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

Third Quarterly Report for 2005

§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** No director stated that he (she) could not ensure the truthfulness, accuracy and completeness of the contents of the Semi-annual Report or have objection for this report.*

***1.3** The Third quarterly financial report of 2005 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. 2005	At 31 December 2004	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	---	3,780,764	---
Earnings per share	**0.30**	**1.32**	**-63.86%**
Rate of Return on Equity (%)	**5.84%**	**25.47%**	**-6.48%**

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	2,649,624	9,431,962
Adjustments to align with IFRS:		
(i) Adjustment to minority interests	759	10,312
(ii) Adjustment to deferred tax assets	(2,966)	48,281
(iii) Adjustment to goodwill and negative goodwill	(698)	(35,283)
(iv) Adjustment to interest capitalisation	5,045	24,135
(v) Others	10,508	4,454
Prepared under IFRS	2,662,272	9,483,861
	========	========

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	125,857 shareholders in total, including 107,914 shareholders of A-share and 17,943 shareholders of B-share		
Particulars about shares held by the top ten shareholders of circulation A-share			
No.	Name of shareholders (full name)	Holding circulation shares at the period-end	Type (A-share, B-share, H-share or other)
1	BANK OF CHINA- FORTIS HAITONG INCOME GROWTH SECURITIES INVESTMENT FUND	20,000,000	A
2	GALAXY – STANDARD CHARTERED - CITIGROUP GLOBAL MARKETS LIMITED	17,009,001	A
3	BANK OF COMMUNICATIONS - KEHUI SECURITIES INVESTMENT FUND	8,705,800	A
4	INDUSTRIAL AND COMMERCIAL BANK OF CHINA – TIANYUAN SECURITES INVESMTENT FUND	8,009,583	A
5	NATIONAL SOCIAL INSURANCE FUND 001 PORTFOLIO	5,040,439	A
6	BANK OF COMMUNICATIONS- FORTIS HAITONG WELL-CHOSEN SECURITIES INVESTMENT FUND	5,000,000	A
7	GUOSEN SECURITIES CO., LTD	4,590,284	A
8	HE LIJUN	4,411,607	A
9	CHINA EVERBRIGHT BANK - JUTIAN FUNDAMENTAL INDUSTRY SECURITIES INVESTMENT FUND	4,000,000	A
10	INDUSTRIAL AND COMMERCIAL BANK OF CHINA – LONGYUAN SECURITES INVESMTENT FUND	3,610,078	A
	Particulars about shares held by the top ten shareholders of circulation B-share		
1	CHINA MERCHANTS（CIMC）INVESTMENT LIMITED	327,402,912	B
2	CHINA MERCHANTS（CIMC）HOLDINGS LIMITED	131,547,830	B
3	PROFIT CROWN ASSETS LIMITED	33,508,869	B
4	TOYO SECURITIES ASIA LIMITED-A/C CLIENT	20,232,567	B
5	LONG HONOUR INVESTMENTS LIMITED	19,183,414	B
6	JPMBLSA RE FTIF TEMPLETON CHINA FUND GTI 5497	15,307,142	B
7	NAITO SECURITIES CO., LTD	14,509,148	B
8	TEMPLETON DRAGON FUND, INC.	12,791,872	B
9	HSBC BROKING SECURITIES (ASIA) LIMITED-CLIENTS A/C	12,638,073	B
10	HTHK-TARGET ASIA FUND LIMITED	12,501,589	B

§3. Discussion and Analysis of the Management

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

During Jan. – Sep. of 2005, based on the large scale growth in the first half year, the achievement of the Company still obtained the great growth: the Company realized its main operation income amounting to RMB **25,538,673,000** and the net profit amounting to RMB **2,662,272,000**, which separately increased by 38.34% and 50.50% compared to the same period of last year. Up to the end of third quarter of 2005, the accumulated sales volumes for the containers of the Company were 1.1491 million TEU, which increased by 0.52% compared to the same period of last year; included that: the sales volume of dry cargo container amounted to 1,030,000 TEU, which held the same level with the same time of last year; the sales volumes of cold-storage container and the special container respectively amounted to 55,100 TEU and 64,000 TEU, which respectively increased by 11.76% and 53.11%. In this third quarter, each financial indexes performed well: the asset liability ratio was 44.66%; the account receivable turnover continued to speed up; the net cash flow from each operation was RMB 1.87; all increased greatly compared to the first half of this year and the same period of last year.

Since the second quarter of last year to the first half of this year, the supply of production and raw material was relatively insufficient, and the whole industry increased its price and quantity so that the customer excessively purchased, which was due to the strong demand in the aspect of dry cargo container market. From the July of 2005, some new merchants began to enter the container manufacturing industry, the production capacity was expanded so that it could possibly intensify the surplus and affect the competition pattern of container manufacturing. At the same time, China continued to carry on macro-regulation, control the investment of fundamental industry, and cancel the encouragement policy on the steel export. Additionally, the price of steel plate--the main raw material of container dropped by a large margin, along with the market conditions in the demand of dry cargo container; increased the production capacity and supply of standard dry cargo container; the market demand of dry cargo container gradually receded from the top to the normal level after obtaining satisfaction; the order forms and price of container had adjustment. After continuously high-speed growths of five quarters, the sales volume of the standard dry cargo container of the Company amounted to 280,000 TEU. Production capacity utilization and profits gradually returned to the normal level.

In the aspects of container market, including the refrigerator, special container, the Company implemented the strategy that the Company should become the main suppliers in the global modernized transportation equipments; promoted the system competitive strength unceasingly; and obtained well development, especially the tank transportation and the try container increased by a large margin compared to the same period of last year, and the average price and gross profit increased based on the sustainable development.

As to the Group's business of road transportation vehicle manufacture, the sales income keeps accelerating, and the gross profit ratio continues to climb up as well compared with that of the upper half year. From the 1st quarter to the 3rd quarter of 2005, the accumulative total of the sales income from the business of road transportation vehicle manufacture amounted to RMB 3,178,224,295, an increase of 136.21% year-on-year; the various physical distribution vehicles, tank vehicles (storage tanks) and construction machinery and equipment sold total 38,251. Of these, the Group's semi trailer business in America has advanced by a large margin, and kept gaining profits from the 1st quarter to the 3rd quarter of the year 2005, with its accumulated total of sales income amounting to RMB 629,251,793, up by 138.64% year-on-year. The accumulated number of van semi trailer sold is 2,940.

Since the year of 2005, the State has strengthened its management over the vehicles about exceeding the State limitations. However, influenced by the macro-regulation policy, the increase of various physical circulation demands on domestic roads has slowed down, resulting in the correction of the demand for road transportation vehicles, which are the main logistic vehicles. The Company has correspondingly slowed down its steps in the arrangement of production bases. At the same time, the main vehicle manufacturers of the Group has step up their paces to develop overseas market, and the proportion of orders from overseas market has increased fairly fast. The road vehicle business in America has achieved primary success and kept gaining profits since this year onward.

Other businesses of the Group have also made good progress. In September 2005, Shenzhen CIMC Tian Da Equipment Co., Ltd, China Railway Bohai Railway-Ferry Co., Ltd and Beijing Urban Construction Company held the agreement-signing ceremony for the contract of the 1st Ferry Bridge made by China. Backed with its good credit and powerful strength, CIMC Tian Da has won the bid and become the manufacturer of the 1st China-made ferry bridge. While the output and sales quantity of the aerobridge made by CIMC Tian Da have placed the company as the 3rd among its fellow traders, the move signals that CIMC Tian Da has opened a new area apart from its present products. Yantai port and Dalian port would become the first ports to use ferry bridges, which are a kind of closed passage supplied to the ports to link the ferry boat and the ferry-waiting building so as to effectively improve the order of the port and advance the service efficiency. Right now, lots of ports in China have entered into the period of reconstruction or expansion, and that means the use of ferry bridges would become more and more popular.

In the report period, with the approval of the board of the directors of the Company, Shanghai CIMC Far East Container Co., Ltd holding the 52.5% shares of the Company decided to shutdown the business and got ready to enter the liquidation procedure. The Company thought that the main reason for Shanghai CIMC Far East Container Co., Ltd to shutdown the business was the environment problem puzzled the Company development for a long time. The decision would not weaken the disposition of production capability of the dry cargo container in the East China. It is estimated that it would also not cause any significant losses for the shareholders after finishing the liquidation procedure.

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	22,316,235	18,404,641	17.53
Road Transportation vehicles	3,178,224	2,740,180	13.78

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 2005		Jan.-Sep. in 2005		Increase/ Decrease(%)
	Amount	Proportion in profit before tax (%)	Amount	Proportion in profit before tax (%)	
Gross profit	1,099,001	149.52%	4,314,347	142.06%	5.25%
Other operating income	75,367	10.25%	222,664	7.33%	39.85%
Distribution expense, Administration expense and Other operating expense	488,616	66.48%	1,563,368	51.48%	29.13%
Profit before tax	735,014	100	3,036,894	100	——

Analysis to changes:

The proportion of other operating income in total profit increased by a relatively great margin over that in the first half of 2005, which was mainly due to the changing of disposal of junk steel and the seasons of gaining profits.

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.

Oct. 29, 2005

Consolidated income statement for the nine months period ended 30 September 2005 (unaudited)

	Nine months ended 30 September *2005* RMB'000	*2004* RMB'000
Revenue	25,538,673	18,460,290
Cost of sales	(21,224,326)	(15,528,216)
Gross profit	4,314,347	2,932,074
Other operating income	222,664	196,270
Distribution expenses	(466,634)	(277,201)
Administrative expenses	(822,548)	(524,080)
Other operating expenses	(74,382)	(225,699)
Operating profit before net financing costs	3,173,447	2,101,364
Financial income	58,907	21,757
Financial expenses	(199,804)	(55,533)
Net financing costs	(140,897)	(33,776)
Share of the profit of associates	4,344	19,274
Profit before tax	3,036,894	2,086,862
Income tax expense	(207,406)	(233,404)
Profit for the period	2,829,488	1,853,458
Attributable to:		
Equity holders of the parent	2,662,272	1,768,904
Minority interests	167,216	84,554
Profit for the period	2,829,488	1,853,458
Basic earnings per share (RMB Yuan)	1.32	0.88

Consolidated statement of recognised gains and losses for the nine months period ended 30 September 2005 (unaudited)

	Nine months ended 30 September	
	2005	*2004*
	RMB'000	RMB'000
Foreign exchange translation differences	(210,472)	-
Surplus on revaluation of property, plant and equipment	-	1,813
Income recognised directly in equity	(210,472)	1,813
Profit for the period	2,829,488	1,853,458
Total recognised income and expense for the period	2,619,016	1,855,271
Attributable to :		
Equity holders of the parent	2,451,800	1,770,717
Minority interests	167,216	84,554
Total recognised income and expense for the period	2,619,016	1,855,271

Consolidated balance sheet as at 30 September 2005 (unaudited)

	At 30 September 2005 RMB'000	*At 31 December 2004* RMB'000 (audited)
Assets		
Property, plant and equipment	3,589,829	3,103,926
Lease prepayments - non-current portion	610,061	486,007
Construction in progress	615,713	446,778
Timber concession rights	75,514	81,237
Intangible assets	105,674	90,867
Interests in associates	128,869	94,248
Investments in equity securities	283,534	271,907
Finance lease receivable	70,033	77,146
Other long-term receivables	15,587	15,357
Prepayment for investments	-	4,471
Deferred tax assets	48,281	52,373
Total non-current assets	5,543,095	4,724,317
Lease prepayments - current portion	16,193	13,460
Investments in equity securities	113,632	140,081
Properties under development	148,410	92,934
Completed properties for sale	53,611	55,693
Inventories	4,101,032	4,438,417
Trade and other receivables	5,943,203	6,038,248
Cash and cash equivalents	2,944,749	1,483,165
Total current assets	13,320,830	12,261,998
Total assets	18,863,925	16,986,315

Consolidated balance sheet as at 30 September 2005 (unaudited) (continued)

	At 30 September 2005 RMB'000	*At 31 December 2004* RMB'000 (audited)
Equity		
Share capital	2,016,966	1,008,483
Reserves	7,466,895	6,512,793
Total equity attributable to equity holders of the parent	9,483,861	7,521,276
Minority interests	969,479	854,499
Total equity	10,453,340	8,375,775
Liabilities		
Interest-bearing bank loans	323,000	822,728
Total non-current liability	323,000	822,728
Interest-bearing bank loans	1,613,386	1,692,529
Trade and other payables	5,893,598	5,343,023
Provisions	484,856	552,150
Taxation	95,745	200,110
Total current liabilities	8,087,585	7,787,812
Total liabilities	8,410,585	8,610,540
Total equity and liabilities	18,863,925	16,986,315

Consolidated cash flow statement for the nine months period ended 30 September 2005 (unaudited)

	Nine months ended 30 September	
	2005	*2004*
	RMB'000	RMB'000
Operating activities		
Profit for the period	2,829,488	1,853,458
Adjustments for:		
Depreciation	205,872	194,735
Impairment losses of property, plant and equipment	-	77,418
Net amortisation of goodwill / negative goodwill	-	10,208
Gain on recognition of negative goodwill	(366)	-
Amortisation of other intangible assets	1,318	369
Amortisation of negative goodwill in an associate	-	(191)
Loss on sale of property, plant and equipment	1,110	146
Interest income	(14,179)	(9,336)
Interest expenses	98,339	37,002
Loss / (gain) on disposal of listed equity securities	11,897	(37,518)
Unrealised loss on listed equity securities	1,606	-
Amortisation of timber concession rights	4,392	3,205
Impairment losses of timber concession rights	-	74,945
Dividend income	-	(7,198)
Share of the profit of associates	(4,344)	(19,274)
Impairment loss of goodwill	14,498	-
Income tax expense	207,406	233,404
Impairment loss of prepayment for investment	5,414	-
Operating profit before changes in working capital and provisions	3,362,451	2,411,373
Increase in lease prepayments	(122,521)	(114,489)
Decrease / (increase) in long-term receivables	6,883	(66,456)
Decrease / (increase) in trade and other receivables	106,675	(2,531,819)
Decrease / (increase) in inventories	348,460	(2,020,710)
Increase in trade and other payables	508,291	2,210,344
(Decrease) / increase in provisions	(67,294)	43,434
Increase in properties under development	(55,476)	(25,428)
Decrease in completed properties for sale	2,082	4,045
Cash generated / (used) from the operations	4,089,551	(89,706)
PRC income tax paid	(308,787)	(107,811)
Cash flows from operating activities	3,780,764	(197,517)

Consolidated cash flow statement for the nine months period ended 30 September 2005 (unaudited) (continued)

	Nine months ended 30 September	
	2005	*2004*
	RMB'000	RMB'000
Investing activities		
Interest received	18,050	9,336
Payment for property, plant and equipment	(131,937)	(114,712)
Payment for construction in progress	(783,545)	(542,345)
Payment for acquisition of intangible assets	-	(662)
Payment for acquisition of equity securities	(187,452)	(227,599)
Payment for acquisition of associates	(14,796)	(7,035)
Prepayment for investments	(5,414)	(262,844)
Payment for acquisition of minority Shareholdings	(4,934)	-
Loan to an associate	(18,000)	-
Payment for acquisition of subsidiaries, net of cash acquired	(29,481)	(44,658)
Dividend received	-	8,174
Proceeds from sales of property, plant and Equipment	20,353	17,721
Proceeds from disposal of partial interest in subsidiary	-	1,739
Proceeds from sales of equity securities	200,855	247,982
Repayment of advance from minority interests	6,769	13,653
Advance to minority shareholders	(1,284)	(12,377)
Cash flows from investing activities	(930,816)	(913,627)

Consolidated cash flow statement for the nine months period ended 30 September 2005 (unaudited) (continued)

	Nine months ended 30 September	
	2005	*2004*
	RMB'000	RMB'000
Financing activities		
Interest paid	(100,012)	(55,856)
Proceeds from bank loans	11,095,931	8,779,053
Repayment of bank loans	(11,682,958)	(6,772,571)
Repayment of advances from Receivables Framework Agreement	-	(414,000)
Capital injection from minority Shareholders	7,098	24,857
Dividends paid	(502,465)	(239,472)
Dividends paid to minority shareholders	(79,696)	(67,350)
Cash flows from financing activities	(1,262,102)	1,254,661
Net increase in cash and cash Equivalents	1,587,846	143,517
Cash and cash equivalents at 1 January	1,483,165	706,604
Effect of exchange rate fluctuations on cash held	(126,262)	-
Cash and cash equivalents at 30 September	2,944,749	850,121

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 equity holders of the parent for the nine months ended 30 September 2005	*Total equity attributable to equity holders of the parent at 30 September 2005*
	RMB'000	RMB'000
Prepared under the PRC Accounting Rules and Regulations	2,649,624	9,431,962
Adjustments to align with IFRS:		
(i) Adjustment to minority interests	759	10,312
(ii) Adjustment to deferred tax assets	(2,966)	48,281
(iii) Adjustment to goodwill and negative goodwill	(698)	(35,283)
(iv) Adjustment to interest capitalisation	5,045	24,135
(v) Others	10,508	4,454
Prepared under IFRS	2,662,272	9,483,861