SHENZHEN CHINA BICYCLE COMPANY (HOLDINGS) LIMITED
2002 ANNUAL REPORT

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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.

No director stated that they couldn't ensure the correctness, accuracy and completeness of the contents of the Annual Report or have objection for this report.

Director Mr. Xie Ruxian and Independent Director Mr. Li Zhenping were absent from the Board meeting, in which the 2002 Annual Report was examined.

K.C.OH & Company Certified Public Accountants issued an Auditors' Report with reserved opinion, the Board of Directors and the Supervisory Committee of the Company made explanations on the relevant matters in details, the investors are suggested to notice the content.

Mr. Huang Junmin, Chairman of the Board, Mr. Liu Linfeng, General Manager and Ms. Hu Eryi, Chief Accountant hereby confirm that the Financial Report of the Annual Report is true and complete.

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. Mr. Huang Junmin
3. Secretary of the Board of Directors: Mr. Li Hai
   Liaison Address: No. 3008, Buxin Road, Shenzhen , Guangdong Provice, China
   Tel: (86) 755 – 25516998
   Fax: (86) 755 – 25516620
   E-mail: dmc@china-cbc.com
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
7. Other Information about the Company
   The initial registered date: Aug. 24, 1984
   The initial registered place: Buxin Road, Shenzhen
   Registered code for business license of corporation: 101165
   Registered code of tax: 01001163
   Name of the Certified Public Accountants engaged by the Company:
   Domestic: Shenzhen Dahua Tiancheng Certified Public Accountants
   Address: Room 1102-1103, on the 11th Floor, Tower B, Lianhe Plaza, No. 5022, Binhai Av., Futian District, Shenzhen
   International: K.C.OH & Company Certified Public Accountants
   Address: 8/F., New Henry House, No. 10 Ice House Street, Central, Hong Kong

III. SUMMARY OF FINANCIAL HIGHLIGHTS AND BUSINESS HIGHLIGHTS

1. Major profit indexes as of the year 2001 (unit: RMB'000)

Total Profit	8,218
Net Profit	8,191
Profit from core business	8,139
Operating profit	18,290
Investment income	-1,419
Net income / expenditure from non-operating	40,559
Net cash flows arising from operating activities	-233,498
Net increase in cash and cash equivalents	3,506

Note: Explanations on difference of auditing results: net profit as of the year 2002 as audited by domestic certified public accountants and overseas certified public accountants was RMB 6,575,352.43 and RMB 8,190,923.84 respectively, a difference of RMB 1,615,571.41existing.

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

Item	Amount (Unit: RMB'000)
Estimated loss on guarantee offered	0
Withdrew provision for devaluation of fixed assets	0
Withdrew provisions for devaluation of construction-in-progress	0
Profit and loss on disposal of fixed assets	39,960
Others	599

Total	40,559

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

(Unit: In RMB'000)

Item	2002	2001	2000
Income from core business	71,590	51,875	679,730
Net profit	8,191	-2,013,356	-154,959
Total assets	499,868	558,088	2,411,717
Shareholder's equity (excluding minority interests)	-1,985,702	-1,993,893	19,463
Earnings per share (Fully diluted) (RMB)	0.017	-4.2	-0.323
Earnings per share (Weighted average) (RMB)	0.017	-4.2	-0.323
Net assets per share (RMB)	-4.14	-4.16	0.04
Net cash flows per share arising from operating activities (RMB)	0.0081	-0.065	1.45

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

Profit as of the year 2002	Return on equity (%)		Earnings per share (RMB)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from main business lines	-0.41	-0.41	0.017	0.017
Operating profit	-0.92	-0.92	0.0381	0.0381
Net profit	-0.41	-0.41	0.0171	0.0171

4. Changes in shareholders' equity in the report year (Unit: RMB'000)

Items	Share capital	Reserve
Amount at the year-begin	479,433	-2,473,326
Increase in the report year	0	8,191
Decrease in the report year	0	0
Amount at the year-end	479,433	-2,465,135

IV. CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS

(I) Particulars about change in share capital

1. 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								
1. Promoters' shares	224,195,354							224,195,354
Including: State-owned share								

Domestic legal person’s shares	111,607,002							111,607,002
Foreign legal person’s shares	112,453,352							112,453,352
Others								
2. Raised legal 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. Of them, 135,000 shares were held by directors of the Company and were entrusted to Shenzhen Securities Registration Company for trustee; the other 5,165,000shares were listed.

(II) About shareholders at the report year

1. Ended Dec. 31, 2002, the Company had 50,149 shareholders in total, including 30,170 shareholders of A-share and 19,979 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	China Huarong Assets Management Company	0	+65,098,412	65,098,412	13.58%	State-owned shareholder
2	Hong Kong Zhuorun Technology Co., Ltd.	62,003,890	0	62,003,890	12.94%	Foreign shareholder
3	Hong Kong (Link) Bicycles Limited	31,001,944	-5,001,944	26,000,000	5.43%	Foreign shareholder
4	STEPHEN & PARTNERS LTD.	19,447,518	0	19,447,518	4.06%	Foreign shareholder
5	Guangdong Sunrise Group Co., Ltd.	95,267,002	-76,298,412	18,968,590	3.96%	State-owned shareholder
6	Shanghai Xinliyi Investment	0	+11,200,000	11,200,000	2.34%	State-owned shareholder

	Management Co., Ltd.					
7	Airline Trust and Investment Co., Ltd.	10,340,000	0	10,340,000	2.16%	State-owned shareholder
8	Shenzhen International Trust & Investment Co., Ltd.	6,000,000	0	6,000,000	1.26%	State-owned shareholder
9	Jingchao Investment Co., Ltd.	0	+5,001,944	5,001,944	1.05%	Foreign shareholder
10	Renjun Development Co., Ltd.	4,037,920	-37,920	4,000,000	0.84%	Foreign shareholder

Note: 18,968,590 shares of the Company held by Guangdong Sunrise Group Co., Ltd. were frozen, including 11,968,590 shares were pledged; 26,000,000 shares of the Company held by Hong Kong (Link) Bicycle Limited were pledged and frozen.

Note: Among the top ten shareholders, Guangdong Sunrise Group Co., Ltd. and Shenzhen International Trust & Investment are subsidiary companies of Shenzhen Investment Holding Corporation; Hong Kong Zhuorun Technology Co., Ltd. is subsidiary company indirectly controlled by Shenzhen Investment Holding Corporation. Except for that, there exists no associated relationship among the top ten shareholders.

3. Particulars about change in the controlling shareholder and the actual controller:
The public notice on Equity Transfer of the Partial Legal Person's Share was published in Securities Times and Ta Kung Pao dated Oct. 11, 2002, 65,098,412 legal person's A shares of the Company held by Guangdong Sunrise Group Co., Ltd., the original first largest shareholder, was auctioned to China Huarong Assets Management Company by Shenzhen Municipal Intermediated People's Court; of them, 62,098,412 shares were transacted the transfer procedure dated Sep. 28, 2002, the rest 3,000,000 shares were transacted the transfer procedure dated Dec. 11, 2002 too. (For detail, please refer to Securities Times and Ta Kung Pao dated Dec. 12, 2002). China Huarong Assets Management Company became the first largest shareholder.

4. Introduction of the controlling shareholder or actual controller of the Company
China Huarong Assets Management Company is a state-owned sole company limited, which was wholly-owned company possessed by the Ministry of Finance of PRC. Its registered capital is RMB 10 billion; legal representative is Mr. Yang Kaisheng. China Huarong Assets Management Company was located in No. 10, Baiyun Road, Xicheng District, Beijing. Business scope: purchase and operation of bad assets peeled off from China Industrial and Commercial Bank, recovery of debts, replacement of assets, transfer and sale; reorganization of debts and enterprise; debt-to-equity; staggered holding share, securitization of assets, listing recommendation, underwriting of bond and shares in the scope of assets management; direct investment; issuance of bond; commercial loan; loan from finance organization, application of reloan from People's Bank of China; investment, finance and law consultation; evaluation of assets and project; bankruptcy liquidation and enterprise auditing; and the other business approved by the financial supervisory department.

5. Legal person shareholder holding over 10% (including 10%) of the total shares
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.

V. PARTICULARS ABOUT DIRECTOR, SUPERVISOR, SENIOR EXECUTIVES AND STAFF

(I) Basis condition

1. Directors, supervisors and senior executives

Name	Title	Gender	Age	Office term	Holding shares at the year-begin	Holding shares at the year-end	Reason for change
Huang Junmin	Chairman of the Board	Male	51	Apr. 2002 – May 2004	0	0	
Xie Ruxian	Vice chairman of the Board	Male	40	May 2001 – May 2004	75,000	75,000	
Shi Zhanxiong	Director	Male	59	May 2001 – May 2004	0	0	
Liu Linfeng	Director, General Manager	Male	46	May 2001 – May 2004	0	0	
Ye Qing	Director, Standing Deputy General Manager	Male	41	Apr. 2002 – May 2004	0	0	
Hu Eryi	Director, Deputy General Manager	Female	39	May 2001 – May 2004	0	0	
Pan Shiming	Director	Male	32	May 2001 – May 2004	0	0	
Yi Xiaoming	Director	Male	42	Apr. 2002 – May 2004	0	0	
Zhang Xiaofeng	Director	Male	32	Apr. 2002 – May 2004	0	0	
Li Zhenping	Independent Director	Male	54	May 2001 – May 2004	0	0	
Yang Lixun	Independent Director	Male	40	May 2001 – May 2004	0	0	
He Xiongsen	Convener of the Supervisory Committee	Male	44	Jun. 2002 – Jun. 2005	0	0	
Lan Qihua	Supervisor, Chairman of Labor Union	Male	53	Jun. 2002 – Jun. 2005	0	0	
Peng Tiesheng	Supervisor	Male	54	Jun. 2002 – Jun. 2005	0	0	

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

Name	Name of Shareholding Company	Title in Shareholding Company	Office term	Drawing the payment from the Shareholding Company (Yes / No)
Huang Junmin	China Huarong Assets Management company, Shenzhen Office	Deputy General Manager	Since Mar. 2000	Yes
Pan Shiming	Guangdong Sunrise Group Co., Ltd.	Standing Deputy General Manager	Since May 2002	Yes
Yi Xiaoming	China Huarong Assets Management company, Shenzhen Office	Senior Manager	Since Sep. 2000	Yes
Zhang Xiaofeng	China Huarong Assets Management company, Shenzhen Office	Senior Deputy Manager	Since Apr. 2001	Yes
He Xiongsen	China Huarong Assets Management company, Shenzhen Office	Senior Deputy Manager	Since Jan. 2002	Yes

2. Particulars about the annual salary

Note: (1) The Company had totally 14 directors, supervisors and senior executives in office at present, and 4 persons draw the annual remuneration from the Company. The total annual salary received from the Company was RMB 501,100 (of them, Mr. Ye Qing drew the annual salary from Mar. 2002); the total annual payment of the top three directors drawing the highest payment was RMB 412,700, there are 4 senior executives draw their annual salary amounting to RMB 501,100 from the Company. (2) Of them, one enjoyed the annual salary between RMB 80,000 and RMB 100,000; two enjoyed the annual salary between RMB 100,000 and RMB 130,000 respectively, one enjoyed over RMB 150,000. (3) Chairman of the Board Huang Junmin, Director Shi Zhanxiong, Xie Ruxian, Hu Eryi, Pan Shiming, Yi Xiaoming, Zhang Xiaofeng, Convener of the Supervisory Committee He Xiongsen draw their annual salary from Shareholding Company. (4) Independent Director Li Zhenping and Yang Lixun draw their annual remuneration from the respective company, the Company paid the allowance of independent director of RMB 20,000 respectively.

3. Directors, supervisors and senior executives leaving the office and the reason in the report year

(1) In the 1st extraordinary shareholders' general meeting of 2002 held on April 16, 2002, the Company elected directors, Mr. Huang Junmin, Me. Ye Qing, Mr. Yi Xiaoming and Mr. Zhang Xiaofeng were elected as director of the Company, Independent director Mr. Chang Jingzhou no longer took the post of independent director of the Company due to working reason.

(2) In the 7th meeting of the 5th Board of Director held on April 16, 2002, Mr. Huang Junmin was elected as Chairman of the Board, and Mr. Xie Ruxian was elected as Vice Chairman of the Board. Mr. Shi Zhanxiong no longer took the post of Vice Chairman of the Board.

(3) The 3rd Supervisory Committee of the Company has expired. In the 11th Shareholders' General Meeting dated June 28, 2002, the new Supervisory Committee of the Company was elected, Mr. He Xiongsen, Mr. Lan Qihua and Mr. Peng Tie were elected as supervisor of the 4th Supervisory Committee; and in the 1st meeting of the 4th Supervisory Committee, Mr. He Xiongsen was elected as Convener of the Supervisory Committee.

4. Engagement of senior executives:
In the 5th meeting of the 5th Board of Directors held on Mar. 13, 2002, as nominated by the President and as discussed by the Board of Directors, Mr. Ye Qing was engaged as Standing Vice-president of the Group.

(II) About staff
1. The Company has totally 632 employees at present, including:
(1) Classified according to professional/occupational composition: 471 production personnel; 25 salesersons; 17 technicians; 21 financial personnel; 98 administrative personnel.
(2) Classified according to the educational background: master's degree or above (including the professionals who have once had advanced study abroad): 8 persons, bachelor's degree: 44 persons; junior college graduates: 71 persons. Proportion of the personnel with education background of junior college or above in the whole staff: 11.23%.

2. The Company needs to bear the cost of 13 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 significant difference between the actual administration status and the requirements of above documents. In 2002, the Company enacted and improved Rules of Procedures of the Shareholders' General Meeting, Rules of Procedures of the Board of Directors, Rules of Procedures of the Supervisory Committee, Working Detailed Rules of General Manager, Management Method of Information Disclosure of the Company, and submitted the Shareholders' General Meeting for approval; the Company amended the Articles of Association, perfected the administrative structure of shareholders' general meeting, Board of Directors, Supervisory Committee and Management Team, and further improved the standard operation of the Company.

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 2 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 has established 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 2001 Annual Shareholders' General Meeting and the 1st Extraordinary Shareholders' General Meeting of 2002 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 Ta Kung Pao dated June 29, 2002 and April 17, 2002 respectively. Particulars about the meetings are as follows:
(I) Briefings of 2001 Annual Shareholders' General Meeting
1. Convening of the Shareholders' General Meeting
The notification on holding the 11th Shareholders' General Meeting as decided in the

9th Meeting of the 5th Board of Directors was published in Securities Times and Hong Kong Ta Kung Pao dated June 28, 2002. 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 June 24, 2002.

The 10th Shareholders' General Meeting was held at 9:30AM on June 28, 2002. There were 3 shareholders and shareholders' proxies attended the meeting who represented 84,756,302 shares, taking 17.68% of the Company's total shares. Among the representing shares, there were 84,516,302 A shares, taking 17.63% of the total shares, and 240,000 B shares, taking 0.05% of the total shares. The meeting was presided by Vice Chairman of the Board, Mr. Xie Ruxian. The following items were reviewed and passed through voting in the meeting:

(1) 2001 Work Report of the Board of Directors;

(2) 2001 Work Report of the Supervisory Committee;

(3) 2001 Financial Settlement Report;

(4) 2001 Profit and Profit Distribution Preplan;

(5) Proposal on Making up Losses in Capital Public Reserve.

(6) Proposal on Amendment of Articles of Association of the Company;

(7) Rules of Procedure of the Shareholders' General Meeting;

(8) Proposal on Allowance Standard of Independent Directors;

(9) Proposal on Electing Supervisor of the 4th Supervisory Committee;

(10) Proposal on Engaging 2002 Domestic and Overseas Certified Public Accountants;

(11) Proposal on Authorizing the Board of Directors.

3.Election and change of directors and supervisors of the Company

The Shareholders' General Meeting made election at expiration of office terms for the Supervisory Committee and elected He Xiongsen, Lan Qihua and Peng Tiesheng as the supervisors of the 4th Supervisory Committee.

(II). Briefings of the Extraordinary Shareholders' General Meeting

1.Convening of the Shareholders' General Meeting

The notification on holding the 1st Extraordinary Shareholders' General Meeting in 2002 as decided in the 5th Meeting of the 5th Board of Directors was published in Securities Times and Hong Kong Ta Kung Pao dated Mar.14, 2002. 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 Apr.10, 2002.

2. Holding of the Shareholders' General Meeting

The 1st Extraordinary Shareholders' General Meeting in 2002 was held at 3:00PM on Apr.16, 2002. There were 4 shareholders and shareholders' proxies attended the meeting who represented 84,489,259 shares, taking 17.63% of the Company's total shares. Among the representing shares, there were 84,270,202 A shares, taking 17.58% of the total shares, and 219,057 B shares, taking 0.05% of the total shares. The following items were reviewed and passed through voting in the meeting:

(1) Proposal on Amendment of Articles of Association of the Company;

(2) Proposal on Changing Directors of the Board of Directors.
3.Election and change of directors and supervisors of the Company
The Shareholders' General Meeting made election at expiration of office terms for the Board of Directors of the Company, elected Mr. Huang Junmin, Mr. Yeqing, Mr. Yi Xiaoming and Mr. Zhang Xiaofeng as the directors of the Company. Mr. Chang Jingzhou did not take the post of independent directors of the Company due to need of work.

VIII. REPORT OF THE BOARD OF DIRECTORS
I. Discussion and analysis of the whole operation in the report period
1. Scope of core business and operating status
The core business of the Company is production and sales of bicycles and accessories and fittings. The Company always has strong strength in this field, has excellent production situation and reliable quality guarantee system and has good brand domino offect at home and abroad with strong technology force. Besides, the Company has good infrastructures and mature products and has high-class electric bicycles as the upgrade products.
In 2002, under the direct care of the municipal government, the Board of Directors and the Management of the Company made great efforts and China Huarong Assets Management Company formally entered into the Company formally in the last ten-day of March as the first large creditor and became the first largest shareholder. Under the support of Huarong Company, in 2002 the Company has gained permission that China Huarong Assets Management Company, Huashang Bank, China Great Wall Assets Management Company, China Orient Assets Management Company and Sunrise Company stopped calculating all the interests of liabilities the Company owed, which created condition for the further restructuring of liabilities and assets reorganization. While carrying through the reorganization, the Management did not wait, reintegrated the product structure with restructuring to push the reform and tried hard to raise the core competitive force of the enterprise so that to create a new layout of operation and realize the estimated objectives of turning losses depending on innovating operating thought, innovating the management, gathering the limited resources and emphasizing on developing electric bicycle products under the condition that the capital environment was still hard. In 2002 the income from core business was RMB 71,590,000 and the profit realized was RMB 8,191,000.
(1) Statement of core business classified according to industries and products

Unit: RMB'0000

Products	Income from core business	Cost of core business	Gross profit ratio (%)	Increase/decrease of income from core business compared with the last year (%)	Increase/decrease of cost of core business compared with the last year (%)	Increase/decrease of gross profit ratio compared with the last year (%)
Bicycles	3530.57	2876.57	18.52	-22.30	-24.47	2.33
Electric bicycles	3028.07	2141.93	29.00	Inapplicable	Inapplicable	Inapplicable

Including: related transaction	None	None	None	None	None	None
Principle of pricing of related transaction	None					
Explanation of necessity and durative of related transaction	None					

(2) Particulars about core business classified according to areas

Unit: RMB’0000

Areas	Income from core business	Increase/decrease of income from core business compared with the last year (%)
Shangdong	1419.03	22.00
Jiangsu	879.11	336.70

2. Operation of share-holding companies (applicable to the situation of investment earnings’ taking over 10% of net profit)

Unit: RMB’0000

<table>
<tr><td colspan="2">Name of share-holding companies</td><td colspan="3">Jiangxi Lihua Industrial Co., Ltd.</td></tr>
<tr><td colspan="2">Investment earnings contributed in the report period</td><td>-73.56</td><td>Proportion in the net profit of listed companies</td><td>-11.19%</td></tr>
<tr><td rowspan="2">Share-holding companies</td><td>Business scope</td><td colspan="3">Operation of the real estate, service and production of garments, textiles and crafts</td></tr>
<tr><td>Net profit</td><td colspan="3">-212.47</td></tr>
</table>

3. Major suppliers and customers

Statement of major sales customers in 2002 (the top five)

Order	Name of customers	Sales amount (RMB’0000)	Total (RMB’0000)	Proportion in the total sales amount
1	Suzhou Jiaxin Trade Company	186.19	741.62	10.82%

2	Nantong Double-Wheel Automobile Company	163.72		
3	Yangzhou Jinshan Electric Bicycles Company	137.13		
4	Nantong Department Stores Building Co., Ltd.	127.94		
5	Xuzhou Emmelle Distributing Place	126.64		

Statement of major suppliers in 2002 (the top five)

Order	Name of suppliers	Name of supply commodities	Amount (RMB'0000)	Total (RMB'0000)	Proportion in the total purchase amount
1	Shanghai Weixing Electric Engine Factory	Electric engine	774.02	1560.85	50.90%
2	Zhejiang Changxing Natural Engergy Electric Company	Batteries and chargers	434.49		
3	Shenzhen Chennuo Eletric Technology Company	Controllers	139.74		
4	Xi'an Yuankang Electric Science and Technology Company	Paper-making products	128.67		
5	Xiamen Zhengxin Rubber Industrial Company	Tyres	83.93		

4. Difficulties and problems arising from operation and solutions

The problem arising from the operation of the Company was high amount of liabilities burden and serious deficiency of capital, thus how to solve the liabilities problem was the largest difficulties that the Company faced in the reorganization. So on the one hand the Company actively pushed the work of domestic liabilities and assets reorganization. On the other hand, to try hard to realize the whole objectives of "Integrating industry and Recreating SCBC" with "With reform as motivity, with reorganization as opportunity, transforming mechanism to gather the hearts of people inside and striving for policies to build up image outside" as development strategic policy. The Company has established the strategic thought of "Survive depending on bicycles, enhance depending on electric bicycles and recreate depending on reorganization" and has confirmed the operating strategy of "With brand operation as the means, integrate bicycles business and with electric bicycles as cut-in point, develop industrial chains".

5. Explanation of reason of material change of profitability capability of core business (gross profit ratio) compared with the last year:

In the report period, the Company adjusted the product structure in a comparatively large way compared with that of the last year, increased the electric bicycles with comparatively high gross profit ratio and decreased somewhat the ordinary bicycles with relatively low gross profit ratio. At the same time, the Company made relatively great efforts on the cost and expense control in the report year and the effect was obvious. In a word, the gross profit ratio of the Company's products increased and the profit from core business increased in a comparatively large way.

II. Investment

In the report period, the Company did not raise proceeds nor had material investment.

III. Financial status and operating results

1. Main indexes of financial status

Unit: RMB'000

	In 2002	In 2001	Increase/decrease amount	Increase/decrease rate (%)	Main reason of change
Total assets	499,868	550,088	-50,220	-9.13	The real property is auctioned to repay the debts.
Long-term liabilities	1,938,290	1,777,388	160,902	9.05	Transferring the short-term liabilities of Huarong and Sunrise into long-term liabilities
Shareholders' equity	-1,985,702	-1,993,893	8,191	-0.41	Profitability in the report year.
Profit from core business	8,139	-11,481	19,620	-170.89	The gross profit increased.
Net profit	8,191	-2,013,356	2,021,547	-100.41	Appropriation of bad debts and estimated liabilities etc. in the last year.
Cash	6,800	3,294	3,506	106.44	Net amount of operating cash flow increased.
Net increase of cash equivalents	3,506	-53,443	56,949	-106.56	Repayment of liabilities in the last year.

IV. Explanation on opinion provided by Certified Public Accountants of the Board of Directors

The Board of Directors of the Company agreed the Auditors' Report of B share produced by Hong Kong K.C. Oh & Certified Public Accountants Company. Since in 2002 the liabilities reorganization work of the Company has not been finished yet and the large amount of liabilities risks still existed, this Certified Public Accountants presented the inquiry on the sustainable operating capability of the Company in the Auditors' Report and expressed opinion with reservation. Thus, the Board of Directors explained as follows:

Since China Huarong Assets Management Company (hereinafter referred to as Huarong Company), the largest creditor of the Company, entered into the Company formally in March 2002, the work of liabilities reorganization of the Company has gained comparatively large progress.

Firstly, the several non-bank creditors represented by Huarong Company stopped calculating the liability interests in those years of the Company in succession, which greatly reduced the financial burden of the Company in 2002. At the same time, presiding by Huarong Company, the Company has held the creditors' meeting for several times and gained material progress, namely the relevant creditors representing by Huarong Company has united and strived for corresponding policies of liabilities reorganization from relevant governing departments of the country.

While gaining the aforesaid progress, Huarong Company also transferred the relevant interests of the short-term liabilities that the Company owed to it into long-term liabilities. According to the relevant agreement clause on the "Framework Agreement" of the reorganization of the Company agreed between Huarong Company and Shenzhen Lionda Holdings Co., Ltd., the short-term liabilities and relevant interests that the Company owed to Lionda Company also has been transferred into long-term liabilities of the Company.

Due to the aforesaid reason and considering that the core business of the Company in 2002 has realized profitability and short-term payment pressure has been reduced, thus the Board of Directors thought the sustainable operating capability of the Company has been improved in a comparatively large way and along with the continuous progress of liabilities reorganization of the Company, the operating environment of the Company shall be further improved.

V. Business plan of the new year of the Board of Directors

In 2003, we shall continue to stick to make brand as the lead, integrate the bicycles resources, emphasize on the electric bicycles and try hard to realize the continuous increase of core business with Emmelle aviation depot ship as the operating policy. Thus, we will seriously well do the work of the following respects:

1. To positively push the work of liability reorganization, lighten the liability burden and reduce the financial cost.

2. To reorganize the industry. To continue to adjust the industrial layout with survival of the fittest, focus the resources to develop the electric bicycles and form the up-chained and down-chained industrial chain with the electric bicycles as the core.

3. To reinforce the development of readily marketable new products.

4. To fully make use of the brand advantage and speed up the expansion of brand running mode.

5. To implement budget management, strictly control the expense and expenditure, reduce the expense and cost and raise the economic efficiency.

6. To continue to liquidize the idle assets and properties.

VI. Routine work of the Board of Directors

In the report period, the Board of Directors totally held seven meetings and the resolutions of the meeting were published on Securities Times and Hong Kong Ta Kung Pao.

(I) Board meetings and resolutions in the report period

1. The 5th meeting of the 5th Board of Directors

The 5th Board of Directors held the 5th meeting on the morning of March 13, 2002. Eight directors should be present and actually five attended the meeting. Chairman of the Board Mr. Xie Ruxian presided at the meeting, which was in compliance with the legal procedures and the regulations of Articles of Association of the Company. The meeting examined and approved the following proposals:

(1) Proposal on Amendment of Articles of Association
(2) Proposal on Change of Members of the Board of Directors
(3) Proposal on Engagement of Managing Vice-president of the Company
(4) Proposal on Holding the 1st Extraordinary Shareholders' General Meeting of 2002

2. The 6th meeting of the 5th Board of Directors

The 5th Board of Directors of the Company held the 6th meeting at 1:30 P.M. on April 16, 2002. Eight directors should be present and actually six attended the meeting. Chairman of the Board Mr. Xie Ruxian presided at the meeting, which was in compliance with the regulations of Company Law and Articles of Association. The meeting examined and approved the following proposals:

(1) 2001 Annual Report
(3) 2001 Financial Settlement
(4) 2001 Profit and Profit Appropriation Preplan. The Company realized net profit of RMB-225,724.42 in 2001 and would not appropriate profit in the report period.
(5) Be notified later on the holding time of the 11th Shareholders' General Meeting

3. The 7th meeting of the 5th Board of Directors

The 5th Board of Directors of the Company held the 7th meeting at 4:30 P.M. on April 16, 2002. Seven directors should be present and actually ten directors attended the meeting. Chairman of the Board Mr. Xie Ruxian presided at the meeting, which was in compliance with the regulations of Company Law and Articles of Association. The present directors seriously discussed and decided to nominate Mr. Huang Junmin as Chairman of the Board, Mr. Xie Ruxian as Vice Chairman of the Board and Mr. Shi Zhanxiong no longer took the post of vice chairman of the Board of the Company.

4. The 8th meeting of the 5th Board of Directors

The 5th Board of Directors held the 8th meeting at 3:00 P.M. on April 21, 2002. Eleven directors should be present and actually nine directors attended the meeting. Chairman of the Board Huang Junmin presided at the meeting, which was in compliance with the regulations of Company Law and Articles of Association. The meeting examined and approved the following proposals:

(1) Report of the 1st Quarter of 2002
(2) Explanation of Financial Status of the 1st Quarter of 2002

5. The 9th meeting of the 5th Board of Directors

The 5th Board of Directors held the 9th meeting at 9:00 A.M. on May 24, 2002. Eleven directors should be present and actually eleven directors attended the meeting. Chairman of the Board Mr. Huang Junmin presided at the meeting, which was in compliance with the regulations of Company Law and Articles of Association. The meeting examined and approved the following proposals:

(1) 2001 Work Report of the Board of Directors]
(2) 2001 Financial Settlement Report
(3) Proposal on Offsetting Losses with Public Reserve
(4) Proposal on Amendment of Articles of Association
(5) Rules of Procedures of Shareholders' General Meeting (Draft)
(6) Rules of Procedures of the Board of Directors
(7) Proposal on Allowance Standard of Independent Directors
(8) Work Rules of General Meeting
(9) Decision-making System of Related Transaction
(10) Management Measure of Information Disclosure
(11) Proposal on Engagement of 2002 Domestic and Overseas Certified Public Accountants
(12) Planning of Holding the 11th Shareholders' General Meeting on June 28, 2002

6. The 10th meeting of the 5th Board of Directors

The 5th Board of Directors held the 10th meeting on Aug.27, 2002. Eleven directors should be present and actually eight directors attended the meeting. Chairman Mr. Huang Junmin presided at the meeting, which was in compliance with the regulations of Company Law and Articles of Association. The meeting examined and approved 2002 Semi-annual Report and decided neither to appropriate profit nor to convert capital public reserve into share capital in the interim of 2002.

7. The 11th meeting of the 5th Board of Directors

The 5th Board of Directors held the 11th meeting on Oct.24, 2002. Eleven directors should be present and actually eight attended the meeting, which was in compliance with the regulations of Company Law and Articles of Association. The meeting conformable approved Report of the 3rd Quarter of 2002.

(II) Implementation of resolutions of Shareholders' General Meeting by the Board of Directors

1. The Board of Directors strictly implemented all resolutions of Shareholders' General Meeting in the report period with no material warps and errors.

2.In the report period, the Company had no profit appropriation plan, plan of converting public reserve into share capital, proposal on shares allotment or proposal on additionally issuing new shares.

VII. Profit appropriation plan or preplan of capitalization

In the report period, the Company would neither to distribute bonus shares nor to convert public reserve into share capital. This plan should be submitted to Shareholders' General Meeting for approval.

VIII. Other issues

The Company designated Securities Times and Hong Kong Ta Kung Pao as newspapers for information disclosures.

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 Ta Kung Pao.

1.The 11th meeting of the 3rd Supervisory Committee of the Company was held on Apr.16, 2002, examined and approved 2001 Annual Report of the Company.

2.The 12th meeting of the 3rd Supervisory Committee of the Company was held on Apr.21, 2002, examined and approved the following resolutions:

(1) The 1st Quarterly Report of 2002 of the Company;

(2) Explanation on Financial Status of the 1st Quarterly Report of 2002

3. The 13th meeting of the 3rd Supervisory Committee of the Company was held on May 24, 2002, examined and approved the following resolutions:

(1) 2001 Work Report of the Supervisory Committee;

(2) Proposal on Electing Supervisors of the 4th Supervisory Committee;

(3) Rules of Procedure of the Supervisory Committee

4.The 1st meeting of the 4th Supervisory Committee of the Company was held on June 28, 2002, congruously recommended Mr. He Xiongsen as the convoker of the Supervisory Committee of the Company.

5. The 2nd meeting of the 4th Supervisory Committee of the Company was held on Aug.27, 2002, examined and approved 2002 Semi Annual Report.

(II) Opinions on Relevant Issues in 2002 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 2002, 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 2002 interim financial report has truly reflected the financial status as of June 30, 2002 and the business results achieved from January to June in 2002. The 2002 annual report has truly reflected the Company's financial status and business results in the year.

3. Use of raised funds:

The Company had no issue regarding raised funds in the report year.

4. Purchase and sales of assets:

In the report period, the Company had no object purchase and sale of assets.

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.

6.Opinoin on auditor's report with reservation opinion issued by Hong Kong K.C.Oh & Company

The Supervisory Committee agreed the explanation on auditor's report with reservation opinion issued by Hong Kong K.C.Oh & Company by the Board of Directors.

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) The Company had no active purchase and sales of assets in the report year

(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 230,000.

(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.After the Company received the notification of relieving relevant interest from Jan.1, 2002 to Dec.31, 2002 of the Company's loan by China Huarong Assets Management Corporation,

(1) On June 20, 2002, the Company received Letter on Stopping Calculating and Relieving Interest of Loan of Shen China in 2002 issued by Hua Chiao Commercial Bank, who agreed to stop calculating interest of Shen China's loan since June 21, 2002 to Dec.31, 2002 and relieve the calculated loan interest (including the late fee of punished interest) since Jan.1, 2002-June 20, 2002.
(2) On June 25, 2002, the Company received Letter on Agreeing to Stop Calculating Interest issued by China Greatwall Assets Management Corporation Shenzhen Office, who agreed to stop calculating all interest from Jan.1, 2002 to Dec.31, 2002 of the debt of the Company.
(3) On July 11, 2002, the Company received Letter on Stopping Calculating Interest issued by China Greatwall Assets Management Corporation Shenzhen Office, who agreed to stop calculating all derived interest from Jan.1, 2002 to Dec.31, 2002.
2.In the report period, the Company published significant events on Securities Times and Ta Kung Pao dated Jan.4, Oct.11, Dec.12 and Dec.24,2002 with details as follows:
(1) The workshops locating in Buxing Road, Luohu District was conduced public sale in the morning of Dec.29, 2001. The bargain price of public sale was RMB 21,908,735 and the buyer was China Huarong Assets Management Corporation.
(2) Shenzhen Intermediate People's Court conducted public sale for 65,098,412 legal person A shares of the Company held by Shenzhen Lionda Group Co., Ltd., which was the biggest shareholder of the Company. The total bargain amount was RMB 23,435,428.32 and the buyer was China Huarong Assets Management Corporation..
(3) In the aforesaid publicly sold equity, 62,098,412 shares and 3,000,000 shares were finished the procedure of transfer respectively on Sep.28 and Dec.11. China Huarong Assets Management Corporation formally became the biggest shareholder of the Company, taking 13.58% of the total share capital of the Company.
(4) Shenzhen House Transaction Center was entrusted to publicly sell No.1 Office Building locating in Buxin Road, Luohu District, Shenzhen and No.A822-5 land and the constructions on land locating in Yousong Village, Longhua Town, Baoan District. The bargain price of the public sale was RMB 83 million. Relevant transfer procedure has been finished.
3. 40,000,000 shares among of 62,003,890 shares of the Company held by Hong Kong Zuorun Technology Co., Ltd., the second biggest shareholder of the Company, were pledged and frozen on Apr.3, 2003.

XI. FINANCIAL REPORT

(I) Auditors' Report
(II) Accounting Statements
(III) Notes of Accounting Statements

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 26, 2003

Shenzhen China Bicycle Company (Holdings) Limited

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

Auditors' report and financial statements

for the year ended December 31, 2002

Shenzhen China Bicycle Company (Holdings) Limited

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

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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. The preparation of these financial statements is the responsibility of the Company'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 presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

However, the evidence available to us was limited in the following manner. As explained in note 2 to the financial statements, the company's adoption of going concern basis is based on the probable outcome of the debt restructuring as well as the resulting improvement in the financial position. As we were unable to obtain sufficient evidence and explanation to assess the adequacy of the going concern basis, our opinion is qualified in this respect. In addition, we were unable to estimate the financial impact on the Company should the going concern basis not be adopted.

Except for the matter as referred to above, in our opinion the financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries as at December 31, 2002 and the results of their operations and cash flows for the year then ended, in accordance with International Accounting Standards.

K. C. Oh & Company
Certified Public Accountants

Hong Kong : April 23, 2003

Consolidated income statement for the year ended December 31, 2002

	Note	2002 RMB'000	2001 RMB'000
Turnover	(5)	71,590	51,875
Cost of sales		(63,451)	(63,356)
Gross profit/(loss)		8,139	(11,481)
Other revenue		49,362	9,539
		57,501	(1,942)
Distribution costs		(8,713)	(17,037)
Administrative expenses		(30,308)	(46,369)
Other operating expenses		(190)	(2,744)
Operating profit/(loss)		18,290	(68,092)
Finance costs		(21,278)	(73,053)
Operating loss before exceptional items	(6)	(2,988)	(141,145)
Exceptional items	(7)	12,625	(1,870,830)
Operating profit/(loss) after exceptional items		9,637	(2,011,975)
Share of loss from associates		(1,419)	(1,831)
Profit/(loss) before taxation		8,218	(2,013,806)
Taxation	(8)	-	-
Profit/(loss) after taxation		8,218	(2,013,806)
Minority interests		(27)	450
Profit/(loss) for the year		8,191	(2,013,356)
Profit/(loss) per share		RMB0.017	RMB(4.199)

Profit/(loss) per share is calculated by dividing the profit of RMB8,191,000 (2001 - loss of RMB2,013,356,000) 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, 2002

	Note	2002 RMB'000	2001 RMB'000
Non-current assets			
Fixed assets	(9)	326,358	378,208
Interests in associates	(10)	20,738	25,049
Other investments	(11)	8,603	8,643
		355,699	411,900
Current assets			
Inventories	(12)	73,441	63,159
Accounts receivable	(13)	14,477	8,798
Others receivable and prepayments	(14)	49,301	62,887
Amounts due from related companies	(15)	-	-
Bills receivable		150	50
Cash and bank balances		6,800	3,294
		144,169	138,188
Total assets		499,868	550,088
Capital and reserves			
Share capital	(16)	479,433	479,433
Reserves		(2,465,135)	(2,473,326)
		(1,985,702)	(1,993,893)
Minority interests	(17)	-	-
Non-current liabilities			
Long-term loans due to related companies	(18)	1,170,528	1,008,898
Loan-term borrowings	(19)	601,491	602,219
Provision for loss on guarantees	(20)	166,271	166,271
		1,938,290	1,777,388
Current liabilities			
Amounts due to related companies		59,408	49,380
Accounts payable		118,497	111,796
Others payable and receipts in advance		115,317	134,030
Accruals		161,487	377,994
Welfare payable		4,504	6,424
Tax payable		88,067	86,969
		547,280	766,593
Total equity and liabilities		499,868	550,088

The financial statements on pages 2 to 22 were approved and authorised for issue by the board of directors on April 23, 2003 and are

signed on its behalf by :

Director	**Director**

Consolidated statement of changes in equity for the year ended December 31, 2002

	Share capital RMB'000	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 January 1, 2001	479,433	588,205	185,011	24,284	32,673	(2,727)	(1,287,416)	19,463
Loss for the year	-	-	-	-	-	-	(2,013,356)	(2,013,356)
Reclassification	-	-	-	-	-	2,727	(2,727)	-
As at December 31, 2001	479,433	588,205	185,011	24,284	32,673	-	(3,303,499)	(1,993,893)
As at January 1, 2002	479,433	588,205	185,011	24,284	32,673	-	(3,303,499)	(1,993,893)
Profit for the year	-	-	-	-	-	-	8,191	8,191
Make-up of accumulated loss	-	(588,205)	(185,011)	(24,284)	-	-	797,500	-
As at December 31, 2002	479,433	-	-	-	32,673	-	(2,497,808)	(1,985,702)

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 may be used to make up loss; and

ii 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 have approved to make up the accumulated loss by transferring all balances from capital reserve, statutory surplus reserve and discretionary surplus reserve. The directors do not recommend the payment of any dividend in respect of the year ended December 31, 2002.

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.

Shenzhen China Bicycle Company (Holdings) Limited

Consolidated cash flow statement for the year ended December 31, 2002

	2002 RMB'000	2001 RMB'000
Cash flow from operating activities		
Operating profit/(loss) before taxation	8,218	(2,013,806)
Adjustment items :		
Interest income	(32)	(1,045)
Interest expense	20,719	65,496
Depreciation	17,288	24,104
Debt restructuring income	-	(252,657)
Provision for loss on guarantees	-	163,631
Reversal of housing benefit fund	-	(4,225)
Provision for impairment loss of property, plant and equipment made/(reversed)	(3)	76,569
Profit on disposal of property, plant and equipment	(40,086)	(94)
Provision for impairment loss of construction in progress	-	2,320
Provision for interest in subsidiary not consolidated	-	43,981
Provision for impairment loss of associates	-	13,304
Provision for impairment loss of other investments	40	50
Provision for impairment loss of obsolete inventories made/(reversed)	(10,407)	148,700
Provision for doubtful debts made/(reversed)	(2,203)	1,660,487
Provision of minority interests reversed	(27)	(1,002)
Net operating cash outflow before movement in working capital	(6,493)	(74,187)
(Increase)/decrease in amounts due from associates	2,892	(2,892)
Increase in amounts due to associates	-	3,509
Decrease in inventories	125	4,113
Increase in accounts receivable	(5,670)	(126,311)
(Increase)/decrease in others receivable and prepayments	2,125	(135,468)
(Increase)/decrease in amounts due from related companies	13,655	(38,683)
(Increase)/decrease in bills receivable	(100)	43
Increase in amounts due to related companies	10,028	34,027
Increase in accounts payable	6,701	38,863
Increase/(decrease) in others payable, inclusive of tax payable	(256,761)	265,769
Net cash outflow from operating activities	(233,498)	(31,217)

(to be cont'd)

Shenzhen China Bicycle Company (Holdings) Limited

Consolidated cash flow statement for the year ended December 31, 2002

(cont'd)

	2002 RMB'000	2001 RMB'000
Net cash outflow from operating activities	(233,498)	(31,217)
Investing activities		
Interest received	32	1,045
Interest paid	-	(130)
Proceeds from disposal of property, plant and equipment	75,556	6,099
Payment for acquisition of property, plant and equipment	(905)	(672)
Increase in construction in progress	-	(2,766)
Decrease in interests in associates	1,419	1,791
Proceeds from disposal of other investments	-	3,781
Net cash inflow from investing activities	76,102	9,148
Financing activities (*)		
Increase in long-term loans due to related companies	161,630	-
Decrease in long-term borrowings	(728)	(49,854)
Cash movement of minority interests	-	1,452
Net cash inflow/(outflow) from financing activities	160,902	(48,402)
Increase/(decrease) in cash and cash equivalents	3,506	(70,471)
Cash and cash equivalents as at beginning of the year	3,294	73,765
Cash and cash equivalents as at end of the year	6,800	3,294

(*) Cash flow from financing

	Long-term loans due to related companies RMB'000	Long-term borrowings RMB'000	Minority interests RMB'000
Balance as at the beginning of the year	1,008,898	602,219	-
Cash flows from financing activities	161,630	(728)	-
Minority interests' share of profit for the year	-	-	27
Absorption of minority interests' loss reversed	-	-	(27)
Balance as at the end of the year	1,170,528	601,491	-

Shenzhen China Bicycle Company (Holdings) Limited

Notes to the financial statements for the year ended December 31, 2002

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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.

2. Basis of presentation of the financial statements

The consolidated financial statements have been prepared in accordance with the International Accounting Standards ("IAS") issued by the International Federation of Accountants. These accounting standards differ from those used in the preparation of the PRC statutory financial statements, which are prepared in accordance with the PRC Accounting Standards. To conform to IAS, adjustments have been made to the PRC statutory financial statements. Details of the impact of such adjustments on the net asset value as at December 31, 2002 and on the operating results for the year then ended are included in notes 24 and 25 to the financial statements. In addition, the financial statements have been prepared under the historical cost convention.

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 repeatedly operating losses and significant liabilities. Commencing 2001, the major shareholder China Huarong Asset Management Corporation has taken over the management of the Group. It has taken active measures to carry out market research and explore new product lines, resulting in a remarkable improvement in the principal activity. The operating result has changed from previous years' loss to current year's profit. It is anticipated that the operating result will continue to improve in the future. In addition, the Group is currently keen on the debt restructuring process and the waiver of outstanding debts is expected to come soon. The Group is also now seeking external funding and is confident that new funds will be raised to meet the working capital requirements in the future. In view of the above, the financial statements have been prepared on a going concern basis.

3. Basis of consolidation

The consolidated financial statements incorporate the audited financial statements of the Company and its subsidiaries made up to December 31, 2002 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. Except for those subsidiaries not consolidated for the reason stated below, all significant inter-company transactions and balances within the Group have been eliminated on consolidated.

3. Basis of consolidation (cont'd)

(a) Subsidiaries (cont'd)

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.

i) Subsidiaries consolidated

Company name	Place of establishment/ operation	Effective equity held by the Group	Principal activities
China Bicycles (Hong Kong) Co., Limited	**Hong Kong**	**100%**	**Bicycle and spare part distribution**
Shenzhen Augule Property Management Co., Ltd.	**PRC**	**100%**	**Property management**
Shenzhen China Bicycle (Gansu) Distribution Co., Ltd.	**PRC**	**80%**	**Bicycle and spare part distribution**
Shenzhen China Bicycle (Shanxi) Distribution Co., Ltd.	**PRC**	**70%**	**Bicycle and spare part distribution**
Shenzhen China Bicycle (Harbin) Distribution Co., Ltd.	**PRC**	**60%**	**Bicycle and spare part distribution**

ii) Subsidiaries not consolidated

Company name	Place of establishment/ operation	Effective equity held by the Group	Principal activities
Jiu Jiang Hua Tian Property Co., Ltd.	**PRC**	**100%**	**Property development**
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 (Hainan) Distribution Co., Ltd.	**PRC**	**70%**	**Bicycle and spare part distribution**

Shenzhen China Bicycle (Jiangxi) Distribution Co., Ltd.	**PRC**	**55%**	**Bicycle and spare part distribution**

3. Basis of consolidation (cont'd)

(a) Subsidiaries (cont'd)

ii) Subsidiaries not consolidated (cont'd)

Company name	Place of establishment/ operation	Effective equity held by the Group	Principal activities
Huangzhou Chung Jiang Industrial Co., Ltd.	**PRC**	**51%**	**Property development**
Jiangxi Hong Ji Property Development Co., Ltd.	**PRC**	**51%**	**Property development**

The board of directors is of the opinion that there is no need to consolidate the above subsidiaries as they have ceased the business, are under liquidation or are unable to transfer funds to the parent because of long-term restrictions over their operations. The directors consider that their operating results and net assets have no significant effect on the Group. After being taken into consideration the expected impairment loss, investments in above companies are accounted for at cost less provision for diminution in value.

(b) 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.

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

Company name	Place of establishment/ operation	Effective equity held by the Group	Principal activities
Jiang Xi Li Hua Enterprise Ltd.	**PRC**	**39.83%**	**Commercial service**
Shenzhen Jinhuan Print Plate Co., Ltd.	**PRC**	**38%**	**Manufacture of bicycle and motorcycle spare parts**
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**

3. **Basis of consolidation (cont'd)**

(b) Associates (cont'd)

Company name	Place of establishment/ operation	Effective equity held by the Group	Principal activities
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**

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

4. Principal accounting policies

(a) Turnover

Turnover represents income from customers outside the group in respect of the sales of the goods and the property management, net of returns, discounts and sales tax.

(b) 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 consolidated income statement 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 consolidated income statement.

4. Principal accounting policies (cont'd)

(b) Property, plant, equipment and depreciation (cont'd)

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 equipment	**5 years**
Motor vehicles	**5 years**
Others	**5 years**

(c) 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. However, for construction in progress that is pending for further process and is functionally or technologically obsolete, its carrying amount is reduced to its recoverable amount by reference to the impairment loss.

(d) Investments

Long-term investments are stated at cost less provision for permanent diminution in value whilst short-term investments are stated at the lower of cost and market value or net realizable value. Income from investments is accounted for to the extent of dividend and/or interest income received or receivable.

(e) 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.

4. Principal accounting policies (cont'd)

(f) 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.

(g) **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.

(h) 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 consolidated income statement on a straight-line basis over the lease terms.

(i) 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.

(j) 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.

4. Summary of significant accounting policies (cont'd)

(k) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(l) Impairment loss

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Any impairment loss arising is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(m) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation subsequent to a past event, which will result in a probable outflow of economic benefits that can be reasonably estimated.

5. Segment analysis of turnover and results

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

	2002 RMB'000	**2001 RMB'000**
Turnover		
Sales of goods	68,527	48,923
Property management	2,264	2,132
Others	799	820
	71,590	51,875
Gross profit/(loss)		
Sales of goods	7,209	(12,344)
Property management	131	632
Others	799	231
	8,139	(11,481)

6. Operating loss before exceptional items

	2002 RMB'000	**2001 RMB'000**
The Group's operating loss before exceptional items is arrived at after crediting		
Interest income	32	1,045
Profit on disposal of property, plant and equipment	40,086	94
License fee income from trademark	363	211
Rental income	8,073	6,607
And after charging		
Depreciation	17,288	24,104
Exchange loss	556	660
Interest expense	20,719	65,496

7. Exceptional items

	2002 RMB'000	2001 RMB'000
Exceptional items comprise		
Provision for impairment loss of property, plant and equipment (made)/reversed	3	(76,569)
Provision for impairment loss of construction in progress (*)	-	(2,320)
Provision for loss on non-consolidated subsidiary	-	(43,981)
Provision for impairment loss of associates (*)	-	(13,304)
Provision for impairment loss of other investments (*)	(40)	(50)
Loss on disposal of obsolete inventories	-	(19,672)
Provision for impairment loss of obsolete inventories (made)/reversed (*)	10,407	(148,700)
Provision for doubtful debts of accounts receivable (made)/reversed (*)	9	(371,553)
Provision for doubtful debts of others receivable and prepayments (*)	(11,461)	(338,048)
Provision for doubtful debts of amounts due from related companies (made)/reversed (*)	13,655	(950,886)
Provision for loss on guarantees (*)	-	(163,631)
Reversal of loss from minority interests	27	1,002
Debt restructuring income (**)	25	252,657
Reversal of housing benefit fund	-	4,225
	12,625	(1,870,830)

(*) 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.

(**) Debt restructuring income represents forfeited principals and interests agreed by creditors less incidental expenses in relation thereto.

8. Taxation

	2002 RMB'000	2001 RMB'000
Income tax		
Company and subsidiaries	-	-
Associates	-	-
	-	-

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.

9. Fixed assets

	Land and buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
Balance as at January 1, 2002	492,235	254,977	18,963	8,202	18,620	39,153	832,150
Reclassification	36,833	-	-	-	-	(36,833)	-
Additions	186	433	116	44	126	-	905
Disposals	(57,731)	(26)	(35)	(235)	(11)	-	(58,038)
Balance as at December 31, 2002	471,523	255,384	19,044	8,011	18,735	2,320	775,017
Accumulated depreciation/provision for impairment loss							
Balance as at January 1, 2002	(173,181)	(238,477)	(16,340)	(7,052)	(16,572)	(2,320)	(453,942)
Charged for the year	(16,696)	(10)	(214)	(235)	(133)	-	(17,288)
Written back on disposals	22,305	23	32	197	11	-	22,568
Reversal of impairment loss	-	3	-	-	-	-	3
Balance as at December 31, 2002	(167,572)	(238,461)	(16,522)	(7,090)	(16,694)	(2,320)	(448,659)
Net book value							
Balance as at December 31, 2002	303,951	16,923	2,522	921	2,041	-	326,358
Balance as at December 31, 2001	319,054	16,500	2,623	1,150	2,048	36,833	378,208

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 4,823 square metres and 127,333 square metres, at a total net book value of RMB35,033,000, have been pledged to the bankers to obtain bank loan facilities in the amount of RMB464,340,000. These asset had been sold out in a public auction for RMB83,000,000 that would be used to settle part of secured bank loan.

A portion of the Group's land and buildings with an area of 15,740 square metres have been pledged to the banker to obtain export bill facilities.

10. Interests in associates

	2002 RMB'000	2001 RMB'000
Capital contributions, at cost	64,704	64,704
Share of post-acquisition loss	(12,918)	(11,499)
Share of net assets of associates	51,786	53,205
Provision for impairment loss	(17,939)	(17,939)
	33,847	35,266
Amounts due from associates	-	2,892
Amounts due to associates	(13,109)	(13,109)
	20,738	25,049

11. Other investments

	2002 RMB'000	2001 RMB'000
Subsidiaries not consolidated, at cost	18,743	18,743
Unlisted equity investments, at cost	9,304	9,304
	28,047	28,047
Provision for impairment loss	(19,444)	(19,404)
	8,603	8,643

12. Inventories

	2002 RMB'000	2001 RMB'000
Raw materials	265,109	264,060
Work in progress	3,616	2,854
Finished goods	66,962	68,912
Consumable stores	2,105	2,091
Provision for diminution in value of obsolete inventories	(264,351)	(274,758)
	73,441	63,159

13. Accounts receivable

	2002 RMB'000	2001 RMB'000
Amounts receivable	642,570	636,900
Provision for doubtful debts	(628,093)	(628,102)
	14,477	8,798

14. Others receivable and prepayments

	2002 RMB'000	2001 RMB'000
Others receivable	395,504	399,578
Advance payments	2,824	405
Prepayments	482	952
	398,810	400,935
Provision for doubtful debts	(349,509)	(338,048)
	49,301	62,887

15. Amounts due from related companies

	2002 RMB'000	2001 RMB'000
Amounts due from related companies	1,107,926	1,121,581
Provision for doubtful debts	(1,107,926)	(1,121,581)
	-	-

16. Share capital

	2002 RMB'000	2001 RMB'000
Registered, issued and fully paid capital, at par value of RMB1 each		
224,435,655 (2001 - 224,435,655) domestic shares	224,435	224,435
76,376,700 (2001 - 76,376,700) "A" shares	76,377	76,377
178,620,648 (2001 - 178,620,648) "B" shares	178,621	178,621
	479,433	479,433

17. Minority interests

	2002 RMB'000	2001 RMB'000
Minority interests	(2,810)	(2,837)
Absorption of loss	2,810	2,837
	-	-

18. Long-term loans due to related companies

	2002 RMB'000	2001 RMB'000
China Huarong Asset Management Corporation	964,313	868,868
Guangdong Sunrise Holdings Company Limited *	206,215	140,030
	1,170,528	1,008,898

* Formerly known as Shenzhen Lionda Holdings Company Limited

19. Long-term borrowings

	2002 RMB'000	2001 RMB'000
Secured bank loans (1)	327,187	328,567
Guaranteed bank loans (1)	223,876	223,441
Other loans (2)	50,428	50,211
	601,491	602,219
The above borrowings are repayable as follows :		
Overdue but pending, and are expected for restructuring soon	551,063	552,008
More than one year	50,428	50,211
	601,491	602,219

(1) The Group's bank loans are secured by the properties of the Group as well as the

guarantees by the companies within the Group and the related companies.

(2) Other borrowings are unsecured, interest free and have no fixed repayment terms.

20. Contingent liabilities and losses

As at December 31, 2002, the Group had contingent liabilities and losses as follows :

	2002 RMB'000	2001 RMB'000
Guarantees given to bankers, in respect of banking facilities utilised by subsidiaries, associates and related companies	191,542	191,542
Contingent loss on guarantees provided	(166,271)	(166,271)
Contingent liabilities not provided	25,271	25,271

21. Pledge of assets

As at December 31, 2002, the buildings and the machinery of the Group at net book value of 282,840,000 (2001 - RMB335,554,000) together with the guarantees from related companies were pledged to secure the borrowings of RMB534,890,000 (2001 - RMB534,890,000) made available to the Group. However, the Group's collateral with net book value of RMB38,408,000 (2001 - RMB38,408,000) was disposed of under auction sales and the transfer of ownership had not yet been completed by the end of this financial year.

22. Related party transactions

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

Related parties	Transactions	2002 RMB'000	2001 RMB'000
Guangdong Sunrise Holdings Company Limited	Interest expense	-	3,682
	Guarantee fee expense	-	6,888

* Formerly known as Shenzhen Lionda Holdings Company Limited

23. Financial instruments

Financial assets of the group include cash and bank balances, bills receivable, accounts receivable, others receivable, prepayments and amounts due from related companies. Financial liabilities include bank and other loans, accounts payable, others payable, receipts in advance, amounts due to related companies and accruals.

(a) Credit risk

Cash and bank balances: The Group's bank balances are mainly deposited in the banks and financial institutions situated in the PRC. They do not have a significant exposure to credit risk.

Accounts receivable: As adequate provision has been made, 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 accounts receivable that are mainly located in the PRC.

(b) Fair value

The fair value of financial assets and financial liabilities is not materially different from their carrying amount.

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

24. Impact of IAS adjustments on profit/(loss) attributable to shareholders

	2002 RMB'000	2001 RMB'000
As reported by PRC Certified Public Accountants	6,575	(2,257,244)
Adjustments to conform to IAS		
Absorption of operating loss in a subsidiary	(814)	(14,231)
Write-back of deferred assets	2,378	8,311
Loss on disposal of current assets reversed	-	5,823
Loss on disposal of obsolete inventories	-	(19,672)
Reversal of prepayments	-	5,773
Reversal of loss from minority interests	27	1,002
Reversal of housing benefit fund	-	4,225
Debt restructuring income	25	252,657
As restated in conformity with IAS	8,191	(2,013,356)

25. Impact of IAS adjustments on net assets

	2002 RMB'000	2001 RMB'000
As reported by PRC Certified Public Accountants	(1,982,892)	(1,988,678)
Adjustments to conform to IAS		
Write-off of deferred assets	-	(2,378)
Absorption of loss from minority interests	(2,810)	(2,837)
As restated in conformity with IAS	(1,985,702)	(1,993,893)

26. Language

The translated English version of financial statements is for reference only. Should any disagreement arise, the Chinese version shall prevail.

27. Comparative figures

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