Shenzhen China Bicycle Company (Holdings) Limited
The 3rd Quarterly Report for 2007
(Full Text)

§ 1. Important Notice

1.1 The Board of Directors and the Supervisory Committee of Shenzhen China Bicycle Company (Holdings) Limited (hereinafter referred to as the Company), along with all 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.

1.2 No director, supervisor and senior executive stated that he (she) could not ensure the correctness, accuracy and completeness of the contents of the 3rd Quarterly Report nor had objection for this report.

1.3 All directors attended the meeting.

1.4 The Third Quarterly Financial Report 2007 of the Company has not been audited by CPAs.

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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) hereby confirm that the Financial Report of the 3rd Quarterly Report of 2007 is authentic and complete.

§2. Company Profile

2.1 Major 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 the report period compared with that at the end of last year（％）
Total assets	276,883,872.95	276,871,094.17	0.00%
Owners' equity(or Shareholders' equity)	-1,850,471,910.06	-1,853,680,956.23	0.17%
Net assets per share	-3.8597	-3.8664	0.17%
	Year-begin to the end of this report period		Increase/decrease over the same period of last year (%)
Net cash flow arising from operating activities	5,442,732.88		-14.19%
Net cash flow arising from operating activities per share	0.0114		-14.19%
	In this report period	Year-begin to the end of this report period	Increase/decrease in the report period over the same period of last year (%)
Net profit	-15,480,214.41	3,209,046.17	-4,637.32%
Basic earnings per share	-0.0323	0.0067	-4,714.29%
Basic earnings per share after deducting non-recurring gains and losses	-	-0.1305	-
Diluted earnings per share	-0.0323	0.0067	-4,714.29%
Return on equity	0.84%	-0.17%	-4,282.77%
Return on equity after deducting	0.84%	3.38%	-4,282.77%

non-recurring gains and losses			

Item of non-recurring gains and losses

Unit: RMB

Item of non-recurring gains and losses	Amount from year-begin to the end of this report period
Gains from debt restructuring	65,663,701.43
Other	108,126.10
Total	65,771,827.53

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

Unit: Share

Total number of shareholders	33,090	
Shares held by the top ten tradable shareholders		
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
XIAO LI ZHU	4,150,720	Domestically listed foreign share
ZHANG HUI LING	2,250,473	Domestically listed foreign share
TANG JING YUAN	1,924,500	Domestically listed foreign share
ABN AMRO BANK NV	1,728,800	Domestically listed foreign share
JIANG LAN	1,213,000	Domestically listed foreign share
LI JIN LING	1,172,502	Domestically listed foreign share
KGI ASIA LIMITED	1,159,812	Domestically listed foreign share
CAO PING WEI	1,157,600	Domestically listed foreign share
ZHU JUAN	1,101,500	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 has carried out the New Accounting Standards from Jan.1, 2007, and all the items of accounting statements are made according to the New Accounting Standards. From January to September, 2007, the reasons for material change in some financial index are listed as follows:

1. It has increased amount of RMB 5,253,900 of monetary fund, with an increase scope of 32.88% compared with the amount made in the same period of last year. The reason is that payment in advance is received from customers.

2. It has decreased amount of RMB 2,035,600 of account receivable, with a decrease scope of 34.22% compared with the amount made in the same period of last year. The reason is that account receivable has been taken back.

3. It has increased amount of RMB 1,102,400 of account paid in advance, with an increase scope of 45.81% compared with the amount made in the same period of last year. The reason is that payment for purchase has been paid in advance to suppliers.

4. It has decreased amount of RMB 5,366,300 of other account receivable, with a decrease scope of

38.85% compared with the amount made in the same period of last year. The reason is the taking back of other account receivable. 5. It has increased amount of RMB 11,870,700 of inventories, with an increase scope of 27.16% compared with the amount made in the same period of last year. The increase of inventories reserve is made for the on season. 6. It has increased amount of RMB 20,951,700 of account received in advance, with an increase scope of 1,316.65% compared with the amount made in the same period of last year. Reclassification of payment in advance brings this increase. 7. It has increased amount of RMB 37,154,100 of accrued expense, with an increase scope of 38.47% compared with the amount made in the same period of last year. Interest withdrawal from loan is accounting for the increase. The interest holiday for this loan has expired and it will withdraw interest from 2007. 8. It has increased amount of RMB 48,405,800 of financial expense, with an increase scope of 752.68% compared with the amount made in the same period of last year. Interest withdrawal from loan is accounting for the increase. The interest holiday for this loan has expired and it will withdraw interest from 2007. 9. The non-operating income has increased RMB 65,769,800, obtained from the debt restructuring of the Company. 10. The total net profit of this quarter has decreased RMB 18,614,200 compared with the profit earned in the same period of last year. Interest withdrawal from loan is accounting for the decrease. The interest holiday for this loan has expired and it will withdraw interest from 2007. 11. The total net profit earned from January to September of this year has increased RMB 12,861,000 compared with the profit earned in the same period of last year. The debt restructuring of the Company brings out the increase.
12. Other cash received concerning operating activities from January to September of this year has increased RMB 2,593,500 compared with the cash received in the same period of last year. The increase scope is 86.95%. The reason is the increase of other cash received concerning operating activities compared with the same period of last year.

3.2 Analysis and explanation of significant events and their influence and solutions

√ Applicable ☐Inapplicable

The Company owed International Finance Company the debt with the principal about amounting to USD 3,870,000 and accrued interest about amounting to RMB 42,780,000(for details, please refer to the Annual Report 2006), with the friendly negotiation with the two parties, the Reconcilement Agreement between the Company and the International Finance Company on March 29, 2007, of which agreed to settle all the debts and liabilities between the two partied with its equivalents amounting to USD 2,000,000, the Company had paid the aforesaid amount one time into the designated account by International Finance Company on April 4, 2007. According to the regulations on Accounting Standards for Enterprises No. 12—Debts Restructuring, the aforesaid debts reached reconciliation and brought into gains from debts restructuring for the Company 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

3.5 Other significant events needed for explanations

3.5.1 Particulars about securities investment
☐Applicable √ Inapplicable

3.5.2 Equity of other listed companies held
☐Applicable √ Inapplicable

3.5.3 Equity of non-listed financial enterprises and planned listed companies held
☐Applicable √ Inapplicable

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

Date	Place	Way	The received parties	Contents discussed and materials supplied
July 10, 2007	Office of the Company	Communications by telephone	Tradable shareholder	Progresses of Share Merger Reform and debts restructuring of the Company
August 10, 2007	Office of the Company	Communications by telephone	Tradable shareholder	Progresses of Share Merger Reform and debts restructuring of the Company
Sep.10, 2007	Office of the Company	Communications by telephone	Tradable shareholder	Progresses of Share Merger Reform and debts restructuring of the Company

§4. Appendix

4.1 Balance sheet

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

Items	Amount at period-end		Amount at period-begin	
	Merger	Parent Company	Merger	Parent Company
Current assets:				
Monetary funds	21,233,773.56	649,500.58	15,979,853.39	504,436.50
Settlement provisions				
Capital lent				
Transaction finance asset				
Notes receivable	678,102.00			
Accounts receivable	3,912,330.77	163,457,223.63	5,947,972.00	186,150,842.92
Accounts in advance	3,508,980.81	1,575,002.08	2,406,516.88	1,641,102.08
Insurance receivable				
Reinsurance receivables				
Contract reserve of reinsurance receivable				
Interest receivable				
Other receivables	8,447,697.82	14,923,941.37	13,814,016.03	22,917,626.27
Purchase restituted finance asset				

Inventories	55,580,378.50	38,493,450.03	43,709,649.82	38,635,307.97
Non-current asset due within one year				
Other current assets				
Total current assets	93,361,263.46	219,099,117.69	81,858,008.12	249,849,315.74
Non-current assets:				
Granted loans and advances				
Finance asset available sales				
Held-to-maturity investment				
Long-term account receivable				
Long-term equity investment	27,707,388.74	27,688,386.31	28,563,096.50	28,563,096.50
Investment property	11,118,229.75	11,118,229.75	11,602,410.75	11,602,410.75
Fixed assets:	100,510,008.19	99,854,890.85	109,087,921.51	108,284,137.55
Construction in progress				
Engineering material				
Disposal of fixed asset	35,032,282.50	35,032,282.50	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	9,154,700.31	9,154,700.31	9,849,555.22	9,849,555.22
Other non-current asset				
Total non-current asset	183,522,609.49	182,848,489.72	195,013,086.05	194,209,302.09
Total assets	276,883,872.95	401,947,607.41	276,871,094.17	444,058,617.83
Current liabilities:				
Short-term loans	427,477,497.52	360,280,384.36	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	157,345,309.58	339,544,491.94	143,368,055.14	360,599,834.28
Accounts received in advance	22,543,027.66	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	94,013,155.20	93,177,030.44	93,829,003.24	93,113,045.98
Interest payable				
Other accounts payable	160,361,003.33	125,600,375.38	167,611,955.93	121,880,312.28
Reinsurance payables				
Insurance contract reserve				
Security trading of agency				
Accrued expense	133,722,887.87	130,324,576.39	96,568,787.23	92,885,770.17
Security sales of agency				
Long-term liabilities due within 1 year	969,334,400.44	969,334,400.44	1,025,960,035.56	1,025,960,035.56
Other current liabilities	446,093.05	286,774.35	386,528.88	286,774.35
Total current liabilities	1,965,754,966.62	2,020,509,536.34	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	161,441,142.92	161,441,142.92	161,876,924.66	161,876,924.66
Deferred income tax liabilities				
Other non-current liabilities				
Total non-current liabilities	161,441,142.92	161,441,142.92	161,876,924.66	161,876,924.66
Total liabilities	2,127,196,109.54	2,181,950,679.26	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	-2,724,605,776.71	-2,654,136,938.50	-2,727,814,822.88	-2,657,977,808.16
Balance difference of foreign currency translation				
Total owner's equity attributable to parent company	-1,850,471,910.06	-1,780,003,071.85	-1,853,680,956.23	-1,783,843,941.51
Minority interests	159,673.47			
Total owner's equity	-1,850,312,236.59	-1,780,003,071.85	-1,853,680,956.23	-1,783,843,941.51
Total liabilities and owner's equity	276,883,872.95	401,947,607.41	276,871,094.17	444,058,617.83

4.2 Profit statement in this report period

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

Items	This period		Same period of last year	
	Merger	Parent Company		Merger
I. Total operating income	73,657,408.16	3,006,859.36	66,159,782.15	4,775,240.98
Including: Operating income	73,657,408.16	3,006,859.36	66,159,782.15	4,775,240.98
Interest income				
Insurance gained				
Commission charge and commission income				
II. Total operating cost	91,778,362.60	23,395,473.56	66,452,489.22	4,801,484.78
Including: Operating cost	71,890,851.49	5,038,821.51	65,917,966.60	6,989,569.50
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	40,527.71		57,973.54	720.70
Sales expenses	1,452,569.37	441,595.08	1,472,331.21	-1,954,531.04
Administration expenses	5,275,781.26	4,738,817.85	5,065,647.44	5,772,876.53
Financial expenses	13,118,632.77	13,176,239.12	-6,061,429.57	-6,007,150.91
Losses of devaluation of asset				
Add: Changing income of fair value				
Investment income	-433,442.28	-272,444.71	-291,835.13	-247,034.94
Including: Investment income on affiliated company and joint venture	-433,442.28	-272,444.71	-291,835.13	-247,034.94
Net income of other business	250,456.33	3,601,314.74	945,520.64	945,520.64
Exchange income				
III. Operating profit	-18,303,940.39	-17,059,744.17	360,978.44	672,241.90
Add: Non-operating income	52,034.54	52,034.54	2,839.50	2,839.50
Less: Non-operating expense	1,950.00	1,950.00	3,442.41	3,442.41
Including: Disposal loss of non-current asset				
IV. Total Profit	-18,253,855.85	-17,009,659.63	360,375.53	671,638.99
Less: Income tax	-2,551,670.25	-2,551,670.25		
V. Net profit	-15,702,185.60	-14,457,989.38	360,375.53	671,638.99
Net profit attributable to owner’s	-15,480,214.41	-14,457,989.38	341,175.45	671,638.99

equity of parent company				
Minority shareholders' gains and losses	-221,971.19		19,200.08	
VI. Earnings per share				
i. Basic earnings per share	-0.0323		0.0007	
ii. Diluted earnings per share	-0.0323		0.0007	

4.3 Profit statement from year-begin to end of report period

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

Items	This period		Same period of last year	
	Merger	Parent Company		Merger
I. Total operating income	170,188,762.07	8,461,476.22	155,032,610.99	15,264,078.53
Including: Operating income	170,188,762.07	8,461,476.22	155,032,610.99	15,264,078.53
Interest income				
Insurance gained				
Commission charge and commission income				
II. Total operating cost	231,297,383.83	72,579,167.37	165,120,911.67	29,337,763.53
Including: Operating cost	169,609,970.29	15,599,255.62	153,684,492.56	22,203,643.35
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	123,490.78	880.36	193,382.92	4,540.41
Sales expenses	4,122,125.05	1,242,004.51	3,892,789.30	161,232.93
Administration expenses	13,404,258.37	11,607,570.82	13,781,413.27	13,272,389.61
Financial expenses	41,974,661.55	42,066,578.27	-6,431,166.38	-6,304,042.77
Losses of devaluation of asset	2,062,877.79	2,062,877.79		
Add: Changing income of fair value				
Investment income (Loss is listed with "-")	-1,035,707.76	-874,710.19	-862,778.86	487,899.27
Including: Investment income on affiliated company and joint venture	-1,035,707.76	-874,710.19	-862,778.86	487,899.27
Net income of other business	436,076.54	3,756,298.38	2,183,977.75	5,183,947.75
Exchange income				

III. Operating profit	-61,708,252.98	-61,236,102.96	-8,767,101.79	-8,401,837.98
Add: Non-operating income	65,807,627.77	65,807,627.77	37,790.08	37,790.08
Less: Non-operating expense	35,800.24	35,800.24	68,072.36	51,165.64
Including: Disposal loss of non-current asset				
IV. Total Profit	4,063,574.55	4,535,724.57	-8,797,384.07	-8,415,213.54
Less: Income tax	694,854.91	694,854.91	0.00	0.00
V. Net profit	3,368,719.64	3,840,869.66	-8,797,384.07	-8,415,213.54
Net profit attributable to owner's equity of parent company	3,209,046.17	3,840,869.66	-9,376,246.12	-8,415,213.54
Minority shareholders' gains and losses	159,673.47		578,862.05	
VI. Earnings per share				
i. Basic earnings per share	0.0067		-0.0196	
ii. Diluted earnings per share	0.0067		-0.0196	

4.4 Cash flow statement from year-begin to end of report period

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

Items	This period		Same period of last year	
	Merger	Parent Company		Merger
I. Cash flows arising from operating activities:				
Cash received from selling commodities and providing labor services	133,430,772.10	11,310,428.40	137,141,524.18	21,090,718.11
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	5,576,096.04	5,329,596.34	2,982,633.90	2,493,916.51
Subtotal of cash inflow arising from operating activities	139,006,868.14	16,640,024.74	140,124,158.08	23,584,634.62
Cash paid for purchasing commodities and receiving labor service	107,708,654.75	5,660,886.91	105,990,578.46	11,129,081.34
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	14,123,314.03	2,621,943.11	13,047,267.18	3,786,026.23
Taxes paid	3,026,641.93	1,605,029.38	3,333,661.59	1,559,879.53
Other cash paid concerning operating activities	8,705,524.55	6,605,122.55	11,409,799.24	7,178,556.60
Subtotal of cash outflow arising from operating activities	133,564,135.26	16,492,981.95	133,781,306.47	23,653,543.70
Net cash flows arising from operating activities	5,442,732.88	147,042.79	6,342,851.61	-68,909.08
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	190,319.71	183,485.71	237,381.05	219,570.00
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	370,319.71	183,485.71	237,381.05	219,570.00
Net cash flows arising from investing activities	-188,812.71	-1,978.71	-42,301.05	-24,490.00
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	5,253,920.17	145,064.08	6,300,550.56	-93,399.08
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	21,233,773.56	649,500.58	33,992,762.68	2,728,321.43

4.5 Auditor' report

Auditor's opinions: Un-audited