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

Third Quarterly Report for 2004

§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 *Director Mr. Wang Zhixian Mr. Xiao Zhuoji and Mr. Zhang Limin did not participate in voting due to going on business trips.*

1.3 *The Third 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
Tel.	(0755) 2669 1130	(0755) 2680 2706
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E-mail	shareholder@cimc.com	shareholder@cimc.com

2.2 Financial Information

2.2.1 Main accounting data and financial indexes

Unit: RMB'000

	At 30 Sep. 2004	At 31 December 2003	Increase/decrease of the end of this report period over the period-end of the last year (%)
Total assets	16,761,404	10,258,356	**63.39**
Total equity (excluding Minority interest)	6,826,855	5,295,653	**28.91**
Equity per share	**6.77**	**8.40**	**－19.40**
	In the report period (Jul.-Sep.)	From year-beginning to end of report period (Jan.-Sep.)	Increase/decrease of this report period over the same period of the last year (%)
Net cash outflow from operating activities	746,372	(197,517)	**64.31**
Earnings per share	**0.8345**	**1.7540**	**85.44**
Rate of Return on Equity (%)	**12.32**	**25.91**	**5.58**

2.2.2 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 nine months period ended 30 September *2004* RMB'000	***Net assets at 30 September*** *2004* RMB'000
Prepared under the PRC Accounting Rules and Regulations	1,781,986	6,843,637
Adjustments to align with IFRS:		
(i) Adjustment to minority interests	574	9,209
(ii) Adjustment to deferred tax assets	(4,828)	15,374
(iii) Adjustment to goodwill and negative goodwill	(1,036)	(61,514)
(iv) Adjustment to interest capitalisation	5,152	18,090
(v) Others	(12,944)	2,059
Prepared under IFRS	1,768,904	6,826,855
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2.2.2 Consolidated income statement for the period ended 30 September 2004 (unaudited) *(Please refer to the Appendix: Consolidated financial statements for the nine months period ended 30 September 2004)*

2.3 Total shareholders and the top ten shareholders of circulation share at the end of the report period

Total shareholders at the end of report period	37,828 shareholders in total, including 26,263 shareholders of A-share and 11,565 shareholders of B-share	
Particulars about shares held by the top ten shareholders of circulation share		
Name of shareholders (full name)	Holding circulation shares at the period-end	Type (A-share, B-share, H-share or other)
1. FAIR OAKS DEVELOPMENT LIMITED	62,563,578	B
2. INDUSTRIAL & COMMERCIAL BANK OF CHINA-SOUTHERN STABLE GROWTH SECURITIES INVESTMENT FUNDS	13,000,000	A
3. GT PRC FUND	12,422,602	B
4. NIKKOCITI TB S/A RE:JF CHINA MOTHER FD (716000)	10,495,949	B
5. LONG HONOUR INVESTMENTS LIMITED	9,591,707	B
6. JPMBLSA RE FTIF TEMPLETON CHINA FUND GTI 5497	9,221,971	B
7. FF GREATER CHINA FD GT1 24037	8,000,040	B
8. TEMPLETON DRAGON FUND INC.	7,773,186	B
9. BANK OF CHINA- E FUND STABLE GROWTH SECURITIES INVESTMENT FUNDS	7,392,678	A
10. YUNNAN INTERNATIONAL TRUST INVESTMENT CO., LTD.	6,928,363	A

§3. Discussion and Analysis of the Management

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

For the nine months period ended 30 September, the Company realized income from main business of RMB **18,460,290,000** and net profit of RMB **1,768,904,000**, respectively increasing by **86.02**% and **209.53**% compared with the same period last year.

The business of the Company achieved the above big increase, mainly due to the factors: the third quarter was midseason of container manufacture business of the group. The global shipping industry kept good trend and the market demand of containers bloomed. The foreign trade export-import of China still kept strong increasing trend. According to the relevant departments, in 2004 the container throughput of all ports overall the country surpassed 58,000,000 TEUs, with an increase of 20.65% in 2003. The orders of container business of the group satiated and the production and sales had a good trend, and the volume made new record over the same period of the previous years. Dated the end of the third quarter of 2004, the accumulated container sales volume of the Group attained to 1,143,100, increasing 35.66% over the same period of last year, of which the volume of dry container, reef container and special container respectively reached 1,052,000 TEU, 49,300 TEU and 41,800 TEU.

In the 3rd quarter, the price of steel, the main raw material of container, kept high level. The container's average price also had a rise in a larger range compared with the average price of first half of the year. Facing the operation environment with intense supply of sufficient need of container and rise of price of raw material, especially steel and deficient supply, the Group tried its best to arrange production and satisfied the need of clients.

In the aspects of container manufacture business, the Group continued to improved production efficiency through renovating equipments, improving accessories and digging out potential productivity of dry vans. In September, the Company signed cooperation agreement with Tianjin Port Group Co., Ltd. and Administrative Committee of Tianjin Port Free Trade Zone. The Company planned to establish container manufacture base, which annually produced 300,000 standard containers and container service center integrating servicing and maintaining service etc. and logistics equipment base in Tianjin. The productivity of special containers, especially tank containers improved continually. From Jan.-Sep., the Company accumulatively produced tank containers with 3,452 TEU, and sold tank containers 3,449 TEU. In Sep., 2004, **Dalian CIMC Logistics Equipment Co., Ltd**. newly built by the Group opened with the registered capital amounting to USD 4 million, which mainly produced products including tray container, IBC, namely tank tray container etc.. The project is estimated to be set up in the end of the year.

The progress of the manufacture business of modern road transport vehicle of the Group is good. Since 2004, the State and relevant administrative departments successively issued various items policies about industry standard and encouragement. Road transport vehicle industry environment consummated continually. On one hand, in Aug., 2004, nine ministries (commissions) including State Development and Reform Commission etc. united to promulgated Opinions on Propelling Development of Modern Logistics of the State, and proposed to spread advanced logistics special vehicles and equipments in point. On the other hand, in Jun., 2004, since Ministry of Communications led seven ministries to attend road vehicles overfreight and overlimit administrative actions overall the State for one year, the market demand of road transportation vehicles especially semi-trailers increased obviously. The orders of semi-trailers of the Group satiated. To the end of the third quarter, the manufacture business of road transportation vehicles of the Group accumulatively realized sale amount totaling RMB 1,345,507,828. Among it, the domestic Shenzhen Special Vehicle Co., Ltd., Yangzhou Tonghua Special Vehicle Co., Ltd. and Jinan Kogel

Special Vehicle Co., Ltd. accumulatively sold the products of road transportation vehicles amounting to 15,265 pieces, including semi-trailers of 14,265 pieces, and accumulatively realized sale amount of RMB 1,081,823,904. The semi-trailer business of the Group in America sold semi-trailers of 1,790 pieces and realized sale amount of RMB 263,683,924. Dated Sep. 30, 2004, Huajun Vehicles Co., Ltd. purchased by the Group in Zhumadian City, Henan was not listed into the consolidation scope of the Company.

On Oct. 15, 2004, the subsidiary of the Company-CIMC Vehicles (Group) Co., Ltd. (hereinafter referred to as CIMC Vehicles) and Xinjiang Guanghui Industrial Investment (Group) Co., Ltd. (hereinafter referred to as Xinjiang Guanghui) signed share equity transfer agreement on CIMC Vehicles assigned 60% share equity of Shengdayin Chemical Machinery Co., Ltd. (hereinafter referred to as Shengdayin) held by Xinjiang Guanghui at the price of RMB 42 million. After the accomplishment of share equity transfer, the Company held 60% share equity of Shengdayin through the subsidiary. Shengdayin mainly engaged in core businesses of storage tank under low temperature liquid, tank car, vaporizing equipments and LPG storage tank and LNG storage tank, tank car, envoy fuel tank, refueling stations, L-CNG filling stations, chemical equipments, service of designing, manufacturing and relevant technology of large-scale steel structural part. The share equity transfer would further consummate production layout of road transportation vehicles business of the Group, and richened the production line of road transportation vehicles, especially in the aspects of products including liquid storage tank under low temperature and pressure tank car under low temperature and tank containers etc.. Please refer to the relevant public notice of the Company in S*ecurities Times* and *Ta Kung Pao* dated Oct. 20, 2004 for the details.

On Aug. 18, 2004, the Company signed Global Credit Agreement with the comprehensive credit line amounting to RMB 1517.2 million and mixing RMB and foreign currencies with Bank of Communications of China in Shenzhen, including credit line of current capital on the overseas companies of CIMC. Please refer to the relevant public notice of the Company in *Securities Times* and *Ta Kung Pao* dated Aug. 19, 2004 for the details. The cooperation is in favor of expanding overseas market of the Company and propelling the Company to implement global strategy, and further solidifying the competitive advantage of global industries in manufacturing and service fields of communication and transportation equipments of CIMC.

The progress of other businesses of the Group is good. In the aspect of timber industry, the group has begun to establish production and supply base of raw material at home for wood floor of containers.

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	**17,111,908**	**14,327,586**	**16.17**

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	3rd quarter of 2004		Jan.-Sep. in 2004		Increase/ Decrease(%)
	Amount	Proportion in profit before tax (%)	Amount	Proportion in profit before tax (%)	
Gross profit	1,251,478	129.69	1,680,596	149.80	－13.42
Other operating income	64,994	6.74	131,276	11.70	－42.39
Distribution expense, Administration expense and Other operating expense	339,750	35.21	687,230	61.25	－42.51
Profit before tax	964,944	100.00	1,121,918	100.00	——

Analysis to changes:

The proportion of other operating income in total Profit before tax increased by a relatively great margin over the first half of 2004, mainly because of the seasonal fluctuation of quantity and earnings of disposal of junk steel.

The proportion of Distribution expense, Administration expense and Other operating expense in total Profit before tax decreased by a big margin over the first half of 2004， mainly because sales income increased a lot and the part of fixed expenses in periodical expenses did not rise up proportionally.

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

Because the price level and volume of the core business products, containers rose up by a relative big margin, it's estimated the net profit realized in 2004 would increase 150% to 200% over the same period of last year.

3.6 Rolling adjustment to annual business plan or budget ever disclosed

☐Applicable √Inapplicable

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

Oct. 28, 2004

Consolidated income statement for the nine months period ended 30 September 2004 (unaudited)

	Nine months period ended 30 September	
	2004	*2003*
	RMB'000	RMB'000
Revenue	18,460,290	9,923,560
Cost of sales	(15,528,216)	(8,664,968)
Gross profit	2,932,074	1,258,592
Other operating income	196,270	94,657
Distribution expenses	(277,201)	(257,242)
Administrative expenses	(524,080)	(293,313)
Other operating expenses	(225,699)	(59,694)
Profit from operations	2,101,364	743,000
Net financing costs	(33,776)	(29,961)
Income from associates	19,274	5,238
Profit before tax	2,086,862	718,277
Income tax expense	(233,404)	(71,124)
Profit after tax	1,853,458	647,153
Minority interests	(84,554)	(75,669)
Net profit for the period	1,768,904	571,484
Basic earnings per share (RMB Yuan)	1.75	0.64

Consolidated statement of recognised gains and losses for the nine months period ended 30 September 2004 (unaudited)

	Nine months period ended 30 September	
	2004	*2003*
	RMB'000	RMB'000
Net profit recognised directly to equity		
-Surplus on revaluation of property, plant and equipment and lease prepayments	1,813	-
Net profit for the period	1,768,904	571,484
Total recognised gains and losses	1,770,717	571,484
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Consolidated balance sheet as at 30 September 2004 (unaudited)

	At 30 September 2004 RMB'000	*At 31 December 2003* RMB'000 (audited)
Assets		
Property, plant and equipment	2,645,014	2,248,866
Lease prepayments – non-current portion	399,654	251,434
Construction in progress	408,949	172,435
Timber concession rights	96,979	175,129
Intangible assets	13,133	9,243
Interests in associates	90,400	57,555
Investments in equity securities	270,961	274,260
Long-term receivables	111,461	45,005
Prepayment for investment	264,831	193,008
Deferred tax assets	15,377	20,205
Total non-current assets	4,316,759	3,447,140
Lease prepayments – current portion	10,369	9,572
Investments in equity securities	197,751	168,775
Properties under development	87,590	62,162
Completed properties for sale	57,029	61,074
Inventories	3,552,050	1,350,628
Trade and other receivables	7,689,735	4,452,401
Cash and cash equivalents	850,121	706,604
Total current assets	12,444,645	6,811,216
Total assets	16,761,404	10,258,356

Consolidated balance sheet as at 30 September 2004 (unaudited) (continued)

	At 30 September 2004 RMB'000	*At 31 December 2003* RMB'000 (audited)
Equity		
Share capital	1,008,483	630,302
Reserves	5,818,372	4,665,351
Total equity	6,826,855	5,295,653
Minority interests	750,035	659,804
Liabilities		
Interest-bearing bank loans	667,728	422,084
Total non-current liability	667,728	422,084
Interest-bearing bank loans	2,419,522	512,326
Non interest-bearing bank loan	-	29,670
Trade and other payables	5,500,287	2,906,130
Provision	427,280	383,846
Taxation	169,697	48,843
Total current liabilities	8,516,786	3,880,815
Total liabilities	9,184,514	4,302,899
Total equity, minority interests and liabilities	16,761,404	10,258,356

Consolidated cash flow statement for the nine months period ended 30 September 2004 (unaudited)

	Nine months period ended 30 September	
	2004	*2003*
	RMB'000	RMB'000
Net profit for the period	1,768,904	571,484
Depreciation	194,735	105,669
Impairment losses/(reversal of impairment losses)	77,418	(7,589)
Amortisation of goodwill	10,208	13,590
Amortisation of other intangible assets	369	2,543
Amortisation of negative goodwill of associates	(191)	(191)
Loss on disposal of property, plant and equipment	146	6,915
Interest income	(9,336)	(18,926)
Interest expenses	37,002	46,797
Gain on disposal of investment securities	(37,518)	(6,606)
Amortisation of timber concession rights	3,205	4,820
Impairment losses of timber concession rights	74,945	6,458
Dividend income	(7,198)	-
Income from associates	(19,274)	(5,238)
Income tax expenses	233,404	71,124
Minority interests	84,554	75,669
Operating profit before changes in working capital	2,411,373	866,519
Increase in lease prepayments	(114,489)	(50,697)
(Increase)/decrease in long-term receivables	(66,456)	23,363
Increase in trade and other receivables	(2,531,819)	(1,058,594)
Increase in inventories	(2,020,710)	(196,176)
Increase in trade and other payables	2,210,344	449,801
Increase/(decrease) in provision	43,434	(12,307)
(Increase)/decrease in properties under development	(25,428)	10,704
Decrease in completed properties for sale	4,045	7,149
Cash (used in)/generated from operations	(89,706)	39,762
PRC income tax paid	(107,811)	(51,523)
Cash outflow from operating activities	(197,517)	(11,761)
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Consolidated cash flow statement for the nine months period ended 30 September 2004 (unaudited) (continued)

	Nine months period ended 30 September	
	2004	*2003*
	RMB'000	RMB'000
Investing activities		
Interest received	9,336	15,509
Payment for property, plant and equipment	(114,712)	(50,042)
Payment for construction in progress	(542,345)	(506,494)
Payment for acquisition of intangible assets	(662)	(712)
Payment for acquisition of equity securities	(227,599)	(203,104)
Payment for acquisition of associates	(7,035)	(13,500)
Prepayment for investments	(262,844)	(167,996)
Payment for acquisition of minority shareholdings	-	(84,870)
Payment for acquisition of subsidiaries, net of cash acquired	(44,658)	(7,188)
Loan to an associate	-	(13,500)
Repayment of loans to an associate	-	108,697
Dividend received	8,174	3,049
Proceeds from disposal of property, plant and equipment and construction in progress	17,721	20,515
Proceeds from dissolution of interest in an associate	-	463,544
Proceeds from disposal of partial interest in subsidiary	1,739	-
Proceeds from sales of equity securities	247,982	105,086
Repayment of advance to minority shareholders	13,653	13,811
Advance to minority shareholders	(12,377)	(8,000)
Cash outflow from investing activities	(913,627)	(325,195)

Consolidated cash flow statement for the nine months period ended 30 September 2004 (unaudited) (continued)

	Nine months period ended 30 September	
	2004	*2003*
	RMB'000	RMB'000
Financing activities		
Interest paid	(55,856)	(48,911)
Proceeds from bank loans	8,779,053	10,381,805
Repayment of bank loans	(6,772,571)	(9,975,962)
(Repayment under)/proceeds from Receivables Framework Agreement	(414,000)	55,943
Capital injection from minority shareholders	24,857	-
Dividend paid	(239,472)	-
Dividends paid to minority shareholders	(67,350)	(100,247)
Cash inflows from financing activities	1,254,661	312,628
Net increase/(decrease) in cash and cash equivalents	143,517	(24,328)
Cash and cash equivalents at 1 January	706,604	381,937
Cash and cash equivalents at 30 September	850,121	357,609

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 nine months period ended 30 September 2004	*Net assets at 30 September 2004*
	RMB'000	RMB'000
Prepared under the PRC Accounting Rules and Regulations	1,781,986	6,843,637
Adjustments to align with IFRS:		
(i) Adjustment to minority interests	574	9,209
(ii) Adjustment to deferred tax assets	(4,828)	15,374
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(iv) Adjustment to interest capitalisation	5,152	18,090
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Prepared under IFRS	1,768,904	6,826,855
	========	========