Shenzhen China Bicycle Company (Holdings) Limited

Third Quarterly Report for 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 ensure that there is no any falsehood, misleading statement or material omission carried in the report and shall individually and jointly take on the responsibility for the truthfulness, accuracy and completeness of its contents.
1.2 The financial report in the Quarterly Report has not been audited.
1.3 Chairman of the Board of the Company Mr. Zhang Xiaofeng, Financial Principal Mr. Ye Qing and Chief Accountant Mr. Li Shiyong hereby announce that the financial report in the Quarterly Report is truth and complete.

§2. Company Profile

2.1 Basic information

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

2.2 Financial information
2.2.1 Major accounting data and financial indexes

Unit: RMB

	End of the report period	End of last year	Increase/decrease of end of the report period over end of last year (%)
Total assets	429,048,119.63	444,849,741.24	-3.55
Shareholders' equity (excluding minority equity)	-1,684,172,643.64	-1,684,749,826.09	-
Net assets per share	-	-	-
Net assets per share after adjustment	-	-	-
	The report period	Year-beginning to end of the report period	Increase/decrease of the report period over

			same period of last year (%)
Net cash flows from operating activities	1,715,168.91	-2,539,566.03	-
Earnings per share	0.0006	0.0012	-
Return on equity	-	-	-
Return on equity after non-recurring gains and losses	-0.0008	-0.0017	-
Items of non-recurring gains and losses	Amount		
Non-operating income	1,425,596.88		
Non-operating expenditure	27,443.12		
Total	1,398,153.76		

2.2.2 Income statement (attached)

2.3 Total number of shareholders at the end of the report period and shares held by the top ten shareholders

Unit: Share

Total shareholders at the end of the report period	44,690	
Shares held by the top ten shareholders of circulating shares		
Name of shareholders (full name)	Number of circulating shares held at the period-end	Type (A-Share, B-Share, H-Share or others)
STEPHEN &PARTNERS LIMITED	8,607,090	B
XAMMAX INTERNATIONAL LIMITED	1,645,563	B
HUANG CAIXIANG	1,354,494	B
JIANG LAN	1,200,000	B
CHEN XIONG	1,074,868	B
WANG LISI	839,650	B
LIAO XIAOYAN	786,228	B
ZHANG HUILIN	781,678	B
NGAI KWOK PAN	747,600	B
SHANGHAI (HONG KONG) WANGUO SECURITIES	667,000	B

§3. Discussion and Analysis of the Management

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

In the report period, the industry and main operations of the Company did not change. In the third quarter, while actively pushing liabilities restructure, the Company firmly carried out the business plan of “With brand as the lead, integrating resources of bicycles; with electromotion as the emphasis, creating Emmelle as aircraft carrier” and caught sales midseason. The main operations continued to keep a good trend of resumptive growth. During January to September, the Company realized income from main operations amounting to RMB 105.7233 million, an increase of 43.38% over the same period of last year, and gained net profit amounting to RMB 577.2 thousand.

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

√Applicable □Inapplicable

Industries or products	Income from core business	Cost of core business	Gross profit ratio (%)
Manufacture	102,645,053.00	90,798,770.63	11.54
Service	3,078,283.98	2,800,226.98	9.03
Including: related transactions			

3.1.2 Seasonal or periodic characteristic of the operation of the Company

√Applicable □Inapplicable

The main operation of the Company is manufacture of bicycles. Spring and Winter are low seasons; Summer and Autumn are midseasons.

3.1.3 Profit structure in the report period (material changes in proportions of profit from core business, profit from other business, period expense, investment earnings, subsidy income and net non-operating income and expenditure in total profits than those of the last report period and reasons)

√Applicable □Inapplicable

Statement of Changes in Profit Structure

Sept. 30, 2004

	The report period	Proportion in total profit	Same period of last year	Proportion in total profit	Rate of changes
Profit of main operations	11,927,082.77		6,630,407.48		79.88
Profit of other operations	8,377,527.63		6,815,231.05		22.92
Period expenses	21,126,876.71		39,498,741.90		-46.51
Net of non-operating income and expenditure	1,398,153.76		21,077,813.60		-93.37

Explanation: Profit of main operations increased over the same period of last year, which was mainly due to increase in sales volume of manufacture represented by electromotion; Other profits increased, which was due to slight increase in lease income. Period expense decreased, which was because that management expense decreased and the bank stopped in calculating interests, resulting in decrease in financial expense. Net of non-operating income and expenditure decreased, which was mainly due to settlement of property of 2nd stage of Zhonghua Garden in the same period of last year.

3.1.4 Material changes in core business and its structure than that of the last report period and reasons

□Applicable √Inapplicable

3.1.5 Material changes in profitability of core business (gross profit ratio) than that of the last report period and reasons

√Applicable □Inapplicable

The main reason was that productive and sales volume of electric bicycles with relatively high gross profit increased by a relatively great margin.

3.2 Significant events and analysis to their influences and solutions

√Applicable □Inapplicable

On Aug. 20, 2004, the Company received Shenzhen Intermediate Peoples' Court (2004) SZFMCZNo. 488 summon: on Jul. 19, 2004, Shenzhen Shenbao Industrial Co., Ltd. submit record to Shenzhen Intermediate People's Court and claimed the court 1. the Company paid back principal payment for goods amounting to RMB 7 million to this company and occupation loss of relevant capital (accounted as per same period loan interest rate of People's Bank of China); 2. the Company undertook the lawsuit related with the case and relevant expenses (See the public notice of the Company on Aug. 24, 2004). The Company had conducted accounts disposition after receiving summons. The lawsuit had no significant influence on the present production and operation of the Company. Ended the report day, the judgment didn't send to the lower levers. The Company would disclose the progress of the case timely.

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

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. 26, 2004

Statement of profit and profit distribution (I)

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

Items	Jan.-Sep. 2004		Jan.-Sep. 2003	
	Consolidation	Parent company	Consolidation	Parent company
I. Income from core business	105,723,336.98	102,645,053.00	73,737,217.39	71,393,713.03
Less: Cost of core business	93,598,997.61	90,798,770.63	66,946,512.56	65,292,164.52
Taxes and extras of core business	197,256.60	36,403.73	160,297.35	38,053.05
II. Profit from core business	11,927,082.77	11,809,878.64	6,630,407.48	6,063,495.46
Add: Profit from other business lines	8,377,527.63	8,377,527.63	6,815,231.05	6,815,231.05
Less: Operating expense	8,446,738.20	8,446,738.20	6,264,071.89	6,264,071.89
Administrative expense	11,273,774.50	11,243,802.30	16,440,605.54	15,846,951.23
Financial expense	1,406,364.01	1,409,316.50	16,794,064.47	16,810,760.33
III. Operating profit	-822,266.31	-912,450.73	-26,053,103.37	-26,043,056.94
Add: Investment income		90,184.42	4,373.17	157,668.33
Non-operating income	1,425,596.88	1,425,596.88	22,300,561.02	22,300,561.02
Less: Non-operating Expenditure	27,443.12	27,443.12	1,222,747.42	221,516.85
IV. Total profit	575,887.45	575,887.45	-4,970,916.60	-3,806,344.44
Less: Income taxes	1,196.53	1,196.53	1,185.97	1,185.97
Less: Minority shareholders' gains and losses	-2,491.53	-2,491.53	5,104.79	5,104.79
Undeficient losses of subsidiaries			-1,164,572.16	
V. Net profit	577,182.45	577,182.45	-3,812,635.20	-3,812,635.20
Add: Retained profits at the year-begin	-2,487,038,214.90	-2,487,038,214.90	-2,428,356,963.55	-2,428,356,963.55
VI. Profit available for distribution	-2,486,461,032.45	-2,486,461,032.45	-2,432,169,598.75	-2,432,169,598.75
Less: Appropriation of statutory surplus public reserve				
Appropriation of statutory public welfare funds				
VII. Profits available for distribution to investors	-2,486,461,032.45	-2,486,461,032.45	-2,432,169,598.75	-2,432,169,598.75

Less: appropriation of arbitrary surplus public reserve	-	-		
Dividends of ordinary share payable	-	-		
VIII. Retained profit	-2,486,461,032.45	-2,486,461,032.45	-2,432,169,598.75	-2,432,169,598.75
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. Losses on debts reorganization	-	-	-	-
6. Other	-	-	-	-

Statement of profit and profit distribution (II)

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

Items	Jul.-Sep. 2004		Jul.-Sep. 2003	
	Consolidation	Parent company	Consolidation	Parent company
I. Income from core business	35,602,030.04	34,139,641.21	33,671,655.70	32,913,136.75
Less: Cost of core business	30,582,317.17	29,147,900.13	29,619,408.69	29,064,455.01
Taxes and extras of core business	81,533.50	4,707.22	74,763.06	35,072.56
II. Profit from core business	4,938,179.37	4,987,033.86	3,977,483.95	3,813,609.18
Add: Profit from other business lines	2,133,374.24	2,133,374.24	2,295,982.64	2,295,982.64
Less: Operating expense	3,564,740.09	3,564,740.09	3,237,472.03	3,237,472.03
Administrative expense	3,456,361.39	3,443,235.18	4,584,065.98	4,413,330.04
Financial expense	413,440.61	413,856.41	5,980,838.13	5,985,134.70
III. Operating profit	-362,988.48	-301,423.58	-7,528,909.55	-7,526,344.95
Add: Investment income		-61,564.90	0.00	38,374.77
Subsidy income			0.00	0.00
Non-operating income	690,655.15	690,655.15	2,404,575.27	2,404,575.27
Less: Non-operating Expenditure	9,405.92	9,405.92	1,043,816.16	42,585.59
IV. Total profit	318,260.75	318,260.75	-6,168,150.44	-5,125,980.50
Less: Income taxes	441.72	441.72	507.06	507.06
Less: Minority shareholders' gains and losses	26,455.44	26,455.44	11,026.83	11,026.83
Undeficient losses of subsidiaries			-1,042,169.94	0.00
V. Net profit	291,363.59	291,363.59	-5,137,514.39	-5,137,514.39