SHENZHEN CHINA BICYCLE COMPANY (HOLDINGS) LIMITED

SUMMARY OF ANNUAL REPORT 2004

§1. Important Notice

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 2004 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 work, Mr. Shi Zhanxiong and Mr. Yi Xiaoming were absent from the Board meeting, in which the Annual Report 2004 was examined, and respectively entrusted Mr. Li Hai and Mr. Wan Nianqing to vote on his behalf.

1.4 K.C.OH & Company Certified Public Accountants issued an Auditors’ Report with reserved opinion, 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. Ye Qing, General Manager and Mr. Li Shiyong, 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	Registered address: No. 3008, Buxin Road, Shenzhen Office address: Shenzhen China Bicycle Company (Holdings) Limited, No. 3008, Buxin Road, Shenzhen

Post code	Post code of registered address: 518019 Post code of office address: 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

	2004	**2003**		**Increase/decreas over last year (%)**
		After adjustment	**Before adjustment**	
Turnover	138,192	99,015	99,015	
Other income	11,336	19,932	19,932	
Profit before taxation	-16,416	340,579	340,767	
Profit attributable to shareholders	-16,402	340,632	340,820	
Shareholders' equity	-1,705,678	-1,689,276	-1,687,614	
Net cash inflow arising from operating activities	-4,152	-10,495	-10,495	

Items of non-recurring gains and losses

√Applicable ☐Inapplicable

Unit: RMB'000

Items of non-recurring gains and losses	Amount
Projected losses of guarantee	-
Gains and losses from disposal of fixed assets	-
Total	675.00
Total	675.00

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

√Applicable ☐Inapplicable

Unit: In RMB

	CAS	IAS
Net profit	-17,230,298.62	-16,401,172.09
Explanation on the difference	Income from the funds need not pay was adjusted as income based on IAS, while it was adjusted as capital reserve based on CAS.	

§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**
		Subtotal	
I. Unlisted Shares			
1. Sponsors' shares	204,612,836	0	204,612,836
Including: State-owned share	16,340,000	0	16,340,000
Domestic legal person's shares	95,267,002	0	95,267,002
Foreign legal person's shares	93,005,834	0	93,005,834
Others	0	0	0
2. Raised legal person's shares	0	0	0
3. Inner employees' shares	135,000	0	135,000
4. Preference shares or others	0	0	0
Total Unlisted shares	204,747,836	0	204,747,836
II. Listed Shares		0	
1. RMB ordinary shares	76,617,000	0	76,617,000
2. Domestically listed foreign shares	198,068,167	0	198,068,167
3. Overseas listed foreign shares	0	0	0
4. Others	0	0	0
Total Listed shares	274,685,167	0	274,685,167
III. Total shares	479,433,003	0	479,433,003

The amount of shares offered by funds, inner employees' shares traded in the counter, shares offered by strategic investor and shares offered ordinary juridical person should be disclosed respectively

□Applicable √Inapplicable

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			45,041			
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	5.24%	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	-4,101,242	7,176,630	1.50%	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 and 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	**Circulating shareholders held in the year-end (share)**	**Types of circulating shares (A-share, B-share, H-share or others)**
STEPHEN & PARTNERS LIMITED	7,176,630	B-share

LAI WEN RONG	1,755,784	B-share
XAMMAX INTERNATIONAL LINIT	1,645,563	B-share
HUANG CAI XIANG	1,354,494	B-share
CHEN XIONG	1,074,868	B-share
JIANG LAN	1,060,900	B-share
WANG LI SI	869,650	B-share
LIAO XIAO YAN	786,228	B-share
NGAI KWOK PAN	747,600	B-share
ZHANG HUI LING	727,048	B-share
Explanation on associated relationship among the top ten shareholders or consistent action	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 the controlling shareholders and actual controller of the Company

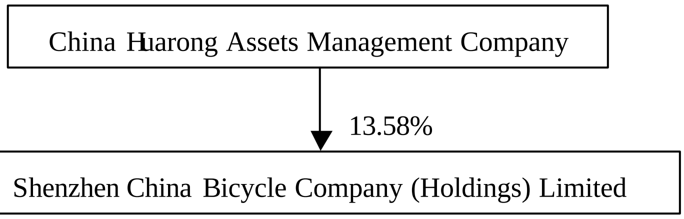
4.3.1 Particulars about change in the controlling shareholders and actual controller of the Company

□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.

4.3.3 Property right and controlling relationship between the actual controller of the Company and the Company is as follows:



§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	34	Jun. 2004 - Jun. 2007	0	0	Naught
Pan Shiming	Vice Chairman of the Board	Male	34	Jun. 2004 - Jun. 2007	0	0	Naught
Liu Linfeng	General Manger	Male	48	Jun. 2004 - Jun. 2007	0	0	Naught
Ye Qing	Standing Deputy General Manger	Male	43	Jun. 2004 - Jun. 2007	0	0	Naught
Shi Zhanxiong	Director	Male	61	Jun. 2004 - Jun. 2007	75,000	75,000	Naught
Yi Xiaoming	Director	Male	44	Jun. 2004 - Jun. 2007	0	0	Naught
Wan Nianqing	Director	Male	31	Jun. 2004 - Jun. 2007	0	0	Naught
Yang Lixun	Independent Director	Male	42	Jun. 2004 - Jun. 2007	0	0	Naught
Wang Fuqing	Independent Director	Male	38	Jun. 2004 - Jun. 2007	0	0	Naught
Ma Hong	Independent Director	Male	38	Jun. 2004 - Jun. 2007	0	0	Naught
Zhuang Yuemin	Independent Director	Male	34	Jun. 2004 - Jun. 2007	0	0	Naught
Li Hai	Secretary of the Board, Deputy General Manger	Male	37	Jun. 2004 - Jun. 2007			Naught
He Xiongsen	Supervisor	Male	45	Jun. 2002 - Jun, 2005	0	0	Naught
Lan Qihua	Supervisor	Male	54	Jun. 2002 - Jun, 2005	0	0	Naught
Peng Tiesheng	Supervisor	Male	55	Jun. 2002 - Jun, 2005	0	0	Naught
He Eryi	Deputy General	Female	41	Sep. 2004 - Sep. 2007	0	0	Naught

	Manger						
Li Shiyong	Chief Accountant	Male	35	Sep. 2004 - Sep. 2007	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)
Zhang Xiaofeng	China Huarong Assets Management Company	Senior Manager of Shenzhen Office	Apr. 6, 2001 to now	Yes
Pan Shiming	Guangdong Sunrise Group Co., Ltd.	General Manager	May 6, 2002 to now	Yes
Yi Xiaoming	China Huarong Assets Management Company	Senior Manager of Shenzhen Office	Sep. 6, 2000 to now	Yes
Wan Nianqing	China Huarong Assets Management Company	Manager of Shenzhen Office	Nov. 6, 2001 to now	Yes
He Xiongsen	China Huarong Assets Management Company	Senior Manager of Shenzhen Office	Jan. 6, 2002 to now	Yes

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

Total annual payment	RMB 748,600
Total annual payment of the top three directors drawing the highest payment	RMB 345,100
Total annual payment of the top three senior executives drawing the highest payment	RMB 191,800
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, Shi Zhanxiong, Yi Xiaoming and Wan Nianqing Convener of the Supervisory Committee: He Xiongsen
Payment	Number of persons
Over RMB 150,000	2

RMB 100,000 ～ RMB 150,000	1
Under RMB 100,000	3

§ 6. Report of the Board of Directors

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

In 2004, the core business of the Company adhered to the operating guideline of "Brand leading and Electrical bicycles oriented", firmly followed the steps of the market, and sped up R&D of products and exploitation of the market, which realized big development of core business. In the whole year, the Company realized sales income amounting to RMB 138,192,000, with an increase of 39.57% over the previous tear. However, because the debt reorganization of the Company didn't accomplish at last, relative debt burden and serious shortage of capital still restricted development of the core business of the Company. Therefore, the operation of the Company still suffered losses amounting to RMB 16,402,000, with a decrease of 95.19% over last year.

6.2 Statement of main operations classified according to industries or products

Unit: RMB'0000

Main operations classified according to industries						
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	4,211.71	4,012.36	4.73%	-0.47%	3.83%	2.34%
Manufacture of bicycles	9,055.14	7,848.01	13.33%	72.81%	71.73%	4.26%
Including: related transactions						
Main operations classified according to products						
Naught						
Including: related transactions						
Pricing rules for related transactions	Naught					

Necessity and durative of related transactions	Naught

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

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	3,322.72	51.89%
Henan	2,510.37	88.14%

6.4 Particulars about the customers of purchase and sales

Unit: RMB'0000

Total amount of purchase of the top five suppliers	3,765.15	Proportion in the total amount of purchase	52.88%
Total amount of sales of the top five sales customers	1,590.95	Proportion in the total amount of sales	11.51%

6.5 Operation of share-holding companies

□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) compared with the previous 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

□Applicable √Inapplicable

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 non-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 2004 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. The relevant detail debt reorganization plan was in the process of approval of superior administration organs. Other debt reorganization plan was being active propelled. 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 certain. 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, and realize success of debt reorganization in the year.
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. 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.
4. 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

☐Applicable √Inapplicable

The Company made profits in the report period, but didn't propose Preplan on Dividend Distribution.

☐Applicable √Inapplicable

§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 Significant related transactions

7.4.1 Related purchase and sale

□Applicable √Inapplicable

7.4.2 Related credits and liabilities current

√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.	48.18	6,310.05	0.00	0.00
Shenzhen Huajiaming Industry Trade Development Co., Ltd.	-155.92	3,402.10	0.00	0.00
China Huarong Assets Management Corporation	0.00	0.00	299.29	72,164.90
Guangdong Sunrise Group Co., Ltd.	0.00	0.00	39.43	23,280.17
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 Goodyear Industrial Co., Ltd.	0.00	0.00	0.00	1,289.69
Total	-107.74	110,712.93	338.72	102,5178.03

Including: in the report period, the capital amount the listed company provided to controlling shareholder and its subsidiaries was RMB –1,077,400 and the balance was RMB 1,107,129,300.

7.5 Entrusted financing

□Applicable √Inapplicable

7.6 Implementation of projects committed

□Applicable √Inapplicable

7.7 Significant lawsuit and arbitration

□Applicable √Inapplicable

7.8 Particulars about the performance of obligations of Independent Directors

Particulars about the independent directors attending the Board

Name of Independent Directors	This year times of attending the Board meeting	Presence in person	Entrusted presence (times)	Absence (Times)	Notes
Yang Lixun	9	8	1	0	
Wang Fuqing	9	8	1	0	
Ma Hong	9	9	0	0	
Zhuang Yuemin	5	4	1	0	

Particulars about the independent directors proposed different opinions about the relevant matters of the Company

□Applicable √Inapplicable

§8. Report of the Supervisory Committee

In the spirit of being responsible to shareholders and strictly according to regulations in PRC Company Law and Articles of Association, the Supervisory Committee has dutifully performed its obligations endowed by relevant laws and legislations, carried out work positively and hard, and safeguarded the legal rights and interests of the Company and shareholders in 2004. It has also put forward its opinions and suggestions promptly towards significant decisions made for productions, management and investment, and supervised the behaviors of directors and senior executives in terms of implementation of their obligations.

I. Work of the Supervisory Committee in the report period

In the report period, the Supervisory Committee of the Company held altogether two meetings.

1. The 5th meeting of the 4th Supervisory Committee was held on Apr. 19, 2004. The meeting examined and approved Annual Report 2003, Work Report of the General Manager, Financial Final Report 2003, Profit Appropriation Plan 2003, Provisional Measures of the Special Funds Control of the Board and Proposal on Rewarding the Administrative Team of the Company of 2003.

2. The 6th meeting of the 4th Supervisory Committee was held on Sep. 3, 2004 and the meeting examined and approved the Proposal on Hiring a General Manager for the Company.

II. Opinions on relevant issues in 2004 expressed by the Supervisory Committee

1. Operation according to law:

Sticking to relevant national laws and regulations, the Supervisory Committee has carried out supervision work on the holding procedures of Shareholders' General Meetings and Board meetings, resolution, implementation of resolutions of Shareholders' General Meetings by the Board of Directors, performance of duties of senior executives as well as the Company's administration system etc.; it believes that, in 2004, the Board of Directors strictly complied with PRC Company Law, Securities Law, Rules for Stock Listing, Articles of Association and other relevant regulations and systems, operated in a standardized manner, worked conscientiously, conducted business and made decisions in a scientific and reasonable way, and further improved internal administration and internal control system; the directors and managers haven't violated any laws, regulations, the Articles of Association or done harm to the interests of the Company and shareholders when performing duties.

2. Financial Inspection

In the report period, Hong Kong K.C. Oh & Company Certified Public Accountants issued qualified Auditors' Report for the Financial Statement 2004 of the Company. The Auditors' Report of the Company objectively and truly reflected the financial status and operation achievements of the Company this year.

3. Use of raised funds:

The Company has not raised funds in the report period.

4. Purchases and sales of assets:

In the report period, the Company has no purchases or sales of assets.

5. Opinions towards related transactions

Related transactions conducted by the Company are fair and square, and haven't done harm to the interests of the Listed Company, and there was no insider dealing.

6.Opinoin on the qualified Auditors' Report issued by Hong Kong K.C.Oh & Company Certified Public Accountants

The Supervisory Committee agrees with the explanation of the Board of Directors on the qualified Auditors' Report issued by Hong Kong 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, 2004 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, 2004 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 20, 2005

9.2 Accounting statement (attached back)

9.3 Explanation on changes of accounting policy, accounting estimation and settlement compared with the latest annual report

□Applicable √Inapplicable

9.4 Contents, correct amount, reason and its influence of significant accounting errors

□Applicable √Inapplicable

9.5 Explanation on change of consolidated scope compared with the latest annual report

□Applicable √Inapplicable

Board of Directors of
Shenzhen China Bicycle Company (Holdings) Limited
Apr. 22, 2005

Shenzhen China Bicycle Company (Holdings) Limited

Consolidated income statement for the year ended December31, 2004

	Note	2004 RMB'000	2003 RMB'000 restated
Turnover	(5)	138,192	99,015
Cost of sales		(127,116)	(90,963)
Gross profit		11,076	8,052
Other revenue		11,336	19,932
		22,412	27,984
Distribution costs		(10,706)	(9,104)
Administrative expenses		(23,218)	(28,070)
Other operating expenses		(618)	(477)
Operating loss		(12,130)	(9,667)
Finance costs		(3,436)	(3,906)
Operating loss before exceptional items	(6)	(15,566)	(13,573)
Exceptional items	(7)	675	355,831
Operating profit/(loss) after exceptional items		(14,891)	342,258
Share of loss from associates		(1,525)	(1,679)
Profit/(loss) before taxation		(16,416)	340,579
Taxation	(8)	(2)	(2)
Profit/(loss) after taxation		(16,418)	340,577
Minority interests		16	55
Profit/(loss) for the year		(16,402)	340,632
Earnings/(loss) per share	(9)	(RMB0.0342)	RMB0.7105

Shenzhen China Bicycle Company (Holdings) Limited

Consolidated balance sheet as at December 31, 2004

	Note	2004 RMB'000	2003 RMB'000 restated
Non-current assets			
Fixed assets	(10)	242,787	257,654
Interests in associates	(11)	17,534	19,059
Other investments	(12)	2,800	6,903
		263,121	283,616
Current assets			
Inventories	(13)	71,998	68,882
Accounts receivable	(14)	16,026	8,887
Others receivable and prepayments	(15)	55,345	60,042
Amounts due from related companies	(16)	-	-
Bills receivable		1,192	275
Cash and bank balances		6,781	5,585
		151,342	143,671
Total assets		414,463	427,287
Capital and reserves			
Share capital	(17)	479,433	479,433
Reserves		(2,185,111)	(2,168,709)
		(1,705,678)	(1,689,276)
Minority interests	(18)	-	-
Non-current liabilities			
Long-term loans due to related companies	(19)	954,450	951,063
Loan-term borrowings	(20)	532,804	532,975
Provision for loss on guarantees	(21)	166,790	166,271
		1,654,044	1,650,309
Current liabilities			
Amounts due to related companies		59,408	59,408
Accounts payable		119,455	117,946
Bills payable		1,419	716
Others payable and receipts in advance		208,895	210,292
Accruals		43,169	44,156
Tax payable		33,751	33,736
		466,097	466,254
Total equity and liabilities		414,463	427,287

Shenzhen China Bicycle Company (Holdings) Limited

Consolidated statement of changes in equity for the year ended December 31, 2004

	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, 2003	479,433	-	-	-	32,673	(2,540,540)	(2,028,434)
Prior period adjustments (note 24)	-	-	-	-	-	(1,474)	(1,474)
Restated balance	479,433	-	-	-	32,673	(2,542,014)	(2,029,908)
Profit for the year	-	-	-	-	-	340,632	340,632
Balance as at December 31, 2003	479,433	-	-	-	32,673	(2,201,382)	(1,689,276)
Balance as at January 1, 2004	479,433	-	-	-	32,673	(2,199,720)	(1,687,614)
Prior year adjustments (note 24)	-	-	-	-	-	(1,662)	(1,662)
Restated balance	479,433	-	-	-	32,673	(2,201,382)	(1,689,276)
Loss for the year	-	-	-	-	-	(16,402)	(16,402)
Balance as at December 31, 2004	479,433	-	-	-	32,673	(2,217,784)	(1,705,678)

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.

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, 2004

	2004 RMB'000	2003 RMB'000 restated
Cash flow from operating activities		
Operating profit/(loss) before taxation	(16,416)	340,579
Adjustment items :		
Interest income	(79)	(38)
Interest expense	3,539	3,906
Depreciation	16,036	16,102
Debt restructuring income	-	(374,993)
Waiver of liabilities	(691)	-
Provision for loss from guarantees	519	-
Share of loss from associates	1,525	1,679
Profit on disposal of property, plant and equipment	(63)	(10,773)
Provision for impairment loss of construction in progress reversed	-	(2,320)
Loss on disposal of other investments	944	-
Provision for impairment loss of other investments	-	1,700
Provision for impairment loss of obsolete inventories made/(reversed)	(5,429)	3,909
Provision for doubtful debts	4,311	9,518
Provision for loss on minority interests	16	55
Net operating cash inflow/(outflow) before movement in working capital	4,212	(10,676)
Decrease in inventories	2,313	650
(Increase)/decrease in accounts receivable	(7,151)	4,452
Increase in others receivable and prepayments	(680)	(18,820)
(Increase)/decrease in amounts due from related companies	1,078	(281)
Increase in bills receivable	(917)	(125)
Increase in accounts payable	2,200	2,241
Increase in bills payable	703	716
Increase/(decrease) in others payable and receipts in advance	(1,397)	12,684
Decrease in accruals	(4,100)	(1,116)
Net cash outflow from operating activities before interest and income tax payments	(3,739)	(10,275)
Interest paid	(426)	(178)
Income taxes recovered/(paid)	13	(42)
Net cash outflow from operating activities c/f	(4,152)	(10,495)

Shenzhen China Bicycle Company (Holdings) Limited

Consolidated cash flow statement for the year ended December 31, 2004

(cont'd)

	2004 RMB'000	2003 RMB'000 restated
Net cash outflow from operating activities b/f	(4,152)	(10,495)
Investing activities		
Interest received	79	38
Proceeds from disposal of property, plant and equipment	63	1,516
Payment for acquisition of property, plant and equipment	(1,169)	(594)
Proceeds from construction in progress	-	2,320
Proceeds from disposal of other investments	3,159	-
Net cash inflow from investing activities	2,132	3,280
Net cash outflow before financing activities	(2,020)	(7,215)
Financing activities (*)		
Increase in long-term loans due to related companies	3,387	6,000
Decrease in long-term borrowings	(171)	-
Net cash inflow from financing activities	3,216	6,000
Increase/(decrease) in cash and cash equivalents	1,196	(1,215)
Cash and cash equivalents as at beginning of the year	5,585	6,800
Cash and cash equivalents as at end of the year	6,781	5,585

(*) 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	951,063	532,975
Loan obtained during the year	3,387	-
Change of exchange rate	-	(171)
Balance as at end of the year	954,450	532,804