SHENZHEN CHINA BICYCLE COMPANY (HOLDINGS) LIMITED THE THIRD QUARTERLY REPORT FOR 2003

1. Important Notes

1.1 The 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.
1.2 The financial report enclosed in the quarterly report has not been audited.
1.3 Mr. Zhang Xiaofeng, Chairman of the Board, Ms. Hu Eryi, Person in Charge of Financing and Mr. Li Shiyong, Manager of Financing Dept. Mr. Liu Linfeng hereby confirm that the Financial Report of the Quarterly Report is true and complete.

2. Company Profile

2.1 Basic information

Short form of the stock	ST ZHONGHUA-A, ST ZHONGHUA-B	Short form of the Stock before the change (if have)	
Stock code	000017, 200017		
	Secretary of the Board of Directors		
Name	Li Hai		
Contact address	No. 3008, Buxin Road, Shenzhen		
Tel	0755-25516998		
Fax	0755-25516620		
E-mail	dmc@szcbc.com		

2.2 Financial information

2.2.1 Major accounting data and financial indexes

Unit: RMB

	The end of the report period	The end of the previous year	Increase/decrease of the end of the report period compared with the end of the previous year (%)
Total assets	473,247,636.99	512,976,884.80	-7%
Shareholders' equity (excluding minority interests)	-1,987,869,525.16	-1,982,892,317.80	3%
Net assets per share	-4.15	-4.14	2.66%
Net assets per share after adjustment	–	–	–
	The report period	The same period of the previous year	Increase/decrease of the report period compared with the same period of

			the previous year (%)
Net cash flows arising from operating activities	-6,627,375.24	-1,537,463.40	531.06%
Earnings per share	-0.008	-0.04	—
Return on equity	—	—	—
Return on equity after deducting non-recurring gains and losses	—	—	—

Items of non-recurring gains and losses	Amount
Non-operating income	22,300,561.02
Non-operating expenditure	1,222,747.42
Total	21,077,813.60

2.2.2 Statement of profit (attached statement)

2.3 Total number of shareholders at the end of the report period

At the end of the report period, the Company had totally 47,178 shareholders.

3. Discussion and analysis of the Management

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

In the third quarter of 2003, the Company made significant progress in aspect of debts reorganization, namely the state authorized organ has already approved and agreed that all finance creditors of the Company were entitled to negotiate about reduction and exemption of the partial debts with the Company. Meanwhile, in aspect of operation, through adjustment of operation mechanism, the Company gave energetic development to sales network, implemented rectification and reformation of sales network, strengthened market development and product development, and caused sales volume of electric bicycle, the major product of the Company, to hit an all-time high. Besides continued rising of bicycle business, core business of the Company, the other operating business all have advanced or taken a favorable turn in different degrees. From Jan. to Sep. 2003, the Company realized an income from core business of RMB 73,737,200, an increase of 52.61% compared with the same period of the previous year; a profit from core business of RMB 6,630,400 and a net profit/loss of RMB 3,812,600.

3.1.1 Particulars about core industries or products taking over 10% of the total amount of income from core business or profit of core business

√Applicable □Inapplicable

Classified according to industries or products	Income from core business	Cost of core business	Gross profit ratio (%)
Manufacturing industry	71,393,713.03	65,292,164.52	8.55
Service industry	2,343,504.36	1,654,348.04	29.40
Including: related transaction	—	—	—

3.1.2 Seasonal and periodicity characteristics of the operation

√Applicable ☐Inapplicable

The Company's core business is manufacturing industry of bicycles, which is off-season in both spring and winter, while is midseason in both summer and autumn.

3.1.3 Particulars about profit composing in the report period (Explanation of reason and material change of proportion of profit of core business, profit of other business, period expense, investment earnings, subsidy income and net amount of non-business income and expenditure in the total amount of profit compared with the previous report period)

√Applicable ☐Inapplicable

Change Statement of Profit Composing

Sep. 30, 2003

	The report period	Proportion in total profit	The same period of the last year	Proportion in total profit	Change ratio
Profit from core business	6,630,407.48	-173.91%	1,127,711.67	-6.65%	487.95%
Profit from other business	6,815,231.05	-178.75%	6,072,226.17	-35.80%	12.24%
Period expenses	39,498,741.90	-1,036%	42,787,921.48	-252.27%	-7.69%
Net income/expenditure from non-operating	21,077,813.60	-552.84%	19,868,973.17	-117.15%	6.08%

Explanation: Profit from core business was increased by a big margin compared with the same period of the last year, which was mainly because that the volume of produces and sales has increased and the strict controlling of cost expenses.

3.1.4 Explanation of reason and material change of core business and its structure compared with the previous report period

☐Applicable √Inapplicable

3.1.5 Explanation of reason and material change of profitability capability of core business (gross profit ratio) compared with the previous report period

☐Applicable √Inapplicable

3.2 Analysis and explanation of significant events and their influence and solutions

√Applicable ☐Inapplicable

In aspect of debts reorganization, the Company made significant progress. Approved by state authorized organ, all finance creditors of the Company were entitled to negotiate about reduction and exemption of the partial debts with the Company. For details, please refer to Securities Times and Hong Kong Ta Kung Pao dated Oct. 23, 2003.

3.3 Particulars about accounting policies, accounting estimation, change of

consolidated scope and significant accounting errors and explanation of reasons
☐Applicable √ Inapplicable

3.4 Relevant explanation of the Board of Directors and the Supervisory Committee under the situation of being audited and provided "Non-standardized opinion"
☐Applicable √ Inapplicable

3.5 Estimation of accumulative net profit from the beginning of the year to the end of next report period to be loss probably or the warning of its material change compared with the corresponding period of the last year and explanation of reason
√ Applicable ☐Inapplicable

Seeing that the Company is in the period of debts reorganization, so the Board of Directors of the Company cannot exactly estimate the whole year's outstanding achievement.

3.6 Rolling adjustment of annual business plan or budget ever disclosed
☐Applicable √ Inapplicable

Board of Directors of
Shenzhen China Bicycle Company (Holdings) Limited
Oct. 25, 2003

Statement of profit and profit distribution

Prepared by Shenzhen China Bicycle Company (Holdings) Limited Unit: RMB

Items	Jan.-Sep. 2003		Jan.-Sep. 2002	
	Consolidation	Parent company	Consolidation	Parent company
I. Income from core business	73,737,217.39	71,393,713.03	48,318,908.88	46,087,376.13
Less: Cost of core business	66,946,512.56	65,292,164.52	47,073,523.99	45,535,667.09
Taxes and extras of core business	160,297.35	38,053.05	117,673.22	2,370.81
II. Profit from core business	6,630,407.48	6,063,495.46	1,127,711.67	549,338.23
Add: Profit from other business lines	6,815,231.05	6,815,231.05	6,072,226.17	6,072,226.17
Less: Operating expense	6,264,071.89	6,264,071.89	4,641,850.99	4,641,850.99
Administrative expense	16,440,605.54	15,846,951.23	19,221,405.80	18,531,843.63
Financial expense	16,794,064.47	16,810,760.33	18,924,664.69	18,931,693.71
III. Operating profit	-26,053,103.37	-26,043,056.94	-35,587,983.64	-35,483,823.93
Add: Investment income	4,373.17	157,668.33	-1,241,901.82	-1,135,872.24
Subsidy income				
Non-operating income	22,300,561.02	22,300,561.02	19,974,234.97	19,974,234.97
Less: Non-operating	1,222,747.42	221,516.85	105,261.80	105,261.80

Expenditure				
IV. Total profit	-4,970,916.60	-3,806,344.44	-16,960,912.29	-16,750,723.00
Less: Income tax	1,185.97	1,185.97		
Less: Minority shareholders' gains and losses	5,104.79	5,104.79	12,403.88	12,403.88
Undeficient losses of subsidiaries	-1,164,572.16		-201,508.71	
V. Net profit	-3,812,635.20	-3,812,635.20	-16,771,807.46	-16,763,126.88
Add: Retained profits at the year-begin	-2,428,356,963.55	-2,428,356,963.55	-3,884,657,203.74	-3,884,657,203.74
Other transfer-in				
VI. Profit available for distribution	-2,432,169,598.75	-2,432,169,598.75	-3,901,429,011.20	-3,901,420,330.62
Less: 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	-2,432,169,598.75	-2,432,169,598.75	-3,901,429,011.20	-3,901,420,330.62
Less: Dividends of preference share payable				
Appropriation of arbitrary surplus public reserve				
Dividends of ordinary share payable				
Dividends of ordinary share converting into capital (share capital)				
Add: Offsetting loss with capital public reserve			1,240,430,078.17	1,240,430,078.17
Offsetting loss with surplus public reserve			209,294,809.59	209,294,809.59
VIII. Retained profit	-2,432,169,598.75	-2,432,169,598.75	-2,451,704,123.44	-2,451,695,442.86
Supplement information:				
1. Income from selling or disposal branch and investee				

enterprise				
2. Losses due from natural disaster				
3. Increase (or decrease) of total profit due to the changing of accounting policies				
4. Increase (or decrease) of total profit due to the changing of accounting estimation				
5. Earnings due from debts reorganization			25，346.43	
6. Other				

Legal representative of the Company: Zhang Xiaofeng Person in charge of accounting: Hu Eryi

Person in charge of accounting organ: Li Shiyong

Statement of profit and profit distribution

Prepared by Shenzhen China Bicycle Company (Holdings) Limited Unit: RMB

Items	Jul.-Sep. 2003		Jul.-Sep. 2002	
	Consolidation	Parent company	Consolidation	Parent company
I. Income from core business	33,671,655.70	32,913,136.75	25,297,265.27	24,578,426.07
Less: Cost of core business	29,619,408.69	29,064,455.01	19,948,628.60	19,428,822.14
Taxes and extras of core business	74,763.06	35,072.56	37,814.15	460.50
II. Profit from core business	3,977,483.95	3,813,609.18	5,310,822.52	5,149,143.43
Add: Profit from other business lines	2,295,982.64	2,295,982.64	2,082,654.57	2,082,654.57
Less: Operating expense	3,237,472.03	3,237,472.03	1,425,995.58	1,425,995.58
Administrative expense	4,584,065.98	4,413,330.04	6,561,461.03	6,325,510.20
Financial expense	5,980,838.13	5,985,134.70	6,337,827.39	6,340,233.05
III. Operating profit	-7,528,909.55	-7,526,344.95	-6,931,806.91	-6,859,940.83
Add: Investment income	0.00	38,374.77	0.00	-8,680.58
Subsidy income	0.00	0.00	0.00	0.00
Non-operating income	2,404,575.27	2,404,575.27	19,761,594.10	19,761,594.10
Less: Non-operating Expenditure	1,043,816.16	42,585.59	-13,899.58	-13,899.58
IV. Total profit	-6,168,150.44	-5,125,980.50	12,843,686.77	12,906,872.27
Less: Income tax	507.06	507.06		
Less: Minority shareholders' gains and losses	11,026.83	11,026.83	29,076.94	29,076.94
Undeficient losses of subsidiaries	-1,042,169.94	0.00	-63,185.50	0.00
V. Net profit	-5,137,514.39	-5,137,514.39	12,877,795.33	12,877.795.33

Supplement information:				
1. Income from selling or disposal branch and investee enterprise				
2. Losses due from natural disaster				
3. Increase (or decrease) of total profit due to the changing of accounting policies				
4. Increase (or decrease) of total profit due to the changing of accounting estimation				
5. Earnings due from debts reorganization				
6. Other				

Legal representative of the Company: Zhang Xiaofeng Person in charge of accounting: Hu Eryi Person in charge of accounting organ: Li Shiyong