Shenzhen China Bicycle Company (Holdings) Limited
Summary of Semi-Annual Report 2007

§ 1. Important Notice

1.1 Board of Directors and Supervisory Committee of S 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 important omissions, fictitious statements or serious misleading information carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents.

The summary of Semi-annual Report 2007 is abstracted from the semi-annual report; and full text of the semi-annual report is published on 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 get 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 nor had objection for this report.

1.3

Name of absent directors	Reason of absence	Name of assignee
Shi Zhanxiong	Asked for leave due to business outside	Naught
Liu Linfeng	Due to business outside	Yang Fenqin

1.4 The Semi-annual Financial Report 2007 of the Company has not been audited.

1.5 Mr. Shang Shijun, Principal of the Company, Mr. Ye Qing, Person in Charge of Accounting Works, and Ms. He Yili Person in Charge of Accounting Organ (Accounting Officer) confirm that the Financial Report enclosed in the Semi-annual 2007 is true and complete.

§2. Company Profile

2.1 Basic information

Short form of the stock	S ST ZHONGHUA , ST ZHONGHUA – B	
Stock code	000017, 200017	
Listed stock exchange	Shenzhen Stock Exchange	
	Secretary of the Board	**Secretary of the Board**
Name	**Li Hai**	**Cui Hongxia**
Contact address	Yousong Industrial Zone, Longhua, Shenzhen	
Telephone	(86) 7755-28181666	
Fax	(86) 7755-28181009	
E-mail	dmc@szcbc.com	

2.2 Main financial data and indexes

2.2.1 Main accounting data and financial indexes

Unit: RMB

	At the end of this report period	At the period-end of last year		Increase/decrease at the end of this report period compared with that at the end of last year (%)	
		Before adjustment	After adjustment	Before adjustment	After adjustment
Total assets	270,370,054.14	267,021,538.95	276,871,094.17	1.25%	-2.35%
Owners' equity(Shareholders' equity)	-1,834,991,695.65	-1,863,530,511.45	-1,853,680,956.23	-1.53%	-1.01%
Net assets per share	-3.82742	-3.88690	-3.86640	-1.53%	-1.01%
	In this report period (Jan. to Jun.)	The same period of last year		Increase/decrease in this report period year-on-year (%)	
		Before adjustment	After adjustment	Before adjustment	After adjustment
Operating profit	-43,404,312.59	-8,557,136.50	-9,128,080.23	407.23%	375.50%
Total profit	22,317,430.40	-9,157,759.60	-9,157,759.60	-343.70%	-343.70%
Net profit	18,689,260.58	-9,086,852.53	-9,717,421.57	-305.67%	-292.33%
Net profit after deducting non-recurring gains and losses	-47,032,482.41	-9,062,245.18	-9,692,814.22	418.99%	385.23%
Basic earnings per share	0.0390	-0.0190	-0.0203	-305.67%	-292.33%
Diluted earnings per share	0.0390	-0.0190	-0.0203	-305.67%	-292.33%
Return on equity	-1.02%	0.49%	0.52%	-1.51%	-1.54%
Net cash flow arising from operating activities	1,245,361.24	-4,161,588.02		-129.93%	
Net cash flow arising from per share operating activities	0.0026	-0.0087		-129.89%	

2.2.2 Item of non-recurring gains and losses

√Applicable ☐Inapplicable

Unit: RMB

Non-reccurring ganis or losses	Amount
Non-operating income	65,755,593.23
Non-operating expense	-33,850.24
Total	65,721,742.99

2.2.3 Differences between CAS and IAS:

√Applicable ☐Inapplicable

Unit: RMB

	CAS	IAS

Net profit	19,070,905.24	19,070,905.24
Net asset	-1,834,610,050.99	-1,834,610,050.99
Explanations on differences	Naught	

§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 and the top ten shareholders of circulation share

Unit: Share

Total shareholders	33,594				
Particulars about shares held by the top ten shareholders					
Full name of shareholders	Nature of shareholders	Proportion of shares held	Total amount of shares held	Amount of non-circulating shares held	Amount of shares pledged or frozen
Shenzhen Guocheng Energy Investment Development Co., Ltd.	Domestic legal person	13.58%	65,098,412	65,098,412	0
Hong Kong Zhuorun Technology Co., Ltd.	Foreign legal person	9.20%	44,104,246	44,104,246	40,000,000
Hong Kong (Link) Bicycles Limited	Foreign legal person	5.42%	26,000,000	26,000,000	26,000,000
Shenzhen Kangsheng Investment Development Co., Ltd.	Domestic legal person	2.50%	11,968,590	11,968,590	0
Xinliyi Investment Management Co., Ltd.	Domestic legal person	2.34%	11,200,000	11,200,000	0
Airline Trust and Investment Co., Ltd.	Domestic legal person	2.16%	10,340,000	10,340,000	10,340,000
Shenzhen New Land Tool Consultants PTE. LTD	Domestic legal person	2.06%	9,857,556	0	0
Shenzhen International Trust & Investment Co., Ltd.	Domestic legal person	1.25%	6,000,000	600,000	0
Shanghai Hong Kong Wanguo Securities	Foreign legal person	1.14%	5,485,258	0	0
Jingchao Investment Co., Ltd.	Foreign legal person	1.04%	5,001,944	5,001,944	5,001,944

Particulars about shares held the top ten circulating shareholders		
Name of shareholders	Circulation share held	Types of shares
Shenzhen New Land Tool Consultants PTE. LTD	9,857,556	RMB ordinary share
Shanghai Hong Kong Wanguo Securities	5,485,258	Domestically listed foreign share
Xiao Lizhu	4,150,720	Domestically listed foreign share

KGI ASIA LIMITED	2,308,812	Domestically listed foreign share
HSBC JAMES CAPEL ASIA LIMITED	2,278,588	Domestically listed foreign share
Zhang Huiling	2,265,522	Domestically listed foreign share
TANG JING YUAN	1,924,500	Domestically listed foreign share
ABN AMRO BANK NV	1,806,100	Domestically listed foreign share
GUOTAI JUNAN SECURIES H.K LIMITED	1,405,200	Domestically listed foreign share
Jiang Lan	1,213,000	Domestically listed foreign 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.	

3.3 Particulars about changes in controlling shareholder and actual controller of the Company
√Applicable □Inapplicable

Name of new controlling shareholder	Shenzhen Guocheng Energy Investment Development Co., Ltd.
Date of changing new controlling shareholder	Apr.30, 2007
Date of disclosure on changing new controlling shareholder	May 8, 2007
Newspapers for disclosure on changing new controlling shareholder	Securities Times, Hong Kong Wen Wei Po
Name of new actual controller	Shenzhen Guomin Investment Development Co., Ltd.
Date of changing new actual controller	Nov.13, 2006
Date of disclosure on changing new actual controller	Nov.17, 2006
Newspapers for disclosure on changing new actual controller	Securities Times, Hong Kong Wen Wei Po

§4. Particulars about Directors, Supervisors and Senior Executives

4.1 Particulars about changes in shares held by directors, supervisors and senior executives
□Applicable √Inapplicable
Share options of the Company held by the aforesaid persons and their restricted shares granted
□Applicable √Inapplicable

§5. Report of Board of Directors

5.1 Statement of main operations classified according to industries and products

Unit: RMB'0000

Main operations classified according to industries						
Classified according to industries or products	Income from operations	Cost of operations	Gross profit ratio (%)	Increase/decrease in income from operations over the same period of last year (%)	Increase/decrease in cost of operations over the same period of last year (%)	Increase/decrease in gross profit ratio over the same period of last year (%)
Manufacture of bicycles	9,547.40	9,559.22	-0.12%	9.46%	11.62%	-106.63%

Property management services	105.73	220.99	-109.01%	-35.92%	3.95%	277.72%
Main operations classified according to products						
Electric bicycle	7,185.45	7,365.68	-2.51%	12.16%	15.50%	-645.65%
Bicycles	2,361.96	2,193.54	7.13%	1.99%	0.30%	28.24%
services	105.73	220.99	-109.01%	-35.92%	3.95%	277.72%

Including: In the report period, the total related transaction amount which the listed Company sold products and provided labor forces to the controlling shareholders and its subsidiaries totaled RMB 0.0.

5.2. Main business classified according to areas

Unit: RMB’0000

Areas	Income from main operations	Increase/decrease of income from main operations year-on-year (%)
Henan	3,058.99	85.33%
Shandong	2,714.45	5.25%
Hebei	1,563.67	16.54%
Jiangsu	1,489.47	60.58%

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

□Applicable √ Inapplicable

5.4 Explanation on reasons of material changes in profitability of main operations (gross profit ratio) compared with that of the last year

□Applicable √ Inapplicable

5.45 Analysis on reasons of material changes in profit structure compared with the previous year

√ Applicable □Inapplicable

According to regulation in New Accounting Standards for Enterprises-Debts Reorganization, the Company and International Financial Company signed Reconciliation Agreement on March 29, 2007, which brought income from debts reorganization for the Company amounting to RMB 65,660,000.

5.6 Application of the raised proceeds

5.6.1 Use of the raised proceeds

□Applicable √ Inapplicable

5.6.2 Particulars about the projects changed

□Applicable √ Inapplicable

5.7 The modification plan of Board to the business plan for the second half of the year

□Applicable √ Inapplicable

5.8 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

5.9 Explanation of the Management on “Qualified Opinion” from the Certified Public Accountants in the report period by the Board of Directors
□Applicable √Inapplicable

5.10 Explanation of the Management on changes and disposal of the issues involved in “Qualified Opinion” from the Certified Public Accountants in the last year by the Board of Directors
√Applicable □Inapplicable

Because the work on debt reorganization of the Company has not been accomplished at last in 2006, the debts risk of large amount still remained, so the CPAs office regarded that the debts of the Company in auditing report still remained uncertainty and issued qualified opinion; and the assets of the Company could not be paid for debts, with regarding that, paragraphs with emphasized matters on continuous operations of the Company were issued.
The explanations from board of directors are as follows:
Since March 2002, the largest creditor of the Company China Huarong Assets Management Company entered into Zhonghua, the work on debts reorganization achieved breakthrough development. The Plan on Debts Reorganization of Shenzhen China has obtained approval from CBRC, and now it is in the period of gradual implementation. At present, debts relief by the creditor of financial organization of the Company had no policy obstacles; the creditor of financial organization has exempted and stopped calculating all the interests ended Dec. 30, 2004. China Huarong Assets Management Company had applied bankruptcy to Shenzhen Intermediate People’s Court on August 1, 2005, the purpose of which was to get to debts reorganization by bankruptcy and reconciliation procedure, and finally solve the debts of the Company. On Dec.30, 2006, China Huarong Assets Management Company transferred the debts held to Shenzhen Guocheng Energy Investment Development Co., Ltd, and Shenzhen Guocheng Energy Investment Development Co., Ltd will speed up the relevant works on debts reorganization.
With the progress of debts reorganization, the main operation of the Company increases with a large margin and the main operation unceasingly gained profits in year 2006. The pressure on short-tem payment of the Company declined largely and the continuous operation capability had certain improvement.
Shenehzen Pengcheng CPAs Co., Ltd thought the assumption of continuous operations used in preparing financial statement by the Company was suitable, although it possibly resulted in significant uncertainty on matters or circumstances of material misgivings of continuous operations of the Company, the Company made fully disclosure on Notes XIII in Financial Statement for year 2006; thus, paragraphs with emphasized matters on continuous operations of the Company were issued.
The board of directors of the Company thought: and the operation environment and operation status of the Company further improved with the unceasing development of debts and asset reorganization and continuous increase in the business achievements of the Company.

§6. Significant Events

6.1 Purchases and sales of assets and assets restructure

6.1.1 Assets purchased or acquired
□Applicable √Inapplicable

6.1.2 Assets sold
□Applicable √Inapplicable

6.1.3 Progress of the events and their influence on the Company’s 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

Unit: RMB’0000

Particulars about the external guarantee of the Company (Barring the guarantee for the controlling subsidiaries)						
Name of the Company guaranteed	Date of happening (date of signing agreement)	Amount of guarantee	Guarantee type	Guarantee term	Complete Implementation or not	Guarantee for related parts (Yes or No)
Guangdong Sunrise Holdings Co., Ltd.	Jun. 20, 1996	614.20	Joint-responsibility guarantee	6 months	No	No
Guangdong Sunrise Holdings Co., Ltd.	Jul. 26, 1996	2,800.00	Joint-responsibility guarantee	4 months	No	No
Guangdong Sunrise Holdings Co., Ltd.	Sep. 30, 1999	830.00	Joint-responsibility guarantee	12 months	No	No
Guangdong Sunrise Holdings Co., Ltd.	Apr. 30, 1998	260.00	Joint-responsibility guarantee	11 months	No	No
Guangdong Sunrise Holdings Co., Ltd.	Jul. 30, 1997	250.00	Joint-responsibility guarantee	7 months	No	No
Guangdong Sunrise Holdings Co., Ltd.	Jun. 4, 1997	300.00	Joint-responsibility guarantee	8 months	No	No
Jintian Industrial (Group) Co., Ltd.	Oct. 30, 1998	5,000.00	Joint-responsibility guarantee	6 months	No	No
Shenzhen Tianma Cosmetic Co., Ltd.	Sep. 30, 1994	800.00	Joint-responsibility guarantee	1 year	No	No
Total amount of guarantee in the report period						0.00
Total balance of guarantee at the end of the report period (A)						10,854.20
Guarantee of the Company for the controlling subsidiaries						
Total amount of guarantee for controlling subsidiaries in the report period						0.00
Total balance of guarantee for controlling subsidiaries at the end of the report period (B)						8,351.89
Particulars about the total guarantee of the Company (Including the guarantee for the controlling subsidiaries)						
Total amount of guarantee(A+B)						19,206.09

The proportion of the total amount of guarantee in the net assets of the Company	-10.31%
Including:	
Amount of guarantee for shareholders, actual controller and its related parties(C)	0.00
The debts guarantee amount provided for the guarantee of which the assets-liability ratio exceeded 70% directly or indirectly(D)	19,206.09
Proportion of total amount of guarantee in net assets of the Company exceeded 50%(E)	19,206.09
Total amount of the aforesaid three guarantees*(C+D+E)	38,412.18

6.3 Current non-operating related credits and liabilities

√Applicable ☐Inapplicable

Unit: RMB'0000

Related Parties	Capital provided to related parties		Capital provided by related parties to the listed company	
	Occurred amount	Amount	Occurred amount	Amount
Diamond Back(Hong Kong)Co., Ltd.	0.00	17,421.99	0.00	0.00
Zhigao Resources International Co., Ltd.	0.00	14,088.71	0.00	0.00
Hong Kong Huajiaming Industry &Commerce Industrial Co., Ltd.	0.00	0.00	0.00	1,075.89
Shenzhen Canghai Industrial Co., Ltd.	0.00	0.00	0.00	18.94
Shenzhen Danxia Bicycle Parts Co., Ltd.	0.00	0.00	0.00	45.66
Jiangsu Huaiyin Huayu Bicycle Components 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 Composite Materials Products (Shenzhen) Co., Ltd.	0.00	6,054.17	0.00	0.00
Shenzhen Huajiaming Industry & Commerce Development Co., Ltd.	0.00	2,754.10	0.00	0.00
Shenzhen Guocheng Energy Investment Development Co., Ltd.	0.00	0.00	0.00	70,021.85
Shenzhen Jinghuan Printing Plate Co., Ltd.	0.00	0.00	0.00	60.00
Daming International Co., Ltd.	0.00	0.00	0.00	1,083.44
Zhigao International Machinery	0.00	0.00	0.00	2,491.75

Co., Ltd.				
Total	0.00	40,318.97	0.00	75,983.80

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 0.0.

6.4 Material lawsuits and arbitrations
□Applicable √Inapplicable

6.5 Other significant events and analysis on their influences and solutions
□Applicable √Inapplicable

6.5.1 Particulars about securities investment
□Applicable √Inapplicable
6.5.2 Equity of other listed companies held
□Applicable √Inapplicable
6.5.3 Equity of non-listed financial enterprises and planned listed companies held
□Applicable √Inapplicable

6.6 Registration form for receiving research, communication and interview in the report period.

Date	Place	Way	The received parties	Contents discussed and materials supplied
Feb.28, 2007	Office of the Company	Communications by telephone	Tradable shareholder	Progresses of Share Merger Reform and debts restructuring of the Company
Mar.20, 2007	Office of the Company	Communications by telephone	Tradable shareholder	Progresses of Share Merger Reform and debts restructuring of the Company
Apri.18, 2007	Office of the Company	Communications by telephone	Tradable shareholder	Progresses of Share Merger Reform and debts restructuring of the Company
May 15, 2007	Office of the Company	Communications by telephone	Tradable shareholder	Progresses of Share Merger Reform and debts restructuring of the Company
Jun.2, 2007	Office of the Company	Communications by telephone	Tradable shareholder	Progresses of Share Merger Reform and debts restructuring of the Company

§7. Financial Report

7.1 Auditing opinion

Financial Report	√Un-audited	□Audited

7.2 Financial statement
7.2.1 Balance Sheet

Prepared by Shenzhen China Bicycle Company (Holdings) Limited Jun.30, 2007 Unit: RMB

Items	Amount at period-end		Amount at period-begin	
	Consolidation	Parent Company	Consolidation	Parent Company
Current assets:				
Monetary funds	17,119,800.14	479,337.57	15,979,853.39	504,436.50
Settlement provisions				
Capital lent				
Transaction finance asset				
Notes receivable				
Accounts receivable	4,198,313.34	165,168,861.29	5,947,972.00	186,150,842.92
Accounts in advance	3,509,185.59	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	11,235,909.50	12,175,120.34	13,814,016.03	22,917,626.27
Purchase restituted finance asset				
Inventories	48,995,584.08	38,032,860.24	43,709,649.82	38,635,307.97
Non-current asset due within one year				
Other current assets				
Total current assets	85,058,792.65	217,395,781.52	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	28,140,831.02	27,960,831.02	28,563,096.50	28,563,096.50
Investment property	11,279,623.42	11,279,623.42	11,602,410.75	11,602,410.75
Fixed assets	103,377,674.92	102,695,098.52	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
Consumable biological asset				
Oil and gas asset				
Intangible assets				

Expense on Research and Development				
Goodwill				
Long-term expenses to be apportioned				
Deferred income tax asset	6,603,030.06	6,603,030.06	9,849,555.22	9,849,555.22
Other non-current asset				
Total non-current asset	185,311,261.49	184,448,685.09	195,013,086.05	194,209,302.09
Total assets	270,370,054.14	401,844,466.61	276,871,094.17	444,058,617.83
Current liabilities:				
Short-term loans	430,607,026.90	363,409,913.74	438,825,765.41	369,338,359.02
Loan from central bank				
Absorbing deposit and interbank deposit				
Capital borrowed				
Transaction financial liabilities				
Notes payable				
Accounts payable	151,672,516.07	338,159,650.97	143,368,055.14	360,599,834.28
Accounts received in advance	16,170,418.13	1,591,292.38	1,591,292.38	1,591,292.38
Selling financial asset of repurchase				
Commission charge and commission payable				
Wage payable	511,591.97	370,210.66	533,701.97	370,210.66
Taxes payable	93,946,385.31	92,920,383.34	93,829,003.24	93,113,045.98
Interest payable				
Other accounts payable	163,262,531.99	125,682,347.06	167,611,955.93	121,880,312.28
Projected expense	108,048,202.30	104,653,460.82	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	978,438,591.10	978,438,591.10	1,025,960,035.56	1,025,960,035.56
Other current liabilities	445,916.70	286,774.35	386,528.88	286,774.35
Total current liabilities	1,943,103,180.47	2,005,512,624.42	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	2,104,980,105.13	2,167,389,549.08	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	-2,709,125,562.30	-2,639,678,949.12	-2,727,814,822.88	-2,657,977,808.16
Balance difference of foreign currency translation				
Total owner’s equity attributable to parent company	-1,834,991,695.65	-1,765,545,082.47	-1,853,680,956.23	-1,783,843,941.51
Minority interests	381,644.66			
Total owner’s equity	-1,834,610,050.99	-1,765,545,082.47	-1,853,680,956.23	-1,783,843,941.51
Total liabilities and owner’s equity	270,370,054.14	401,844,466.61	276,871,094.17	444,058,617.83

7.2.2 Profit statement

Prepared by Shenzhen China Bicycle Company (Holdings) Limited Jan.-Jun., 2007 Unit: RMB

Items	This period		Same period of last year	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Total operating income	96,531,353.91	5,454,616.86	88,872,828.84	10,488,837.55
Including: Operating income	96,531,353.91	5,454,616.86	88,872,828.84	10,488,837.55
Interest income				
Insurance gained				
Commission charge and commission income				
II. Total operating cost	139,519,021.23	49,183,693.81	98,668,422.45	24,536,278.75
Including: Operating cost	97,719,118.80	10,560,434.11	87,766,525.96	15,214,073.85
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	82,963.07	880.36	135,409.38	3,819.71
Sales expenses	2,669,555.68	800,409.43	2,420,458.09	2,115,763.97
Administration expenses	8,128,477.11	6,868,752.97	8,715,765.83	7,499,513.08
Financial expenses	28,856,028.78	28,890,339.15	-369,736.81	-296,891.86
Losses of devaluation of asset	2,062,877.79	2,062,877.79		
Add: Changing income of fair value(Loss is listed with “-”)				
Investment income (Loss is listed with “-”)	-602,265.48	-602,265.48	-570,943.73	734,934.21
Including: Investment income on affiliated company and joint venture				
Exchange income (Loss is listed with “-”)				
Net profit of other business (Loss is listed with “-”)	185,620.21	154,983.64	1,238,457.11	4,238,427.11
III. Operating profit (Loss is listed with “-”)	-43,404,312.59	-44,176,358.79	-9,128,080.23	-9,074,079.88
Add: Non-operating income	65,755,593.23	65,755,593.23	34,950.58	34,950.58
Less: Non-operating expense	33,850.24	33,850.24	64,629.95	47,723.23
Including: Disposal loss of non-current asset				
IV. Total Profit (Loss is listed with “-”)	22,317,430.40	21,545,384.20	-9,157,759.60	-9,086,852.53
Less: Income tax	3,246,525.16	3,246,525.16		
V. Net profit (Net loss is listed with “-”)	19,070,905.24	18,298,859.04	-9,157,759.60	-9,086,852.53
Net profit attributable to owner’s equity of parent company	18,689,260.58	18,298,859.04	-9,717,421.57	-9,086,852.53
Minority shareholders’ gains and losses	381,644.66		559,661.97	
VI. Earnings per share				
i. Basic earnings per share	0.0390		-0.0203	

ii. Diluted earnings per share	0.0390		-0.0203	

7.2.3 Cash Flow Statement

Prepared by Shenzhen China Bicycle Company (Holdings) Limited Jan.-Jun., 2007 Unit: RMB

Items	This period		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	75,680,952.45	5,286,161.59	72,349,566.28	14,043,067.76
Net increase of customer deposit and interbank deposit				
Net increase of loan from central bank				
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	4,403,970.95	4,710,106.49	3,665,057.38	2,107,617.64
Subtotal of cash inflow arising from operating activities	80,084,923.40	9,996,268.08	76,014,623.66	16,150,685.40
Cash paid for purchasing commodities and receiving labor service	62,579,643.60	3,295,928.62	62,683,677.51	7,689,859.05
Net increase of customer loans and advances				
Net increase of deposits in central bank 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	10,040,034.59	1,564,901.16	8,296,881.66	2,493,684.58
Taxes paid	2,086,706.16	1,228,897.60	2,025,303.93	1,283,061.48
Other cash paid concerning operating activities	4,133,177.81	4,008,579.14	7,170,348.58	4,648,999.06
Subtotal of cash outflow arising from operating activities	78,839,562.16	10,098,306.52	80,176,211.68	16,115,604.17
Net cash flows arising from operating activities	1,245,361.24	-102,038.44	-4,161,588.02	35,081.23
II. Cash flows arising from investing activities:				
Cash received from recovering investment				
Cash received from investment income				
Net cash received from disposal of fixed, intangible and other long-term assets	181,507.00	181,507.00	195,080.00	195,080.00
Net cash received from disposal of subsidiaries and other units				
Other cash received concerning investing activities				
Subtotal of cash inflow from investing activities	181,507.00	181,507.00	195,080.00	195,080.00
Cash paid for purchasing fixed, intangible and other long-term assets	106,921.49	104,567.49	191,481.05	176,050.00
Cash paid for investment				
Net increase of mortgaged loans				
Net cash received from subsidiaries and other units	180,000.00			
Other cash paid concerning investing activities				
Subtotal of cash outflow from investing activities	286,921.49	104,567.49	191,481.05	176,050.00
Net cash flows arising from investing activities	-105,414.49	76,939.51	3,598.95	19,030.00
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				
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				
Net cash flows arising from financing activities				
IV. Influence on cash due to fluctuation in exchange rate				
V. Net increase of cash and cash equivalents	1,139,946.75	-25,098.93	-4,157,989.07	54,111.23
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	17,119,800.14	479,337.57	23,534,223.05	2,875,831.74

7.2.4 Consolidated Statement on Changes of Owners' Equity

Prepared by Shenzhen China Bicycle Company (Holdings) Limited Jun.30, 2007 Unit: RMB

Items	Amount in this year									Amount in last year								
	Owners' equity belonged to the parent company							Minority interest	Total owners' equity	Owners' equity belonged to the parent company							Minority interest	Total owners' equity
	Paid-up capital (Share capital)	Capital reserves	Less: Treasury Stock	Surplus reserves	General risk provision	Retained profit	Others			Paid-up capital (Share capital)	Capital reserves	Less: Treasury Stock	Surplus reserves	General risk provision	Retained profit	Others		
I. Balance at the end of the last year	479,433,003.00	362,027,636.64		32,673,227.01		-2,727,814,822.88			-1,853,680,956.23	479,433,003.00	362,027,636.64		32,673,227.01		-2,716,712,069.15		713,727.53	-1,841,864,474.97
Add: Changes of accounting policy																		
Error correction of the last period																		
II. Balance at the beginning of this year	479,433,003.00	362,027,636.64		32,673,227.01		-2,727,814,822.88			-1,853,680,956.23	479,433,003.00	362,027,636.64		32,673,227.01		-2,716,712,069.15		713,727.53	-1,841,864,474.97
III. Increase/ Decrease in this year (Decrease is listed with "-")						18,689,260.58		381,644.66	19,070,905.24						-9,717,421.47		559,661.87	-9,157,759.60
(I) Net profit						18,689,260.58		381,644.66	19,070,905.24						-9,717,421.47		559,661.87	-9,157,759.60
(II) Profits and losses calculating into owners' equity																		

1. Net changing amount of fair value of financial assets available for sale																		
2. Effect of changes of other owners' equity of invested units under equity method																		
3.Effect of income tax related to owners' equity																		
4. Others																		
Subtotal of (I)and (II)						18,689,260.58		381,644.66	19,070,905.24						-9,717,421.47		559,661.87	-9,157,759.60
(III) Owners' devotion and decreased capital																		
1. Owners' devotion capital																		
2. Amount calculated into owners' equity paid in shares																		
3. Others																		
(IV) Profit distribution																		
1. Withdrawal of																		

surplus reserves																		
2. Withdrawal of general risk provisions																		
3.Distribution for owners (shareholders)																		
4.Others																		
(V) Carrying forward internal owners' equity																		
1.Capital reserves conversed to capital (share capital)																		
2. Surplus reserves conversed to capital (share capital)																		
3.Remedying loss with profit surplus																		
4.Others																		
IV. Balance at the end of this report period	479,433,003.00	362,027,636.64		32,673,227.01		-2,709,125,562.30		381,644.66	-1,834,610,050.99	479,433,003.00	362,027,636.64		32,673,227.01		-2,726,429,490.62		1,273,389.40	-1,851,022,234.57

7.3 Notes to financial statement

7.3.1 If there have been any changes to the accounting policy and accounting estimates, or modification of accounting errors, give the relevant contents, reasons and the influenced numbers.

1. Changes of accounting policy: The Company began to implement the Accounting Standards for Business Enterprises promulgated in 2006 by Ministry of Finance since Jan.1, 2007; and in accordance with and Accounting Standards for Business Enterprises No.38—First time adoption of Accounting Standards for Business Enterprises(with the following referred to New Accounting Standards) and Notice on Issuing the No. 7 Rules for Companies That Make Public Offering of Securities to Make the Information Disclosure—Preparation and Disclosure of Comparative Financial Accounting Information in Transition Period for Old and New Accounting Standards, the balance sheet at period-begin of 2007 and profit statement in the same period of last year were prepared. 1) The adjustment of unconfirmed investment loss According to Accounting Standards for Business Enterprises No.33 Consolidated Statement, the unconfirmed investment loss was called off in balance sheet and profit sheet which brought into the decrease of unconfirmed profit attributable to parent company at period-begin amounting to RMB69, 837,014.72. 2) Adjustment of deferred income tax In according to the New Accounting Standards, the Company signed the Reconciliation Agreement with International Finance Company on Mar.29, 2007 with exemption in debt amounting to RMB65,663,701.43 (For the details, please see the Notes 14.2 Debts Restructuring with International Finance Company) which resulted in increase retained profit as Jan.1, 2007 in influence amount of income tax of RMB 9,849,555.22. The adjustment is attributable to increase amount of owners' equity of the parent company. 2. In the report period, there have been not any changes to the accounting estimates, or modification of accounting errors.

7.3.2 If there have been any changes to the consolidation scope of the financial statement, give the reasons and the influenced numbers.

□Applicable √Inapplicable