Shenzhen China Bicycle Company (Holdings) Limited

Semi-annual Report 2003

Contents

Section I. Important Notice

The Board of Directors of Shenzhen China Bicycle Company (Holdings) Limited (hereinafter referred to as the Company) and its directors hereby confirm that there are no important omissions, fictitious statements or serious misleading information carried in this report, and shall take all responsibilities, individually and/or jointly, for the reality, accuracy and completeness of the whole contents. This report was prepared in both Chinese and English. Should be there any difference in interpretation between the two versions, the Chinese version shall prevail. The 2003 semi-annual financial report of the Company has not been audited; the investors are suggested to read the text of semi-annual report.
Mr. Xie Ruxian and Mr. Shi Zhanxiong, Director of the Company, and Mr. Li Zhenping, Independent Director of the Company were absent from the Board meeting due to work reason, in which the Semi-annual Report for 2003 was examined.
Chairman of the Board of the Company Mr. Huang Junmin, Person in Charger of Financial Affairs Ms. Hu Eryi and Manager of Financial Dept. Mr. Li Shiyong hereby confirm that the financial report enclosed in the semi-annual report is true and complete.

Section II. Company Profile

I. 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
II. Legal Representative: Mr. Huang Junmin
III. Secretary of the Board of Directors: Mr. Li Hai
Contact Address: No. 3008, Buxin Road, Shenzhen, Guangdong Provice, China
Tel: (86) 755 – 25516998
Fax: (86) 755 – 25516620
E-mail: dmc@szcbc.com
IV. Registered/Office Address:
No. 3008, Buxin Road, Shenzhen, Guangdong Provice, China
Post Code: 518019
The Company’s Internet Website: www.cbc.com.cn
E-mail: cbc@szcbc.com
V. Newspapers Chosen for Disclosing the Information: Securities Times and Ta Kung Pao
Internet Website Designated for Publishing the Semi-annual Report: http://www.cninfo.com.cn
Place Where the Semi-annual Report is Prepared and Placed: Secretariat of the Board of Directors of the Company, No. 3008 Buxin Road, Shenzhen
VI. 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

VII. Major financial data and indexes in the report period

1. Major accounting data and financial indexes in the report period (Unit: RMB)

Items	In this report period	At the end of last year	Increase/decrease at the end of this report period compared with the year-begin （%）
Current assets	143,478,152.18	144,169,626.23	-0.48
Current liabilities	1,199,891,677.19	1,189,267,119.11	0.89
Total assets	474,370,296.58	512,976,884.80	-7.53
Shareholders' equity (excluding minority interest)	-1,981,689,840.84	-1,982,892,317.80	-
Net assets per share	-4.1334	-4.14	-
Net assets per share after adjustment			-
Items	**In the report period (Jan.-Jun. 2003)**	**At the same period of last year**	**Increase/decrease in this report period compared with the same period of last year (%)**
Net profit	1,324,879.19	-29,649,602.79	-
Net profit after deducting non-recurring gains and losses	-18,392,175.30	-29,743,082.28	-
Earnings per share	0.0028	-0.0618	-
Return on equity	-	-	-
Net cash flow per share arising from operating activities	-6,715,516.32	-49,413.29	-13,490.51%

Note: Deduction items of "net profit after deducting non-recurring gains and losses" (Negative means loss while positive number means income):

(1) Loss of disposal of fixed assets	246,106.00
(2) Public donation expenditure	-
(3) Penalty expenditure	-5,200.00
(4) Other profit and loss	19,465,748.49
Total	19,717,054.49

Indexes calculated in accordance with Regulations on the Information Disclosure of Companies Publicly Issuing Shares (No. 9) are as follows:

Profit as of the report period	**Return on equity (%)**		**Earnings per share (RMB)**	
	Fully diluted	**Weighted average**	**Fully diluted**	**Weighted average**

Profit from core business	-	-	0.0055	0.0055
Operating profit	-	-	-0.0386	-0.0386
Net profit	-	-	0.0028	0.0028
Net profit after deducting non-recurring gains and losses	-	-	-0.0384	-0.0384

2. Adjustment statement on difference of net assets calculated in accordance with CAS and IAS respectively in the report period (Unit: RMB)

	Net assets as at Jan.-Jun. 2003	Net profit as at Jan.-Jun. 2003
As reported under IAS	-1,984,505,782.20	1,196,554.93
Switching back provision for devaluation of minority interest	2,815,941.36	5,922.04
Amortization of expense to be apportioned		
Amortization of long-term expense to be apportioned		
Adjustment of unoffsetting losses of subsidiary companies		122,402.22
Adjustment of income from debts reorganization		
As reported under Accounting System of Enterprise	-1,981,689,840.84	1,324,879.19

Section III. Changes in Share Capital and Particulars about Shares Held by Main Shareholders

I. Particulars about changes in share capital

(I) Particulars about change of shares of the Company in the report period:

Statement of change in shares

Unit: share

Items	Before the change	Increase/decrease of this time (+, -)						After the change
		Allotment of share	Bonus shares	Capitalization of public reserve	Additional issuance	Others	Subtotal	
I. Unlisted Shares	224,195,354							204,612,836
1. Promoters' shares								
Including:								
State-owned share								
Domestic legal person's shares	111,607,002							111,607,002
Foreign legal person's shares	112,453,352					-19,447,518	-19,447,518	93,005,834
Others								

2. Raised legal person's shares								
3. Inner employees' shares	135，000							135，000
4. Preference shares or others								
Total unlisted shares	224,195,354							204,612,836
II. Listed Shares	255,237,649							274,685,167
1. RMB ordinary shares	76,617,000							76,617,000
2. Domestically listed foreign shares	178,620,649					+19,447,518	+19,447,518	198,068,167
3. Overseas listed foreign shares								
4. Others								
Total listed shares	255,237,649							274,685,167
III. Total shares	479,433,003							479,433,003

Note: 19,447,518 unlisted foreign shares of the Company held by STEPHEN & PARTNERS LIMITED, the Company's sponsor shareholder, has been transferred listed circulation foreign shares, and was listed for circulation on Jan. 20, 2003.

II. Particulars about shareholders at the end of report period

(I) Ended June 30, 2003, the Company had totally 48,671 shareholders held the Company's share, including 28,286 shareholders of A-share and 20,385 shareholders of B-share.

(II) Particulars about shares held by the top ten shareholders of the Company (Unit: share)

No.	Shareholders' name	Holding shares at the period-begin	Increase/ decrease	Holding shares at the period-end	Proportion in total share capital	Type of share
1	China Huarong Assets Management Company	65,098,412	0	65,098,412	13.58%	State-owned shareholder
2	Hong Kong Zhuorun Technology Co., Ltd.	62,003,890	0	62,003,890	12.93%	Foreign shareholder
3	Hong Kong (Link) Bicycles Limited	26,000,000	0	26,000,000	5.42%	Foreign shareholder
4	Guangdong Sunrise Holdings Co., Ltd.	18,968,590	0	18,968,590	3.96%	State-owned shareholder
5	STEPHEN & PARTNERS LIMITED	19,447,518	-5,166,346	14,281,172	2.98%	Foreign shareholder
6	Shanghai Xinliyi Investment Management Co., Ltd.	11,200,000	0	11,200,000	2.34%	State-owned shareholder
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	1.25%	State-owned shareholder
9	Jingchao Investment Co., Ltd.	5,001,944	0	5,001,944	1.04%	Foreign shareholder
10	XAMMAX INTERNATIONAL LIMIT	0	+1,645,563	1,645,563	0.34%	Foreign shareholder

Note: Hongkong Zhuorun Technology Co., Ltd. held 62,003,890 shares of the Company, including 57,899,644 shares were frozen by means of pledge; all

18,968,590 shares of the Company held by Guangdong Sunrise Holdings 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 Holdings Co., Ltd. and Shenzhen International Trust & Investment Co., Ltd. are holding 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.

(III) In the report period, the Company's holding shareholder and actual controller remained unchanged.

IV. Particulars about Directors, Supervisors and Senior Executives

I. In the report period, the Company's shares held by directors, supervisors and senior executives of the Company remained unchanged.
II. In the report period, the Company did not engaged or dismissed the Company's directors, supervisors and senior executives.

Section V. Discussion and Analysis of the Management

I. Comparison of the financial indexes in the report period compared with that of the same period of the last year:
1. Operating results:

Financial indexes	Amount (RMB)		Proportion of increase and decrease
	Jan.-June 2003	Jan.-June 2002	
Income from core business	40,065,561.69	23,021,643.61	74.03%
Profit of core business	2,652,923.53	-4,183,110.85	163.42%
Net profit	1,324,879.19	-29,649,602.79	104.47%
Net increase in cash and cash equivalents	-562,450.52	2,655,948.31	-121.18%

Note 1. Income from core business increased by 74.03% compared with that of the same period of last year, which was mainly because that the Company enlarged the market development in the report period and the sale of electric vehicles increased by a big margin.
Note 2. Profit of core business increased by 163.42% compared with that of the same period of last year with the main reasons as the above.
Note 3. Net profit increased by 104.47% compared with that of the same period of last year, which was main because that the settlement of properties of "Zhonghua 2nd Stage" accrued earnings for the Company in the report period except for the increase of sale of electric vehicles with comparatively high gross profit.

Note 4. Net increase in cash and cash equivalents as of the period decreased by 121.18% compared with that of the same period of last year, which was mainly because that in the report period the Company paid the salaries and insurance premium owed in the previous years.

2. Financial position:

Items	Amount (RMB)		Proportion of increase and decrease
	Jan.-June 30, 2003	Jan.-Dec. 31, 2002	
Current assets	143,478,152.18	144,169,626.23	-0.48&
Total assets	474,370,296.58	512,976,884.80	-7.53%
Current liabilities	1,199,891,677.19	1,189,267,119.11	0.22%
Shareholders' equity	-1,981,689,840.84	-1,982,892,317.80	-0.06

Explanation: In the report period the Company's assets structure and proportion experienced no material change.

II. Analysis to the operating situation in the report period:

1. Scope of core business and operating status (Unit: RMB'0000):

	Income from core business	Cost of core business	Gross profit ratio (%)	Increase/decrease of income from core business than that of the same period of last year (%)	Increase/decrease of cost of core business than that of the same period of last year (%)	Increase/decrease of gross profit ratio than that of the same period of last year (%)
Manufacture industry	3,848.06	3,622.78	5.85	78.90	38.77	Incomparable
Service industry	158.50	109.94	30.64	4.78	7.99	-9.09

Under the lead of the Board of Directors, the Management of the Company made decisive decisions in the first half of year 2003, implemented material reform to the managerial mechanism and realized the integrated management of production, supply and sale of bicycle through establishing the bicycle division in the aspect of core business. The Company enhanced the market competitive capability of the Company successfully through the measures of reducing the management chains, transferring the management emphasis to the lower layer and integrating the resources etc. and kept a good trend of development of core business. In Jan.-June 2003, the Company realized income from core business amounting to RMB 40,065,600, an increase of 74.03% compared with the same period of last year, profit of core business amounting to RMB 2,652,900 and net profit amounting to RMB 1,324,900.

2. Explanation on material change of profit structure, core business and its structure and profitability of core business in the report period:

	Income from core business	Cost of core business	Gross profit ratio (%)	Increase/decrease of income from core business than that of	Increase/decrease of cost of core business than that	Increase/decrease of gross profit ratio than that of the

				the same period of last year (%)	of the same period of last year (%)	same period of last year (%)
Electric bicycles	1,635.50	1,520.30	7.04	85.07	118.38	Incomparable
Bicycles	2,212.56	2,102.47	4.98	74.61	9.82	Incomparable
Service industry	158.50	109.94	30.04	4.78	7.99	-9.09

In the first half year of 2003, the profitability of core business of the Company experienced material changes than that of same period of last year, which was mainly due to the large increase of income from core business.

3. Other operating activities impacting significant influence on the profits in the report period

Other operating business	Gains and losses accrued (RMB'0000)	Proportion in the profits
Lease of properties	451.92	341.10%

4. Problems and difficulties in the operation:

(1) The operating ability of the Company's assets reached the limit. The assets situation was still in the status as of the beginning of year 2002. Along with the expansion of the business volume, the assets chain faced the crisis of breaking all the time and was hard to reply to the increasingly enlargement of demand of production assets and possible crisis.

(2) The intense competition in the market.

(3) The lawsuit cases resulted from the historically leaving problems led to the still very intense external environment, which strictly impacted on the normal development of the operation.

II. Investment in the report period:

The Company had no investment activities in the report period or happening in the previous years but going down to the report period. There was no raised proceeds in the report period or the application of proceeds raised through previous years going down to the report period.

III. Progress of completing the estimations and plans:

In the report period, the Company fundamentally accomplished the business plan target as of the beginning of the period.

IV. The Board of Directors' amending plan of the business plan of the second half of the year

In the report period, the Company overcame the influence of SARS etc. to all kinds of business to operate according to the annual plan and did not amend the annual business plan.

Section VI. Significant Events

I. Administration of the Company:

In the report period, the Company standardized the operation according to the requirements of laws and regulations such as Company Law, Security Law, Administrative Rules on listed companies and Listing Rules etc.. At the same time, combining its own development need, the Company gradually improved the administrative structure of legal person. The Company reached the requirements of Administrative Rules on listed companies basically in the respects of Normative Operation of Shareholders' General Meeting, Board of Directors and the Supervisory Committee, Independent Director System and Internal Control System etc. In the future, we shall establish and improve the achievements assessment and encouragement and binding mechanism to directors, supervisors and senior executives according to the requirements of Administration Rules on listed companies.

II. The Company did not distribute profit and had no plan of converting the public reserve capital into share capital in the report period.

III. The material lawsuits and arbitrations of the Company happening in the report period:

For details, please refer to Note 9 of Accounting Statement.

IV. The Company had no material purchase, sale or disposal of assets in the report period.

V. Material related transactions of the Company in the report period:

For details, please refer to Note 6 of Accounting Statement.

VI. The Company had no material contract in the report period.

VII. Other significant events:

(I) On April 18 and April 30, 2003, the Company respectively received Replying Letter on Stopping Calculating Interests issued by China Huarong Assets Management Company and China East Assets Management Corporation Shenzhen Office, who agreed to stop calculating all derived interests from Jan.1, 2003 to Dec.31, 2003.

(II) In the report period, the Company published significant events on Securities Times and Ta Kung Pao dated Jan.15 and Jun.20, 2003 respectively with details as follows:

1. The un-listed foreign shares amounting to 19,447,518 shares held by the sponsor shareholder of the Company STEPHEN & PARTNERS LIMITED was checked and approved by China Securities Regulatory Commission (Securities Regulatory Company Z [2002] No.2 document) to transfer into listed foreign shares for circulation. It was listed and circulated in B-share market in Shenzhen Stock Exchange on Jan. 20, 2003.

2. China Securities Regulatory Commission checked and approved that the un-listed foreign shares amounting to 62,003,890 shares of the Company held by the second largest shareholder Hong Kong Zhuorun Technology Co., Ltd could be transferred into B-share. The above-mentioned shares will be listed and circulated in Shenzhen

Stock Exchange since one year from 18th of this month. At present 57,899,644 shares of the equity are hypothecated and frozen.

Section VII. Financial Report (un-audited)

I. Accounting statements (attached)
II. Notes to accounting statements (attached)

Section VIII. Documents Available for Reference

I. Text of semi-annual report carried with the signature of Chairman of the Board;
II. Text of accounting statements carried with the signatures and seals of principal of the Company, principal in charge of the accounting affairs and principal in charge of the accounting institute;
III. Texts of all documents disclosed in public on the newspapers designated by China Securities Regulatory Commission in the report period;
IV. Text of Articles of Association of the Company;
V. Text of semi-annual report disclosed in other securities markets;
VI. Other relevant information.

Board of Directors of
Shenzhen China Bicycle Company (Holdings) Limited
Chairman: Huang Junmin
Aug.20, 2003

Balance Sheet

June 30, 2003				Unit: RMB
Assets	Amount at the end of the period		Amount at the beginning of the period	
	Consolidated amount	Company amount	Consolidated amount	Company amount
Current assets:				
Monetary funds	6,237,323.70	1,339,589.21	6,799,774.22	1,612,800.37
Short-term investment			-	-
Notes receivable			150,000.00	150,000.00
Dividends receivable			-	-
Interests receivable			-	-
Accounts receivable	10,479,847.30	176,961,818.95	14,477,146.60	180,959,118.85
Other receivables	51,617,266.29	47,352,567.32	45,995,080.83	47,568,722.87
Payments in advance	195,734.30	195,734.30	2,823,667.99	2,823,667.99
Subsidy receivable			-	-
Inventories	74,471,607.36	74,469,542.36	73,441,682.07	73,441,682.07
Deferred expenses	476,373.23	407,489.23	482,274.52	443,466.52
Other current assets				
Total of current assets	143,478,152.18	300,726,741.37	144,169,626.23	306,999,458.67
Long-term investments:				
Long-term equity investments	42,453,586.58	43,160,334.70	42,449,213.41	43,041,041.13
Long-term equity investments			-	-
Total of long-term investments	42,453,586.58	43,160,334.70	42,449,213.41	43,041,041.13
Including: consolidated balance		-	-	
Including: balance of equity investments		-	-	
Fixed assets:				
Original of fixed assets	742,154,227.91	735,526,428.12	772,696,889.66	766,313,749.87
Minus: accumulated depreciation	377,149,485.99	373,413,164.80	369,772,660.40	366,155,969.74
Net value of fixed assets	365,004,741.92	362,113,263.32	402,924,229.26	400,157,780.13
Minus: impairment losses of fixed assets	76,566,184.10	76,566,184.10	76,566,184.10	76,566,184.10
Net fixed assets	288,438,557.82	285,547,079.22	326,358,045.16	323,591,596.03
Engineering materials				
Constructions in progress				
Clearing of fixed assets				
Total fixed assets	288,438,557.82	285,547,079.22	326,358,045.16	323,591,596.03
Intangible and other assets:				
Intangible assets:				
Long-term deferred expenses				
Other long-term assets				
Total intangible and deferred assets				
Deferred taxes:				
Debt of deferred tax:				
Total assets	474,370,296.58	629,434,155.29	512,976,884.80	673,632,095.83

Balance Sheet (Con.)

June 30, 2003				**U**nit: RMB
Liabilities and shareholders' equity	Amount at the end of the period		Amount at the beginning of the period	
Current liabilities:	Consolidated amount	Company amount	Consolidated amount	Company amount
Short-term loans	462,607,176.72	388,429,707.49	462,607,176.72	388,429,707.49
Notes payable	35,000.00	35,000.00	-	-
Accounts payable	141,918,940.68	344,858,756.94	139,879,002.27	348,740,265.34
Accounts received in advance	2,025,916.44	2,025,916.44	936,606.76	883,096.76
Salaries payable	5,855,700.36	5,691,849.25	6,320,621.24	6,098,077.75
Welfare payable	4,641,793.82	4,567,620.78	4,504,584.97	4,412,484.80
Dividends payable			-	-
Tax payable	88,448,316.43	88,400,218.50	88,066,727.36	88,005,532.96
Other payables			-	-
Other payables	162,125,478.90	121,952,979.74	165,515,221.18	125,249,055.74
Accrued expenses	165,962,353.84	165,933,153.84	155,166,178.61	155,166,178.61
Estimated liabilities	166,271,000.00	166,271,000.00	166,271,000.00	166,271,000.00
Current maturities of long-term liabilities			-	-
Other current liabilities			-	-
Total current liabilities	1,199,891,677.19	1,288,166,202.98	1,189,267,119.11	1,283,255,399.45
Long-term liabilities:				
Long-term loans	88,456,386.30	88,456,386.30	88,456,386.30	88,456,386.30
Bonds payable			-	-
Long-term accounts payable			50,427,701.23	50,427,701.23
Other long-term liabilities	1,170,528,015.29	1,170,528,015.29	1,170,528,015.29	1,170,528,015.29
Total long-term liabilities	1,258,984,401.59	1,258,984,401.59	1,309,412,102.82	1,309,412,102.82
Deferred tax:				
Credit of deferred tax:	-	-	-	-
Total liabilities	2,458,876,078.78	2,547,150,604.57	2,498,679,221.93	2,592,667,502.27
Minorities' equity				
Minorities' equity	(2,815,941.36)	(2,815,941.36)	(2,810,019.33)	(2,810,019.33)
Shareholders' equity				
Share capital	479,433,003.00	479,433,003.00	479,433,003.00	479,433,003.00
Capital public reserve	25,346.43	25,346.43	25,346.43	25,346.43
Surplus reserve	32,673,227.01	32,673,227.01	32,673,227.01	32,673,227.01
Including: public welfare	32,673,227.01	32,673,227.01	32,673,227.01	32,673,227.01
Undistributed profits	(2,427,032,084.36)	(2,427,032,084.36)	(2,428,356,963.55)	(2,428,356,963.55)
Balance of foreign exchange			-	-
Losses of subsidiaries not offset accumulated	(66,789,332.92)		(66,666,930.69)	-
Total shareholders' equity	(1,981,689,840.84)	(1,914,900,507.92)	(1,982,892,317.80)	(1,916,225,387.11)
Total liabilities and shareholders' equity	474,370,296.58	629,434,155.29	512,976,884.80	673,632,095.83

Statement of profit and profit distribution

Items	The period		Same period of last year	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Income from core business	40,065,561.69	38,480,576.28	23,021,643.61	21,508,950.06
Minus: cost of core business	37,327,103.87	36,227,709.51	27,124,895.39	26,106,844.95
Taxation of core business and affixation	85,534.29	2,980.49	79,859.07	1,910.31
II. Profit of core business (Loss is listed with "-")	2,652,923.53	2,249,886.28	-4,183,110.85	-4,599,805.20
Plus: profit of other business (Loss is listed with "-")	4,519,248.41	4,519,248.41	3,989,571.60	3,989,571.60
Minus: operating expense	3,026,599.86	3,026,599.86	3,215,855.41	3,215,855.41
Management expense	11,856,539.56	11,433,621.19	12,659,944.77	12,206,333.43
Financial expense	10,813,226.34	10,825,625.63	12,586,837.30	12,591,460.66
III. Operating profit (Loss is listed with "-")	-18,524,193.82	-18,516,711.99	-28,656,176.73	-28,623,883.10
Plus: investment earnings (Loss is listed with "-")	4,373.17	119,293.56	-1,241,901.82	-1,135,872.24
Subsidy income				
Non-business income	19,895,985.75	19,895,985.75	212,640.87	212,640.87
Minus: non-business expenditure	178,931.26	178,931.26	119,161.38	119,161.38
IV. Total profits (Total loss is listed with "-")	1,197,233.84	1,319,636.06	-29,804,599.06	-29,666,275.85
Minus: income tax	678.91	678.91		
Minus: minority interest	-5,922.04	-5,922.04	-16,673.06	-16,673.06
Minus: losses of subsidiaries not offset	-122,402.22		-138,323.21	
V. Net profit (Net loss is listed with "-")	1,324,879.19	1,324,879.19	-29,649,602.79	-29,649,602.79
Plus: undistributed profits at the year-begin	-2,428,356,963.55	-2,428,356,963.55	-2,434,932,315.98	-2,434,932,315.98
Other transfer-in				
VI. Profit available for distribution	-2,427,032,084.36	-2,427,032,084.36	-2,464,581,918.77	-2,464,581,918.77
Minus: appropriation of statutory surplus public reserve				
Appropriation of statutory public welfare funds				
Appropriation of employees' encouragement and welfare funds				
Appropriation of reserve funds				
Appropriation of enterprise development funds				
Profits' restoring to investments				
VII. Profits available for distribution to investors	-2,427,032,084.36	-2,427,032,084.36	-2,464,581,918.77	-2,464,581,918.77

Minus: preference dividends payable				
Appropriation of discretionary surplus public reserve				
Ordinary dividends payable				
Ordinary dividends converting into capital (share capital)				
VIII. Undistributed profits	-2,427,032,084.36	-2,427,032,084.36	-2,464,581,918.77	-2,464,581,918.77
Supplemental materials:				
1. Earnings gained from sale and disposal of departments or invested units				
2. Losses arising from natural disasters				
3.Increase/decrease of total profits from the change of accounting policies				
4. Increase/decrease of total profits from the change of accounting estimations				
			0.00	
5. Losses from liabilities reorganization				
6. Others				

Statement of Cash Flow
Jan. to Jun. 2003

Unit: RMB

Items	Consolidation	Parent company
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	51,788,979.03	50,312,393.83
Write-back of tax received	4,717,338.32	4,717,338.32
Other cash received concerning operating activities	216,155.55	216,155.55
Subtotal of cash inflows	56,722,472.90	55,245,887.70
Cash paid for purchasing commodities and receiving labor service	41,296,769.72	40,610,346.73
Cash paid to / for staff and workers	6,695,823.92	6,063,015.76
Added-value tax paid	382,987.35	382,987.35
Income tax paid	678.91	678.91
Other taxation and fee excluding tax on added value and income tax	280,643.71	198,089.91
Other cash paid concerning operating activities	14,781,085.61	14,429,039.21
Subtotal of cash outflows	63,437,989.22	61,684,157.87
Net cash flows arising from operating activities	(6,715,516.32)	(6,438,270.17)
II. Cash flows arising from investing activities:		
Cash received from recovery of investment		
Cash received from investment income		
Cash from dividend or profit		
Cash received from disposal of fixed, intangible and other long-term assets	258,772.80	246,106.01
Other cash received concerning investment activities	-	-
Subtotal of cash inflows	258,772.80	246,106.01
Net cash paid for purchasing fixed, intangible and other long-term assets	105,707.00	81,047.00
Cash paid for investments	-	-
Other cash paid concerning investment activities	-	-
Subtotal of cash outflows	105,707.00	81,047.00
Net cash flows arising from investing activities	153,065.80	165,059.01
III. Cash flows arising from financing activities:		
Cash received from absorbing investment	-	-
Including: cash received from absorbing equity investment of minority shareholders by subsidiary companies	-	-
Cash received from loans	6,000,000.00	6,000,000.00
Other cash received concerning financing activities	-	-

Subtotal of cash inflows	6,000,000.00	6,000,000.00
Cash paid for settling debts		
Cash paid for dividends or profit distributing, repayment of interest	-	
Including: dividend paid to minority shareholders by subsidiary company	-	
Cash paid for repayment interest	-	
Other cash paid concerning financing activities	-	-
Subtotal of cash outflows	-	-
Net cash flows arising from financing activities	6,000,000.00	6,000,000.00
IV. Influence on cash from fluctuation in exchange rate		
V. Net increase of cash and cash equivalents	(562,450.52)	(273,211.16)

Statement of Cash Flow (Con.)

Items	**Jan.-Jun. 2003**	
	Consolidation	**The Company**
I. Investment and financing activities with no cash incomings/outgoings involved		
Debts repaid with fixed assets	-	-
Debts repaid with investment	-	-
Long-term investment made with fixed assets	-	-
Debts repaid with inventory	-	-
II. Adjusting net profit to cash flows for operating activities		
Net profit	1,324,879.19	1,324,879.19
Add: Minority interests	(5,922.04)	(5,922.04)
Un-deficit loss of subsidiary company	(122,402.22)	
Withdrawal of depreciation of fixed assets	7,304,120.00	7,257,195.06
Withdrawal of provision for devaluation of fixed assets		
Projected liabilities		
Amortization of long-term expenses to be apportioned		
Decrease of expenses to be apportioned	5,901.29	35,977.29
Increase of accrued expenses	29,200.00	

Losses on disposal of fixed assets, intangible assets and other long-term assets (Less: income)	(19,610,109.35)	(19,610,109.35)
Loss on rejection of fixed assets	-	-
Financial expenses	10,754,308.44	10,766,975.23
Investment loss (Less: income)	-4,373.17	-119,293.56
Decrease of inventories (Less: increase)	(1,029,925.29)	(1,027,860.29)
Decrease of receivable in operation (Less: increase)	2,756,767.24	3,997,299.90
Increase of payable in operation (Less: decrease)	(8,117,960.41)	(9,057,411.60)
Net cash flows arising from operating activities	(6,715,516.32)	(6,438,270.17)
III. Net increase of cash and cash equivalents		
Balance of cash at the end of the report period	6,237,323.70	1,339,589.21
Less: Balance of cash at the begin of the report period	6,799,774.22	1,612,800.37
Add: Balance of cash equivalents at the end of the report period		
Less: Balance of cash equivalents at the begin of the report period		
Net increase of cash and cash equivalents	(562,450.52)	(273,211.16)

Statement of Provision for Devaluation of Assets

June 30, 2003 **Unit: RMB**

Items	Balance at the begin of the period	Increase in this report period	Switching back in this report period	Balance at the end of the period
I. Total of provision for bad debts	2,085,528,311.98	---		2,085,528,311.98
Including: accounts receivable	1,607,207,136.69	---		1,607,207,136.69
Other receivables	478,321,175.29	---		478,321,175.29
II. Total of provision for falling price of short-term investment	---	---		---
Including: Stocks investment	---	---		---
Bonds investment	---	---		---
III. Total of provision for falling price of inventories	264,351,109.97	---		264,351,109.97

Including: Merchandise inventories	30,795,856.26	---		30,795,856.26
Low price expendable	1,704,100.10	---		1,704,100.10
Raw material	231,851,153.61	---		231,851,153.61
IV. Total of provision for devaluation of long-term investment	36,866,504.96	---	4,373.17	36,862,131.79
Including: Long-term equity investment	36,866,504.96	---	4,373.17	36,862,131.79
Long-term credit investment	---	---	---	---
V. Total of provision for devaluation of fixed assets	76,566,184.10	---	--	76,566,184.10
Including: Building	2,084,874.23	---	---	2,084,874.23
Machinery and equipment	74,481,309.87	---	--	74,481,309.87
VI. Provision for devaluation of intangible assets	---	---	---	---
Including: Patent right	---	---	---	---
Trademark right	---	---	---	---
VII. Provision for devaluation of construction in progress	2,320,000.00	---	---	2,320,000.00
VIII. Provision for devaluation of commission loan	---	---	---	---