



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

## Third Quarterly Report for 2006

### §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.*

*This report has been compiled in both Chinese and English. Should there be any discrepancy in the two editions, the Chinese one shall prevail.*

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

*1.3 All Directors have attended the Board meeting.*

*1.4 The Third quarterly financial report of 2006 has not been audited.*

*1.5 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	<i>Yu Yuqun</i>	<i>Wang Xinjiu</i>
Liaison Address	No.2 R&D Center of CIMC, Shenkou Nanshan, Shenzhen, Guangdong	No.2 R&D Center of CIMC, Shenkou Nanshan, Shenzhen, Guangdong
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#### 2.2 Financial Information

2.2.1 Main accounting data and financial indexes

*Unit: RMB'000*

	At 30 Sep. 2006	At 31 December 2005	Increase/decrease of the end of this report period over the period-end of the last year (%)
Total assets	23,086,344	17,020,469	35.64
Total equity (excluding Minority interest)	10,790,796	9,613,787	12.24
Equity per share	4.86	4.77	1.89
	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 generated from operating activities	-176,704	100,345	---
Earnings per share (RMB yuan)	0.37	0.97	23.33
Rate of Return on Equity (%)	7.61	19.92	1.77

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

	<i>Profit attributable to equity shareholders of the Company for the nine months ended</i> 30 September 2006 RMB'000	<i>Total equity attributable to equity shareholders of the Company at</i> 30 September 2006 RMB'000
<b>Prepared under the PRC Accounting Rules and regulations</b>	2,185,493	10,677,816
<b>Adjustments to align with IFRSs:</b>		
(i) Adjustment to minority interests	(19,268)	(11,209)
(ii) Adjustment to deferred tax assets	(18,180)	66,960
(iii) Adjustment to goodwill and negative goodwill	(46,613)	(68,918)
(iv) Adjustment to interest capitalisation	1,240	26,039
(v) Adjustment to trading securities	3,471	41,222
(vi) Others	<u>43,637</u>	<u>58,886</u>
<b>Prepared under IFRSs</b>	2,149,780	10,790,796

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		102,409 shareholders in total, including 84,450 shareholders of A-share and 17,959 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	GALAXY – STANDARD CHARTERED - CITIGROUP GLOBAL MARKETS LIMITED	20,964,815	A
2	BANK OF COMMUNICATIONS – AN SHUN SECURITIES INVESTMENT FUND	19,705,350	A
3	BANK OF COMMUNICATIONS – KE RUI SECURITIES INVESTMENT FUND	16,620,178	A
4	INDUSTRIAL AND COMMERCIAL BANK OF CHINA - E FUND VALUE WELL-CHOSEN STOCK SECURITIES INVESTMENT FUND	13,030,932	A
5	INDUSTRIAL AND COMMERCIAL BANK OF CHINA - Southern Security Value-adding Foundation	8,994,941	A
6	CHINA CONSTRUCTION BANK – ICBC CREDIT SUISSE WELL-CHOSEN BALANCE MIXED SECURITIES INVESTMENT FUND	8,012,940	A
7	NATIONAL SOCIAL INSURANCE FUND 109 PORTFOLIO	7,854,678	A
8	BANK OF COMMUNICATIONS – HSBC JIN TRUST 2016 LIFE CYCLE OPEN SECURITIES INVESTMENT FUND	7,815,847	A
9	YU LONG SECURITIES INVESTMENT FUND	6,000,000	A
10	BANK OF CHINA – HARVEST SERVICE VALUE-ADDING INDUSTRIAL SECURITIES INVESTMENT FUND	5,780,337	A
Particulars about shares held by the top ten shareholders of circulation B-share			
1	CHINA MERCHANTS ( CIMC ) INVESTMENT LIMITED	360,143,203	B
2	CHINA MERCHANTS ( CIMC ) HOLDINGS LIMITED	144,702,613	B
3	BBH BOS S/A FIDELITY FD - CHINA FOCUS FD	41,288,246	B
4	PROFIT CROWN ASSETS LIMITED	36,859,756	B
5	HTHK-TARGET ASIA FUND LIMITED	35,660,120	B
6	LONG HONOUR INVESTMENTS LIMITED	21,101,755	B
7	DRAGON BILLION GREATER CHINA MASTER FUND	19,992,925	B
8	CMBSA RE FTIF TEMPLETON ASIAN GRW FD GTI 5496	16,818,676	B
9	TOYO SECURITIES ASIA LIMITED-A/C CLIENT	15,205,657	B
10	HSBC BROKING SECURITIES (ASIA) LIMITED-CLIENTS A/C	14,792,140	B

§3. Discussion and Analysis of the Management

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

***(1) Summary of operating achievements***

For the nine months ended 30 September 2006, the revenue realized by the Company amounts to RMB 25,291,527,000 and the net profit RMB 2,149,780,000, down by 0.97% and 19.25% respectively compared with the same period of last year. Main financial indicators remained favorable: the assets-liability ratio is 49.83%; the net asset per share is RMB 4.86; the return on equity is 19.92%; and the net cash generated from operating activities per share is RMB 0.05.

***(2) Industry background***

During the year, the global economy has gone smoothly, and the economy and foreign trade of China growth remains at a fast speed. Global seaborne trade is booming. In the 3<sup>rd</sup> quarter, the throughput of containers in Chinese major port reached 24,500,000 TEU, up by 22.6% year-on-year. The 2<sup>nd</sup> and 3<sup>rd</sup> quarter are the peak seasons of container shipping, correspondingly, the 2<sup>nd</sup> and 3<sup>rd</sup> quarter are also the peak seasons for container demand.

In the second half year 2006, production capacity in the container industry rises fast, new factories built by lots of manufacturers have been launched into operation, and the one with a capacity of 200,000 TEUs being built by the Group in Yangshan, Shanghai is about to be put into operation.

There is a relatively peak season for the domestic land transport vehicle market in the second half year 2006; demand in the oversea vehicle market, especially the strong consumption demand in the USA, has promoted the growth of cargo for multi-modal transport in North America, which is favorable to the grow of orders for container framework vehicles.

Demand in the steel market begins to bounce back since the 2<sup>nd</sup> quarter, and the price of the Corten steel used in the container manufacture also rises from over USD 400 per ton at the beginning of the year to nearly USD 600 per ton in the 3<sup>rd</sup> quarter.

***(3) Businesses development***

Container business: Demand for containers is still booming in the 3<sup>rd</sup> quarter, and the Group has sold 486,200 TEU containers. The accumulated quantity of containers sold between January and September hits 1,258,000 TEU, up by 9.48% year-on-year, and that includes the following: dry containers 1,113,200 TEU, up by 8.08% year-on-year; special containers 83,500 TEU, up by 51.55% year-on-year; and reefer containers 61,300 TEU, down by 4.16%. In the 3<sup>rd</sup> quarter, orders are full at the main dry container factories of the Group. Price of dry containers continues to rise and has exceeded USD 2,000 per TEU, up by 30% than that at the beginning of the year. The special container business has also increased, especially the tanker containers, of which sales volumes amounted to 5,991 units, up by 29.68% year-on-year.

Road Transportation vehicles business: The accumulated sales revenue realized from January to September 2006 amounts to RMB 5,097,076,000, up by 63.20% year-on-year; vehicles of different types sold amount to 68,220 sets, up by 78.35% year-on-year, of which the vehicles sold by Vanguard National Trailer company in the

USA total 5,542 sets, up by 88.50% year-on-year.

In the second half year 2006, main vehicle factories of the Group keep running at double shifts. In the 3<sup>rd</sup> quarter, the orders for the container framework vehicles, which are the main products exported to North America by the Group, are full and increase fast.

The Group has continued to improve the distribution of the production bases of the road transportation vehicle business. The Northwest base of CIMC vehicle production located in Baiyin of Gansu Province, of which the construction started in February 2006, has been finished and launched into operation in September. Construction on the Northeast production base of CIMC vehicle located in Yingkou of Liaoning Province started in March 2006. Up to now, construction and equipment installation and debugging of the 1<sup>st</sup> phase project of CIMC Vehicle (Liaoning) Co., Ltd have been finished, and the 1<sup>st</sup> phase project shall be launched into production in October 2006. This will allow CIMC vehicles to cover the Northwest and Northeast markets in the future.

**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*

Industry	Revenue	Cost of sales	Gross Margin (%)
Containers	20,209,387	17,539,354	13.21
Road Transportation vehicles	5,097,076	4,307,297	15.49

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

Applicable                      Inapplicable

Container production has some changes according to seasons: generally speaking, the demands in the 1<sup>st</sup> and 4<sup>th</sup> quarters are relatively low, while the 2<sup>nd</sup> and 3<sup>rd</sup> quarters are peak seasons. The road transportation vehicle business has no obvious seasonal characteristics.

**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

**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

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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

**3.7 Special commitments made by the shareholders originally holding non-circulating shares during the share merger reform and the their implementations**

Applicable                      Inapplicable

**China International Marine Containers (Group) Co., Ltd.**  
*Oct. 26, 2006*

Consolidated income statement for the nine months period ended 30 September 2006 (unaudited)

	<i>Nine months ended 30 September</i>	
	<i>2006</i>	<i>2005</i>
	RMB'000	RMB'000
<b>Revenue</b>	25,291,527	25,538,673
Cost of sales	<u>(21,647,889)</u>	<u>(21,224,326)</u>
<b>Gross profit</b>	3,643,638	4,314,347
Other revenue	235,713	104,665
Other net income	403,030	176,906
Distribution costs	(728,260)	(466,634)
Administrative expenses	(846,865)	(822,548)
Other operating expenses	<u>(142,799)</u>	<u>(74,382)</u>
<b>Profit from operations</b>	2,564,457	3,232,354
Finance costs	(83,546)	(199,804)
Share of profits less losses of associates	<u>13,264</u>	<u>4,344</u>
<b>Profit before taxation</b>	2,494,175	3,036,894
Income tax	<u>(200,827)</u>	<u>(207,406)</u>
<b>Profit for the period</b>	2,293,348	2,829,488
	=====	=====
<b>Attributable to:</b>		
Equity shareholders of the Company	2,149,780	2,662,272
Minority interests	<u>143,568</u>	<u>167,216</u>
<b>Profit for the period</b>	2,293,348	2,829,488
	=====	=====
<b>Earnings per share (RMB Yuan)</b>		
Basic	0.97	1.20
	=====	=====

Consolidated balance sheet as at 30 September 2006 (unaudited)

	<i>30 September</i> 2006 RMB'000	<i>31 December</i> 2005 RMB'000 (audited)
<b>Non-current assets</b>		
Property, plant and equipment	4,313,520	4,185,522
Lease prepayments - non-current portion	696,278	638,800
Construction in progress	539,325	236,765
Timber concession rights	67,825	73,905
Intangible assets	25,979	28,649
Goodwill	236,052	105,068
Interest in associates	146,483	159,456
Finance lease receivable	63,652	68,006
Prepayment for investments	116,190	38,830
Deferred tax assets	66,195	85,843
Other financial assets	<u>302,130</u>	<u>291,536</u>
	<u>6,573,629</u>	<u>5,912,380</u>
<b>Current assets</b>		
Lease prepayments - current portion	17,213	15,590
Trading securities	353,210	419,401
Inventories	4,723,647	3,435,181
Trade and other receivables	8,540,509	4,409,694
Cash and cash equivalents	<u>2,878,036</u>	<u>2,828,223</u>
	<u>16,512,615</u>	<u>11,108,089</u>
<b>Current liabilities</b>		
Trade and other payables	8,252,064	4,891,039
Bank loans	1,392,857	501,520
Current taxation	103,958	129,202
Provisions	<u>550,367</u>	<u>552,086</u>
	<u>10,299,246</u>	<u>6,073,847</u>
<b>Net current assets</b>	<u>6,213,369</u>	<u>5,034,242</u>
<b>Total assets less current liabilities</b>	<u>12,786,998</u>	<u>10,946,622</u>
<b>Non-current liabilities</b>		
Bank loans	<u>1,204,500</u>	<u>435,650</u>
<b>NET ASSETS</b>	<u>11,582,498</u>	<u>10,510,972</u>

Consolidated balance sheet as at 30 September 2006 (unaudited)  
(continued)

	<i>30 September</i>	<i>31 December</i>
	<i>2006</i>	<i>2005</i>
	RMB'000	RMB'000
		(audited)
<b>CAPITAL AND RESERVES</b>		
Share capital	2,218,663	2,016,967
Reserves	<u>8,572,133</u>	<u>7,596,820</u>
<b>Total equity attributable to equity shareholders of the Company</b>	10,790,796	9,613,787
<b>Minority interests</b>	<u>791,702</u>	<u>897,185</u>
<b>TOTAL EQUITY</b>	<u>11,582,498</u>	<u>10,510,972</u>

Consolidated cash flow statement for the nine months period ended 30 September 2006 (unaudited)

	<i>Nine months ended 30 September</i>	
	<i>2006</i>	<i>2005</i>
	RMB'000	RMB'000
<b>Operating activities</b>		
Profit before taxation	2,494,175	3,036,894
Adjustments for:		
Depreciation	243,673	205,872
Impairment losses of prepayment for investments	-	5,414
Impairment losses of positive goodwill	67,682	14,498
Amortisation of other intangible assets	2,799	1,318
Amortisation of timber concession rights	4,280	4,392
Gain on recognition of negative goodwill	(120)	(366)
Net loss on sale of property, plant and equipment	929	1,110
Bank interest income	(52,663)	(14,179)
Finance costs	83,546	98,339
Net gains on disposal of partial interests in subsidiaries	(236)	-
Net realised and unrealised (gains) / losses on trading securities	(196,662)	13,503
Dividend income from investments in equity securities	(12,286)	-
Share of profits less losses of associates	<u>(13,264)</u>	<u>(4,344)</u>
<b>Operating profit before changes in working capital</b>	2,621,853	3,362,451
Increase in lease prepayments	(50,735)	(122,521)
Decrease in long-term receivables	2,132	6,883
(Increase) / decrease in trade and other receivables	(4,190,162)	108,451
(Increase) / decrease in inventories	(1,244,882)	295,066
Increase in trade and other payables	3,179,573	508,291
Decrease in provisions	<u>(11,007)</u>	<u>(67,294)</u>
<b>Cash generated from operations</b>	306,772	4,091,327
Tax paid	<u>(206,427)</u>	<u>(308,787)</u>
<b>Net cash generated from operating activities</b>	100,345	3,782,540
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Consolidated cash flow statement for the nine months period ended 30 September 2005 (unaudited) (continued)

	<i>Nine months ended 30 September</i>	
	<i>2006</i>	<i>2005</i>
	RMB'000	RMB'000
<b>Investing activities</b>		
Interest received	56,014	18,050
Payment for the purchase of property, plant and equipment	(195,421)	(131,937)
Payment for the purchase of intangible assets	(1,456)	-
Payment for construction in progress	(483,194)	(783,545)
Payment for purchase of equity securities	(15,003)	-
Payment for purchase of trading securities	(837,498)	(187,452)
Payment for acquisition of associates	-	(14,796)
Prepayment for investments	(116,190)	(5,414)
Payment for acquisition of minority shareholdings	(303,401)	(4,934)
Loan to an associate	-	(18,000)
Cash acquired / (paid), net of payment / cash acquired from acquisition of subsidiaries	127,936	(29,481)
Dividend received from investments in equity securities	12,286	-
Dividend received from an associate	2,153	-
Dividend received from trading securities	10,096	-
Proceeds from sales of property, plant and equipment	32,982	20,353
Proceeds from sale of partial interest in subsidiary	12,900	-
Proceeds from sales of trading securities	1,077,848	200,855
Repayment of advances to minority interests	8,959	6,769
Advances to minority interests	-	(1,284)
	(610,989)	(930,816)
<b>Net cash used in investing activities</b>	(610,989)	(930,816)

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

	<i>Nine months ended 30 September</i>	
	<i>2006</i>	<i>2005</i>
	RMB'000	RMB'000
<b>Financing activities</b>		
Interest paid	(79,979)	(100,012)
Proceeds from new bank loans	8,144,547	11,095,931
Repayment of bank loans	(6,638,742)	(11,682,958)
Capital injection from minority interests	204	7,098
Dividends paid to equity shareholders of the Company	(766,447)	(504,241)
Dividends paid to minority interests	<u>(39,492)</u>	<u>(79,696)</u>
<b>Net cash generated from / (used in) financing activities</b>	<u>620,091</u>	<u>(1,263,878)</u>
<b>Net increase in cash and cash equivalents</b>	109,447	1,587,846
<b>Cash and cash equivalents at 1 January</b>	2,828,223	1,483,165
<b>Effect of foreign exchange rate changes</b>	<u>(59,634)</u>	<u>(126,262)</u>
<b>Cash and cash equivalents at 30 September</b>	<u>2,878,036</u>	<u>2,944,749</u>

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

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