Shenzhen China Bicycle Company (Holdings) Limited
The 1st Quarterly Report for 2007
(Full Text)

§1 Important Notes

1.1 Board of Directors and the Supervisory Committee of Shenzhen China Bicycle Company (Holdings) Limited (hereinafter referred to as the Company) and its directors, supervisors and senior executives hereby confirm that there are no any fictitious statements, misleading statements, or important omissions carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents.

1.2 No directors stated any objection for the reality, accuracy and completion of the contents of this report.

1.3 All directors attended the meeting.

1.4 The financial report of the 1st Quarterly Report is unaudited in the report period.

1.5 Principal of the Board of the Company Mr. Zhang Xiaofeng, Person in charge of accounting work Mr. Ye Qing and Person in charge of accounting organ (Accounting Supervisor) Ms. He Yili hereby confirm that the Financial Report of the 1st Quarterly Report of 2007 is authentic and complete.

§2 Company Profile

2.1 Main Accounting Highlights and Financial Indexes:

Unit: RMB

	At the end of the report period	At the end of the last year	Increase/decrease of the end of report period than that of the end of the last year (%)
Total assets	284,298,718.26	276,871,094.17	2.68%
Owners' equity (or Shareholders' equity)	-1,818,635,851.83	-1,853,680,956.23	-1.89%
Net assets per share	-3.7933	-3.8664	-1.89%
	Year begin to end of report period		Increase/decrease of the report period than that of the same period of the last year (%)
Net cash flow arising from operating activities	8,394,329.28		1,811.41%
Net cash flow arising from operating activities per share	0.0175		1,810.48%
	In the report period	Year begin to end of report period	Increase/decrease of the report period than that of the same period of the last year (%)

Net profit	34,997,451.04	34,997,451.04	-1,912.59%
Basic earnings per share	0.07	0.07	0.00%
Diluted earnings per share	0.07	0.07	0.00%
Return on equity	-1.92%	-1.92%	-1,946.15%
Return on equity after deducting non-recurring gains and losses	1.69%	1.69%	288.69%

Items of non-recurring gains and losses

Unit: RMB

Items of non-recurring gains and losses	Amount from year-begin to end of report period
Gains from debt restructuring	65,663,701.43
Total	65,663,701.43

2.2 Total number of shareholders in the end of the report period and shares held by the top ten shareholders with tradable shares

Unit: Share

Total number of shareholders	31,043	
Shares held by the top ten shareholders with tradable shares		
Full Name of shareholder	Amount of tradable shares held	Type of shares
Shenzhen New Land Tool Consultants PTE. LTD	9,857,556	RMB common share
GUOTAI JUNAN SECURIES H.K LIMITED	5,476,186	Domestically listed foreign share
KGI ASIA LIMITED	5,092,012	Domestically listed foreign share
PENG, SIU CHUNG	3,487,000	Domestically listed foreign share
HSBC JAMES CAPEL ASIA LIMITED	3,394,447	Domestically listed foreign share
ABN AMRO BANK NV	2,909,000	Domestically listed foreign share
Zhang Huiling	2,307,522	Domestically listed foreign share
Zhao Zhiwei	1,987,300	Domestically listed foreign share
TANG JING YUAN	1,924,500	Domestically listed foreign share
Xiong Heng Jie	1,659,000	Domestically listed foreign share

§3 Significant events

3.1 Particulars about material changes in items of main accounting statement and financial index, and explanations of reasons

√ Applicable ☐Inapplicable

The Company began to implement New Accounting Standards from Jan. 1, 2007; all the items in accounting statement were compiled in accordance with the requirements of New Accounting Standards. The reasons for great changes on relevant financial index were as follows:

1. The increase in monetary fund was due to receive the account in advance from customers.

2. The increase in account receivable was due to re-classify the accrued account.

3. The changes on deferred income tax asset was to the canceling of deferred income tax asset resulted from the profit occurred during the report period. 4. Bigger account in non-operating income was due to gains from debt restructuring. 5. The increase in financial expense was due to withdraw the interest of financial debts. The grace period of the debts was expired; interest should be withdrawn in the year 2007.

3.2 Analysis and explanation of significant events and their influence and solutions
√ Applicable ☐Inapplicable

1. Events on directional capitalization of capital public reserve and Share Merger Reform According to the Schemes on Directional Capitalization of Capital Public Reserve and Share Merger Reform approved in Shareholders' General Meeting of the Company on Feb. 1, 2007, the Company distributed directional capitalization to tradable A-shareholders totaling 39,519,800 shares, then the non-tradable shares got the rights on listed for circulations; distributed capitalization of 1.5 shares per share to whole B-shareholders totaling 32,395,200 shares. Among the shares of capitalization obtained by tradable A-shareholders, deducting the shares totaling 11,512,800 due to expansion of the Company' shares, the other shares totaling 28,007,000 were the consideration shares arranged to tradable A-shareholders directionally from non-tradable shareholders. After directional capitalization, the total shares of the Company increased to 551,348,000; the tradable A-shares increased from 76,752,000 shares to 116,271,800 shares, of which 28,007,000 shares were the consideration shares; thus, in according to Memorandum to Share Merger Reform No.2-Information Disclosure(1)Calculation Caliber, taking the tradable A-shares after capitalization(88,264,800 shares) as the cardinal number, the consideration arrangement level was 2,800.70÷8,826.48=0.3173; so the directional capitalization was equal to that tradable A-shareholder each ten shares obtained consideration shares of 3.173 shares. Progress: Share Merger Reform Scheme on Shenzhen China Bicycle Company (Holdings) Limited was approved on Shareholders' Meeting Related with A-share Market dated Feb. 1, 2007, and published on designated media Securities Times, China Securities and Juchao Website, and now is under the period of implementation. According to requirements on Notice on Share Merger Reform of Listed Companies and Management of Foreign Capital promulgated by Ministry of Commerce and CSRC, the Share Merger Reform Scheme of Company was reported Department of Foreign Capital of Ministry of Commerce for approval. The board of directors of the Company actively dealt with the approval procedure in accordance with the Notice. 2. Events on Debts Restructuring with International Financing Company The Company owed International Financing Company debts with principal amounting to USD 3,870,000 and accrued interest amounting to RMB 37,450,000; with the friendly negotiation with the related parties, the Company and International Financing Company signed Settlement Agreement on March 29, 2007, of which with equivalent to USD 2 million to settle the whole debts and liabilities of the two parties; the Company paid the above fund one to the designated account by International Financing Company on April 4, 2007. According to the regulations of Accounting Standard for Business Enterprises No.12—Debt Restructurings, while taking debt restructurings, the reaching of the above settlement agreement will bring the Company profits amounting to RMB 65,660,000.

3.3 Implementations of commitments by the Company, shareholders and actual controller
☐Applicable √ Inapplicable

3.4 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

In view that the Company is in the period of debts restructuring, thus the board of directors of the Company could not predict clearly the whole operations achievements during Jan. to June of year 2007.

3.5 Differences between the shareholders' equity in period-begin of 2007 listed in balance sheet of the quarterly report and shareholders' equity in period-begin of 2007 listed in Reconciliation Statement on Differences of Shareholders' Equity Based on Old and New Accounting Standards, and explanations of reasons
☐Applicable √ Inapplicable

§4 Appendix

4.1 Balance sheet

Prepared by Shenzhen China Bicycle Company (Holdings) Limited Mar.31, 2007 Unit: RMB

Items	Amount of period-end		Amount of period-begin	
	Consolidation	Parent Company	Consolidation	Parent Company
Current assets:				
Monetary funds	24,224,228.67	591,729.26	15,979,853.39	504,436.50
Settlement provisions				
Capital lent				
Transaction finance asset				
Notes receivable	100,000.00			
Accounts receivable	17,369,888.14	184,935,038.92	5,947,972.00	186,150,842.92
Accounts in advance	1,843,602.08	1,539,602.08	2,406,516.88	1,641,102.08
Insurance receivable				
Reinsurance receivables				
Contract reserve of reinsurance receivable				
Interest receivable				
Other receivables	10,736,437.75	19,724,210.67	13,814,016.03	22,917,626.27
Purchase restituted finance asset				
Inventories	44,540,872.59	34,687,278.65	43,709,649.82	38,635,307.97
Non-current asset due within one year				
Other current assets				
Total current assets	98,815,029.23	241,477,859.58	81,858,008.12	249,849,315.74
Non-current assets:				
Granted loans and advances				

Finance asset available sales				
Held-to-maturity securities				
Long-term account receivable				
Long-term equity investment	28,253,381.08	28,253,381.08	28,563,096.50	28,563,096.50
Investment property	11,441,017.09	11,441,017.09	11,602,410.75	11,602,410.75
Fixed assets:	106,317,085.30	105,565,809.07	109,087,921.51	108,284,137.55
Construction in progress				
Engineering material				
Disposal of fixed asset	35,910,102.07	35,910,102.07	35,910,102.07	35,910,102.07
Productive biological asset				
Oil and gas asset				
Intangible assets				
Expense on Research and Development				
Goodwill				
Long-term expenses to be apportioned				
Deferred income tax asset	3,562,103.49	3,562,103.49	9,849,555.22	9,849,555.22
Other non-current asset				
Total non-current asset	185,483,689.03	184,732,412.80	195,013,086.05	194,209,302.09
Total assets	284,298,718.26	426,210,272.38	276,871,094.17	444,058,617.83
Current liabilities:				
Short-term loans	436,515,275.98	367,027,869.59	438,825,765.41	369,338,359.02
Loan from the Central Bank of China				
Absorbing deposit and interbank deposit				
Capital borrowed				
Transaction financial liabilities				
Notes payable				
Accounts payable	147,107,361.13	355,975,840.05	143,368,055.14	360,599,834.28
Accounts received in advance	17,165,911.32	1,591,292.38	1,591,292.38	1,591,292.38
Selling financial asset of repurchase				
Commission charge and commission payable				
Wage payable	543,900.11	391,808.80	533,701.97	370,210.66

Taxes payable	94,353,746.96	93,770,869.74	93,829,003.24	93,113,045.98
Interest payable				
Other accounts payable	173,780,671.67	125,741,523.21	167,611,955.93	121,880,312.28
Accrued expenses	82,096,687.40	78,705,515.92	96,568,787.23	92,885,770.17
Reinsurance payables				
Insurance contract reserve				
Security trading of agency				
Security sales of agency				
Long-term liabilities due within 1 year	989,056,902.04	989,056,902.04	1,025,960,035.56	1,025,960,035.56
Other current liabilities	437,188.82	286,774.35	386,528.88	286,774.35
Total current liabilities	1,941,057,645.43	2,012,548,396.08	1,968,675,125.74	2,066,025,634.68
Non-current liabilities:				
Long-term loans				
Bonds payable				
Long-term account payable				
Special accounts payable				
Projected liabilities	161,876,924.66	161,876,924.66	161,876,924.66	161,876,924.66
Deferred income tax liabilities				
Other non-current liabilities				
Total non-current liabilities	161,876,924.66	161,876,924.66	161,876,924.66	161,876,924.66
Total liabilities	2,102,934,570.09	2,174,425,320.74	2,130,552,050.40	2,227,902,559.34
Owner’s equity (or shareholders’ equity):				
Paid-in capital (or share capital)	479,433,003.00	479,433,003.00	479,433,003.00	479,433,003.00
Capital public reserve	362,027,636.64	362,027,636.64	362,027,636.64	362,027,636.64
Less: Inventory shares				
Surplus public reserve	32,673,227.01	32,673,227.01	32,673,227.01	32,673,227.01
Provision of general risk				
Retained profit	-2,692,769,718.48	-2,622,348,915.01	-2,727,814,822.88	-2,657,977,808.16
Balance difference of foreign currency translation				
Total owner’s equity attributable to parent company	-1,818,635,851.83	-1,748,215,048.36	-1,853,680,956.23	-1,783,843,941.51
Minority interests				
Total owner’s equity	-1,818,635,851.83	-1,748,215,048.36	-1,853,680,956.23	-1,783,843,941.51
Total liabilities and owner’s	284,298,718.26	426,210,272.38	276,871,094.17	444,058,617.83

equity				

4.2 Profit statement

Prepared by Shenzhen China Bicycle Company (Holdings) Limited January-March, 2007 Unit: RMB

Items	This period		The same period of last year	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Total operating income	37,980,792.02	1,971,869.40	46,168,951.45	3,582,518.61
Including: Operating income	37,980,792.02	1,971,869.40	46,168,951.45	3,582,518.61
Interest income				
Insurance gained				
Commission charge and commission income				
II. Total operating cost	62,324,175.86	25,700,827.92	47,788,442.11	7,330,346.89
Including: Operating cost	39,690,892.88	4,746,665.47	45,356,981.82	5,101,023.86
Interest expense				
Commission charge and commission expense				
Cash surrender value				
Net amount of expense of compensation				
Net amount of withdrawal of insurance contract reserve				
Bonus expense of guarantee slip				
Reinsurance expense				
Operating tax and extras	32,720.86	0.00	47,636.27	1,079.25
Sales expenses	1,244,621.56	335,592.60	1,158,738.47	1,105,887.32
Administration expenses	4,200,039.65	3,440,701.60	3,565,886.87	3,415,776.00
Financial expenses	17,155,900.91	17,177,868.25	-2,340,801.32	-2,293,419.54
Losses of devaluation of asset				
Add: Changing income of fair value				
Investment income	-309,715.42	-309,715.42		1,787,114.76
Including: Investment income on affiliated company and joint venture				
Exchange income				
Net income from other buiness	321,876.96	291,240.39	467,637.79	467,637.79
III. Operating profit	-24,331,222.30	-23,747,433.55	-1,151,852.87	-1,493,075.73
Add: Non-operating income	65,673,957.43	65,673,957.43	3,239.00	3,239.00
Less: Non-operating expense	10,179.00	10,179.00	16,276.23	16,276.23
Including: Disposal loss of				

non-current asset				
IV. Total Profit	41,332,556.13	41,916,344.88	-1,164,890.10	-1,506,112.96
Less: Income tax	6,287,451.73	6,287,451.73	0.00	0.00
V. Net profit	35,045,104.40	35,628,893.15	-1,164,890.10	-1,506,112.96
Net profit attributable to owner's equity of parent company	34,997,451.04	35,628,893.15	-1,930,796.43	-1,506,112.96
Minority shareholders' gains and losses	47,653.36		765,906.33	
VI. Earnings per share				
i. Basic earnings per share	0.07		0.00	
ii. Diluted earnings per share	0.07		0.00	

4.3 Cash Flow Statement

Prepared by Shenzhen China Bicycle Company (Holdings) Limited January-March, 2007 Unit: RMB

Items	This period		The same period of last year	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Cash flows arising from operating activities:				
Cash received from selling commodities and providing labor services	37,954,641.47	3,524,411.33	33,788,083.51	3,769,380.13
Net increase of customer deposit and interbank deposit				
Net increase of loan from the Central Bank of China				
Net increase of capital borrowed from other financial institution				
Cash received from original insurance contract fee				
Net cash received from reinsurance business				
Insured savings and net increase of investment				
Net increase of disposal of transaction financial asset				
Cash received from interest, commission charge and commission				
Net increase of capital borrowed				
Net increase of returned business capital				
Write-back of tax received				
Other cash received concerning operating activities	1,069,269.59	1,710,371.45	7,882,197.21	3,164,617.05
Subtotal of cash inflow arising from operating activities	39,023,911.06	5,234,782.78	41,670,280.72	6,933,997.18
Cash paid for purchasing commodities and receiving labor service	21,876,354.99	2,456,469.34	24,311,610.23	169,848.75

Net increase of customer loans and advances				
Net increase of deposits in the Central Bank of China and interbank				
Cash paid for original insurance contract compensation				
Cash paid for interest, commission charge and commission				
Cash paid for bonus of guarantee slip				
Cash paid to/for staff and workers	6,088,575.65	1,012,393.19	3,926,015.07	1,192,000.95
Taxes paid	1,098,453.69	627,553.42	990,174.12	621,105.36
Other cash paid concerning operating activities	1,566,197.45	903,474.07	12,003,312.31	4,850,503.29
Subtotal of cash outflow arising from operating activities	30,629,581.78	4,999,890.02	41,231,111.73	6,833,458.35
Net cash flows arising from operating activities	8,394,329.28	234,892.76	439,168.99	100,538.83
II. Cash flows arising from investing activities:				
Cash received from recovering investment	0.00			
Cash received from investment income	0.00			
Net cash received from disposal of fixed, intangible and other long-term assets	0.00	0.00	214,423.00	214,423.00
Net cash received from disposal of subsidiaries and other units				
Other cash received concerning investing activities	0.00			
Subtotal of cash inflow from investing activities	0.00	0.00	214,423.00	214,423.00
Cash paid for purchasing fixed, intangible and other long-term assets	149,954.00	147,600.00	8,720.00	6,760.00
Cash paid for investment	0.00			
Net increase of mortgaged loans				
Net cash received from subsidiaries and other units				
Other cash paid concerning investing activities	0.00			
Subtotal of cash outflow from investing activities	149,954.00	147,600.00	8,720.00	6,760.00
Net cash flows arising from investing activities	-149,954.00	-147,600.00	205,703.00	207,663.00
III. Cash flows arising from financing activities				
Cash received from absorbing investment				
Including: Cash received from absorbing minority shareholders' investment by subsidiaries				
Cash received from loans				
Cash received from issuing bonds				

Other cash received concerning financing activities				
Subtotal of cash inflow from financing activities	0.00	0.00	0.00	0.00
Cash paid for settling debts				
Cash paid for dividend and profit distributing or interest paying				
Including: Dividend and profit of minority shareholder paid by subsidiaries				
Other cash paid concerning financing activities				
Subtotal of cash outflow from financing activities	0.00	0.00	0.00	0.00
Net cash flows arising from financing activities				
IV. Influence on cash due to fluctuation in exchange rate	0.00	0.00	0.00	0.00
V. Net increase of cash and cash equivalents	8,244,375.28	87,292.76	644,871.99	308,201.83
Add: Balance of cash and cash equivalents at the period -begin	15,979,853.39	504,436.50	27,692,212.12	2,821,720.51
VI. Balance of cash and cash equivalents at the period -end	24,224,228.67	591,729.26	28,337,084.11	3,129,922.34

4.4 Auditor' report

Auditor's opinions: Un-audited