Shenzhen China Bicycle Company (Holdings) Limited
Summary of Semi-annual Report 2003

§1. Important Notice

1.1 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.
The summary of semi-annual report 2004 is abstracted from the semi-annual report; and full text of the semi-annual report is published in Securities Times and the Internet website http://www.cninfo.com.cn in the mean time. The investors are suggested to read the full text of semi-annual report to understand more details.
1.2 No director stated that he (she) could not ensure the correctness, accuracy and completeness of the contents of the Semi-annual Report or has objection for this report.
1.3 The semi-annual financial report of the Company has not been audited.
1.4 Chairman of the Board of the Company Mr. Zhang Xiaofeng, 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.

§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
	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

2.2 Major financial data and indexes
2.2.1 Major accounting data and financial indexes

Unit: RMB

Items	**At the end of 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	133,430,076.16	143,670,834.23	-7.13%

Current liabilities	1,080,170,501.84	1,098,944,171.77	-1.71%
Total assets	426,332,943.22	444,849,741.24	-4.16%
Shareholders' equity (excluding minority interests)	-1,684,464,007.23	-1,684,749,826.09	-
Net assets per share	-3.5135	-3.5140	-
Net assets per share after adjustment	-3.5135	-3.5140	-
Items	**In the report period**	**The same period of last year**	**Increase/decrease in this report period compared with the same period of last year (%)**
Net profit	285,818.86	1,324,879.19	-78.43%
Net profit after deducting non-recurring gains and losses	-431,085.67	-18,392,175.30	-
Earnings per share	0.0006	0.0028	-78.57%
Earnings per share (it was calculated according to new share capital if share capital changed.)	—	—	—
Return on equity	0.00%	0.00%	0.00%
Net cash flow arising from operating activities	-4,254,734.94	-6,715,516.32	-

2.2.2 Item of non-recurring gains and losses

√Applicable ☐Inapplicable

Unit: RMB

Item of non-recurring gains and losses	Amount
Penalty expenditure	17,797.20
Other profit and loss	734,701.73
Losses from disposal of fixed assets	0.00
Total	716,904.53

2.2.3 Differences between CAS and IAS:

√Applicable ☐Inapplicable

Unit: RMB'0000

	CAS	IAS
Net profit	28.58	31.48
Explanation on difference		

§3. Changes in Share Capital and Particulars about Shareholders

3.1 Statement of change in shares

☐Applicable √Inapplicable

3.2 Particulars about shares held by the top ten shareholders

Unit: share

Total shareholders at the end of report period	45,404					
Particulars about shares held by the top ten shareholders						
Full name of shareholders	**Increase / decrease in this report period**	**Shares held at the end of the report period**	**Proportion (%)**	**Type of shares (circulating or non-circulating)**	**Number of share pledged or frozen**	**Nature of shareholders (state-owned shareholder or 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.	-7,000,000	11,968,590	2.50	Non-circulating	11,968,590	State-owned 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
STEPHEN &PARTNERS LIMITED	-1,681,872	9,596,000	2.00	Circulating	0	Foreign 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
Huabao Trust & Investment Co., Ltd.	3,500,000	3,500,000	0.73	Non-circulating	0	State-owned shareholder

Particulars about shares held by the top ten shareholders of circulation share		
Name of shareholders	Circulation share held in the period-end (share)	Types of circulating shares (A-share, B-share, H-share or others)
XAMMAX INTERNATIONAL LIMITED	1,645,563	B-share
HUANG CAI XIANG	1,354,494	B-share
JIANG LAN	1,200,000	B-share
CHEN XIONG	1,074,868	B-share
LIAO XIAO YAN	786,228	B-share
NGAI KWOK PAN	747,600	B-share
ZHANG HUI LING	724,328	B-share
DENG GE	685,999	B-share
WANG LI SI	670,850	B-share
SHANGHAI (HONG KONG) WANGUO SECURITES	667,000	B-share

Explanation on associated relationship among the top ten shareholders or consistent action	Among the top ten shareholders of circulation share, the Company was unaware of whether there existed associated relationship or whether there existed consistent actionist regulated in the Management Measure of Information Disclosure on Change of Shareholding for Listed Companies.	
Explanation on the appointed period of holding shares which strategic investor or general legal person participates in the allotment of new shares	Shareholders’ name	Appointed period of holding share
	Naught	Naught
	Naught	Naught

3.3 Particulars about change in controlling shareholder and actual controller of the Company

☐Applicable √Inapplicable

§4. Particulars about Directors, Supervisors and Senior Executives

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

☐Applicable √Inapplicable

§5. Discussion and Analysis of the Management

5.1 Statement of main operations classified according to industries and products

Unit: RMB’0000

Industries	Income from main operations	Cost of main operations	Gross profit ratio (%)	Increase/decrease in income from main operations over the same period of last year (%)	Increase/decrease in cost of main operations over the same period of last year (%)	Increase/decrease in gross profit ratio over the same period of last year (%)
Manufacture of bicycles	6,850.54	6,165.09	10.01	78.03	70.18	71.04
Lease service	161.59	136.58	15.48	1.95	24.23	-49.49
Including: related transactions	0.00	0.00	-	0.00	0.00	0.00

Products	Income from main operations	Cost of main operations	Gross profit ratio (%)	Increase/decrease in income from main operations over the same period of last year (%)	Increase/decrease in cost of main operations over the same period of last year (%)	Increase/decrease in gross profit ratio over the same period of last year (%)
Electric bicycles	4,450.60	4,105.33	7.76	172.12	170.03	10.20
Bicycles	2,399.94	2,059.76	14.17	8.47	-2.03	184.63
Service	161.59	136.58	15.48	1.95	24.23	-49.49
Including: related	0.00	0.00	-	0.00	0.00	0.00

transactions						
Pricing rules for related transactions	Market price					

Including: total amount of related transactions that the listed company sold products to the controlling shareholder and its subsidiaries was RMB 0.00 in the report period.

5.2 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 same period of last year (%)
Shandong	1,552.22	64.48
Henan	1,215.73	118.95
Hebei	1,066.97	105.50
Jiangsu	824.04	45.15
Sichuan	284.12	40.82

5.3 Other operations affecting material influence on net profit

√Applicable ☐Inapplicable

Unit: RMB’0000

Other operating business	Gains and losses generated	Proportion in net profit
Lease of properties	856.01	2,994.94%

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

☐Applicable √Inapplicable

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

☐Applicable √Inapplicable

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

☐Applicable √Inapplicable

5.7 Analysis to reasons of material changes in profit structure compared with the previous year

☐Applicable √Inapplicable

5.8 Application of the raised proceeds

5.8.1 Use of the raised proceeds

☐Applicable √Inapplicable

5.8.2 Particulars about the changed projects

□Applicable √Inapplicable

5.9 Plan of the Board on amending the business plan in the second half of the year
□Applicable √Inapplicable

5.10 Estimation on 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 on reason
□Applicable √Inapplicable

5.11 Explanation of the Management on "Qualified Opinion" from the Certified Public Accountants in the report period
□Applicable √Inapplicable

5.12 Explanation of the Management on changes and disposal of the issues involved in "Qualified Opinion" from the Certified Public Accountants in the last year
□Applicable √Inapplicable

§6. Significant Events

6.1 Acquisition and sales of assets and assets restructure
6.1.1 Assets acquired
□Applicable √Inapplicable

6.1.2 Assets sold
□Applicable √Inapplicable

6.1.3 Progress of these events and its influence on the operating results and financial status in the report period after the report on assets restructure or public notice on acquisition and sales of assets being published
□Applicable √Inapplicable

6.2 Guarantees
□Applicable √Inapplicable

6.3 Current related credits and liabilities
√Applicable □Inapplicable

Unit: RMB'0000

Related Parties	Relationship	Capital provided to related parties		Capital provided by related parties to the listed company	
		Debit	Balance at period-end	Credit	Balance at period-end
Hong Kong (Link) Bicycles Limited	Shareholder	0.00	62,905.44	0.00	0.00
Diamond Back	Director of the Company	0.00	24,155.70	0.00	0.00

(HongKong) Co., Ltd.	is the General Manager of the company				
Zhigao Resources International Co., Ltd.	Director of the Company is the General Manager of the company	0.00	13,939.64	0.00	0.00
China Composite Materials Products (Shenzhen) Co., Ltd.	Director of the Company is Chairman of the company	24.23	6,286.10	0.00	0.00
Shenzhen Huajiaming Industry &Commerce Development Co., Ltd.	Subsidiary	4.41	3,562.43	0.00	0.00
Hong Kong Huajiaming Industry &Commerce Industrial Co., Ltd.	Director of the Company is Chairman of the company	0.00	0.00	0.00	1,075.89
Shenzhen Canghai Industrial Co., Ltd.	Affiliated company	0.00	0.00	0.00	18.94
Shenzhen Danxia Bicycle Parts Co., Ltd.	Affiliated company	0.00	0.00	0.00	45.66
Shenzhen Economic Special Zone China Eagle Industrial Co., Ltd.	Affiliated company	0.00	0.00	0.00	496.53
China Huarong Assets Management Corporation	Shareholder	0.00	0.00	0.00	689.74
Guangdong Sunrise Holdings Co., Ltd.	Shareholder	0.00	0.00	299.29	72,164.90
Shenzhen Jinghuan Printing Plate Co., Ltd.	Affiliated company	0.00	0.00	190.71	23,431.45
Zhigao international Machinery Co., Ltd.	Director of the Company is the General Manager of the company	0.00	0.00	0.00	60.00
Daming International Co., Ltd.	Director of the Company is the General Manager of the company	0.00	0.00	0.00	2,491.75
Shenzhen Good Year Industry Co., Ltd.	Brother company of shareholder	0.00	0.00	0.00	1,083.44
Total		0.00	0.00	0.00	1,289.69
		28.64	110,849.31	490.00	102,847.99

Including: in the report period, the amount of capital provided by the listed company to the controlling shareholder and its subsidiaries was RMB 0.00 and the balance was RMB 0.00.

6.4 Material lawsuits and arbitrations

√Applicable ☐Inapplicable

1. Ended Jun. 30, 2004, the Company was prosecuted by 15 financial institutions for the Company didn't pay back loan at the maturity. The lawsuits involved loans and interest totaled to RMB 406.3741 million, USD 99.1601 million and HKD 8.2616 million. The most above lawsuits verdict the Company lost or have been mediated. In 2000, Bank of China, Agricultural Bank of China, Industrial and Commercial Bank of China has transferred whole or partial creditor' rights to relevant assets management corporation and the objects of lawsuits correspondingly changed. 2. Ended Jun. 30, 2004, the Company has been prosecuted by 30 suppliers. The amount involved in the case was totaled to RMB 30.5073 million, HKD 17.8498 million and USD 1.6685 million. Most of lawsuits has verdict the Company lost. 3. Ended Jun. 30, 2004, the Company had 13 labor dispute cases. 159 staff prosecuted the Company default salaries and endowment insurance amounting to RMB 1.7 million. The dispute case was enforced.

6.5 Other significant events and explanation on analysis to their influences and solutions

√Applicable ☐Inapplicable

1. According to YJBT [2004] No. 6 Document promulgated by General Office of CSRC on Jan. 7, 2004. Such 11 financial institutes as Bank of China stopped recording interests of loans for three years since Jan. 1, 2002, and exempted all interests payable the Company owed (including penalty interests and compound interests) before Dec. 31, 2001. In 2003, the Company transferred all its payable loan interests (including penalty interests and repeating interests) amounting to RMB 357,993,665.24 owed before Dec. 31, 2001 into "Capital reserve" accounts and made correction to total loan interests amounting to RMB 33,998,026.50 appropriated in 2002 and 2003 as material accounting errors and wrote off them by full amount. The exemption and stop recording of interest would decrease financial expenses of the Company by a great margin. 2. On Nov. 17, 2003, PRC Shenzhen Customs formed 5313 SGSWZ(2003) B No. 005 Administrative Punishment Conclusion about the Company. According to the regulations of No. 11 (III) of Implementation Detail Rules of Administrative Punishment in PRC Customs Law, Shenzhen Customs decided to punish RMB 6.3 million and at the same time informed the Company to supplementing taxes amounting to RMB 20, 043,896. The Company has handled the accounts about the above customs taxes and penalty as debts in Nov. 2003. Because the Company was unable to pay back the customs taxes and penalty, Shenzhen Customs applied compulsive execution to Shenzhen Intermediate People's Court on Jul. 2, 2004. Shenzhen Intermediate People's Court held the court and heard the case on Aug. 6, 2004. Ended the report day, the verdict wasn't made down. Since the Company is conducting liabilities restructure, after negotiating with Shenzhen Municipal Government and Shenzhen Customs for several times, the Company has listed the said tax arrearages and penalties into the scope of its liabilities restructure, thus the said lawsuit has no material influence on the production and

operation of the Company at present.

§7. Financial Report

7.1 Auditing opinion

Financial Report	√ Unaudited ☐Audited
Auditing opinion	☐Unqualified ☐Qualified √ Unaudited

7.2 Income statement of comparative consolidation and parent company

Income Statement (Domestic)

Prepared by Shenzhen China Bicycle Company (Holdings) Limited

Unit: RMB

Items	Jan.-Jun. 2004		Jan.-Jun. 2003	
	Consolidated	Parent Company	Consolidated	Parent Company
Ⅰ. Income from main operations	70,121,306.94	68,505,411.79	40,065,561.69	38,480,576.28
Less: Cost of main operations	63,016,680.44	61,650,870.50	37,327,103.87	36,227,709.51
Business and related taxes	115,723.10	31,696.51	85,534.29	2,980.49
Ⅱ. Profit from main operations (Loss is listed with "-")	6,988,903.40	6,822,844.78	2,652,923.53	2,249,886.28
Add: Other operating profit (Loss is listed with "-")	6,244,153.39	6,244,153.39	4,519,248.41	4,519,248.41
Less: Selling expenses	4,881,998.11	4,881,998.11	3,026,599.86	3,026,599.86
Administrative expenses	7,817,413.11	7,800,567.12	11,856,539.56	11,433,621.19
Financial expenses	992,923.40	995,460.09	10,813,226.34	10,825,625.63
Ⅲ. Operating profit (Loss is listed with "-")	-459,277.83	-611,027.15	-18,524,193.82	-18,516,711.99
Add: Investment income (Loss is listed with "-")		151,749.32	4,373.17	119,293.56
Subsidy income				
Non-operating income	734,941.73	734,941.73	19,895,985.75	19,895,985.75
Less: Non-operating expenses	18,037.20	18,037.20	178,931.26	178,931.26
Ⅳ.Total profit (Total loss is listed with "-")	257,626.70	257,626.70	1,197,233.84	1,319,636.06
Less: Income tax	754.81	754.81	678.91	678.91
Less: Minority interests	-28,946.97	-28,946.97	-5,922.04	-5,922.04
Less: Losses of subsidiaries not offset			-122,402.22	
Ⅴ. Net profit (Net loss is listed with "-")	285,818.86	285,818.86	1,324,879.19	1,324,879.19
Add: Retained earnings at the year-beginning	-2,487,038,214.90	-2,487,038,214.90	-2,428,356,963.55	-2,428,356,963.55
Other transfer-ins	0.00	0.00		
Ⅵ.Profit available for distribution	-2,486,752,396.04	-2,486,752,396.04	-2,427,032,084.36	-2,427,032,084.36
Less: Statutory surplus reserve				
Statutory public welfare reserve				
Employee bonus and welfare funds				
Reserve funds				

Enterprise development funds				
Returned investment from profit				
Ⅶ. Profit available for distribution to investors	-2,486,752,396.04	-2,486,752,396.04	-2,427,032,084.36	-2,427,032,084.36
Less: dividend for preferred shares payable				
Discretionary reserves				
Dividends for ordinary shares				
Dividends for ordinary shares converted to capital (or share capital)				
Ⅷ. Retained earnings	-2,486,752,396.04	-2,486,752,396.04	-2,427,032,084.36	-2,427,032,084.36
Supplemental information:				
1. Profit from selling or disposing branch or investee				
2. Losses from natural disaster				
3. Increase (or decrease) in total profit due to the changes of accounting policies				
4. Increase (or decrease) in total profit due to the changes of accounting estimation				
5. Loss on debts restructure				
6. Others				

7.3 Notes to financial report

7.3.1 Compared with the latest annual report period, there was no change in accounting policies and accounting estimates and correction in accounting errors in the report period.

7.3.2 Compared with the latest annual report, there was no material change in consolidated scope in the report period.

7.3.3 List notes related to the involved issues if the Company is issued a qualified opinion

□Applicable √Inapplicable

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