amortisation of negative goodwill of associates	(64)	(64)
Loss on sales of property, plant and equipment	403	1,804
Interest income	(3,561)	(4,809)
Interest expenses	11,595	23,910
Gain on disposal of investment securities	(21,894)	-
Amortisation of timber concession rights	1,603	1,603
Impairment losses on timber concession rights	2,152	-
Income from associates	(6,032)	(1,930)
Income tax expenses	29,391	9,027
Minority interests	29,983	26,387
Operating profit before changes in working capital	294,889	200,636
Decrease/(increase) in lease prepayments	2,075	(5,903)
Decrease in long-term receivables	183	7,606
Increase in trade and other receivables	(1,154,465)	(741,437)
Increase in inventories	(897,802)	(202,691)
Increase in trade and other payables	732,658	204,523
Increase in provision	14,028	8,828
Increase in properties under development	(9,025)	(40,254)
Decrease in completed properties for sale	1,047	3,607
Cash used in operations	(1,016,412)	(565,085)
PRC income tax paid	(17,485)	(9,607)
Cash outflow from operating activities	(1,033,897)	(574,692)

Consolidated cash flow statement (continued)
for the period ended 31 March 2004

	January to March 2004 RMB'000	*January to March 2003* RMB'000
Investing activities		
Interest received	3,561	4,809
Payment for property, plant and equipment	(39,345)	(12,512)
Payment for construction in progress	(254,730)	(109,040)
Payment for intangible assets	(928)	-
Payment for acquisition of associates	(7,035)	-
Prepayment for investments	(45,579)	-
Payment for acquisition of minority shareholdings	-	(26,910)
Payment for acquisition of subsidiaries, net of cash acquired	(34,749)	-
Dividend received	108	-
Proceeds from sales of property, plant and equipment and construction in progress	2,939	5,946
Proceeds from disposal of partial interest in subsidiary	1,738	-
Proceeds from sales of equity securities	48,831	-
Repayment of advance to minority shareholders	-	2,951
Advance to minority shareholders	(4,527)	-
Cash outflow from investing activities	(329,716)	(134,756)

Consolidated cash flow statement (continued)
for the period ended 31 March 2004

	January to March 2004 RMB'000	*January to March 2003* RMB'000
Financing activities		
Interest paid	(4,518)	(22,656)
Proceeds from bank loans	2,366,595	2,839,691
Repayment of bank loans	(1,239,576)	(1,753,517)
Proceeds from Receivables Framework agreement	-	9,530
Dividends paid to minority shareholders	(681)	(39,310)
Cash inflow from financing activities	1,121,820	1,033,738
Net (decrease)/increase in cash and cash equivalents	(241,793)	324,290
Cash and cash equivalents at 1 January	706,604	381,937
Cash and cash equivalents at 31 March	464,811	706,227

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 31 March 2004 RMB'000	*Net assets at 31 March 2004* RMB'000
Prepared under the PRC Accounting Rules and Regulations		184,695	5,484,538
Adjustments to align with IFRS:			
(i)	Adjustment to minority interests	120	8,755
(ii)	Adjustment to deferred tax assets	(3,256)	16,946
(iii)	Adjustment to goodwill and negative goodwill	(302)	(60,780)
(iv)	Adjustment to interest capitalisation	1,989	14,927
(v)	Others	(2,585)	11,928
Prepared under IFRS		180,661	5,476,314
		========	========