SHENZHEN CHINA BICYCLE COMPANY (HOLDINGS) LIMITED

2003 ANNUAL REPORT SUMMARY

§1. Important Notes

1.1 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. The summary of annual report 2003 is abstracted from the full text of annual report; the investors are suggested to read the full text of annual report to understand more details.

1.2 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.

1.3 Due to business, Director Mr. Shi Zhanxiong and Mr. Wan Nianqing were absent from the Board meeting, in which the 2003 Annual Report was examined, and respectively entrusted Mr. Li Hai and Mr. Yi Xiaoming to execute on his behalf.

1.4 K.C.OH & Company Certified Public Accountants issued a qualified Auditors' Report with reservation, 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.

1.5 Mr. Zhang Xiaofeng, 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.

1.6 This report was prepared in both Chinese and English. Should there be any difference in interpretation between the two versions, the Chinese version shall prevail.

§2. Company Profile

2.1 Basic information

Short form of the stock	ST ZHONGHUA – A, ST ZHONGHUA – B
Stock code	000017, 200017
Listed stock exchange	Shenzhen Stock Exchange
Registered address and Office address	No. 3008, Buxin Road, Shenzhen
Post code	518019
Internet web site of the Company	www.szcbc.com
E-mail of the Company	dmc@szcbc.com

2.2 Contact person and method

	Secretary of the Board of Directors
Name	Li Hai
Contact address	Shenzhen China Bicycle Company (Holdings) Limited, No. 3008, Buxin Road, Shenzhen

Telephone	(86)755-25516998
Fax	(86)755-25516620
E-mail	dmc@szcbc.com

§3. Summary of Accounting Data and Financial Indexes

3.1 Major accounting data Unit: RMB'000

	2003	2002		Increase/decrease over last year (%)
		After adjustment	Before adjustment	
Turnover	99,015	71,590	71,590	38.31
Other income	19,932	49,362	49,362	-59.62
Profit before taxation	340,767	6,807	8,218	4,906.13
Profit attributable to shareholders	340,820	6,780	8,191	4,926.84
Shareholders' equity	-1,687,614	-2,028,434	-1,985,702	-16.80
Net cash inflow arising from operating activities	-10,495	-232,079	-233,498	-95.48

3.2 Difference of net profit as audited by Chinese Accounting Standard (CAS) and International Accounting Standard (IAS)

√Applicable ☐Inapplicable

Unit: In RMB'000

	CAS	IAS
Net profit	-32,947.18	340,820.45
Explanation on the difference	1. Reversal of loss from minority interests of RMB –54,493.41 2. Debt restructuring income of RMB 357,993,665.24 3. Interest expense waived of RMB 16,999,013.25 4. Absorption of operating loss in a subsidiary of RMB –1,169,922.18	

§4. Changes in Share Capital and Particulars about Shareholders

4.1 Statement of change in share capital (Unit: share)

	Before the change	Increase / decrease in this time (+, -)		After the change
		Other	Subtotal	
I. Unlisted Shares				
1. Sponsors' shares	224,060,354	-19,447,518	-19,447,518	204,612,836
Including: State-owned share			0	0
Domestic legal person's shares	111,607,002		0	111,607,002
Foreign legal person's shares	112,453,352	-19,447,518	-19,447,518	93,005,834
Others			0	0
2. Raised legal person's shares			0	0
3. Inner employees' shares	135,000		0	135,000
4. Preference shares or others			0	0

Total Unlisted shares	224,195,354	-19,447,518	-19,447,518	204,747,836
II. Listed Shares				
1. RMB ordinary shares	76,617,000		0	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			0	0
4. Others			0	0
Total Listed shares	255,237,649	19,447,518	19,447,518	274,685,167
III. Total shares	479,433,003	0	0	479,433,003

4.2 Statement of shares held by the top ten shareholders and the top ten shareholders of circulation share

Total number of shareholders at the end of report year	46,256					
Particulars about shares held by the top ten shareholders						
Full name of Shareholders	**Increase / decrease in the report year (share)**	**Holding shares at the year-end (share)**	**Proportion (%)**	**Type of shares (Circulating/Non-circulating)**	**Number of share pledged/ frozen (share)**	**Nature of shareholders (State -owned shareholder/foreign shareholder)**
China Huarong Assets Management Company	0	65,098,412	13.58	Non-circulating	0	State-owned shareholder
Hong Kong Zhuorun Technology Co., Ltd.	0	62,003,890	12.93	Non-circulating	57,899,644	Foreign shareholder
Hong Kong (Link) Bicycles Limited	0	26,000,000	5.42	Non-circulating	26,000,000	Foreign shareholder
Guangdong Sunrise Group Co., Ltd.	0	18,968,590	3.96	Non-circulating	18,968,590	State-owned shareholder
STEPHEN &PARTNERS LIMITED	-8,169,646	11,277,872	2.35	Circulating	0	Foreign shareholder
Shanghai Xinliyi Investment Management Co., Ltd.	0	11,200,000	2.34	Non-circulating	0	State-owned shareholder
Airline Trust and Investment Co., Ltd.	0	10,340,000	2.16	Non-circulating	0	State-owned shareholder
Shenzhen International Trust & Investment Co., Ltd.	0	6,000,000	1.25	Non-circulating	0	State-owned shareholder
Jingchao Investment Co., Ltd.	0	5,001,944	1.04	Non-circulating	0	Foreign shareholder
XAMMAX INTERNATIONAL LIMIT	1,645,563	1,645,563	0.34	Circulating	0	Foreign shareholder
Explanation on associated relationship among the top ten shareholders or consistent action	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 these, there exists no associated relationship among the top ten shareholders.					

Particulars about shares held by the top ten shareholders of circulation share		
Name of shareholders	Circulating shareholders held in the year-end (share)	Types of circulating shares (A-share, B-share, H-share or others)
CHEN YUAN FENG	1,631,040	B-share
JIANG LAN	1,200,000	B-share
CHEN XIONG	1,074,868	B-share
WANG LI SI	1,001,803	B-share
HUANG CAI XIANG	1,000,000	B-share
NGAI KWOK PAN	747,600	B-share
LIAO XIAO YAN	742,228	B-share
GU SHU MING	700,050	B-share
DENG GE	685,999	B-share
DBS VICKERS (HONG KONG) LTD A/C CLIENTS	647,600	B-share
Explanation on associated relationship among the top ten shareholders of circulation share	The Company was unaware of whether there existed any associated relationship among the top ten circulation shareholders and whether there existed consistent actionist regulated in the Management Measure of Information Disclosure on Change of Shareholding for Listed Companies.	

4.3 Particulars about controlling shareholders and actual controller of the Company

4.3.1 Particulars about change in controlling shareholders and actual controller of the Company

□Applicable √Inapplicable

4.3.2 Introduction of especial situation for controlling shareholder and other actual controller

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. Particulars About Directors, Supervisors and Senior Executives

5.1 Particulars about changes in shares held by directors, supervisors and senior executives

Name	Title	Sex	Age	Office term	Holding shares at the year-begin	Holding shares at the year-end	Reason for change
Zhang Xiaofeng	Chairman of the Board	Male	33	Apr. 2002 – May 2004	0	0	Naught
Pan Shiming	Director	Male	33	May 2001 – May 2004	0	0	Naught
Liu Linfeng	General Manager	Male	47	May 2001 – May 2004	0	0	Naught
Ye Qing	Director	Male	42	Apr. 2002 – May 2004	0	0	Naught
Hu Eryi	Director	Female	40	May. 2001 – May 2004	0	0	Naught
Shi Zhanxiong	Director	Male	60	May 2001 – May 2004	75,000	75,000	Naught
Yi Xiaoming	Director	Male	43	Apr. 2002 – May 2004	0	0	Naught
Wan Nianqing	Director	Male	30	Sep. 2003– May 2004	0	0	Naught
Yang Lixun	Independent Director	Male	41	May 2001 – May 2004	0	0	Naught
Wang Fuqing	Independent Director	Male	37	Sep. 2003– May 2004	0	0	Naught
Ma Hong	Independent Director	Male	37	Sep. 2003– May 2004	0	0	Naught
He Xiongsen	Supervisor	Male	44	Jun. 2002 – Jun. 2005	0	0	Naught
Lan Qihua	Supervisor	Male	53	Jun. 2002 – Jun. 2005	0	0	Naught
Peng Tiesheng	Supervisor	Male	54	Jun. 2002 – Jun. 2005	0	0	Naught

5.2 Particulars about directors and supervisors holding the post in Shareholding Company

√ Applicable ☐ Inapplicable

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	Senior Manager	Since Apr. 2001	Yes
Pan Shiming	Guangdong Sunrise Group Co., Ltd.	General Manager	Since May 2002	Yes
Yi Xiaoming	China Huarong Assets Management Company, Shenzhen Office	Senior Manager	Since Sep. 2000	Yes
Wan Nianqing	China Huarong Assets Management	Manager	Since Nov. 2001	Yes

	Company, Shenzhen Office			
He Xiongsen	China Huarong Assets Management Company, Shenzhen Office	Senior Manager	Since Jan. 2002	Yes

5.3 Particulars about the annual remuneration of directors, supervisors and senior executives

Total annual payment	RMB 637,100
Total annual payment of the top three directors drawing the highest payment	RMB 435,800
Total annual payment of the top three senior executives drawing the highest payment	RMB 435,800
Allowance of independent director	RMB 20,000 per person/ year
Other treatment of independent directors	The Company reimbursed the expenses for business trips according to the actual situation, which independent directors attended the Board meeting and shareholders' general meeting.
Name of directors and supervisors receiving no payment or allowance from the Company	Director: Zhang Xiaofeng, Pan Shiming, Yi Xiaoming and Wan Nianqing Convener of the Supervisory Committee: He Xiongsen
Payment	Number of persons
Over RMB 150,000	1
RMB 100,000 ～ RMB 150,000	3
Under RMB 100,000	1

§6. Report of the Board of Directors

6.1 Discussion and analysis to the whole operation in the report period

The Company was mainly engaged in the production and sales of production and sales of bicycles and accessories and fittings. In 2003, the Company faced the market and firmly implemented the mode of production, supply and sales of "Confirming production with sales, confirming supply with production and ready money and merchandise on hand". In the whole year, totally 25,288 pieces of electric bicycles and 187,000 pieces of bicycles were sold respectively, an increase of 61% and 85% respectively compared with the last year. At the same time, piercing progress was gained in the liabilities reorganization. The Company's financial institutions and creditors' cutting liabilities had no obstacle in policies. At present, the said creditors has exempted and stopped calculating all interests owed by the Company amounting to RMB 392 million. However, the operating results in the whole year was still not satisfactory since the whole operating environment of the Company was not improved basically. The Company realized income from main operations amounting to RMB 99.015 million, profit from main operations amounting to RMB 8.052 million and profit amounting to RMB 340.820 million.

6.2 Statement of main operations classified according to industries or products

Unit: RMB’0000

Classified according to industries or products	Income from main operations	Cost of main operations	Gross profit ratio (%)	Increase/decrease in income from main operations over the last year (%)	Increase/decrease in cost of main operations over the last year (%)	Increase/decrease in gross profit ratio over the last year (%)
Manufacture of bicycles	9,472.00	8,742.00	7.71	38.19	42.57	-26.85
Including: related transactions	0.00	0.00	-	0.00	0.00	0.00
Bicycles	4,232.00	4,172.00	1.42	19.87	45.49	-92.22
Electric bicycles	5,240.00	4,570.00	12.79	73.05	113.36	-49.90
Including: related transactions	0.00	0.00	-	0.00	0.00	0.00
Pricing rules for related transactions	Naught					
Necessity and durative of related transactions	Naught					

6.3 Particulars about main operations classified according to areas

Unit: RMB’0000

Areas	Income from main operations	Increase/decrease in income from main operations over the last year (%)
Shandong	2,187.00	54.12
Jiangsu	1,429.00	62.55

6.4 Particulars about the customers of purchase and sales

Unit: RMB’0000

Total amount of purchase of the top five suppliers	1,980.00	Proportion in the total amount of purchase	66.00%
Total amount of sales of the top five sales customers	1,351.00	Proportion in the total amount of sales	14.00%

6.5 Operation of share-holding companies (applicable to the situation where investment equity takes over 10% of its net profit)

□Applicable √Inapplicable

6.6 Explanation on reasons of material changes in main operations and its structure

□Applicable √Inapplicable

6.7 Explanation on reasons of material changes in profitability capability of main operations (gross profit ratio) than that in the last year

□Applicable √Inapplicable

6.8 Analysis to reasons of material changes in operating results and profit structure compared with the previous year

☐Applicable √Inapplicable

Analysis to reasons of material changes in the whole financial position than that in the last year

Decrease in total assets in the period was mainly due to the settlement in the 2nd stage of engineering in Zhonghua Garden. Decrease in liabilities and increase in owners' equity was due to the interests' exemption in liabilities reorganization.

6.9 Explanation on the past, current and future important effects of the material changes in production and operation environment, macro-policies and regulations on the Company's financial position and operating results

☐Applicable √Inapplicable

6.10 Completion of the profit estimation

☐Applicable √Inapplicable

6.11 Completion of the business plan

☐Applicable √Inapplicable

6.12 Application of the raised proceeds

☐Applicable √Inapplicable

Particulars about the changed projects

☐Applicable √Inapplicable

6.13 Application of the proceeds not raised through shares offering

☐Applicable √Inapplicable

6.14 Explanation of the Board of Directors on the "Qualified Opinion" made by the Certified Public Accountants

√Applicable ☐Inapplicable

The Board of the Company agreed the auditors' report presented by K.C.Oh & Company Certified Public Accountants. Since the Company's liabilities reorganization was still not accomplished finally in 2003 and liabilities risks with great amount still existed, the Certified Public Accountants expressed doubt to the Company's sustainable operating capability in the auditors' report and expressed reserved opinion. Thus, the Board of the Company made explanation as follows: Since China Huarong Assets Management Company, the largest creditor of the Company, occupied Shenzhonghua formally since Mar. 2002, based on gaining progress in the last year, the Company has gained piercing progress again in the liabilities reorganization, namely the Company's financial institutions and creditors' cutting liabilities had no obstacle in policies. At present, the said creditors has exempted and stopped calculating all interests owed by the Company amounting to RMB 392 million. While gaining progress of liabilities reorganization, the Company's main operations also had increase by great margin and main operations continued to realize profitability. Thus, the Board of the Company considered that the Company's pressure in short-term payments was reduced greatly and the sustainable operating capability had

been improved in a relatively great margin. Along with the continuous progress of the Company's liabilities and assets reorganization and the continuous increase in the Company's achievements, the Company's operating environment and operating position would be further improved.

6.15 Business plan as of the next year of the Board of Directors (If it has)
√Applicable □Inapplicable

1. Quicken the general reorganization progress including liabilities reorganization in order to improve the wicked internal and external operating environment of the Company in the several years. 2. Further enlarge the present scale of production and sale of main business and make efforts to realize the increase with high speed of main business. 3. Strengthen the power of technology research and development of electric bicycles; quicken the step of research and development. 4. Continue to quicken liquidizing the present remnant assets to supple current capital for the production and operation and further relax the intense situation of current capital. 5. Further perfect legal person administration structure and establish high-efficiency encouragement and binding mechanism.

Profit estimation of the next year (If it has)
□Applicable √Inapplicable

6.16 The preplan on the profit distribution and capitalization of capital public reserve of the Board of Directors

No distribution or capitalization.

§7. Significant Events

7.1 Purchase of assets
□ Applicable √ Inapplicable

7.2 Sales of assets
□ Applicable √ Inapplicable

7.3 Significant guarantee
□ Applicable √ Inapplicable

7.4 Current related credits and liabilities
√ Applicable □ Inapplicable

Unit: RMB'0000

Related parties	Provided capital to related parties		Provided capital to listed companies by related parties	
	Occurred	Balance	Occurred	Balance
Hong Kong (Link) Bicycles Limited	0.00	62,905.44	0.00	0.00

Diamond Back (HongKong) Co., Ltd.	0.00	24,155.70	0.00	0.00
Zhigao Resource International Co., Ltd.	0.00	13,939.64	0.00	2,491.76
Hong Kong Huajiaming Industry Trade Co., Ltd.	0.00	0.00	0.00	896.20
Shenzhen Canghai Industrial Co., Ltd.	0.00	0.00	0.00	18.94
Shenzhen Danxia Bicycle Accessory Co., Ltd.	0.00	0.00	0.00	45.66
Jiangsu Huaiyin Huayu Bicycle Accessory Factory Co., Ltd.	0.00	0.00	0.00	496.53
Shantou Economic Special Zone Dapeng Industrial Co., Ltd.	0.00	0.00	0.00	689.74
China Complex Material Products (Shenzhen) Co., Ltd.	80.36	6,261.87	0.00	0.00
Shenzhen Huajiaming Industry Trade Development Co., Ltd.	0.00	3,558.02	0.00	0.00
China Huarong Assets Management Corporation	0.00	0.00	-23,731.62	71,865.61
Guangdong Sunrise Group Co., Ltd.	0.00	0.00	1,939.90	23,240.74
Shenzhen Jinhuan Printing Format Co., Ltd.	0.00	0.00	0.00	60.00
Daming International Co., Ltd.	0.00	0.00	0.00	1,083.44
Shenzhen Jianian Industrial Co., Ltd.	0.00	0.00	1,002.69	1,289.69
Total	0.00	110,820.67	-21,791.72	102,178.31

7.5 Entrusted financing

□ Applicable √ Inapplicable

7.6 Implementation of projects committed

□ Applicable √ Inapplicable

7.7 Significant lawsuit and arbitration

□ Applicable √ Inapplicable

7.8 Implementation of duties of Independent Directors

The Company has established independent director system and engaged 3 independent directors in the Board of Directors. The independent directors performed their rights and obligations in their office term strictly according to the Articles of Association of the Company and the Guide Opinions of Establishing Independent Director System in Listed Company issued by CSRC, attended the Board Meeting and Shareholders' General Meeting actively and seriously and expressed independent opinions regarding the Company's administration and operation status. The three independent directors fulfilled the obligations better.

§8. Report of the Supervisory Committee

The Supervisory Committee agreed the explanation of the Board of Directors of the Company on qualified auditor's report issued by K.C. Oh & Company Certified Public Accountants.

§9. Auditor's Report

9.1 Auditor's opinion
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 accompanying balance sheet of the Group as of December 31, 2003 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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 Group 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 Group as of December 31, 2003 and the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

K. C. Oh & Company
Certified Public Accountants

Hong Kong : April 19, 2004

9.2 Accounting statement

Shenzhen China Bicycle Company (Holdings) Limited
Consolidated income statement for the year ended December 31, 2003

	Note	2003 RMB'000	2002 RMB'000 Restated
Turnover	(5)	99,015	71,590
Cost of sales		(90,963)	(64,278)
Gross profit		8,052	7,312
Other revenue		19,932	49,362
		27,984	56,674
Distribution costs		(9,104)	(8,713)
Administrative expenses		(27,882)	(30,892)
Other operating expenses		(477)	(190)
Operating profit/(loss)		(9,479)	16,879
Finance costs		(3,906)	(21,278)
Operating loss before exceptional items	(6)	(13,385)	(4,399)
Exceptional items	(7)	355,831	12,625
Operating profit after exceptional items		342,446	8,226
Share of loss from associates		(1,679)	(1,419)
Profit before taxation		340,767	6,807
Taxation	(8)	(2)	-
Profit after taxation		340,765	6,807
Minority interests		55	(27)
Profit for the year		340,820	6,780
Earnings per share	(9)	RMB0.7109	RMB0.0141

Shenzhen China Bicycle Company (Holdings) Limited
Consolidated balance sheet as at December 31, 2003

	Note	2003 RMB'000	2002 RMB'000 Restated
Non-current assets			
Fixed assets	(10)	262,108	310,919
Interests in associates	(11)	19,059	20,738
Other investments	(12)	6,903	8,603
		288,070	340,260
Current assets			
Inventories	(13)	68,882	73,441
Accounts receivable	(14)	8,887	14,477
Others receivable and prepayments	(15)	60,042	49,301

Amounts due from related companies	(16)	-	-
Bills receivable		275	150
Cash and bank balances		5,585	6,800
		143,671	144,169
Total assets		431,741	484,429
Capital and reserves			
Share capital	(17)	479,433	479,433
Reserves		(2,167,047)	(2,507,867)
		(1,687,614)	(2,028,434)
Minority interests	(18)	-	-
Non-current liabilities			
Long-term loans due to related companies	(19)	951,063	1,177,321
Loan-term borrowings	(20)	532,975	601,491
Provision for loss on guarantees	(21)	166,271	166,271
		1,650,309	1,945,083
Current liabilities			
Amounts due to related companies		59,408	59,408
Accounts payable		120,738	118,497
Bills payable		716	-
Others payable and receipts in advance		210,292	190,108
Accruals		44,156	165,991
Tax payable		33,736	33,776
		469,046	567,780
Total equity and liabilities		431,741	484,429

Shenzhen China Bicycle Company (Holdings) Limited
Consolidated statement of changes in equity for the year ended December 31, 2003

	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Discretionary surplus reserve RMB'000	Statutory public welfare fund RMB'000	Accumulated loss RMB'000	Total RMB'000
Balance as at January 1, 2002	479,433	588,205	185,011	24,284	32,673	(3,303,499)	(1,993,893)
Prior period adjustments (note 24)	-	-	-	-	-	(41,321)	(41,321)
Restated balance	479,433	588,205	185,011	24,284	32,673	(3,344,820)	(2,035,214)
Profit for the year	-	-	-	-	-	6,780	6,780
Reclassification	-	(588,205)	(185,011)	(24,284)	-	797,500	-
Balance as at December 31, 2002	479,433	-	-	-	32,673	(2,540,540)	(2,028,434)
Balance as at January 1, 2003	479,433	-	-	-	32,673	(2,497,808)	(1,985,702)
Prior year adjustment (note 24)	-	-	-	-	-	(42,732)	(42,732)
Restated balance	479,433	-	-	-	32,673	(2,540,540)	(2,028,434)
Profit for the year	-	-	-	-	-	340,820	340,820
Balance as at December 31, 2003	479,433	-	-	-	32,673	(2,199,720)	(1,687,614)

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.

In 2002, the directors 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, 2003.

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 shall be payable.

Shenzhen China Bicycle Company (Holdings) Limited
Consolidated cash flow statement for the year ended December 31, 2003

	2003 RMB'000	2002 RMB'000 Restated
Cash flow from operating activities		
Operating profit before taxation	340,767	6,807
Adjustment items :		
Interest income	(38)	(32)
Interest expense	3,906	20,719
Depreciation	15,914	18,699
Debt restructuring income	(374,993)	-
Share of loss from associates	1,679	1,419
Provision for impairment loss of property, plant and equipment reversed	-	(3)
Profit on disposal of property, plant and equipment	(10,773)	(40,086)
Provision for impairment loss of construction in progress reversed	(2,320)	-
Provision for impairment loss of other investments	1,700	40
Provision for impairment loss of obsolete inventories made/(reversed)	3,909	(10,407)
Provision for doubtful debts made/(reversed)	9,518	(2,203)
Provision for loss on minority interests made/(reversed)	55	(27)
Net operating cash outflow before movement in working capital	(10,676)	(5,074)
Decrease in amounts due from associates	-	2,892
Decrease in inventories	650	125
(Increase)/decrease in accounts receivable	4,452	(5,670)
(Increase)/decrease in others receivable and prepayments	(18,820)	2,125
(Increase)/decrease in amounts due from related companies	(281)	13,655
Increase in bills receivable	(125)	-
Increase in amounts due to related companies	-	10,028
Increase in accounts payable	2,241	6,701
Increase/(decrease) in bills payable	716	(100)
Increase/(decrease) in others payable and receipts in advance	12,684	(17,655)
Decrease in accruals	(1,116)	(239,146)
Net cash outflow from operating activities before interest and income tax payments	(10,275)	(232,119)
Interest paid	(178)	-
Income taxes recovered/(paid)	(42)	40
Net cash outflow from operating activities c/f	(10,495)	(232,079)
Investing activities		
Interest received	38	32
Proceeds from disposal of property, plant and equipment	1,516	75,556
Payment for acquisition of property, plant and equipment	(594)	(905)
Proceeds from construction in progress	2,320	-
Net cash inflow from investing activities	3,280	74,683

Net cash outflow before financing activities	(7,215)	(157,396)
Financing activities (*)		
Increase in long-term loans due to related companies	6,000	161,630
Decrease in long-term borrowings	-	(728)
Net cash inflow from financing activities	6,000	160,902
Increase/(decrease) in cash and cash equivalents	(1,215)	3,506
Cash and cash equivalents as at beginning of the year	6,800	3,294
Cash and cash equivalents as at end of the year	5,585	6,800

(*) Cash flow from financing

	Long-term loans due to related companies RMB'000	**Long-term borrowings RMB'000**
Balance as at beginning of the year	1,170,528	601,491
Cash flows from financing activities	6,000	-
Debt restructuring income (note 7)	(243,346)	-
Increase in others payable	11,088	(18,088)
Proceeds from disposal of property, plant and Equipment	-	(50,428)
Balance as at end of the year	944,270	532,975

9.3 Accounting policy, accounting assessment and settlement method has no change compared with the latest annual report.

9.4 Consolidation scope has no change compared with the latest annual report.

Board of Directors of
Shenzhen China Bicycle Company (Holdings) Limited
Apr. 21, 2004