Shenzhen China Bicycle Company (Holdings) Limited
The 1st Quarterly Report for 2008
(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, supervisors and senior executives stated any objection for the reality, accuracy and completion of the contents of this report.
1.3

Name of absent directors	Reasons for not attending the Board meeting	Name of entrustee
Shi Zhanxiong	Due to business outside	Liu Linfeng
Li Chun	Due to business	Zhang Xinmiao

1.4 The financial report for the 1st Quarterly of the Company has not been audited by CPAs.
1.5 Shang Shijun, Principal of the Company, Ye Qing, Person in Charge of Accounting Works and He Yili, Person in Charge of Accounting Institution (Accounting Officer) hereby confirm that the Financial Report enclosed in the 1st Quarterly Report is true and complete.

§2. Company Profile

2.1 Main Accounting Highlights and Financial Indexes:

Unit: RMB

	At the end of the report period	At the period-end of last year	Increase/decrease (%)
Total assets	222,414,319.17	214,381,530.57	3.75%
Owners' equity(or Shareholders' equity)	-1,780,579,350.67	-1,784,339,460.68	
Net assets per share	-3.71	-3.72	
	In the report period	The same period of last year	Increase/decrease (%)
Net asset	3,760,110.01	34,997,451.04	-89.26%
Net cash flow arising from operating activities	4,915,125.37	8,394,329.28	-41.45%
Net cash flow arising from operating activities per share	0.01025	0.01751	-41.46%
Basic earnings per share	0.0078	0.0730	-89.32%
Diluted earnings per share	0.0078	0.0730	-89.32%
Return on equity	-0.21%	-1.96%	1.75%
Return on equity after deducting non-recurring gains and losses	0.00%	0.00%	0.00%
Items of non-recurring gains and losses	Amount from year-begin to end of report period		

Gains and losses from the disposal of non-current assets	9,482,550.00
Net amount of non-operating income and expense excluded the aforesaid items	-155,800.26
Other	0.00
Total	9,326,749.74

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	33,721	
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
Xiao Lizhu	3,431,320	Domestically listed foreign share
Zhang Huiling	2,181,073	Domestically listed foreign share
TANG JING YUAN	1,924,500	Domestically listed foreign share
ABN AMRO BANK NV	1,697,400	Domestically listed foreign share
Jiang Lan	1,213,000	Domestically listed foreign share
Li Jinling	1,187,302	Domestically listed foreign share
Cao Pingwei	1,157,600	Domestically listed foreign share
Zhang Genyou	1,084,249	Domestically listed foreign share
Xiaowang Jingyi	1,000,000	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

Since the Company carries out the New Accounting Standard, all the items in financial statements are prepared according to request of new Accounting Standard. The reasons for material changes in scope change of some financial index are as follows:

1. Monetary fund: increased RMB 15,102,000 over the year-begin, with an increase rate of 107.39 percent, which mainly due to that increase of sales resulted increase of accounts received in advance and also that accounts of disposal of house property has been received.

2. Notes receivable: decreased RMB 1,075,300 over the year-begin, with a decrease rate of 64.24 percent, which mainly due to that notes receivable has been paid to suppliers through endorsement.

3. Accounts paid in advance: increased RMB 467,600 over the year-begin, with an increase rate of 35.86 percent, which mainly due to that part goods have been paid off in advance.

4. Accounts received in advance: increased RMB 6,886,300 over the year-begin, with an increase rate of 38.08 percent, which mainly due to the increase in sales.

5. Wages payable: increased RMB 7,044,900 over the year-begin, with an increase rate of 506.08 percent, which mainly due to that refuse compensation for employee is predicted for the Group reduced staff for economic reason.

6. Other current liability: increased RMB 2,433.28 over the year-begin, with an increase rate of 28.26 percent, which mainly due to the calculation of the debt interest.

7. Main operation income: increased RMB 7,510,000 over the same period of last year, with an increase rate of 19.77 percent, which mainly due to the increase in sales and income.

8. Main operation cost: increased RMB 5,210,900 over the same period of last year, with an increase rate of 13.13 percent, which mainly due to increase in sales and cost conversion.

9. Other operation income: increased RMB 489,900 over the same period of last year, with an increase rate of 25.86 percent, which mainly due to the disposal of some repertory raw material.

10. Other operation expenditure: increased RMB 254,400 over the same period of last year, with an increase rate of 16.18 percent, which mainly due to the disposal of some repertory raw material and correspondingly converted into cost.

11. Administration expense: increased RMB 10,488,500 over the same period of last year, with an increase rate of 249.72 percent, which mainly due to that refuse compensation for employee is predicted for the Group reduced staff for economic reason together with the change in belonging of depreciation expense resulted by adjustment in production.

12. Financial expense: decreased RMB 27,389,300 over the same period of last year, with a decrease rate of 159.65 percent, which mainly due to the increase of exchange income resulted by the fast appreciation of RMB in the report period.

13. Non-operating income: decreased RMB 56,057,500 over the same period of last year, with a decrease rate of 85.36 percent, which mainly due to that the Company realized debt restructure gains in the first quarter of 2007, while this does not happens for 2008.

14. Income tax: decreased RMB 5,438,400 over the same period of last year, with a decrease rate of 86.50 percent, which mainly due to that no debt restructure gain with large amount has been realized in this report period, correspondingly bringing sharp decrease in total profit.

15. Net cash received from the disposal of fixed, intangible and other long-term assets has increased RMB 10,233,700 over the same period of last year, which mainly due to receiving amount for disposing house property.

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

√ Applicable ☐Inapplicable

A. Explanations of the Board of Directors about 2007 audit report of the Company disclaimer of opinions issued by Shenzhen Pengcheng Certified Public Accountants Firm Co., Ltd.:

Due to that the debt restructure work of the Company had not been finally finished in 2007, so risk of bearing huge debt still remained with many significant uncertainties. The CPAs was not able to offer opinion on the financial debt, tax payable, contingent proceedings, lawsuits and sustainable operation.

For so, the Board of the Company made explanation as follows:

I. Financial debt

Shenzhen Pengcheng CPAs held that the replied letters from the financial creditors for the inquiry showed a balance of RMB 591,837,892.0 in interest; some letters were replied with uncertain on the debt whose interest withdrawal from its book value was RMB 19,640,522.48; those unreplied letters were sent to ensure the debt whose interest on principal withdrawal from its book value was RMB 24,765,110.54. These made it impossible to ensure the influence received by the financial statements of the Company brought by the amount of financial debt.

The Company provided explanation in Note 13.1 for details of interest confirmation balance: when some creditors implemented the document ((2004) No.6) released by China Committee on Bank Supervision, they had different understanding on this document with the Company. The document noticed that: Bank of China and other 10 financial organizations stop calculating the interest of the Company for 3 years since Jan 1st of 2002 and at the same time, exempt all the interest payable of the Company (including penalty interest and compound interest) occurred before Dec 31st of 2001.

Some assets management companies and banks considered that the Company was expected to return the interest exempted and stop-calculated and some assets management companies had not confirmed the proceeding of interest calculation. The Company had transferred all the interest of loans payable occurred before Dec 31st of 2001, RMB 357,993,665.24, (including penalty interest and compound interest) to capital public reserve. Interest was stopped with calculation from Jan 1st of 2002 to Dec 31st of 2004. The exempt term was due on Dec 31st of 2004. The Company held it was not necessary for him to return the interest exempted and stop-calculated, so when the term was due, the Company started to withdraw interest according to normal loan for those interests which needed to be returned. The stop-calculated interest and compound interest from Jan 1st of 2002 to Dec 31st of 2004 was not accrued. For whether to return the interest or not, negotiation was still being made.

Besides, the financial debt of the Company was formed in history which had occurred for a long time and the amount of period –end had not changed for years. Body qualification of some creditors had been transferred and the particular personnel for handling had also changed, so the creditors needed time to check clearly the amount of creditor and debt of both involved parties and that was why some creditors had not replied the letters to confirm.

The Company would continuously advance the account-check work with the relevant creditors of financial debt, trying as soon as possible to check clearly the interest on principal of the financial debt. Once progress is made, relevant information would be disclosed according to relevant regulation.

II. Issues on tax payable

Shenzhen Pengcheng Certified Public Accountants Firm Co., Ltd. thought that, in the audit process implemented audit procedures including inspection and inquiry, inquired book tax amount payable, custom guarantee and penalty balance totally were RMB 118,571,072.71, which all did not receive letters from tax department; otherwise found the Company was not able to receive reliable evidence of loss amounts which could be used as offset of profit before tax in later years affirmed by tax department, and deferred income tax assets RMB 9,849,555.22 were affirmed at the beginning of 2007 and switched back in 2007 in accordance with new Accounting Standards; for these undetermined issues, we are not able to ensure the effects on the Company's financial report.

1. Issues on not replying to tax payable

Due to the Company's tax payable was formed in the past, which had a long time, there was no newly increased tax payable in the report period, forming reasons were complex, personnel of specific affairs had changed, and tax department needed time to check clear the debts rights and amounts of both sides, therefore, we are not able to receive confirmation letter of tax department. The Company will continue to follow up the work of checking account of tax department, check clear the amount of tax payable as soon as possible, and will disclose information according to the requirements of relevant regulations if there is some progress.

2. Issues on estimating and switching back deferred income tax

According to new Accounting Standards, considering possible realization of debt restructuring income of International Finance Corporation and possible affirmation of bad account loss of 2006 by tax department, the Company estimated the deferred income tax assets RMB 9,849,555.22.

In 2006, Board of Directors and Shareholders' General Meeting passed to verify the bad debt loss RMB 604,594,981.22 of amount payable of Hong Kong Link Bicycles Co., Ltd. which was bankrupted and liquidated in Hong Kong Court in 1998. In Apr., 2007, the Company applied to tax department to take the bad debt loss RMB 604,594,981.22 of amount payable of Hong Kong Link Bicycles Co., Ltd. as loss in 2006, which could be offset by annual tax payable income, and tax department thought that they needed more related bankruptcy and liquidation information of Hong

Kong Court. According to liquidation progress report of Hong Kong Deloitte Certified Public Accountants- the liquidation institution appointed by Hong Kong Court, the assets will be distributed to liquidate with the proportion of 0.15%, and will offer liquidation report in May, 2008. The Company thought that the amount payable was not able to be called back and the bad debt loss accord with relevant regulations of listing in loss of 2006, therefore, according to new Accounting Standards, the Company affirmed deferred income tax assets in the beginning of 2007, and after realize debt restructuring of International Finance Corporation, switched back the deferred income tax assets in 2007. The Company will supply relevant information as soon as possible to get approval of relevant affairs of tax department.

3. Contingent events and lawsuits

Shenzhen Pengcheng Certified Public Accountants believed that non correspondent loan card information for system updating and other seasons; during the auditing, lawsuit caused by external guarantee and delayed debt implemented court involved substitute site checking audit procedure, thus not getting identified documents from relevant courts. And the hard implemented other effective auditing procedure made us unable to judge the disclosed contingent events and lawsuits' impacts on its financial statement.

The historically formed loan and guarantee lawsuit had rather long time; in the report period there had no newly added undisclosed guarantee events and lawsuits; parts of courts changed and specific responsible people also altered; the court needs time to check details and amount of the case, so the court didn't write back for ensuring. The Company will continue following up the check work by certified public accountants with related courts, and check involved contingent events as well as lawsuits as soon as possible. If there is any progress, information disclosure will be made to requirements of relevant regulations.

4. Matters on continuous operations

Shenzhen Pengcheng Certified Public Accountants thought that, the Company' asset could seriously not offset the debt; the measures on the reconciliation procedure of the bankruptcy to settle the debts had no material progress and could not be able to get adequate and proper audit evidence to confirm it could effectively improve the continuous operations of the Company; thus, we could not judge whether the financial report 2007 was proper compiled based on continuous operations of the Company.

Since March 2003, the promotion on debt restructuring by the former largest creditor China Huarong Asset Management Corporation was acquiring breakthrough development, the Plan on Reorganization of Shenzhen China Bicycle Company (Holdings) Limited has obtained the approval from relevant department such as China Banking Regulatory Commission, in which all the interests of the financial debts the Company owed ended Dec.30, 2004 were exempted and stopped calculation, and it was under the stage of implementation.

The Company and International Finance Corporation signed Reconciled Agreement on Mar 29th of 2007, in which it was agreed to settle all the credits and liabilities between the two parties with USD equivalent to RMB 2 million. The liabilities amount was consisted of a principal approximately amounting to USD 3.87 million and an accrued interest approximately amounting to RMB 4.278 million. The two biggest creditors of the Company-Shenzhen Guocheng Energy Investment Development Co., Ltd and Guangdong Sunrise Group Co., Ltd agreed to stop recording the debt interest of the Company occurred in the whole year of 2007, with the interest amounts which had been stopped recorded being RMB 5.476 million and RMB 1.485 million respectively. These interests also won't be collected any longer in the following years.

Beside progress is made in debt restructure, the Company also makes continuous growth in its main operation and the main operation continues to make profit. Pressure of the Company for short-term payment has been sharply brought down; the lasting operation ability has been improved comparatively.

On Dec. 30, 2006, China Huarong Asset Management Corporation transferred its owned debt to Shenzhen Guocheng Energy Investment Development Co., Ltd., after the changes of biggest creditor, the former biggest creditor China Huarong Asset Management Corporation applied to Shenzhen Intermediate People' Court for bankruptcy on August 1, 2005, planned to settle the debts of the Company completely through bankruptcy and reform measures; the new creditor Shenzhen Guocheng Energy Investment Development Co., Ltd. was responsible for promoting the restructuring works on relevant debts and reorganization, and speeded up making scheme of debt restructuring and got certain development.

The board of directors thought with the development of debt and asset reorganizations of the Company and the unceasingly growth of the achievements of the Company, the operation environment and operation status would surely be further improved for the Company. And the continuous operations would be further improved.

B. Matters on Share Merger Reform:

In the report period, the Company tried to promote the works on share merger reform, the share merger reform scheme of the Company was examined and approved in Shareholders' Meeting of A-share Market on Share Merger Reform dated Feb.1, 2007, and has obtained the Reply of SZPi[2007] No. 1343 from Ministry of Commerce and the Reply of SMGZFu[2007] No.2257on Increasing the Total Shares of Shenzhen China Bicycle Company (Holdings) Limited from Shenzhen Trade and Industry Bureau, in which agreed the share merger reform scheme of the Company examined and approved in Shareholders' Meeting dated Feb.1, 2007. In accordance with Guidelines on Practice and Operations of Share Merger Reform of the Listed Companies; the relevant procedures on Share Merger Reform of the Company was under the progress in Shenzhen Company of China Securities Depository and Clearing Corporation Limited.

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

Date	Place	Way	The received parties	Contents discussed and materials supplied
Jan.18, 2008	Office of the Company	Communications by telephone	Tradable shareholder	Progresses of Share Merger Reform and debts restructuring of the Company
Feb. 18, 2008	Office of the Company	Communications by telephone	Tradable shareholder	Progresses of Share Merger Reform and debts restructuring of the Company
March 18, 2008	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 March 31, 2008 Unit: RMB

Items	Amount at period-end		Amount at period-begin	
	Merger	Parent Company	Merger	Parent Company
Current assets:				
Monetary funds	29,164,248.40	470,911.88	14,062,198.43	477,660.27
Settlement provisions				
Capital lent				
Transaction finance asset				
Notes receivable	598,690.00		1,673,960.00	
Accounts receivable	475,726.95	143,415,955.97	482,050.51	144,678,350.46
Accounts paid in advance	1,771,839.95	34,500.00	1,304,193.48	117,100.00
Insurance receivable				
Reinsurance receivables				
Contract reserve of reinsurance receivable				
Interest receivable				
Other receivables	20,954,855.94	77,076,910.01	20,774,519.57	66,544,849.86
Purchase restituted finance asset				
Inventories	38,320,613.36	28,822,676.62	41,116,795.51	33,892,709.90
Non-current asset due within one year				
Other current assets				
Total current assets	91,285,974.60	249,820,954.48	79,413,717.50	245,710,670.49
Non-current assets:				
Granted loans and advances				
Finance asset available for sales				
Held-to-maturity securities				
Long-term account receivable				
Long-term equity investment	27,218,923.87	27,218,923.87	27,406,483.51	27,406,483.51
Investment property	10,795,442.41	10,795,442.41	10,956,836.08	10,956,836.08
Fixed assets:	65,266,341.08	64,723,972.59	68,561,480.10	67,962,140.33
Construction in progress				
Engineering material				
Disposal of fixed asset				
Consumable biological asset				
Oil and gas asset				
Intangible assets	27,847,637.21	27,847,637.21	28,043,013.38	28,043,013.38
Expense on Research and Development				
Goodwill				
Long-term expenses to be apportioned				
Deferred income tax asset				

Other non-current asset				
Total non-current asset	131,128,344.57	130,585,976.08	134,967,813.07	134,368,473.30
Total assets	222,414,319.17	380,406,930.56	214,381,530.57	380,079,143.79
Current liabilities:				
Short-term loans	409,198,989.08	344,484,863.11	418,165,449.05	353,451,323.08
Loan from central bank				
Absorbing deposit and interbank deposit				
Capital borrowed				
Transaction financial liabilities				
Notes payable				
Accounts payable	134,553,761.65	336,948,153.58	135,329,891.70	338,652,954.48
Accounts received in advance	24,972,451.36	14,605,306.04	18,086,124.15	14,605,306.04
Selling financial asset of repurchase				
Commission charge and commission payable				
Wage payable	8,436,934.53	8,301,001.90	1,392,052.21	1,250,670.90
Taxes payable	96,854,094.30	95,510,285.95	95,460,222.24	94,178,777.08
Interest payable				
Other accounts payable	168,793,402.53	132,590,371.40	167,601,705.14	131,309,401.97
Reinsurance payables				
Insurance contract reserve				
Security trading of agency				
Security sales of agency				
Long-term liabilities due within 1 year	888,300,100.06	888,300,100.06	915,134,453.92	915,134,453.92
Other current liabilities	110,442,793.41	110,400,351.87	86,109,949.92	86,097,636.52
Total current liabilities	1,841,552,526.92	1,931,140,433.91	1,837,279,848.33	1,934,680,523.99
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	161,441,142.92	161,441,142.92
Deferred income tax liabilities				
Other non-current liabilities				
Total non-current liabilities	161,441,142.92	161,441,142.92	161,441,142.92	161,441,142.92
Total liabilities	2,002,993,669.84	2,092,581,576.83	1,998,720,991.25	2,096,121,666.91
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	-2,654,713,217.32	-2,586,308,512.92	-2,658,473,327.33	-2,590,176,389.77
Balance difference of foreign currency translation				
Total owner’s equity attributable to parent company	-1,780,579,350.67	-1,712,174,646.27	-1,784,339,460.68	-1,716,042,523.12
Minority interests				
Total owner’s equity	-1,780,579,350.67	-1,712,174,646.27	-1,784,339,460.68	-1,716,042,523.12
Total liabilities and owner’s equity	222,414,319.17	380,406,930.56	214,381,530.57	380,079,143.79

4.2 Profit Statement

Prepared by Shenzhen China Bicycle Company (Holdings) Limited January-March, 2008 Unit: RMB

Items	This period		Same period of last year	
	Merger	Parent Company	Merger	Parent Company
I. Total operating income	47,875,185.83	4,878,927.60	39,875,330.83	3,658,303.93
Including: Operating income	47,875,185.83	4,878,927.60	39,875,330.83	3,658,303.93
Interest income				
Insurance gained				
Commission charge and commission income				
II. Total operating cost	52,405,219.78	9,501,606.64	63,896,837.71	27,096,022.06
Including: Operating cost	46,728,919.74	5,244,515.51	41,263,554.73	6,141,859.61
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	49,402.85		32,720.86	0.00
Sales expenses	1,171,759.19	299,130.78	1,244,621.56	335,592.60
Administration expenses	14,688,542.93	14,167,269.19	4,200,039.65	3,440,701.60
Financial expenses	-10,233,404.93	-10,209,308.84	17,155,900.91	17,177,868.25
Losses of devaluation of asset				
Add: Changing income of fair value(Loss is listed with “-”)				
Investment income (Loss is listed with “-”)	-187,559.64	-187,559.64	-309,715.42	-309,715.42
Including: Investment income on affiliated company and joint venture				

Exchange income (Loss is listed with "-")				
III. Operating profit (Loss is listed with "-")	-4,717,593.59	-4,810,238.68	-24,331,222.30	-23,747,433.55
Add: Non-operating income	9,616,484.60	9,616,484.60	65,673,957.43	65,673,957.43
Less: Non-operating expense	289,734.86	89,322.93	10,179.00	10,179.00
Including: Disposal loss of non-current asset				
IV. Total Profit (Loss is listed with "-")	4,609,156.15	4,716,922.99	41,332,556.13	41,916,344.88
Less: Income tax	849,046.14	849,046.14	6,287,451.73	6,287,451.73
V. Net profit (Net loss is listed with "-")	3,760,110.01	3,867,876.85	35,045,104.40	35,628,893.15
Net profit attributable to owner's equity of parent company	3,760,110.01		34,997,451.04	35,628,893.15
Minority shareholders' gains and losses			47,653.36	
VI. Earnings per share				
i. Basic earnings per share	0.0078		0.0730	
ii. Diluted earnings per share	0.0078		0.0730	

4.3 Cash Flow Statement

Prepared by Shenzhen China Bicycle Company (Holdings) Limited January-March, 2008 Unit: RMB

Items	This period		Same period of last year	
	Merger	Parent Company	Merger	Parent Company
I. Cash flows arising from operating activities:				
Cash received from selling commodities and providing labor services	34,490,206.19	3,809,904.34	37,954,641.47	3,524,411.33
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	60,893.98	1,683,490.62	1,069,269.59	1,710,371.45

Subtotal of cash inflow arising from operating activities	34,551,100.17	5,493,394.96	39,023,911.06	5,234,782.78
Cash paid for purchasing commodities and receiving labor service	22,129,990.75	1,043,237.63	21,876,354.99	2,456,469.34
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	3,762,954.21	937,503.39	6,088,575.65	1,012,393.19
Taxes paid	1,157,947.99	597,065.70	1,098,453.69	627,553.42
Other cash paid concerning operating activities	2,585,081.85	2,886,936.63	1,566,197.45	903,474.07
Subtotal of cash outflow arising from operating activities	29,635,974.80	5,464,743.35	30,629,581.78	4,999,890.02
Net cash flows arising from operating activities	4,915,125.37	28,651.61	8,394,329.28	234,892.76
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	10,233,724.60		0.00	0.00
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	10,233,724.60		0.00	0.00
Cash paid for purchasing fixed, intangible and other long-term assets	46,800.00	35,400.00	149,954.00	147,600.00
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	46,800.00	35,400.00	149,954.00	147,600.00
Net cash flows arising from investing activities	10,186,924.60	-35,400.00	-149,954.00	-147,600.00
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
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
Net cash flows arising from financing activities				
IV. Influence on cash due to fluctuation in exchange rate			0.00	0.00
V. Net increase of cash and cash equivalents	15,102,049.97	-6,748.39	8,244,375.28	87,292.76
Add: Balance of cash and cash equivalents at the period -begin	14,062,198.43	477,660.27	15,979,853.39	504,436.50
VI. Balance of cash and cash equivalents at the period -end	29,164,248.40	470,911.88	24,224,228.67	591,729.26

4.4 Auditors' report
Auditor's opinions: Un-audited

Board of Directors of
Shenzhen China Bicycle Company (Holdings) Limited
April 29, 2008