SHENZHEN CHINA BICYCLE COMPANY (HOLDINGS) LIMITED
2001 ANNUAL REPORT

Content

I. IMPORTANT NOTICES:

Board of Directors of the Shenzhen China Bicycle Company (Holdings) Limited (hereinafter referred to as the Company) and its members 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 nor errors which would render any statement misleading. This report was prepared in Chinese version and English version respectively. In the event of difference in interpretation between the two versions, the Chinese version shall prevail.

Da Hua Certified Public Accountants issued the domestic Auditors' Report without reserved opinion but with explanatory notes; and K. C. Oh & Company Certified Public Accountants issued the overseas Auditors' Report expressing no opinion for the Company.

II. COMPANY PROFILE

1. Legal Name of the Company
   In Chinese: 深圳中华自行车（集团）股份有限公司
   In English: SHENZHEN CHINA BICYCLE COMPANY (HOLDINGS) LIMITED
   Short form of English Name: CBC
2. Legal Representative: Mr. Xie Ruxian
3. Secretary of the Board of Directors: Mr. Li Hai
   Liaison Address: No. 3008, Buxin Road, Shenzhen , Guangdong Provice, China
   Tel: (86) 755 – 5516998
   Fax: (86) 755 – 5516620
   E-mail: dmc@china-cbc.com; leocbc@163.net

4. Registered Address and Office Address:
   No. 3008, Buxin Road, Shenzhen , Guangdong Provice, China
   Post Code: 518019
   The Company's Internet Website: www.china-cbc.com
   E-mail: cbc@china-cbc.com
5. Newspapers Chosen for Disclosing the Information:
   Securities Times and Ta Kung Pao
   Internet Website Designated for Publishing the Annual Report:
   www.cninfo.com.cn
   Place Where the Annual Report is Prepared and Placed:
   Secretariat of the Board of Directors, No. 3008 Buxin Road, Shenzhen
6. Stock Exchange Listed with, Short Form of the Stock and Stock Code:
   Stock Exchange Listed with: Shenzhen Stock Exchange
   Short Form of the Stock: ST ZHONGHUA – A, ST ZHONGHUA – B
   Stock Code: 000017, 200017

III. FINANCIAL HIGHLIGHTS AND BUSINESS HIGHLIGHTS

1. Major profit indexes as of the year 2001 (unit: RMB)

Total Profit	-2,013,806,000
Net Profit	-2,013,356,093.47
Net profit after deducting non-recurring gains and losses	-2,000,092,891.49
Profit from main business lines	-11,481,000
Profit from other business lines	9,539,000
Operating profit	-68,092,000
Investment income	-
Subsidy income	0
Net income / expenditure from non-operating	-
Net cash flows arising from operating activities	-31,217,000
Net increase in cash and cash equivalents	-70,471,000

Note: Explanations on difference of auditing results: net profit as of the year 2001 as audited by domestic certified public accountants and overseas certified public accountants was RMB -2,257,244,249.73 and RMB –2,013,356,093.47 respectively, a difference of RMB –243,888,156.26 existing.

Items of net profit after deducting non-recurring gains and losses and related amounts:

Item	Amount (Unit: RMB)
Estimated loss on guarantee offered	-163,631,000.00
Provision for devaluation of fixed assets	-76,569,000.00
Provisions for devaluation of construction-in-progress	-2,320,000.00
Profit and loss on disposal of fixed aseets	126,359.49
Income from liabilities reorganization	252,657,000.00
Written back of house revolving fund	4, 225,000.00
Others	-1,225,157.51
Total	13,263,201.98

2. Accounting data and financial indexes over the recent three year at the end of report

year

(Unit: In RMB)

Item	2001	2000	1999
Income from main business lines	51,875,000	67,973,0000	67,573,000
Net profit	–2,013,356,093.47	-154,959,000	196,964,000
Total assets	558,088,000	2,411,717,000	2,655,294,000
Shareholder's equity (excluding minority interests)	-1,993,893,000	19,463,000	191,152,000
Earnings per share (Fully diluted)	-4.20	-0.323	0.412
Earnings per share (Weighted average)	-4.20	-0.323	0.412
Net assets per share	-4.16	0.04	0.40
Net cash flows per share arising from operating activities	-0.065	1.45	1.02

3. Supplementary statement of profit (return on equity and earnings per share) in the report year

Profit as of the year 2001	Return on equity (%)		Earnings per share (RMB)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from main business lines	-----	-----	-0.024	-0.024
Operating profit	-----	-----	-0.142	-0.142
Net profit	-----	-----	-4.20	-4.20
Net profit after deducting non-recurring gains and losses	-----	-----	-4.17	-4.17

4. Changes in shareholders' equity in the report year (Unit: RMB)

Items	Share capital	Capital public reserve	Surplus public reserve	Statutory Public welfare fund	Retained profit	Shareholder's equity
Total	479,433,003.00	588,205,000	241,968,000	32,673,000	-3,303,499,093	-1,993,893,090
Amount at the year-begin	479,433,003.00	588,205,000	241,968,000	32,673,000	-1,290,143,000	19,463,003
Increase in the report year	0	0	0	0	-2,013,356,093	-2,013,356,093
Decrease in the report year	0	0	0	0	0	0
Amount at the year-end	479,433,003.00	588,205,000	241,968,000	32,673,000	-3,303,499,093	-1,993,893,090
Causes					Impairment loss on doubtful debts and income from liabilities reorganization	Impairment loss on doubtful debts and income from liabilities reorganization

IV. CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS

(I) Particulars about change in share capital

1. Change in shares

Statement of change in shares

(Unit: share)

Items	Before the change	Increase/decrease of this time (+, -)						After the change
		Share Allotment	Bonus shares	Capitalization of public reserve	Additional issuance	Others	Sub-total	
I. Unlisted Shares	224,195,354							224,195,354
1. Promoters' shares								
Including:								
State-owned share								
Domestic juristic person's shares	111,607,002							111,607,002
Foreign juristic person's shares	112,453,352							112,453,352

Others								
2. Raised juristic person's shares								
3. Employees' shares	135，000							135，000
4. Preference shares or others								
Total Unlisted shares	224,195,354							224,195,354
II. Listed Shares	255,237,649							255,237,649
1. RMB ordinary shares	76,617,000							76,617,000
2.Domestically listed foreign shares	178,620,649							178,620,649
3. Overseas listed foreign shares								
4. Others								
Total Listed shares	255,237,649							255,237,649
III. Total shares	479,433,003							479,433,003

2. Issuance and listing of the share:

(1) The Company has not issued new shares over the recent three years at the end of the report year.

(2) In the report period, the Company had never conducted any activities in connection with distributing bonus shares, transferring public reserve into shares capital, share allotment, additional issuance of new shares, consolidation by merger, transferring convertible bonds into shares, capital reduction, listing of employee's shares and whatsoever.

(3) The Company issued 5.3 million employee's shares at the issuance price of RMB 3.75 per share dated Dec. 28, 1991, and the said 5.3 million shares were listed for trading. The directors of the Company held 135,000 shares and entrusted to Shenzhen Securities Registration Company for trustee.

(II) About shareholders at the report year

1. Ended Dec. 31, 2001, the Company had 51,773 shareholders in total, including 31,996 shareholders of A-share and 19,777 shareholders of B-share.

2. Particulars about shares held by the top ten shareholders (Unit: share)

No.	Shareholders	Shares held at the year-begin	Increase / decrease	Shares held at the year-end	Proportion in total shares	Types
1	Shenzhen Lionda Holdings Co., Ltd.	111,607,002	-16,340,000	95,267,002	19.87%	Domestic promoters' juristic person's shares
2	Hong Kong Zhuorun Technology Co., Ltd.	0	+62,003,890	62,003,890	12.94%	Foreign promoters' juristic person's shares
3	Hong Kong (Link) Bicycles Limited	93,005,834	-62,003,890	31,001,944	6.47%	Foreign promoters' juristic person's shares
4	STEPHEN & PARTNERS LTD.	19,447,518	-	19,447,518	4.06%	Foreign promoters' juristic person's shares
5	Airline Trust and Investment Co., Ltd.	0	+10,340,000	10,340,000	2.16%	Domestic promoters' juristic person's shares
6	Shenzhen International Trust and Investment Co., Ltd.	0	+6,000,000	6,000,000	1.26%	Domestic promoters' juristic person's shares
7	Renjun Development Co., Ltd.	0	+4,037,920	4,037,920	0.85%	Foreign social public shares
8	XIE YING JUN	1,800,000	-	1,800,000	0.38%	Foreign social public shares
9	XU JING XIN	0	+1,753,644	1,753,644	0.37%	Foreign social public shares

10	CHEN YUAN FENG	1,631,040	-	1,631,040	0.34%	Foreign social public shares

Note: 95,267,002 shares of the Company held by Shenzhen Lionda Holdings Co., Ltd. were frozen, including 41,968,590 shares were pledged; 31,001,944 shares of the Company held by Hong Kong (Link) Bicycle Limited were pledged and frozen.

3. Juristic person shareholders holding over 10% (including 10%) of the total shares:
① Shenzhen Lionda Holdings Co., Ltd.:
Legal representative: Mr. Li Chengyou
Date of foundation: In 1984
Registration capital: RMB 288.42 million
Business scope: to initiate light industry based entities, operation of real estate, home trading, import and export based on both self-operation and agency, bonded trading, tourism, catering, services, technology trading, telecommunications, warehousing and transportation, financing, securities, futures, leasing, and information consulting.
Structure of equity: total share capital is 288.42 million shares; 191.4 million state shares; 17.16 million social juristic person's shares; 40.26 million domestic social public shares; 39.6 million foreign social public shares.

② Hong Kong Zhuorun Technology Co., Ltd.
Legal representative: Zhang Hanke
Date of foundation: In Sep. 2000
Business scope: IT industry, development of Internet, international trading and investment.

3. Hong Kong (Link) Bicycles Limited
Legal representative: Mr. Shi Zhanxiong
Business scope: bicycle import and export
Shenzhen Medium People's Court auctioned 62,003,890 foreign juristic person's shares of the Company held by Hong Kong (Link) Bicycle Limited dated Jan. 17, and the said shares were purchased by Hong Kong Zhuyue Technology Co., Ltd.. The relevant Public Notice was published in Securities Times and Ta Kung Pao dated Jan. 19, 2001.

(III) The holding shareholder of the holding shareholder of the Company
Shenzhen Investment Management Co. is the holding shareholder of Shenzhen Lionda Holdings Co., Ltd. and Hong Kong Zhuorun Technology Co., Ltd., who was established in Feb. 1988. Legal representative: Li Heihu; registration capital: RMB 2 billion; business scope: Management and supervision of enterprise's state assets, financing and property right; to share all kinds of enterprise and turn over investment, to offer credit and assurance; to impose profit after taxation and occupying expenses of assets of state enterprise and the other business authorized by municipal government.

V. PARTICULARS ABOUT DIRECTOR, SUPERVISOR, SENIOR

EXECUTIVES AND STAFF

(I) Basis condition

1. Directors, supervisors and senior executives

Name	Gender	Age	Title	Office term	Number of holding shares at the year-begin	Number of holding shares at the year-end
Xie Ruxian	Male	39	Chairman of the Board	May 31, 2001-May 31, 2004	0	0
Shi Zhanxiong	Male	58	Vice chairman of the Board	May 31, 2001-May 31, 2004	75,000	75,000
Liu Linfeng	Male	45	Director, General Manager	May 31, 2001-May 31, 2004	0	0
Hu Eryi	Female	38	Director, Deputy General Manager, Chief Accountant	May 31, 2001-May 31, 2004	0	0
Pan Shiming	Male	31	Director	Aug. 13, 2001-May 31, 2004	0	0
Li Zhenping	Male	53	Independent Director	May 31, 2001-May 31, 2004	0	0
Yang Lixun	Male	39	Independent Director	May 31, 2001-May 31, 2004	0	0
Chang Jingzhou	Male	39	Independent Director	May 31, 2001-May 31, 2004	0	0
Lan Qihua	Male	52	Chairman of the Supervisory Committee	Aug. 13, 2001-Jul. 9, 2002	0	0
Peng Tiesheng	Male	53	Supervisor	Jul. 9, 1999-Jul. 9, 2002	0	0
Yang Gui	Male	60	Supervisor	Jul. 9, 1999-Jul. 9, 2002	0	0

Note: Particulars about directors or supervisors holding the position in Shareholding Company

Xie Ruxian took the position of General Manager of Shenzhen Lionda Holdings Co., Ltd.; Hu Eryi took the position of Vice Chief Accountant of Shenzhen Lionda Holdings Co., Ltd.; Pan Shiming took the position of Secretary of the Board and Manager of Property Dept. of Shenzhen Lionda Holdings Co., Ltd..

2. Particulars about the annual salary

Name	Gender	Title	Total annual salary (RMB)	Notes
Xie Ruxian	Male	Chairman of the Board		Drawing no pay from the Company
Shi Zhanxiong	Male	Vice chairman of the Board	152,998.44	
Liu Linfeng	Male	Director, General Manager	175,436.31	
Hu Eryi	Female	Director, Deputy General Manager, Chief Accountant		Drawing no pay from the Company
Pan Shiming	Male	Director		Drawing no pay from the Company
Li Zhenping	Male	Independent Director		Drawing no pay from the Company
Yang Lixun	Male	Independent Director		Drawing no pay from the Company
Chang Jingzhou	Male	Independent Director		Drawing no pay from the Company
Lan Qihua	Male	Chairman of the Supervisory Committee	103,447.93	
Peng Tiesheng	Male	Supervisor	87,255.15	
Yang Gui	Male	Supervisor	78,498.15	

Note:

(1) The Company had totally 11 directors, supervisors and senior executives in office at present, and 5 persons draw the annual salary from the Company. The total annual salary received from the Company is RMB 597,635.98; the total amount of the top two directors is RMB 328,434.75, there is one senior executive draw his annual salary amounting to RMB175, 436.31 from the Company. (2) Of them, three enjoy their annual salary from RMB 100,000 to RMB 150,000 respectively; two enjoy their annual salary from RMB 80,000 to RMB 100,000 respectively. (3) Chairman of the Board Xie Ruxian, Director Hu Eryi and Pan Shiming draw their annual salary from

Shareholding Company; Independent Director Li Zhenping, Yang Lixun and Chang Jingzhou draw their annual salary from the respective company.

3. Directors, supervisors and senior executives leaving the office and the reason in the report year
(1) 2001 Extraordinary Shareholders' General Meeting was held on Aug. 13, 2001. In this meeting, Mr. Li Chengyou no longer took the position of Director and Chairman of the Board due to work demand;
(2) The 5th meeting of the 3rd Board of Director was held at the conference room on 3/F of the Company, No. 3008 of Buxin Rd., Shenzhen in the morning of July 6, 2001. The Supervisory Committee of the Company agreed with Mr. Tao Xiaochun about resignation from the position of Supervisor due to work transfer.
(3) The 2nd meeting of the 5th Board of Director was held on July 6, 2001, as nominated by Chairman of the Board, all directors recommended unanimously Mr. Liu Linfeng for the position of General Manager; as nominated by General Manager, Ms. Hu Eryi took the position of Deputy General Manager. Mr. Shi Zhangxiong no longer took the position of General Manager due to work demand.

(II) About staff
1. The Company has totally 711 staff members at present, including:
(1) Classified according to professional/occupational composition: production personnel: 452 persons; sales personnel: 114 persons; technician: 35 persons; financial personnel: 27 persons; administrative personnel: 81 persons; personnel working outside Shenzhen: 2 persons.
(2) Classified according to the educational background: master's degree or above (including the professionals who have once had advanced study abroad): 9 persons, bachelor's degree: 57 persons; junior college graduates: 77 persons. Proportion of the personnel with education background of junior college or above in the whole staff: 20%.

2. The Company needs to bear the cost of 12 retirees.

VI. ADMINISTRATIVE STRUCTURE

(I) Administration of the Company
Pursuant to the guiding spirit of normative documents issued by CSRC including Administrative Rules for Listed Companies, Guide Lines of Articles of Association for Listed Companies, Normative Opinions of the Shareholders' General Meeting of Listed Companies etc. and in comparison with the Company's actual conditions, the Company believed that there existed no big difference between the actual administration status and the requirements of above documents. The Company will revise and make new Articles of Association, Rules of Procedures of the Shareholders' General Meeting, Rules of Procedures of the Board of Directors and Rules of Procedures of the Supervisory Committee etc, and will further clarify the functions and responsibilities of the Shareholders' General Meeting, the Board of

Directors and the Supervisory Committee, operate the “Three Meetings” in a more standardized way and continually improve its legal person administrative structure.

1. Shareholders and the Shareholders’ General Meeting:
The Company operates in a standardized way, and has been practically safeguarding the interests of medium and small shareholders, ensuring all shareholders fully implement their own rights, and could convene and hold the Shareholders’ General Meeting strictly according to the normative requirements for the Shareholders’ General Meeting.
2. Relationship Between the Controlling Shareholder and Public Company:
The controlling shareholder behaviors in a standardized way, and hasn’t overstepped the Shareholders’ General Meeting to directly or indirectly interfere in the Company’s decision-making and management activities; The Company has pursued the “Five Separations” from the controlling shareholder in respect of business, personnel, assets, organization and finance; The Board of Directors, the Supervisory Committee and internal organizations could function independently.
3. Directors and the Board of Directors:
The Company elected directors strictly according to the stated procedures in the Articles of Association; The number of members of the Board and its formation are in line with requirements of law and regulations; Every director could attend relevant trainings enthusiastically, get familiar with relevant laws and legislations, obtain an understanding of the rights, obligations and responsibilities of director, attend Board meeting and the Shareholders’ General Meeting with a conscientious attitude, and seriously perform the obligations of director of listed company.
4. Supervisors and the Supervisory Committee:
The number of supervisors and the formation are in line with requirements of laws and legislations; Every supervisor could perform his obligations seriously, and make supervision on the Company’s finance and performance of directors and other senior executives in terms of compliance with laws in the principle of being responsible to shareholders.
6. About Relevant Beneficiaries: The Company has been fully respecting and safeguarding the legal rights and interests of the bank, other creditors, employees, consumers and other parties of related interests so as to collectively push the Company to develop in a sustained and healthy way.
7. Information Disclosure and Transparency:
The Company could disclose information in a true, accurate, complete and timely manner strictly according to regulations of laws, legislations and the Articles of Association and ensure equal chance for all shareholders to obtain information.

(II) Performance of Obligations by Independent Directors
The Company has established independent director system and engaged 3 independent directors in the Board of Directors. The independent directors performed their rights and obligations in their office term strictly according to the Articles of Association of the Company and the Guide Opinions of Establishing Independent

Director System in Listed Company issued by CSRC, and expressed independent opinions regarding the Company's administration and operation status.

(III) Separation from the Controlling Company in Respect of Business, Personnel, Organization and Finance etc.

1. In respect of business: The Company is absolutely separated from the controlling shareholder in business and has independent and integrated business system and self-management capability. The Company has independent production, sales and service system as well as its own leading industry. The Company is not competing with the controlling shareholder and related parties in the same domain. The Company has been carrying out management activities all along in the name of independent legal person enterprise.

2. In respect of personnel: The Company is absolutely independent in management of labor, human affairs and salaries, and has established independent function department of labor and personnel administration as well as a series of corresponding administration systems.

3. In respect of assets: The Company is strictly separated from its controlling shareholder in assets, and they conduct wholly independent management. The Company holds integrated and independent purchase system, production system, sales system and corresponding service system, and intangible assets such as industrial property right, trademark and non-patent technologies all belong to the Company independently.

4. In respect of finance: The Company has established independent financial and accounting department as well as a complete set of integrated accounting systems and financial management systems. The Company is independent in making financial decisions, and the controlling shareholder hasn't interfered in operation of funds. The Company has opened independent bank account, and never deposited money in the financial company or settlement center controlled by big shareholder or other related parties. The Company pays taxes according to law.

5. In respect of organization: The Company establishes organizations according to the normative requirements for listed company and the Company's actual business features, which have independent offices.

(IV) Establishment and Implementation of Performance Evaluation and Encouragement Mechanism and Relevant Rewarding System for Senior Executives

The Company is positively making preparation for establishing open and transparent performance evaluation criteria and encouragement and binding mechanism for directors, supervisors and managers. Engagement of managers is open and transparent, which is in accordance with law.

VII. BRIEFINGS ON THE SHAREHOLDERS' GENERAL MEETING

In the report year, the Company held 2000 Shareholders' General Meeting and 2001 Provisional Shareholders' General Meeting in the 3/F meeting room of the Head Office in No. 3008, Buxin Road, Shenzhen. The public notices on resolutions of the meetings were published in Securities Times and Hong Kong Ta Kung Pao dated June 1, 2001 and August 14, 2001 respectively. Particulars about the meetings are as follows:

(I) Briefings on 2000 Shareholders' General Meeting

1. Convening of the Meeting

The notification on holding the 10th Shareholders' General Meeting as decided in the 18th Meeting of the 4th Board of Directors was published in Securities Times and Hong Kong Ta Kung Pao dated April 11, 2001. The participants were the Company's directors, supervisors and senior executives as well as all the shareholders and shareholders' proxies who had registered in Shenzhen Securities Registration Company by closing of the market in the afternoon of May 25, 2001.

2. Holding of the Shareholders' General Meeting

The 10th Shareholders' General Meeting was held at 9:30AM on May 31, 2001. There were 6 shareholders and shareholders' proxies attended the meeting who represented 96,587,402 shares, taking 20.15% of the Company's total shares. Among the representing shares, there were 95,267,002 A shares, taking 19.87% of the total shares, and 1,320,400 B shares, taking 0.28% of the total shares. The following items were reviewed and passed through voting in the meeting:

1) 2000 Work Report of the Board of Directors;

2) 2000 Work Report of the Supervisory Committee;

3) 2000 Financial Report of Actual Budget;

4) Proposal on Election of the 5th Board of Directors.

3. Electing and Changing of Directors and Supervisors

The Company's directors were changed and reelected in the Shareholders' General Meeting. Elected Li Chengyou, Shi Zhanxiong, Xie Ruxian, Liu Linfeng, Hu Eryi, Li Zhenping, Yang Lixun, and Chang Jingzhou to be director of the 5th Board of Directors.

(II). Briefings On The Provisional Shareholders' General Meeting

1.Convening of the Shareholders' General Meeting

The notification on holding 2001 Provisional Shareholders' General Meeting as decided in the 2nd Meeting of the 5th Board of Directors was published in Securities Times and Hong Kong Ta Kung Pao dated July 11, 2001. The participants were the Company's directors, supervisors and senior executives as well as all the shareholders and shareholders' proxies who had registered in Shenzhen Securities Registration Company by closing of the market in the afternoon of August 6, 2001.

2. Holding of the Shareholders' General Meeting

2001 Provisional Shareholders' General Meeting was held at 3:00PM on August 13, 2001. There were 3 shareholders and shareholders' proxies attended the meeting who represented 95,377,702 shares, taking 19.89% of the Company's total shares. Among the representing shares, there were 95,267,002 A shares, taking 19.87% of the total shares, and 110,700 B shares, taking 0.02% of the total shares. The following items were reviewed and passed through voting in the meeting:

1) Proposal on Changing Directors of The Board;

2) Proposal on Changing Supervisors of the Supervisory Committee;

3) Proposal on Engaging Legal Advisor for 2001.
3. Electing and Changing of Directors and Supervisors
1) In the Shareholders' General Meeting, the Company's directors were changed and reelected, in which Mr. Pan Shiming was elected director; Mr. Li Chengyou wouldn't take the post as director any more due to demand of work.
2) In the Shareholders' General Meeting, the Company's supervisors were changed and reelected, in which Mr. Lan Qihua was elected supervisor; Mr. Tao Xiaochun wouldn't take the post as supervisor any more due to change of work.

Ⅷ. REPORT OF THE BOARD OF DIRECTORS

(I) Business Highlights
1. Main business scope and the operation
The Company is mainly engaged in the businesses of production and sales of bicycles and components. The Company has been enjoying a leading position in the sector: possessing the world biggest bicycle export production base with annual production capacity of 2.5 million bicycles, superior production conditions and reliable quality system, has good brand effect both at home and abroad and advanced technology; has excellent infrastructures and mature products and motor bicycles as the upgraded products.
In the year 2001, the Company made great progress in organization and made great effort to improve the external operation environment. At the beginning of Sep. 2001, the largest debtor of the Company, Hua Rong Assets Management Co., Ltd. reached agreement with Shenzhen Lionda Group Co., Ltd. to reorganize the Company as the largest shareholder. This means the present status of the Company with heavy burden from liabilities may be improved. In aspect of internal operation and management, the Company attached great emphasis on the brand image establishment and the innovation for new product, especially focused on the development and marketing for motor bicycles. However, due to unfavorable factors including bicycle industry stagnancy, financial overburden and shortage in capital, no obvious straightening up showed in the Company's operation. In 2001, the Company realized revenue of RMB –11,481,000 from main business lines, and suffered a deficit of RMB 2,013,356,093.47.
2. Problems and difficulties occurred in the operation and the solutions
Major problems confronting the Company are the high liabilities and serious shortage in capital. To solve the problems, the Company, on one hand, exercised its potentiality and activated its property and remaining assets to increase the resources of capital; on the other hand, actively promoted the liabilities and assets reorganization, which was undergoing smoothly and expected great progress in the year.
(II) Investment
In the report period, the Company raised no proceeds and invested in no material projects.

(III) Financial Highlights and Achievement of Operation

Item	2001	2000	Changes	Causes

Total assets	550,088,000	2,411,717,000	-1,861,629,000	Impairment loss on doubtful debts
Long-term liabilities	50,211,000	66,712,000	-16,501,000	
Shareholders' equity	-1,993,893,000	19,463,000	-2,013,356,000	Impairment loss on doubtful debts
Profit from main business lines	-11,481,000	-13,632,000	2,151,000	Decrease in sales cost
Net profit	-2,013,356,093.47	-154,959,000	-1,858,397,093	Impairment loss on doubtful debts

(IV) Notes from the Board concerning issues involved in the Auditors' Report with reserved opinion or expressing no opinion

Board of Directors of the Company agrees with the Auditors' Reports issued by Shenzhen Dahua Tiancheng Certified Public Accountants and K. C. Oh & Company Certified Public Accountants. Since the Company suffered large amount of deficits in 2001 and its liabilities over-exceeding its assets, both the domestic and overseas auditors expressed doubtful opinion on the Company's ability in sustain operation. The Board made following notes to this issue:

In 2001, the Company suffered a deficit as much as RMB 2.257 billion, mainly due to the provisions for large amount of doubtful debts and valuation of assets. (Deficit of the Company main business lines was RMB 11,641,600 in 2001). In the Agreement on Releasing Guarantee Responsibility of Lionda Group Co., Ltd. ("Lionda") and Reorganization Draft for the Company as well as its supplementary agreements signed between the Company's control shareholder, Lionda, and China Huarong Assets Management ("Huarong Company") in Aug. 2001, the two parties made commitment on the Company's reorganization. Till now, the said agreements were implemented or under implementation. Huarong Company has purchased partial equity as well partial production equipment and plant, auctioned due to failure in loan repayment, of the Company in March 2002 and become the control shareholder. Huarong Company has basically agreed to lend the said equipment to the Company for continue usage. April 16, 2002, four director candidates recommended by Huarong Company was approved to be directors of the Company in the 1st Extraordinary Shareholders' General Meeting 2002.

Based on above facts, the Board is of the opinion that actual reorganization of the Company are thoroughly carried out after the report period and the sustain operation of the Company will be resumed in 2002 under the united and active efforts of every relevant parties.

(V) Independent Opinion from the independent director of the Company concerning issues involved in the Auditors' Report expressing no opinion

Independent director of the Company agrees with the Auditors' Reports issued by Shenzhen Dahua Tiancheng Certified Public Accountants and K. C. Oh & Company Certified Public Accountants. Since the Company suffered large amount of deficits in 2001 and its liabilities over-exceeding its assets, both the domestic and overseas auditors expressed doubtful opinion on the Company's ability in sustain operation. The independent director made following notes to this issue:

In 2001, the Company suffered a deficit as much as RMB 2.257 billion, mainly due to the provisions for large amount of doubtful debts and valuation of assets. (Deficit of the Company main business lines was RMB 11,641,600 in 2001). In the Agreement on Releasing Guarantee Responsibility of Lionda Group Co., Ltd. ("Lionda") and Reorganization Draft for the Company as well as its supplementary agreements signed between the Company's control shareholder, Lionda, and China Huarong Assets Management ("Huarong Company") in Aug. 2001, the two parties made commitment on the Company's reorganization. Till now, the said agreements were implemented or under implementation. Huarong Company has purchased partial equity as well partial production equipment and plant, auctioned due to failure in loan repayment, of the Company in March 2002 and become the control shareholder. Huarong Company has basically agreed to lend the said equipment to the Company for continue usage. April 16, 2002, four director candidates recommended by Huarong Company was approved to be directors of the Company in the 1st Extraordinary Shareholders' General Meeting 2002.

Based on above facts, the independent director is of the opinion that actual reorganization of the Company are thoroughly carried out after the report period and the sustain operation of the Company will be resumed in 2002 under the united and active efforts of every relevant parties.

(VI) Operation Plan for 2002

Motivated by reform and availing the opportunity of reorganization, the Company will internally reform on its structure and unit the whole staff; and strive for the support of the government and establish a favorable image externally. Based on such development strategy, the Company will work hard with the target as industrial integration and reorganization of the Company based on following works:

1. To accomplish a overall success in liabilities reorganization;
2. To adjust the industrial structure and products mix and explore for new market and new profit resources through assets reorganization.
3. To integrate the bicycle industry with balanced structure, improve its flexibility, and further improve the brand popularity; and to resume and increase export by various means;
4. To establish Long Hua Industrial Park as the base for R&D, production and research transferring of projects with long-term development future;
5. To reduce cost, improve production efficiency and set the economy management mode with profit as target and cost as core issue;
6. To introduce capital and assign brand and core technology, improve the market share while activating the balance assets and reinforcing receivables collection.

(VII) Routine Work of the Board of Directors

The Board of Directors of the Company held totally five meetings in the report period, and the relevant resolutions were published in Securities Times and Ta Kung Pao.

A. Board meetings and the resolutions

1. The 18th Meeting of the 3rd Board of Directors

The meeting was held at 10 am, April 9, 2001. Five directors attended the meeting, which was in compliance with relevant regulations in laws and Articles of Association. Following resolutions were examined and approved in the meeting:

(1) 2000 Annual Report;
(2) 2000 Financial Settlement Report;
(3) 2000 Profit Distribution Preplan, the Company realized a net profit of RMB –177,951,320.06, and no profit distribution would be conducted;
(4) Proposal on Electing Directors for the 5th Board;
(5) Proposal on Amending Articles of Association.

2. The 1st Meeting of the 5th Board of Directors

The meeting was held on May 31, 2001. Eight directors were expected to attend the meeting while actually five of them were present, which was in compliance with relevant regulations of Company law and Articles of Association. Mr. Li Chengyou was elected as Chairman of the Board unanimously.

3. The 2nd Meeting of the 5th Board of Directors

The meeting was held on July 6, 2001. Eight directors were expected to attend the meeting while actually seven of them (including three independent directors) were present, which was in compliance with relevant regulations of Company law and Articles of Association. Following resolutions were examined and approved in the meeting:

(1) Due to work alter, it was approved that Mr. Li Chengyou resigned from the position of director and chairman of the Board; Mr. Pan Shiming was elected to be the director candidate. The resolution was examined and approved in Shareholders' General Meeting.
(2) Former director Xie Ruxian was elected as Chairman of the Board unanimously.
(3) Nominated by the chairman of the Board, Mr. Liu Linfeng was engaged as general manager; nominated by the general manager, Ms. Hu Eryi was engaged as deputy general manager.

3. The 3rd Meeting of the 5th Board of Directors

The meeting was held on Aug. 16, 2001. Eight directors were expected to attend the meeting while actually six of them were present, which was in compliance with relevant regulations of Company law and Articles of Association. 2001 Interim Report was examined and approved in the meeting and it was resolved to conduct neither profit distribution nor capital public reserve transferring into share capital in the interim of 2001.

4. The 4th Meeting of the 5th Board of Directors

The meeting was held on Oct. 25, 2001. Eight directors were expected to attend the meeting while actually seven of them (including two independent directors) were present, which was in compliance with relevant regulations of Company law and Articles of Association. The Third Quarterly Report was examined and approved in the meeting.

B. Implementation of resolutions of Shareholders' General Meeting by the Board

1. Board of Directors of the Company strictly implemented all resolutions of the General Shareholders' Meeting without material mistakes.

2. The Company conducted neither profit distribution, capital public reserve transferring into share capital, nor share allotment or additional issuance in the report

period without plan.

(VIII) Profit Distribution Preplan for 2001
The Company will conduct neither profit distribution nor capital public reserve transferring into share capital for 2001, pending the examination and approval of Shareholders' General Meeting.

(IX) Other Matters
The Company designated Securities Times and Ta Kung Pao as newspapers for information disclosure.

IX. REPORT OF THE SUPERVISORY COMMITTEE
In the spirit of being responsible to shareholders and strictly according to according to regulations in PRC Company Law and the Articles of Association, the Supervisory Committee has been loyally performing its obligations endowed by relevant laws and legislations, carrying out work positively and hard, safeguarding the legal rights and interests of the Company and shareholders, could put forward its opinions and suggestions promptly towards significant decisions made for productions, management and investment, has carried out supervision on the behaviors of directors and senior executives in terms of implementation of their obligations.
I. Work of the Supervisory Committee in the Report Year
In the report year, the Company held altogether 6 meetings of the Supervisory Committee. The public notices on resolutions of the meetings were published in Securities Times and Hong Kong Ta Kung Pao dated April 11, July 11, August 14, August 20, October 27, 2001respectively.
1. The 5th Meeting of 3rd Supervisory Committee was held on April 9, 2001, in which the Company's 2000 annual report was passed unanimously.
2. The 6th Meeting of the 3rd Supervisory Committee was held on July 6, 2001, in which it was agreed to remove Mr. Tao Xiaochun from the post of supervisor due to change of work, and Mr. Lan Qihua was elected unanimously to be candidate of supervisor.
3. The 7th Meeting of 3rd Board of Directors was held on August 13, 2001, in which Mr. Lan Qihua was elected unanimously to be the convener of the Supervisory Committee.
4. The 8th Meeting of 3rd Supervisory Committee was held on August 16, 2001, in which the Company's 2001interim report was reviewed and passed.
5. The 9th Meeting of the 3rd Supervisory Committee was held on October 11, 2001. The subject of the meeting was to learn relevant securities laws, regulations and policies, and to carefully study how to further improve the work of the Supervisory Committee and implement obligations of the Committee.
6. The 10th Meeting of the 3rd Supervisory Committee was held on October 25, 2001, in which the Company's 3rd quarter report of 2001 was reviewed and passed.

II. Opinions on Relevant Issues in 2001 Expressed by the Supervisory Committee
1. Operation according to law:
Pursuant to relevant national laws and legislations, the Supervisory Committee has carried out superintendence on the holding procedures of Shareholders' General Meetings and Board meetings, resolution events, implementation of resolutions of Shareholders' General Meetings by the Board of Directors, performance of duties of senior executives as well as the Company's administration system etc.; It believed that in 2001, the Board of Directors strictly complied with PRC Company Law, Securities Law, Rules for Stock Listing, Articles of Association and other relevant systems, operated in a standardized manner, worked conscientiously, conducted business and made decisions in a scientific and reasonable way, and further improved internal administration and internal control system; The directors and managers haven't violated law, legislation, the Articles of Association or damaged the interests of the Company and shareholders when performing duties.
2. Financial Inspection
The 2001 interim financial report has truly reflected the financial status as of June 30, 2001 and the business results achieved from January to June in 2001. The 2001 auditors' report is standard unqualified auditors' report, which has truly reflected the Company's financial status and business results in the year.
3. Application of raised funds:
The Company had no issue regarding raised funds in the report year.
4. Purchase and sales of assets:
About purchase or sales of assets in the report year, see the report of last year.
5. Opinions towards correlative transactions
The Company conducted fair correlative transactions, haven't damaged the interests of listed company, and there was no inside trading.

X. SIGNIFICATN EVENTS
(I) Material Lawsuit and Arbitration in the Report Year:
The Company had no new material lawsuit or arbitration in the report year; Details about the material lawsuit or arbitration that occurred in the previous years see the notes of financial statement.

(II) Purchase and Sales of Assets in the Report Year
In the report year, there was no purchase and sales of assets.

(III) Significant Correlative Transactions in the Report Year
In the report year, there was no new significant correlative transaction; Details about the significant correlative transactions that occurred in the previous years see the notes of financial statement.

(IV) Significant Contracts and Implementation of Contracts
1. In the report year, the Company hadn't kept as custodian, contracted and leased any other company's assets and vice versa.

2. In the report year, the Company had no new offering of guarantee; Details about the significant guarantee events that occurred in the previous year see the notes of financial statement.
3. In the report year, the Company hadn't entrusted any other party to manage assets.

(V) In the report year, the Company engaged Shenzhen Dahua Tiancheng Certified Public Accountants as the Group's domestic auditing institution, whose remuneration was RMB 330,000, and engaged K. C. Oh & Company Certified Public Accountants as overseas auditing institution, whose remuneration was RMB 270,000.

(VI) In the report year, the Company, the Board as well as directors hadn't been punished by superintendence and administration authority.

(VII) Other Significant Events:
1. On May 17, 2001, the Company announced the case of which the Merchants Bank took proceedings against the Company for the US$ 7.5 million loans the Company owed. According to SZFZZ No.29-232 and No.29-233 civil verdicts of Civil (2001) issued by Shenzhen Intermediate People's Court, the Company was enforced to implement the case (see the public notice dated May 17, 2001). On September 19, 2001, the Company released the public notice on receiving (2001) SZFZZ No.29-233-1 civil verdict issued by Shenzhen Intermediate People's Court of Guangdong Province and on suspending the case of which the creditor Merchants Bank took proceedings against the Company (see the public notice dated September 19, 2001).
2. On June 2, 2001, the Company announced the case of which China Agriculture Bank (Singapore) Branch took proceedings against the Company for contract of guarantee. According to (1999) YGFZZ No.22-5 civil verdict and in light of the condition that the Company had no more assets to be executed, China Agricultural Bank (Singapore) Branch approved of postponing execution. The case involved totally US$ 10,249,000. (See the public notice dated June 2, 2001).
3. On June 13, 2001, the Company announced that it received (2000) GJCZ No.361 civil verdict released by Beijing Higher People's Court on June 12, 2001, which pronounced the Company's failure in the dispute case of contract of loans appealed by China Import and Export Bank. The case involved RMB 114,558,000. The case hasn't been executed yet (see the public notice dated June 13, 2001).
4. On August 7, 2001, the Company announced that it received (2000) JJCZ No.53 civil verdict released by Jilin Higher People's Court, in which the plaintiff Communication Bank Changchun Branch took proceedings against the Company to enforce it to undertake joint clearing liability for the RMB 50 million loans as well as the interests it owed to Gintian Industry (Group) Co., Ltd. (see the public notice dated August 7, 2001).
5. On August 31, 2001, the Company announced that it received (1998) SZFZZ No.532 civil verdict released by Shenzhen Intermediate Court of Guangdong Province, in which the creditor Bank of Guangdong Province Shenzhen Branch who took proceedings against the Company and Shenzhen Jia Nian Industrial Holding Co., Ltd.

for the dispute case of guarantee of loans came to reconciliation agreement so that (1998) SZFJTCZ No.146 civil mediating verdict was terminated. The case involved US$ 2 million (see the public notice dated August 31, 2001).

6. On December 13, 2001, the Company released a public notice, namely, according to the demand of International Finance Company who had provided the Company with loans against the mortgage raised on the its production equipment, Shenzehn Intermediate People's Court entrusted Shenzhen Yi Chui International Auction Co., Ltd. to conduct auction on the mortgaged equipment in the morning of December 12, 2001 with a final transaction price of RMB 16.50 million. China Hua Rong Assets Management Company strokes the bargain successfully (see the public notice dated December 13, 2001).

7. Based on the debts reconstruction agreement signed by the Company and the foreign bank in 1999, the Company has gone through relevant legal text procedure of another foreign bank, in which US$ 14.30 million was involved (see the public notice dated August 31, 2001).

8. The Company's first large shareholder Lionda Company signed the Framework Agreement on Rescinding Lionda's Liability of Guarantee and on Reconstructing of CBC with Hua Rong Company on August 30, 2001, on which proxies from both of the two parties signed and stamped, and texts of the agreement were changed (see the public notice dated September 3, 2001).

9. According to the Framework Agreement on Rescinding Lionda's Liability of Guarantee and on Reconstructing of CBC, Lionda Company and Hua Rong Company jointly established coordination team in the transitional period (see the public notice dated September 21, 2001).

10. The Company's first large shareholder Lionda Company signed a Supplementary Agreement to the Framework Agreement on Rescinding Lionda's Liability of Guarantee and on Reconstructing of CBC with Hua Rong Company on October 29, 2001, on which proxies from both of the two parties signed and stamped, and texts of the supplementary agreement were changed (see the public notice dated November 7, 2001).

11. In the auction of the Company's production equipment on which a mortgage was raised for loans owed to International Finance Company, Hua Rong Company stoke the bargain (see the public notice dated December 13, 2001).

12. By September 30, 2001, the accounts receivable owed by the Company's second large shareholder Hong Kong Da Huan Bicycle Co., Ltd. amounted to RMB 600,000,000, which occurred in the long-term trading between the two parties since 1998. Hong Kong Court declared liquidation of Da Huan Bicycle Company in May of 1999, which should be conducted in accordance with statutory liquidation procedures of Hong Kong. The Company had allocated RMB 127,000,000 accumulative provision for special bad debts, reinforced clearing and dunning, and will have collected altogether 67 million foreign legal person shares that Da Huan Bicycle held by September of this year. Since the liquidation work of Da Huan Company is in process, the Board of Directors was not able to decide on the liquidation period. The Company, however, will further reinforce dynamics in liquidation, try its best to

reclaim funds, and allocate as much provision as possible for bad debts in the principle of cautiousness (see the public notice dated December 29, 2001).

XI. FINANCIAL REPORT

(I) Auditors' Report (please refer to the attachment)

(II) Consolidated Financial Statements (please refer to the attachment)

(III) Notes to the Consolidated Financial Statements (please refer to the attachment)

XII. DOCUMENTS AVALIABLE FOR REFERENCE

1. Accounting statements carried with the personal signatures and seals of legal representative, person in charge of the accounting affairs and person in charge of the accounting department.
2. Original of auditors' report carried with seal of the Certified Public Accountants as well as personal signatures and seals of certified public accountants.
3. Originals of all documents and public notices disclosed in public on the newspapers as designated by China Securities Regulatory Commission in the report period.
4. Annual reports disclosed in other securities markets.

The Company will provide the above documents for reference timely provided that CSRC or Stock Exchange demands or shareholders requires according to the regulations and Articles of Association.

Board of Director of
Shenzhen China Bicycle Company (Holdings) Limited
April 20, 2002

Attachment:

Report of the auditors to the members of

Shenzhen China Bicycle Company (Holdings) Limited

(A joint stock limited company incorporated in the People's Republic of China)

We have audited the financial statements on pages 2 to 22, which are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In forming our opinion, we have considered the disclosures made in note 2(a) to the financial statements concerning the adequacy of the going concern basis as adopted in the financial statements. As explained in note 2(a) to the financial statements, the validity of the going concern basis depends upon the external funding being made available to meet the Group's financial obligations that have been due and overdue. The board of directors believes that after the funding the Group will be able to meet its future working capital requirements. Accordingly the financial statements have been prepared on a going concern basis and do not include any adjustments that would result from the failure to obtain such funding. We consider that appropriate disclosures have been made. However, in view of the significant impact on the financial statements in relation to the possibility to raise sufficient working capital funds, we are unable to form an opinion as to the appropriateness of the going concern basis.

Because of the uncertainty of the going concern basis, we are unable to form an opinion as to whether the financial statements give a true and fair view of the Group as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

K. C. Oh & Company
Certified Public Accountants

Hong Kong : April 15, 2002

Shenzhen China Bicycle Company (Holdings) Limited

Consolidated profit and loss account for the year ended December 31, 2001

	Note	2001 RMB'000	2000 RMB'000
Turnover	3	51,875	67,973
Cost of sales		(63,356)	(81,605)
Gross loss		(11,481)	(13,632)
Other revenue		9,539	11,127
Distribution costs		(17,037)	(10,528)
Administrative expenses		(46,369)	(34,428)
Other operating expenses		(2,744)	(3,510)
Operating loss		(68,092)	(50,971)
Finance costs		(73,053)	(86,268)
Operating loss before abnormal items	4	(141,145)	(137,239)
Abnormal items	5	(1,870,830)	(19,506)
Operating loss after abnormal items		(2,011,975)	(156,745)
Share of loss from associates		(1,831)	(615)
Loss before taxation		(2,013,806)	(157,360)
Taxation	6	-	(9)
Loss after taxation		(2,013,806)	(157,369)
Minority interests		450	2,410
Loss for the year		(2,013,356)	(154,959)
Loss per share		RMB(4.199)	RMB(0.323)

Loss per share is calculated by dividing the loss of RMB2,013,356,000 (2000 - RMB154,959,000) attributable to shareholders by 479,433,003 shares in issue during the year.

Shenzhen China Bicycle Company (Holdings) Limited

Consolidated balance sheet as at December 31, 2001

	Note	2001 RMB'000	2000 RMB'000
Non-current assets			
Property, plant and equipment	7	341,375	447,419
Construction in progress	8	36,833	36,387
Interests in unconsolidated subsidiaries	9	4,083	4,083
Interests in associates	10	29,589	45,301
Long-term investments	11	-	3,831
		411,880	537,021
Current assets			
Inventories	12	63,159	215,972
Accounts receivable	13	8,798	254,040
Others receivable and prepayments	14	62,907	418,613
Amounts due from related companies	15	-	912,203
Bills receivable		50	93
Cash and bank balances		3,294	73,775
		138,208	1,874,696
Total assets		550,088	2,411,717
Capital and reserves			
Share capital	17	479,433	479,433
Reserves	18	(2,473,326)	(459,970)
		(1,993,893)	19,463
Minority interests	19	-	-
Long-term borrowings	20	50,211	66,712
Current liabilities			
Accounts payable		111,796	72,933
Others payable and receipts in advance		987,730	839,487
Amounts due to unconsolidated subsidiaries		2,870	-
Amounts due to related companies		186,541	155,384
Accruals		377,994	403,464
Welfare payable		6,424	6,262
Overdue portion of long-term borrowings	20	88,456	88,456
Short-term borrowings	21	478,719	670,496
Provision for loss on guarantees	23	166,271	2,640
Tax payable		86,969	86,420
		2,493,770	2,325,542
Total equity and liabilities		550,088	2,411,717

Shenzhen China Bicycle Company (Holdings) Limited
Consolidated cash flow statement for the year ended December 31, 2001

	2001 RMB'000	2000 RMB'000
Cash flow from operating activities		
Operating loss before taxation	(2,013,806)	(157,360)
Adjustment items :		
Interest income	(1,045)	(6,570)
Interest expense	65,496	84,848
Depreciation	24,104	24,527
Debt restructuring income	(252,657)	(33,179)
Provision for loss on guarantees	163,631	-
Reversal of housing benefit fund	(4,225)	-
Provision for impairment loss of property, plant and equipment	76,569	-
(Profit)/loss on disposal of property, plant and equipment	(94)	6,164
Provision for impairment loss of construction in progress	2,320	-
Provision for interest in a subsidiary not consolidated this year	43,981	-
Provision for impairment loss of associates made/(reversed)	13,304	(1,923)
Provision for impairment loss of long-term investments	50	-
Provision for impairment loss of obsolete inventories	148,700	4,624
Provision for doubtful debts	1,660,487	44,222
Provision of minority interests made/(reversed)	(1,002)	3,839
Profit on disposal of short-term investments	-	(14)
Write-off of pre-operating and advertising expenses	-	17,539
Retrospective effect on provision for doubtful debts	-	(16,730)
Net operating cash outflow before movements in working capital	(74,187)	(30,013)
Increase in amounts due to unconsolidated subsidiaries	2,870	-
Increase in amounts due from associates	(2,892)	-
Increase in amounts due to associates	3,509	-
Decrease in inventories	4,113	19,735
(Increase)/decrease in accounts receivable	(126,311)	15,106
Increase in others receivable and prepayments	(135,468)	(55,170)
(Increase)/decrease in amounts due from related companies	(38,683)	41,797
Decrease in bills receivable	43	7
Increase in accounts payable	38,863	10,215
Increase in amounts due to related companies	31,157	38,616
Increase/(decrease) in others payable, inclusive of tax payable	265,769	(183,435)
Net cash outflow from operating activities	(31,217)	(143,142)

(to be cont'd)

Shenzhen China Bicycle Company (Holdings) Limited

Consolidated cash flow statement for the year ended December 31, 2001

(cont'd)

	2001 RMB'000	2000 RMB'000
Net cash outflow from operating activities	(31,217)	(143,142)
Investing activities		
Interest received	1,045	6,570
Interest paid	(130)	(2,497)
Proceeds from disposal of property, plant and equipment	6,099	300
Payment for acquisition of property, plant and equipment	(672)	(777)
Increase in construction in progress	(2,766)	(4,043)
Decrease in interest in associates	1,791	396
Proceeds from disposal of long-term investments	3,781	-
Increase in pre-operating and advertising expenses	-	(237)
Proceeds from disposal of short-term investments	-	34
Net cash inflow/(outflow) from investing activities	9,148	(254)
Financing activities (*)		
Increase/(decrease) in long-term borrowings	(1,129)	12,178
Decrease in short-term borrowings	(48,725)	-
Cash movement of minority interests	1,452	(72)
Net cash inflow/(outflow) from financing activities	(48,402)	12,106
Decrease in cash and cash equivalents	(70,471)	(131,290)
Cash and cash equivalents as at beginning of the year	73,775	205,065
Adjustment of opening cash and bank balances of a subsidiary not consolidated this year	(10)	-
Cash and cash equivalents as at end of the year	3,294	73,775

(*) Cash flow from financing

	Long-term borrowings RMB'000	Short-term borrowings RMB'000	Minority interests RMB'000
Balance as at the beginning of the year	155,168	670,496	-
Opening adjustment of a subsidiary not consolidated	-	(84,047)	-
Cash flows from financing	(1,129)	(48,725)	1,452
Housing benefit fund transferred as income	(4,225)	-	-
Reallocation to others payable	(11,147)	(59,005)	-
Minority interests' share of loss for the year	-	-	(450)
Absorption of minority interests' loss reversed	-	-	(1,002)
Balance as at the end of the year	138,667	478,719	-

1. Corporate information

Shenzhen China Bicycle Company (Holdings) Limited (the “Company”) is established in the People’s Republic of China (the “PRC”) as a joint stock limited company. The principal activities of the Company are manufacture of bicycles and investment holding whilst the principal activities of the subsidiaries and associates (which together with the Company comprise the “Group”) are set out in note 22 to the financial statements.

2. Principal accounting policies

(a) Basis of accounting

The financial statements have been prepared in accordance with International Accounting Standards (“IAS”) as if those standards had been applied consistently throughout the year. This basis of accounting differs from the statutory accounts of the Group which are in accordance with the accounting principles and the relevant financial regulations applicable to enterprises in the PRC.

The principal activity of the Group is production and sales of “deluxe” motor cycles to overseas customers. However, owing to the worldwide anti-dumping measures, the turnover has dropped drastically for the past few years, leading to an accumulated loss of RMB3,303,499,000. In addition, the Group has substantial balances of bank borrowings, accounts payable, others payable and amounts due to related companies, etc. The Group is now undergoing external funding process and believes that the newly raised funds will be able to meet the Group’s future working capital requirements. In view of the above, the financial statements have been prepared on a going concern basis.

(b) Basis of consolidation

The consolidated financial statements incorporate the audited financial statements of the Company and its subsidiaries made up to December 31, 2001 and include the Group’s attributable share of post-acquisition results of its associates. Results of subsidiaries and associates acquired or disposed of during the year are consolidated/equity accounted for from or to their effective dates of acquisition or disposal, respectively. All significant intra-group transactions and balances are eliminated on consolidation.

(c) Subsidiaries

a subsidiary is a company in which the company holds, directly or indirectly, more than 50% of the equity interest as a long-term investment and/or has the power to cast the majority of votes at meetings of the board of directors/management committee.

(d) Associates

An associate is a company, not being a subsidiary, in which the Company holds, directly or indirectly, not less than 20% and not more than 50% equity interest as a long-term investment and is able to exercise significant influence on this company. Investment in associates is stated at cost plus the Group's share of post-acquisition reserves. Profit/loss from associates represents the Group's share of post-acquisition results by the associates during the year.

(e) Related companies

A related company is a company, not being a subsidiary or an associate, in which the major shareholders or directors of the Company or its group companies have a beneficial interest therein, or are in a position to exercise significant influence over that company.

(f) Property, plant, equipment and depreciation

Such assets are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, are charged to the consolidated profit and loss account in the period in which they are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditures are capitalised as an additional cost of the assets.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any profit or loss resulting form their disposal is included in the consolidated profit and loss account.

Depreciation is provided to write off the cost of depreciable assets, after taking into account of their estimated residual values, over their estimated useful lives on a straight line basis.

The estimated useful lives of property, plant and equipment are as follows :

Land and buildings	20 years
Plant and machinery	10 years
Office and electronic equipment	5 years
Motor vehicles	5 years
Others	5 years

(g) Construction in progress

Construction in progress represents properties under construction and equipment purchased prior to installation and is stated at cost. Cost comprises direct costs, attributable overheads and where applicable finance expenses arising from borrowings used specifically to finance the construction of the properties and the acquisition of the equipment until the construction or installation is completed.

The cost of completed construction work is transferred to appropriate category of property, plant and equipment, and depreciation commences when the assets are ready for their intended use.

(h) Investments

Investments, whether they are held on a long-term or a short-term basis, are stated at cost less impairment loss considered necessary by the directors. Income from investments is accounted for to the extent of dividend and/or interest income received or receivable.

(i) Inventories and work in progress

Inventories are stated at the lower of cost, on the weighted average method, and net realisable value. The cost of finished goods and work in progress includes the actual costs of direct materials and direct labour together with an appropriate proportion of production overheads. Net realisable value is based on the estimated selling prices less further costs expected to be incurred to completion and disposal.

(j) Revenue recognition

Sales are recognised when the goods are delivered and the title has passed.
Rental income under operating leases is recognised on a straight line basis over the term of the relevant lease.
Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.
Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

(k) Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of these assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from borrowing costs capitalised.

(l) Operating leases

Leases under which all the risks and rewards of ownership of assets substantially remain with the lessor are accounted as operating leases. Annual rentals applicable to such operating leases are charged to the consolidated profit and loss account on a straight line basis over the lease terms.

(m) Foreign currency transactions

The PRC Group companies maintain their books and records in Renminbi. Foreign currency transactions are translated into Renminbi at the applicable rates of exchange prevailing at the first of January every year. Monetary assets and liabilities denominated in foreign currencies are translated into Renminbi at the applicable rates of exchange prevailing at the balance sheet date. Exchange differences arising from changes of exchange rates subsequent to the dates of transactions are included in the determination of the current year's results.

(n) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily available to known amounts of cash and which are subject to an insignificant risk of changes in value, less advances from bankers that are repayable within three months from the date of their inception.

3. Segment analysis of turnover, results and assets

The turnover, results and assets of the Group, analysed by business activity are as follows :

	2001 RMB'000	2000 RMB'000
Turnover		
Sales of goods	48,923	65,609
Property management	2,132	1,854
Others	820	510
	51,875	67,973
Gross profit/(loss)		
Sales of goods	(12,344)	(14,378)
Property management	632	237
Others	231	509
	(11,481)	(13,632)

4. Operating loss before abnormal items

	2001 RMB'000	2000 RMB'000
The Group's operating loss before abnormal items is arrived at after crediting		
Interest income	1,045	6,570
Exchange gain	-	19
Profit on disposal of property, plant and equipment	94	-
Profit on disposal of short-term investments	-	14
Rental income	6,818	4,768
And after charging		
Write-off of pre-operating and advertising expenses	-	17,539
Depreciation	24,104	24,527
Exchange loss	660	-
Interest expense	65,496	84,848
Loss on disposal of property, plant and equipment	-	6,164

5. Abnormal items

	Note	2001 RMB'000	2000 RMB'000
Abnormal items comprise			
Provision for impairment loss of property, plant and equipment	7	(76,569)	-
Provision for impairment loss of construction in progress (*)		(2,320)	-
Provision for loss on non-consolidated subsidiary	16	(43,981)	-
Provision for impairment loss of associates (*)		(13,304)	-
Provision for impairment loss of long-term investment (*)		(50)	-
Loss on disposal of obsolete inventories		(19,672)	-
Provision for impairment loss of obsolete inventories (*)		(148,700)	(4,624)
Provision for doubtful debts of accounts receivable (*)		(371,553)	(44,222)
Provision for doubtful debts of others receivable and prepayments (*)		(338,048)	-
Provision for doubtful debts of amounts due from related companies (*)		(950,886)	-
Provision for loss on guarantees (*)		(163,631)	-
Reversal/(absorption) of loss from minority interests		1,002	(3,839)
Debt restructuring income (**)		252,657	33,179
Reversal of housing benefit fund		4,225	-
		(1,870,830)	(19,506)

(*) During the year, the Group made a critical review on assets that were obsolete, receivables that were long outstanding and guarantees that were provided to third parties and had made adequate provision for diminution in their value.

(**) The debt restructuring process is in the final stage of completion. Debt restructuring income represents forfeited principals and interests agreed by creditors less incidental expenses in relation thereto. The accumulated debt restructuring income is RMB652,225,000 and is composed of the current year's income of RMB252,657,000 plus the amount of RMB399,568,000 that had already been recognised in prior years.

6. Taxation

	2001 RMB'000	2000 RMB'000
Income tax		
Company and subsidiaries	-	9
Associates	-	-
	-	9

PRC income tax has been provided at the applicable rates based on the assessable profit in the PRC for the year as calculated in accordance with Accounting Principles and Tax Law of PRC. Taxation payable in the consolidated balance sheet includes VAT turnover tax and other taxes.

7. Property, plant and equipment

	Land and buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Others RMB'000	Total RMB'000
Cost							
Balance as at January 1, 2001	498,418	255,098	18,598	898	8,714	17,991	799,717
Adjustment for a subsidiary not consolidated this year	-	(173)	108	-	-	(28)	(93)
Additions	66	52	415	6	100	33	672
Disposals	(6,249)	-	(158)	(66)	(612)	(214)	(7,299)
Balance as at December 31, 2001	492,235	254,977	18,963	838	8,202	17,782	792,997
Accumulated depreciation							
Balance as at January 1, 2001	(152,577)	(159,730)	(16,308)	(716)	(7,019)	(15,948)	(352,298)
Adjustment for a subsidiary not consolidated this year	-	84	(46)	-	-	17	55
Charged for the year	(19,103)	(4,347)	(129)	(28)	(397)	(100)	(24,104)
Written back on disposals	584	-	143	46	364	157	1,294
Provision for impairment loss	(2,085)	(74,484)	-	-	-	-	(76,569)
Balance as at December 31, 2001	(173,181)	(238,477)	(16,340)	(698)	(7,052)	(15,874)	(451,622)
Net book value							
As at December 31, 2001	319,054	16,500	2,623	140	1,150	1,908	341,375
As at December 31, 2000	345,841	95,368	2,290	182	1,695	2,043	447,419

By the end of the current year, a portion of the Group's land and buildings and plant and machinery had been taken for auction sale in order to repay the relevant secured loans. The title of these assets had not been transferred as at the balance sheet date. As the auction price was well below their net book value of RMB114,977,000, the Group had made a provision for impairment loss of RMB76,569,000.

A portion of the Group's land and buildings with respective areas of 14,992 square metres and 127,333 square metres and the construction in progress with an area of 5,571 square metres, together with the guarantees from relevant parties, have been pledged to the bankers to obtain bank loan facilities in the amount of RMB159,564,000 and other export bills facilities.

8. Construction in progress

	2001 RMB'000	2000 RMB'000
Balance as at beginning of the year	36,387	33,243
Additions during the year	2,766	4,083
Transfer to other assets	-	(899)
Disposals during the year	-	(40)
Provision for impairment loss	(2,320)	-
Balance as at end of the year	36,833	36,387

9. Interests in unconsolidated subsidiaries

	2001 RMB'000	2000 RMB'000
Investments in unconsolidated subsidiaries, at cost	18,743	18,246
Provision for impairment loss	(14,660)	(14,163)
	4,083	4,083

10. Interests in associates

	2001 RMB'000	2000 RMB'000
Capital contributions, at cost	73,958	73,918
Share of post-acquisition loss	(11,499)	(9,668)
Share of net assets of associates	62,459	64,250
Provision for impairment loss	(22,653)	(9,349)
	39,806	54,901
Amounts due from associates	2,892	-
Amounts due to associates	(13,109)	(9,600)
	29,589	45,301

11. Long-term investments

	2001 RMB'000	2000 RMB'000
Unlisted investments, at cost	50	3,831
Provision for impairment loss	(50)	-
	-	3,831

12. Inventories

	2001 RMB'000	2000 RMB'000
Raw materials	264,060	269,321
Work in progress	2,854	-
Finished goods	68,912	70,392
Consumable stores	2,091	2,317
Provision for diminution in value of obsolete inventories	(274,758)	(126,058)
	63,159	215,972

13. Accounts receivable

	2001 RMB'000	2000 RMB'000
Amounts receivable	636,900	510,589
Provision for doubtful debts	(628,102)	(256,549)
	8,798	254,040

14. Others receivable and prepayments

	2001 RMB'000	2000 RMB'000
Others receivable	399,598	415,721
Advance payments	405	2,463
Prepayments	952	429
	400,955	418,613

Provision for doubtful debts	(338,048)	-
	62,907	418,613

15. Amounts due from related companies

	2001 RMB'000	2000 RMB'000
Amounts due from related companies	1,121,581	1,082,898
Provision for doubtful debts	(1,121,581)	(170,695)
	-	912,203

16. Effect of a subsidiary not consolidated this year

The subsidiary Zoria Pte. Ltd. is now insolvent and has ceased its business operations. As a result, it has not been consolidated for the current year. The assets and liabilities previously included in consolidation have been adjusted in the financial statements with details as follows :

	2001 RMB'000	2000 RMB'000
Property, plant and equipment	38	-
Others receivable and prepayments	153,126	-
Cash and bank balances	10	-
Accruals	(25,146)	-
Short-term borrowings	(84,047)	-
Net asset value	43,981	-

A full provision has been made for the cost of the above subsidiary and the net asset value of RMB43,981,000 previously consolidated is dealt with in the current year's abnormal items.

17. Share capital

	2001 RMB'000	2000 RMB'000
Registered, issued and fully paid capital, at par value of RMB1 each		
224,435,655 (2000 - 224,435,655) domestic shares	224,435	224,435
76,376,700 (2000 - 76,376,700) "A" shares	76,377	76,377
178,620,648 (2000 - 178,620,648) "B" shares	178,621	178,621

479,433	479,433

18. Reserves

	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Discretionary surplus reserve RMB'000	Statutory public welfare fund RMB'000	Translation reserve RMB'000	Accumulated loss RMB'000	Total RMB'000
As at beginning of the year	588,205	185,011	24,284	32,673	(2,727)	(1,287,416)	(459,970)
Loss for the year	-	-	-	-	-	(2,013,356)	(2,013,356)
Reclassification	-	-	-	-	2,727	(2,727)	-
As at end of the year	588,205	185,011	24,284	32,673	-	(3,303,499)	(2,473,326)

According to the Company's Articles of Association and the PRC's relevant laws and policies, as well as after making up the Company's loss, the Company is required to make a transfer at the rate of 10% from the profit after taxation, determined in accordance with the PRC accounting standards, of the Company to the statutory surplus reserve until the reserve balance has reached 50% of the registered capital of the Company. Again, after making up the loss, the Company is also required to transfer 5% from the profit after taxation to the statutory public welfare fund.

The statutory surplus reserve and the capital reserve may be applied only for the following purposes :

i the statutory surplus reserve may be used to make up loss; and

ii a reserve may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, but when the statutory surplus reserve is converted into share capital, the amount remaining in the reserve shall be no less than 25% of the newly increased registered capital.

The directors do not recommend the transfer to such reserves or the payment of any dividend in respect of the year ended December 31, 2001.

The statutory public welfare fund shall only be applied for the collective welfare of the Company's employees, and upon utilisation, an amount equal to expenditure spent on the collective staff welfare shall be transferred from the statutory public welfare fund to discretionary surplus reserve.

Prior to making up the Company's loss and the relevant appropriations to the statutory surplus reserve and the statutory public welfare fund, no dividend may be paid.

19. Minority interests

	2001 RMB'000	2000 RMB'000
Minority interests	(2,837)	(3,839)
Absorption of loss	2,837	3,839
	-	-

20. Long-term borrowings

	2001 RMB'000	2000 RMB'000
Long-term loans from banks	88,456	90,456
Others	50,211	64,712
	138,667	155,168
The borrowings are repayable as follows :		
Overdue	88,456	88,456
On demand or within one year	-	-
More than one year	50,211	66,712
	138,667	155,168
Amounts due for settlement within 12 months (shown under current liabilities)	(88,456)	(88,456)
Amounts due for settlement after 12 months	50,211	66,712

The loans of RMB88,456,000 were obtained from various banks. They are either secured or guaranteed by the companies within the Group and the related companies. Certain collateral amounting to RMB70,550,000 were taken to auction sale. Others are unsecured, interest free and have no fixed repayment terms.

21. Short-term borrowings

	2001 RMB'000	2000 RMB'000
Unsecured loans payable	244,978	263,730
Mortgaged loans payable	10,300	8,300
Guaranteed loans payable	223,441	398,466

	478,719	670,496

The Group's bank loans are secured by the properties of the Group and shareholders as well as the guarantees by the companies within the Group and related companies. They were all overdue as at year end date.

22. Principal subsidiaries and associates

The details of the Group's principal subsidiaries are as follows :

Name	Place of establishment/ operation	Attributable equity interest	Principal activity
China Bicycles (Hong Kong) Co., Limited	Hong Kong	100%	Bicycle and spare part distribution
Jiu Jiang Hua Tian Property Co., Ltd.	PRC	100%	Property development *
Shenzhen Augule Property Management Co., Ltd.	PRC	100%	Property management
Shenzhen China Bicycle (Guangzhou) Distribution Co., Ltd.	PRC	100%	Bicycle and spare part distribution *
Zoria Pte. Ltd.	Singapore	100%	Bicycle and spare part distribution *
Well Gain Enterprise (Shenzhen) Co., Ltd.	PRC	98%	Material supplies *
Shenzhen China Bicycle (Shanxi) Distribution Co., Ltd.	PRC	70%	Bicycle and spare part distribution
Shenzhen China Bicycle (Hainan) Distribution Co., Ltd.	PRC	70%	Bicycle and spare part distribution *
Shenzhen China Bicycle (Harbin) Distribution Co., Ltd.	PRC	60%	Bicycle and spare part distribution
Shenzhen China Bicycle (Jiangxi) Distribution Co., Ltd.	PRC	55%	Bicycle and spare part distribution *
Huangzhou Chung Jiang Industrial Co., Ltd.	PRC	51%	Property development *
Jiangxi Hong Ji Property Development Co., Ltd.	PRC	51%	Property development *

** Not required to be consolidated as the subsidiary has ceased the business, is under liquidation or is unable to transfer funds to the parent because of its operations under long-term restrictions*

Note : Certain names are direct translation of their Chinese registered names

22. Principal subsidiaries and associates (cont'd)

The details of the Group's principal associates are as follows :

Name	Place of establishment/ operation	Attributable equity interest	Principal activity
Shenzhen Jinhuan Print Plate Co., Ltd.	PRC	38%	Manufacture of bicycle and motorcycle spare parts
Jiang Xi Li Hua Enterprise Ltd.	PRC	34.62%	Commercial service
Shan Tou Special Economic Zone Da Peng Industrial Co., Ltd.	PRC	30%	Manufacture of bicycle aluminum spare parts
Shenzhen Canghai Enterprise Co., Ltd.	PRC	30%	Manufacture of machinery
Yang Zhou Xing Hua Bicycle Parts Co., Ltd.	PRC	30%	Manufacture of bicycle spare parts and motors, etc.
Jian Xu Huai Yin Huayu Bicycle Parts Co., Ltd.	PRC	25%	Manufacture of bicycle spare parts
Shenzhen Tange Bicycle Parts Co., Ltd.	PRC	20%	Manufacture of bicycle spare parts
Shenzhen Zhunbao Industrial Company	PRC	12.5% *	Commercial and industrial service
Hunam Guangnam Motor Cycle Company	PRC	11% *	Manufacture of motorcycle spare parts
Shenzhen Emmelle Industry Co., Ltd.	PRC	2% *	Manufacture of bicycle, motor vehicle and motorcycle

** The Groups is able to exercise significant influence on these companies*

Note : Certain names are direct translation of their Chinese registered names

23. Contingent liabilities and losses

As at December 31, 2001, the Group had contingent liabilities and losses as follows :

	2001 RMB'000	2000 RMB'000
Guarantees given to bankers, in respect of banking facilities utilised by subsidiaries and associates	191,542	100,542
Bills discounted with recourse	-	339,304
	191,542	439,846
Contingent loss on guarantees provided	(166,271)	(2,640)
Contingent liabilities not provided	25,271	437,206

24. Pledge of assets

As at December 31, 2001, the buildings and the machinery of the Group at net book value amounting to RMB441,209,000 (2000 - RMB441,209,000) together with the guarantees from a related company were pledged for securing loans of RMB534,890,000 (2000 - RMB557,274,000) available to the Group. However, a total sum of RMB114,977,000 at net book value of the collateral security of the Group was disposed of under forced sales during the year.

25. Related party transactions

During the year, the Group had material transactions with the following related parties :

Related parties	Transactions	2001 RMB'000	2000 RMB'000
Shenzhen Lionda Holdings Company Limited	Interest paid	3,682	3,349
	Guarantee fee paid	6,888	7,182
Shenzhen Emmelle Industry Co., Ltd.	Royalty fee received	211	-

26. financial instruments

financial assets of the group include cash and bank balances, bills receivable, account receivables, prepayments, deposits and other receivables. financial liabilities include bank loans, account payables, other payables and accrued expenses.

(a) credit risk

cash and bank balances : the group mainly cash are deposited in bank. they does not have a significant exposure to credit risk.

account receivables : the group does not have a significant exposure to any individual customer or counterpart. the major concentrations of credit risk arise from exposures to a substantial number of account receivables that are mainly located in the prc.

(b) fair value

the fair value of cash and bank balances, bills receivable, account receivables, prepayments, deposits and other receivables, bank loans, account payables, other payables and accrued expenses are not materially different from their carrying amount.

the carrying value of short-term bank loans is estimated to approximate its fair value based on the borrowing terms and rates of similar loans.

the fair value of long-term bank loans is estimated, by applying discounted cash flow method using carrying market interest rates for similar financial instruments, to approximate its carrying value.

fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. these estimates are subjective in nature and involve uncertainties on matters of significant judgement, and therefore cannot be determined with precision. changes in assumptions could significantly affect the estimates.

27. Impact of IAS adjustments on loss attributable to shareholders

	2001 RMB'000	2000 RMB'000
As reported by PRC Certified Public Accountants	(2,257,244)	(177,951)
Adjustments to conform to IAS		
Loss on disposal of property, plant and equipment reversed	-	60
Absorption of operating loss in a subsidiary	(14,231)	-
Write-back/(write-off) of deferred assets	8,311	(6,195)
Loss on disposal of current assets made/(reversed)	5,823	(213)
Loss on disposal of obsolete inventories	(19,672)	-
Reversal of prepayments	5,773	-
Reversal/(absorption) of loss from minority interests	1,002	(3,839)
Reversal of housing benefit fund	4,225	-
Debt restructuring income	252,657	33,179
As restated in conformity with IAS	(2,013,356)	(154,959)

28. Impact of IAS adjustments on net assets

	2001 RMB'000	2000 RMB'000
As reported by PRC Certified Public Accountants	(1,988,678)	45,588
Adjustments to conform to IAS		
Write-off of deferred assets	(2,378)	(16,463)
Loss on disposal of current assets	-	(5,823)
Absorption of loss from minority interests	(2,837)	(3,839)
As restated in conformity with IAS	(1,993,893)	19,463

29. language

the translated english version of financial statements is for reference only. should any disagreement arise, the chinese version shall prevail.

30. comparative figures

certain comparative figures have been reclassified so as to conform to the current year's presentation.