SHENZHEN CHINA BICYCLE COMPANY（HOLDINGS） LIMITED
SUMMARY OF ANNUAL REPORT 2007

§1 Important notice

1.1 Board of Directors and 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 records, 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 contents. The summary of annual report 2007 is abstracted from the whole annual report; the investors are suggested to read the full text of annual report to understand more details.

1.2 No directors, supervisors or senior executives stated that they couldn't ensure the reality, accuracy and completion of the contents of the Annual Report or have objection for 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 work	Zhang Xinmiao

1.4 Shenzhen Pengcheng Certified Public Accountants issued auditor's report with disclaimer of opinions for the Company.

1.5 Person in Charge of the Company Mr. Shang Shijun, Person in Charge of Accounting Works Mr. Ye Qing and Person in Charge of Accounting Institution (Accounting Officer) Ms. He Yili hereby confirm that the Financial Report of 2007 Annual Report is true and complete.

§2 Company Profile

2.1 General information

Short form of the stock	SST ZHONGHUA , ST ZHONGHUA – B
Stock code	000017, 200017
Listed stock exchange	Shenzhen Stock Exchange
Registered address	No. 3008, Buxin Road, Shenzhen
Post code of registered address	519019
Office address	Zhonghua Industrial Park, Yousong Industrial Zone, Longhua, Shenzhen
Post code of office address	518131
Internet web site of the Company	www.cbc.com.cn
E-mail	cbc@cbc.com.cn

2.2 Contact person and method:

	Secretary of the Board	Authorized Representative of Stock Affairs
Name	Li Hai	Cui Hongxia
Contact address	No. 3008, Buxin Road, Shenzhen	No. 3008, Buxin Road, Shenzhen
Tel	0755-28181666，25516998	0755-28181569，25516998
Fax	0755-28181009，25516620	0755-28181009，25516620
E-mail	dmc@szcbc.com	dmc@szcbc.com

§3. Summary of Accounting Data and Financial Indexes

3.1 Major accounting data

Unit: RMB

	2007	2006	Increase/decre	2005

				ase in this year compared with last year (%)		
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Operating income	234,601,314.71	219,673,260.11	232,525,287.59	0.89%	164,222,481.91	164,222,481.91
Total profit	72,885,796.46	-12,024,258.74	-12,012,582.39	-706.75%	3,326,148.84	917,998.70
Net profit attributable to shareholders of the listed company	63,036,241.24	-9,648,015.34	-12,012,582.39	-624.75%	3,738,730.58	3,738,730.58
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	-6,276,043.85	-9,681,664.56	-12,046,231.61	-47.90%	-9,520,236.83	-9,520,236.83
Net cash flow arising from operating activities	-2,591,980.11	-9,953,587.30	-8,950,557.42	-71.04%	22,377,763.45	22,377,763.45
	At the end of 2007	At the end of 2006		Increase/decrease at the end of this year compared with that at the end of last year (%)	At the end of 2005	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Total assets	214,381,530.57	267,021,538.95	282,611,118.07	-24.14%	328,877,255.90	305,007,790.40
Owners' equity(Shareholders' equity)	-1,784,339,460.68	-1,863,530,511.45	-1,847,375,701.92	-3.41%	-1,816,023,549.00	-1,852,427,758.00

3.2 Main financial indexes

Unit: RMB

	2007	2006		Increase/decrease in this year compared with last year (%)	2005	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Basic earnings per share	0.13148	-0.0201	-0.02508		0.0078	0.0078
Diluted earnings per share	0.13148	-0.0201	-0.02508		0.0078	0.0078

Basic earnings per share after deducting non-recurring gains and losses	-0.0131	-0.0202	-0.0251		-0.0199	-0.0199
Fully diluted return on equity						
Weighted average return on equity						
Fully diluted return on equity after deducting non-recurring gains and losses						
Weighted average return on equity after deducting non-recurring gains and losses						
Net cash flow arising from operating activities per share	-0.0054	-0.0208	-0.0187		0.0467	0.0467
	At the end of 2007	At the end of 2006		Increase/decrease at the end of this year compared with that at the end of last year (%)	At the end of 2005	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Net asset per share attributable to shareholders of listed company	-3.72	-3.89	-3.85	-3.36%	-3.79	-3.86

Items of non-recurring gains and losses

√Applicable □Inapplicable

Unit: RMB

Items of non-recurring gains and losses	Amount
Non-operating income	71,247,901.44
Non-operating expense	-1,935,616.35
Total	69,312,285.09

Items measured by adopting fair value

□Applicable √Inapplicable

3.3 Differences between CAS and IAS:

√Applicable □Inapplicable

Unit: RMB

	CAS	IAS

Net profit	62,974,630.60	62,974,630.60
Net asset	-1,784,339,460.68	-1,784,339,460.68
Explanations on difference	No differences	

§4. Changes in Share Capital and Particulars about Shareholders

4.1 Statement of change in share capital

Unit: Share

	Before the Change		Increase/Decrease in the Change (+, -)					After the Change	
	Amount	Proportion	New share issued	Bonus shares	Capitalization of public reserve	Other	Subtotal	Amount	Proportion
I. Unlisted shares	186,713,192	38.94%						186,713,192	38.94%
1. Sponsors' shares	186,713,192	38.94%						186,713,192	38.94%
Including: State-owned share									
Domestic legal person share	111,607,002	23.28%						111,607,002	23.28%
Foreign legal person share	75,106,190	15.67%						75,106,190	15.67%
Other									
2. Raised legal person's shares									
3. Inner employees' shares									
4. Preference shares or others									
II. Listed shares	292,719,811	61.06%						292,719,811	61.06%
1. RMB ordinary shares	76,752,000	16.01%						76,752,000	16.01%
2. Domestically listed foreign shares	215,967,811	45.05%						215,967,811	45.05%
3. Overseas listed foreign capital share									
4. Other									
III. Total shares	479,433,003	100.00%						479,433,003	100.00%

4.2 Statement of shares held by the top ten shareholders and the top ten shareholders of unrestricted shares

Unit: Share

Total shareholders	33,824				
Particulars about shares held by the top ten shareholders					
Name of shareholders	Nature of shareholders	Proportion of shares held	Total number of shares held	Non-circulating shares held	Pledged or frozen shares
Shenzhen Guocheng Energy Investment Development Co., Ltd.	Other	13.58%	65,098,412	65,098,412	0
Hong Kong Zhuorun Technology Co., Ltd.	Foreign-funded	9.20%	44,104,246	44,104,246	40,000,000

	shareholder				
Hong Kong (Link) Bicycles Limited	Foreign-funded shareholder	5.42%	26,000,000	26,000,000	26,000,000
Shenzhen Kangsheng Investment Development Co., Ltd.	Other	2.50%	11,968,590	11,968,590	0
Xinliyi Investment Management Co., Ltd.	State-owned legal shareholder	2.34%	11,200,000	11,200,000	0
Airline Trust and Investment Co., Ltd.	State-owned legal shareholder	2.16%	10,340,000	10,340,000	10,340,000
Shenzhen New Land Tool Consultants PTE. LTD	Other	2.06%	9,857,556	0	0
Shenzhen International Trust & Investment Co., Ltd.	Other	1.25%	6,000,000	6,000,000	0
Jingchao Investment Co., Ltd.	Foreign-funded shareholder	1.04%	5,001,944	5,001,944	5,001,944
Shanghai Yanxin Industrial Investment Co., Ltd.	Other	0.73%	3,500,000	3,500,000	0

Particulars about shares held the top ten circulating shareholders		
Shareholders' name	Circulated shares held	Type
Shenzhen New Land Tool Consultants PTE. LTD	9,857,556	RMB common share
Xiao lizhu	3,431,320	Domestically listed foreign shares
Zhang Huiling	2,232,373	Domestically listed foreign shares
TANG JING YUAN	1,924,500	Domestically listed foreign shares
ABN AMRO BANK NV	1,792,400	Domestically listed foreign shares
Jiang Lan	1,213,000	Domestically listed foreign shares
Li Jinling	1,181,802	Domestically listed foreign shares
Cao Pingwei	1,157,600	Domestically listed foreign shares
Zhang Genyou	1,059,204	Domestically listed foreign shares
Zhu Juan	1,005,500	Domestically listed foreign shares

Explanation on associated relationship among the top ten shareholders or consistent action	There exists no associated relationship among the top ten shareholders, the Company was unaware of whether there existed any associated relationship among the top ten shareholders and whether there existed consistent actionist among other circulating shareholders regulated in the Management Measure of Information Disclosure on Change of Shareholding for Listed Companies

4.3 Particulars about controlling shareholders and actual controller of the Company

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

√Applicable □Inapplicable

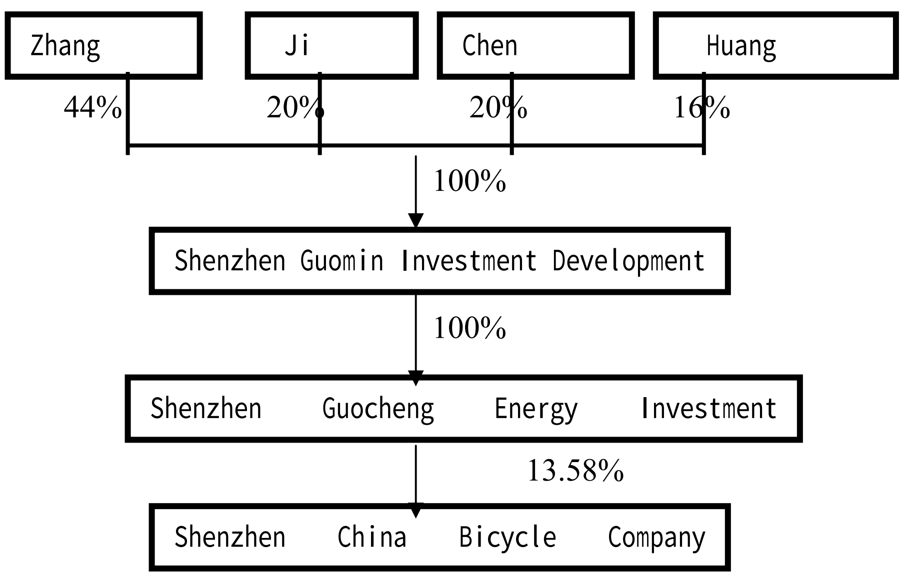
Name of new controlling shareholder	Shenzhen Guocheng Energy Investment Development Co., Ltd.
Date of changing new controlling shareholder	April 30, 2007
Date of disclosure on changing new controlling shareholder	May 1, 2007

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

4.3.2 Introduction of especial situation for controlling shareholder and other actual controller

i. Introduction to controlling shareholders: Shenzhen Guocheng Energy Investment Development Co., Ltd.
Address: 501C Pacific Commercial Town of New Asia, No. 8 Zhonghang Road, Futian District, Shenzhen.
Legal representative: Shang Shijun
Registeration capital: RMB 70 million
Operation scope: Establishing industry (additional application for specific items); domestic commerce, industry of supply and distribution of materials (excluded commodities which were monoplized, under special control and sold exclusively).
The controlling shareholder of Shenzhen Guocheng Energy Investment Development Co., Ltd was Shenzhen Guomin Investment Development Co., Ltd with holding 100% shares.
ii. Introduction to actual controller: Shenzhen Guomin Investment Development Co., Ltd.
Controlling shareholder: Zhang Yanfen with holding 44% shares, Chen Linsheng with holding 20% shares; Ji Hanfei with holding 20% shares, Huang Yinquan with holding 16% shares.
Address: Pacific Commercial Town of New Asia, Junction between Zhenzhong Road and Zhonghang Road, Futian District, Shenzhen; Legal representative: Zhang Yanfen; Registeration capital: RMB 250 million; Operation scope: Establishing industry (additional application for specific items); domestic commerce, industry of supply and distribution of materials (excluded commoditie which were monoplized, under special control and sold exclusively); supply and distribution of automobiles (excluded cars); and open and manage E-Town of New Asia. Main business: Commerce, operation and management of real-estate, and industry investment.

4. 3. 3 Property right and controlling relationships between the actual controller of the Company and the Company is as follows:



§5. Particulars about Directors, Supervisors, Senior Executives

5.1 Particulars about changes in shares and remunerations held by directors, supervisors and senior executives

Names	Titles	Sex	Age	Beginning date of office term	Terminating date of office term	Shares held at the year-begin	Shares held at the year-end	Reason of change	Total remuneration drew from the Company in the report period (RMB'0000)	Incentive equity bestowed in the report period				Draw the remuneration from other shareholder units or associates
										Shares available for exercising	Amount exercised already	Exercise price	Share market price in report-end	
Shang Shijun	Chairman of the Board	Male	44	2007.07	2010.07	0	0		0.00	0	0	0.00	0.00	Yes
Yang Fenbo	Director	Male	50	2007.07	2010.07	0	0		0.00	0	0	0.00	0.00	Yes
Jiang Houjin	Director	Male	38	2007.07	2010.07	0	0		18.85	0	0	0.00	0.00	No
Li Ronghui	Director	Male	36	2007.07	2010.07	0	0		0.00	0	0	0.00	0.00	Yes
Zhang Xiang	Director	Male	32	2007.07	2010.07	0	0		0.00	0	0	0.00	0.00	Yes
Liu Linfeng	Director	Male	50	2007.07	2010.07	0	0		0.00	0	0	0.00	0.00	Yes
Shi Zhanxiong	Director	Male	63	2007.07	2010.07	75,000	75,000		0.00	0	0	0.00	0.00	Yes
Li Chun	Independent Director	Male	50	2007.07	2010.07	0	0		0.00	0	0	0.00	0.00	No
Shao Liangzhi	Independent Director	Male	43	2007.07	2010.07	0	0		0.00	0	0	0.00	0.00	No
Zhang Qingmiao	Independent Director	Female	39	2007.07	2010.07	0	0		0.00	0	0	0.00	0.00	No
Wei Chuanyi	Independent Director	Male	36	2007.07	2010.07	0	0		0.00	0	0	0.00	0.00	No
Yao Zhengwang	Supervisor	Male	32	2007.05	2008.06	0	0		0.00	0	0	0.00	0.00	Yes
Lan Qihua	Supervisor	Male	57	2005.06	2008.06	0	0		12.42	0	0	0.00	0.00	No

Zheng Zhonghuan	Supervisor	Male	45	2007.07	2008.06	10,500	10,500		8.41	0	0	0.00	0.00	No
Ye Qing	General Manager	Male	45	2007.09	2010.09	0	0		37.18	0	0	0.00	0.00	No
Li Hai	Deputy General Manager	Male	38	2007.09	2010.09	0	0		28.58	0	0	0.00	0.00	No
He Yili	Chief Accountant	Female	35	2007.09	2010.09	0	0		26.49	0	0	0.00	0.00	No
Xia Bofu	Deputy General Manager	Male	37	2007.09	2010.09	0	0		4.41	0	0	0.00	0.00	No
Hu Eryi	Deputy General Manager	Female	43	2005.09	2007.10	0	0		22.03	0	0	0.00	0.00	No
Total	-	-	-	-	-	85,500	85,500	-	158.37	0	0	-	-	-

Stocks option of the Company held by the aforementioned executives and the amount of restricted shares bestowed

□Applicable √Inapplicable

§6. Report of the Board of Directors

6.1 Discussion and analysis to the whole operation

In the report period, confronting with more furious competition, superfluous production ability trend, standard reshuffle market environment, in order to adjust to change of market environment, the Company enlarged change of operation model which means increasing OEM market share, thus originally realizing cost decrease and closing to market. Under leading of board of directors as well as operation group, all staff made effort to expand business and develop main business of electric bicycle, thus making stable increase of its main business. From Jan. to Dec. of 2007, the Company realized operation income of RMB 234,601,300, 0.91% higher than the same time of last year.

During the report period, the Company made comparatively big progress in the restructure of the Company's external debt through active communication and negotiation with its creditors: as to the debt with the principal being USD 3.87 million and the accrued interest RMB 42,780,000 that the Company owned to the International Finance Corporation, by friend negotiation between the two parties, the Company and International Finance Corporation signed Reconciliation Agreement dated Mar 29th of 2007, which stipulated that all the credit and liability would be settled with US dollars equivalent to RMB 2 million. The Company has already remitted the aforesaid amount to the appointed account of International Finance Corporation on Apr 4th of 2007. According to the regulation of Accounting Standard for Enterprise No.12-Debt Restructuring, the conclusion of the above reconciliation agreement will bring profit from debt restructure of RMB 68, 568,700. The Company turns to make profit in 2007, realizing the net profit of RMB 63, 066,200.

In the report period, the Company made effort to promote Share Merger Reform. Proposal of Share Merger Reform was passed on shareholders' general meeting on Share Merger Reform of A Share Market held on Feb.1, 2007, and it got approval from Ministry of Commerce, PRC No.1343 [2007] and Approval of Adding Total Capital Shares of Shenzhen China Bicycle (Holdings) Co., Ltd from Shenzhen Commerce and Industry Bureau SCS No2257[2007]. According to Working Guidelines on

Share Merger Reform for Listed Companies, related Share Merger Reform procedures are under dealing in China Security Registration Settlement Co., Ltd.

6.2 Statement of main operations classified according to industries or products

Unit: RMB'0000

Main operations classified according to industries						
Classified according to industries or products	Income from operations	Cost of operations	Gross profit ratio (%)	Increase/decrease in income from operations over the last year (%)	Increase/decrease in cost of operations over the last year (%)	Increase/decrease in gross profit ratio over the last year (%)
Manufacturing of bicycles	22,284.00	21,043.00	5.57%	4.05%	4.11%	-0.05%
Main operations classified according to products						
Bicycles	22,284.00	21,043.00	5.57%	4.05%	4.11%	-0.05%

6.3 Particulars about main operations classified according to areas

Unit: RMB'0000

Areas	Income from operations	Increase/decrease in income from operations over the same period of last year (%)
Shandong	5,938.00	0.82%
Henan	5,302.00	13.41%
Hebei	2,892.00	-18.78%
Jiangsu	2,928.00	26.26%

6.4 Application of the raised proceeds

□Applicable √Inapplicable

Particulars about the changed projects

□Applicable √Inapplicable

6.5 Application of the proceeds not raised through shares offering

□Applicable √Inapplicable

6.6 Explanation of the Board of Directors on the "Qualified Opinion" made by the CPAs

√Applicable □Inapplicable

Explanations of the Board of Directors about 2007 audit report of the Company with disclaimer of opinions issued by Shenzhen Pengcheng Certified Public Accountants: The Board of Directors agreed the audit report on A-shares offered by Shenzhen Pengcheng Certified Public Accountants. 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.

6.7 The preplan of profit distribution and capitalization of capital public reserve of the Board of Directors

□Applicable √Inapplicable

The Company didn't appropriate share distribution preplan though the Company achieved the profit in the report period

□Applicable √Inapplicable

§7 Significant Events

7.1 Purchase of assets

□Applicable √Inapplicable

7.2 Sales of assets

□Applicable √Inapplicable

Influences on the business continuity and stability of management of the Company by the matters 7.1 and 7.2 concerned

7.3 Significant 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 party (Yes or no)
Guangdong Sunrise Group Co., Ltd.	June 20, 1996	614.20	Joint responsibility	6 months	No	No
Guangdong Sunrise Group Co., Ltd.	July 26, 2006	2,800.00	Joint responsibility	4 months	No	No
Guangdong Sunrise Group Co., Ltd.	Sep. 30, 1999	830.00	Joint responsibility	1 year	No	No
Guangdong Sunrise Group Co., Ltd.	Apr. 30, 1998	260.00	Joint responsibility	11 months	No	No
Guangdong Sunrise Group Co., Ltd.	July 30, 1997	250.00	Joint responsibility	7 months	No	No
Guangdong Sunrise Group Co., Ltd.	June 4, 1997	300.00	Joint responsibility	8 months	No	No
Gintian Industry (Group) Co., Ltd.	Oct. 30, 1998	5,000.00	Joint responsibility	6 months	No	No
Shenzhen Tianma Cosmetics Co., Ltd.	Sep. 30, 1994	800.00	Joint responsibility	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 during the report period	0.00
Total balance of guarantee for controlling subsidiaries at the end of the report period(B)	8,351.89
Total amount of guarantee of the Company (including guarantee for controlling subsidiaries)	
Total amount of guarantees(A+B)	19,206.09
Ratio of total guarantee to net assets of the Company	0.00%
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

7.4 Significant related transaction

7.4.1 Related transaction connected to operations

□Applicable √ Inapplicable

7.4.2 Related credits and liabilities current

√Applicable □Inapplicable

Unit: RMB’0000

Related party	Sell product and supply labor force to the related parties		Purchase and accept labor force from related parties	
	Transaction amount	Proportion in the amount of the same transaction	Transaction amount	Proportion in the amount of the same transaction
Diamond Back(HongKong)Co.Ltd	0.00	17,421.99	0.00	0.00
Zhigao Resource International Co., Ltd.	0.00	35,018.34	0.00	0.00
Hong Kong Huajiaming Industry Trade Co., Ltd.	0.00	0.00	0.00	1,022.84
Shenzhen Canghai Industrial Co., Ltd.	0.00	0.00	0.00	18.94
Shenzhen Danxia Bicycle Accessory Co., Ltd.	0.00	0.00	0.00	42.96
Jiangsu Huaiyin Huayu Bicycle Accessory Factory Co., Ltd.	0.00	0.00	0.00	496.53
Shantou Economic Special Zone Dapeng Industrial Co., Ltd.	0.00	0.00	0.00	688.74
China Complex Material Products (Shenzhen) Co., Ltd.	0.00	6,054.17	0.00	0.00
Shenzhen Huajiaming Industry	0.00	2,654.10	0.00	0.00

Trade Development Co., Ltd.				
Shenzhen Guocheng Energy Investment Development Co., Ltd.	0.00	0.00	0.00	70,021.85
Shenzhen Jinhuan Printing Format Co., Ltd.	0.00	0.00	0.00	60.00
Daming International Co., Ltd.	0.00	0.00	0.00	1,083.44
Zhigao International Machinery Co., Ltd.	0.00	0.00	0.00	2,180.59
Total	0.00	61,148.60	0.00	75,615.89

Of which: the transaction amount of the related transaction that the Company sells product and supplies labor force to its holding shareholders and subsidiaries is RMB 0.00and the balance is RMB611,486,000 in this report period.

7.4.3 Occupation and its progress of paying off on the fund in year 2007
□Applicable √Inapplicable
Occupation of newly increased fund during the year 2007
□Applicable √Inapplicable
Reasons, measures of paying off debts adopted and plan for responsibility ascertainment in case of listed companies' failure to complete paying off the occupied non-operating fund at the end of 2007
□Applicable √Inapplicable

7.5 Entrusted assets management

□ Applicable √Inapplicable

7.6 Implementation of commitments
√Applicable □ Inapplicable

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.

7.7 Significant lawsuit and arbitrations
□ Applicable √Inapplicable

7.8 Other significant events and analysis on their influences and solutions

7.8.1 Particulars about securities investment
□Applicable √Inapplicable
7.8.2 Equity of other listed companies held
□Applicable √Inapplicable
7.8.3 Equity of non-listed financial enterprises
□Applicable √Inapplicable
7.8.4 Particulars about the purchases and selling on equity of other listed company
□Applicable √Inapplicable

§8. Report of the Supervisory Committee

√Applicable □Inapplicable

Opinions on explanations on disclaimer of opinion in 2007 issued by Shenzhen Pengcheng CPAs from the Supervisory Committee Shenzhen Pengcheng CPAs issued the audit report with disclaimer of opinion for 2007. The Board had made special explanation on the events concerned by the report. The Supervisory Committee believed that: the audit report issued by Shenzhen Pengcheng CPAs truthfully reflected the financial condition and operation achievement of the Company; the explanation presented by the Board of the Company on the events concerned by the audit opinion complied with the actual condition of the Company. The Supervisory Committee would actively cooperate with the Board to carry out its works, supervise and urge the Board to intensify power in debt restructure and try to improve the persistent operating ability of the Company.

§9. Financial Report

9.1 Auditor's opinions

Auditor's report	Disclaimer of opinions
Text of Auditor's Report	

Auditors' report

SPSGSZi[2008]No. 107

To the shareholders of Shenzhen China Bicycle Company (Holdings) Limited,

We have audited the accompanying financial statements of Shenzhen China Bicycle Company (Holdings) Limited ("the Company"), including consolidated balance sheet of the Company of 31 December 2007, and consolidated profit statement of the Company, and consolidated statement on changes of shareholders' equity of the Company, and consolidated cash flow statement of the Company for the year ended, and notes to the financial statements for the year ended.

I. Management's responsibility for the financial statements

It is the responsibility for the management of the Company to prepare financial statements according to the stipulations of the business accounting rules. This responsibility includes: (1) devising, implementing and maintaining internal control related to the preparation of the financial statements so as to ensure that the financial statements do not contain major errors caused by fraudulence or mistake; (2) choosing and adopting appropriate accounting policies; and (3) making reasonable accounting estimations.

II. Proceedings which result in disclaimer of opinion

We noticed that:

1. During the audit, we have specially implemented the audit procedures such as visit for inspection and inquiry, focusing on the financial debts of Shenzhen China Bicycle Company (Holdings) Limited which have expired for long time till the end of Dec 31st of 2007. Until the audit report day, the replied letters told that a balance in interest of RMB 591,837,892.02 has been omitted by Shenzhen China Bicycle Company (Holdings) Limited; besides, some letters were replied to show uncertain on the total owed interest converting to RMB 19,640,522.48 just as the Company's book said; to the un-replied letters, the total owed interest on principal was converted into RMB 24,765,110.54 as the Company's book said. As to the aforesaid omitted interest balance, the Company provided explanation in Note 14.1 that when implementing the document (YJBT (2004) No.6) released by China Committee on Bank Supervision for offering a reference of the loan interest restructure of Shenzhen China Bicycle Company (Holdings) Limited, the Company and some creditors had different understanding on this document, which brought the aforesaid omission. Since the accounts

had not been adjusted, we are not able to ensure the influence of this balance to the financial statements of the Company.

2. During the audit, we have specially implemented the audit procedures such as visit for inspection and inquiry, focusing on the tax payable of Shenzhen China Bicycle Company (Holdings) Limited which have expired for long time till the end of Dec 31st of 2007, in want of verification that whether the unpaid tax, tariff bond and amercement balance was totaling up to RMB 118,571,072.71 as the Company's book said. While until the audit report day, nothing got replied. Besides, we also found that Shenzhen China Bicycle Company (Holdings) Limited had not obtained reliable evidence that tax department had confirmed the loss limit of the Company till the year-begin of 2007 which could be made up with the profit (before taxed) created in future years, while the Company still confirmed the limit at the year-begin of 2007 and turned back deferred income tax assets of RMB 9,849,555.22 for 2007 according to the new Accounting Standard. Thus, it was impossible for us to ensure the influence on the financial statements of the Company brought by the uncertainty.

3． In the process of audit, the information of credit card which we received from the account bank of Zhonghua Bicycles Co. Ltd. is not able to be checked whether contingency such as related guarantee information accord with disclosure, for it did not be annually inspected and credit card system did not upgrade related information. Therefore, we implement substitutive audit procedure of field checking the related courts to the claims of Zhonghua Bicycles Co. Ltd. caused by external guarantee and overdue loan. However, related courts all only make some oral explanations or provide some information which could only be used as reference. Otherwise, we are not able to implement other efficient audit procedure, so that we are not able to judge the integrity of the contingency disclosed in Note 11 and the claims disclosed in Note 12 of Zhonghua Bicycles Co. Ltd. and possible effects of the issues on the Company's financial report.

4. Refer to Note 15, until Dec. 31, 2007, total asset of Shenzhen China Bicycle Company (Holdings) Limited was RMB 214.38 million; total debt was RMB 1,998,720,000; net asset was RMB-1,784,340,000 with debts beyond assets. Shenzhen China Bicycle Company (Holdings) Limited disclosed improving methods in Note 15 of financial statement, however, the main measurement adopted till 2006, that planed to accomplish the debt restructure of Shenzhen China Bicycle Company (Holdings) Limited through reconciled procedure of bankruptcy has not made any practical progress from 2007 to the audit report day of 2008,thus making us unable to get complete and appropriate auditing evidence to identify whether it can improve continuous operation ability for Shenzhen China Bicycle Company (Holdings) Limited effectively. Therefore, we can not judge whether the 2007 financial statement which was made under continuous operation assumption of Shenzhen China Bicycle Company (Holdings) Limited is appropriate or not.

III. Auditing Opinion

Due to that the aforesaid events could possibly occur very significant and aboard influences, we could not issue auditor' opinion on the financial statement of the Company.

Shenzhen Pengcheng Certified Public Accountants
China Accountant: Li Hailin
China Accountant: Li Zehao
April 25, 2008

9.2 Financial statement

Balance Sheet

December 31, 2007

Prepared by Shenzhen China Bicycle Company (Holdings) Limited Unit: RMB

Items	Amount at period-end		Amount at period-begin	
	Merger	Parent Company	Merger	Parent Company
Current assets:				
Monetary funds	14,062,198.43	477,660.27	16,982,883.27	504,436.50
Settlement provisions				
Capital lent				
Transaction finance asset				
Notes receivable	1,673,960.00			
Accounts receivable	482,050.51	144,678,350.46	10,684,966.02	190,887,836.94
Accounts paid in advance	1,304,193.48	117,100.00	2,406,516.88	1,641,102.08
Insurance receivable				
Reinsurance receivables				
Contract reserve of reinsurance receivable				
Interest receivable				
Other receivables	20,774,519.57	66,544,849.86	13,814,016.03	26,274,597.75
Purchase restituted finance asset				
Inventories	41,116,795.51	33,892,709.90	43,709,649.82	38,635,307.97
Non-current asset due within one year				
Other current assets				
Total current assets	79,413,717.50	245,710,670.49	87,598,032.02	257,943,281.24
Non-current assets:				
Granted loans and advances				
Finance asset available for sales				
Held-to-maturity securities				
Long-term account receivable				
Long-term equity investment	27,406,483.51	27,406,483.51	28,563,096.50	28,563,096.50
Investment property	10,956,836.08	10,956,836.08	11,602,410.75	11,602,410.75
Fixed assets:	68,561,480.10	67,962,140.33	80,182,046.09	79,378,262.13
Construction in progress				
Engineering material				
Disposal of fixed asset			35,910,102.07	35,910,102.07
Consumable biological asset				
Oil and gas asset				
Intangible assets	28,043,013.38	28,043,013.38	28,905,875.42	28,905,875.42
Expense on Research and Development				
Goodwill				
Long-term expenses to be				

apportioned				
Deferred income tax asset			9,849,555.22	9,849,555.22
Other non-current asset				
Total non-current asset	134,967,813.07	134,368,473.30	195,013,086.05	194,209,302.09
Total assets	214,381,530.57	380,079,143.79	282,611,118.07	452,152,583.33
Current liabilities:				
Short-term loans	418,165,449.05	353,451,323.08	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	135,329,891.70	338,652,954.48	144,593,261.31	360,599,834.28
Accounts received in advance	18,086,124.15	14,605,306.04	1,591,292.38	1,591,292.38
Selling financial asset of repurchase				
Commission charge and commission payable				
Wage payable	1,392,052.21	1,250,670.90	1,822,548.73	1,559,302.89
Taxes payable	95,460,222.24	94,178,777.08	94,570,414.38	93,854,457.12
Interest payable				
Other accounts payable	167,601,705.14	131,309,401.97	166,558,359.08	119,120,001.91
Reinsurance payables				
Insurance contract reserve				
Security trading of agency				
Security sales of agency				
Long-term liabilities due within 1 year	915,134,453.92	915,134,453.92	1,027,960,035.56	1,027,960,035.56
Other current liabilities	86,109,949.92	86,097,636.52	92,188,218.48	92,885,770.17
Total current liabilities	1,837,279,848.33	1,934,680,523.99	1,968,109,895.33	2,066,909,053.33
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	1,998,720,991.25	2,096,121,666.91	2,129,986,819.99	2,228,785,977.99
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	-2,658,473,327.33	-2,590,176,389.77	-2,721,509,568.57	-2,650,767,261.31

Balance difference of foreign currency translation				
Total owner's equity attributable to parent company	-1,784,339,460.68	-1,716,042,523.12	-1,847,375,701.92	-1,776,633,394.66
Minority interests				
Total owner's equity	-1,784,339,460.68	-1,716,042,523.12	-1,847,375,701.92	-1,776,633,394.66
Total liabilities and owner's equity	214,381,530.57	380,079,143.79	282,611,118.07	452,152,583.33

Legal representative of the Company: Shang Shijun

Director in charge of accounting organ: Ye Qing

Person in charge of accounting organ: He Yili

Profit Statement

December 31, 2007

Prepared by Shenzhen China Bicycle Company (Holdings) Limited Unit: RMB

Items	This period		Same period of last year	
	Merger	Parent Company	Merger	Parent Company
I. Total operating income	234,601,314.71	22,683,649.92	232,525,287.59	36,818,191.13
Including: Operating income	234,601,314.71	22,683,649.92	232,525,287.59	36,818,191.13
Interest income				
Insurance gained				
Commission charge and commission income				
II. Total operating cost	229,691,189.35	20,384,490.69	243,397,959.60	41,030,508.50
Including: Operating cost	230,244,832.81	24,154,789.84	224,910,013.85	36,888,095.55
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	175,378.59	880.36	255,622.71	5,510.77
Sales expenses	5,542,241.79	1,393,554.08	6,742,974.66	1,768,339.08
Administration expenses	16,217,410.39	12,771,829.00	16,813,215.11	10,520,106.11
Financial expenses	-34,285,597.04	-29,733,485.40	-14,465,143.27	-14,292,785.12
Losses of devaluation of asset	11,796,922.81	11,796,922.81	9,141,276.54	6,141,242.11
Add: Changing income of fair value				
Investment income	-1,336,613.99	-1,156,612.99	-1,173,559.60	-5,476,716.41
Including: Investment income on affiliated company and joint				

venture				
Exchange income				
III. Operating profit	3,573,511.37	1,142,546.24	-12,046,231.61	-9,689,033.78
Add: Non-operating income	71,247,901.44	71,233,496.87	135,901.58	126,164.08
Less: Non-operating expense	1,935,616.35	1,935,616.35	102,252.36	85,145.64
Including: Disposal loss of non-current asset				
IV. Total Profit	72,885,796.46	70,440,426.76	-12,012,582.39	-9,648,015.34
Less: Income tax	9,849,555.22	9,849,555.22		
V. Net profit	63,036,241.24	60,590,871.54	-12,012,582.39	-9,648,015.34
Net profit attributable to owner's equity of parent company	63,036,241.24	60,590,871.54	-12,012,582.39	-9,648,015.34
Minority shareholders' gains and losses				
VI. Earnings per share				
i. Basic earnings per share	0.13135		-0.02508	
ii. Diluted earnings per share	0.13135		-0.02508	

Legal representative of the Company: Shang Shijun

Director in charge of accounting organ: Ye Qing

Person in charge of accounting organ: He Yili

Cash Flow Statement

December 31, 2007

Prepared by Shenzhen China Bicycle Company (Holdings) Limited　　　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	161,272,081.30	20,891,671.25	163,498,443.54	15,173,429.00
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			7,009,777.82	31,549,664.93
Subtotal of cash inflow arising from operating activities	161,272,081.30	20,891,671.25	170,508,221.36	46,723,093.93
Cash paid for purchasing commodities and receiving labor service	131,243,202.76	7,196,032.27	149,346,224.98	9,751,762.65
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	18,456,590.20	3,688,775.28	15,945,592.40	3,063,397.94
Taxes paid	4,132,851.41	2,299,281.44	3,206,915.85	1,124,532.09
Other cash paid concerning operating activities	10,031,417.04	7,597,313.04	10,960,045.55	33,364,129.92
Subtotal of cash outflow arising from operating activities	163,864,061.41	20,781,402.03	179,458,778.78	47,303,822.60
Net cash flows arising from operating activities	-2,591,980.11	110,269.22	-8,950,557.42	-580,728.67
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	187,507.00	187,507.00	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	187,507.00	187,507.00	195,080.00	195,080.00
Cash paid for purchasing fixed, intangible and other long-term assets	284,539.46	259,315.46	253,025.05	231,064.00
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	464,539.46	259,315.46	253,025.05	231,064.00
Net cash flows arising from investing activities	-277,032.46	-71,808.46	-57,945.05	-35,984.00
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	-51,672.27	-65,236.99	-255.04	
V. Net increase of cash and cash equivalents	-2,920,684.84	-26,776.23	-9,008,757.51	-616,712.67
Add: Balance of cash and cash equivalents at the period -begin	16,982,883.27	504,436.50	25,991,640.78	1,121,149.17
VI. Balance of cash and cash equivalents at the period -end	14,062,198.43	477,660.27	16,982,883.27	504,436.50

Legal representative of the Company: Shang Shijun

Director in charge of accounting organ: Ye Qing

Person in charge of accounting organ: He Yili

Statement on Changes of Owners' Equity

December 31, 2007

Prepared by Shenzhen China Bicycle Company (Holdings) Limited Unit: RMB

Items	Amount in this report period									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		-2,660,598,088.93			-1,786,464,222.28	479,433,003.00	362,027,636.64		32,673,227.01		-2,658,179,348.04			-1,784,045,481.39
Add: Changes of accounting policy																		
Error correction of the last period															7,229,274.45			7,229,274.45
II. Balance at the beginning of this year	479,433,003.00	362,027,636.64		32,673,227.01		-2,660,598,088.93			-1,786,464,222.28	479,433,003.00	362,027,636.64		32,673,227.01		-2,650,950,073.59			-1,776,816,206.94
III. Increase/ Decrease in this year (Decrease is listed with""-")						60,572,143.94			60,572,143.94						-9,648,015.34			-9,648,015.34

(I) Net profit						60,572,143.94			60,572,143.94						-9,648,015.34			-9,648,015.34
(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																		
Total of (I)and (II)						60,572,143.94			60,572,143.94						-9,648,015.34			-9,648,015.34
(III) Owners' devoted and decreased capital																		
1. Owners' devoted 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		-2,600,025,944.99			-1,725,892,078.34	479,433,003.00	362,027,636.64		32,673,227.01		-2,660,598,088.93			-1,786,464,222.28

Legal representative of the Company: Shang Shijun

Director in charge of accounting organ: Ye Qing

Person in charge of accounting organ: He Yili

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

√Applicable □Inapplicable

The Company has started to implement the Accounting Standard for Enterprise (2006) since Jan 1st of 2007; and the change and influence of the main accounting policy is as follows:

1. According to the regulation of Accounting Standard for Enterprise No.2-Long Term Equity Investment, the long term equity investment conducted over the subsidiaries is calculated by cost method and equity method is applied for preparing the consolidated financial statements. As to the long term equity investments calculated by equity method before Jan 1st of 2007, the Company takes their book values as the recognized cost of Jan 1st of 2007.

2. According to the regulation of Accounting Standard for Enterprise No.3-Real Estate Investment, the Company would choose cost measure pattern to calculate the investment real estate. This change in accounting policy has not brought affect to the losses of year-begin and previous years.

3. According to the regulation of Accounting Standard for Enterprise No.18-Income Tax, the accounting calculation method for income tax of the Company would be changed to balance sheet debt method from the original tax payable method. On Jan 1st of 2007, as to the income tax affect of the temporary difference formed by the difference in the book value and taxation basis of assets and liabilities, the Company adjusted the relevant items in the 2006 Comparative Financial Statements by retroactive adjustment.

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

√Applicable □Inapplicable

When preparing the 2007 financial statements, during the procedure of clearing up the exchange accou the Company found it had omitted an amount of previous income of RMB 7,229,274.45. The rele accounting error correction had been made as follows:

1. Clear up and verify the Accounting Receivable- Accounting Receivable for 2005 of the control subsidiary of the Company-Shenzhen Emmelle Industry Co., Ltd. With its account charged to accounts o filiale and its dealers, after consolidation, the credit balance is RMB 4,736,994.02 (including the balanc debit RMB 3,545,347.30 and RMB 8,282,341.32 for the balance of credit). Due to that this balance co from the sales amount for buying-out inventory for operation disposal and the return amount for normal s after the buy-out collected by Shenzhen Emmelle Industry Co., Ltd on behalf of the Company, when dea with the accounts work, the Company made a mistake in charging to account stated, then that is why Company has omitted the amount of confirmed income.

As for this error, retroactive adjustment has been made as follows, meanwhile, the 2006 compara financial statement has been adjusted:

The Company adjusted to increase accounts receivable- Shenzhen Emmelle Industry Co., Ltd with R 4,736,994.02, meanwhile, increase undistributed profit of year-begin with RMB 4,041,830.03 and R 695,163.99 for tax payable; Shenzhen Emmelle Industry Co., Ltd adjusted to increase accounts receiva accounts receivable for 2005 with RMB 4,736,994.02, correspondingly decrease acco receivable-Shenzhen China Bicycle Company (Holdings) Limited with RMB 4,736,994.02.

Clear up and verify the balance of accrued expense of the controlling subsidiary of the Company-Shenz Emmelle Industry Co., Ltd with RMB 3,356,971.48 and find that this balance comes from the fee for br using occurred in previous years while the Company didn't collect, among which RMB 588,264.10 omitted to collect in 2003 and RMB 2,768,707.38 for 2004.

As for this error, retroactive adjustment has been made as follows, meanwhile, the 2006 compara

financial statement has been adjusted:
The Company adjusted to increase other accounts receivable- Shenzhen Emmelle Industry Co., Ltd v RMB 3,356,971.48, meanwhile, increase undistributed profit of year-begin with RMB 3,187,444.42 RMB 169,527.06 for tax payable; Shenzhen Emmelle Industry Co., Ltd adjusted to increase other acco payable- Shenzhen China Bicycle Company (Holdings) Limited with RMB 3,356,971.48, correspondi decrease accrued expense with RMB 3,356,971.48.
Shenzhen Pengcheng CPAs issued special report for the above errors correction.

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

√Applicable □Inapplicable

Before year 2006, because China International Company was in the shutout status and in losses for successive years, the net asset was minus; it was not brought into the consolidated scope based on old accounting standards. Pursuant to the regulations of new accounting standards, the Company brought China International Company into the consolidation scope and took retroactive to adjust the amount in period-begin, the retained profit as Jan.1, 2007 was decreased amounting to RMB 924,020.14.

Notes of Financial Statement

For Year 2007

Otherwise stated, all amounts are stated in RMB Yuan.

Annotation 1. COMPANY PROFILE

Approved by Shenzhen People's Government—ShenFuBanFu (1991) No 888, the Company was restructured to be a stock company limited. On Dec. 28, 1991, approved by the People's Bank of China—Shenzhen Special Economic Zone Branch (ShenRenYinFu Zi (1991) No. 119), the Company was listed with Shenzhen Stock Exchange. The corporate business license was QGYSZF Zi No. 101165, with a registered capital of RMB 479,433,003.00.

The Company was engaged in machine manufacturing industry. The main operations include: producing and assembling types of bicycles, the parts, fittings, mechanical products, sports instrument, fining chemicals, carbon-fiber compound materials, household electronic appliances and the fittings.

Prime products are: Emmelle bicycle, Chimo bicycle, Diamondback bicycle and electric bicycle.

Brief on production and management: The Company produces medium and top grade bicycles, mainly for exporting. Influenced by antidumping lawsuits in recent years; the sales volume slided down. The Company focuses on debts restructure as well as products research and development. The Company has developed series of electric bicycle, and has been working to exploit domestic market. Main businesses continue to make positive profit in the year.

Annotation 2. Compiling basis of financial statement

Compilation of financial statement of the company is based on continuous business according to actual trade based on continuous operations and actual occurred transactions and matters, and in according to the original Accounting Standards for Business Enterprises promulgated before Feb.15, 2006 and original Accounting System for Business Enterprises (hereinafter refers to Original Accounting Standards and Systems for Business Enterprises) promulgated on Dec.29, 2000 by Ministry of Finance. Since Jan.1, 2007, the Company implemented Accounting Standards for Business Enterprises (hereinafter refers to Accounting Standards for Business Enterprises) promulgated in Feb.15, 2006 by Ministry of Finance. The financial statement was the first financial statement compiled based on Accounting Standards for Business Enterprises.

While compiling the financial statements, the comparative data between the period-begin amount in balance sheet and the same period of last year in profit sheet were taken retroactive adjustment according to the relevant regulations on 5th to the 19th item in Accounting Standard for Business Enterprises No. 38 - First time adoption of Accounting Standards for Business Enterprises and Information Disclosure Standard Interlocution No.7 of Companies Publicly Issuing Securities---Comparison on Compilation and Disclosure of Financial Accounting Information During the Transition Period of New and Former Accounting Standards and relisted based on Accounting Standards for Business Enterprises.

The financial statement of the Company compiled based on the aforesaid compilation basis conformed to the requirements of Accounting Standards for Business Enterprises; reflected the financial status of the Company as of Dec.31, 2007 truly and completely and the operation results and cash flow of year 2007

Annotation 3. Approving and delivering person of financial report and the approving and delivering date of financial report.

The financial report of the Company was approved and delivered by the 5th meeting of 7th the board of directors dated.

Annotation 4. Compilation method of main accounting policy, accounting estimate and consolidated financial statement.

1. Accounting policy

Accounting policy of the company complies to "Enterprise Accounting Standard 2006" and application guidance issued by Ministry of Finance People's Republic of China as 【2006】3 of accounting and financial.

2. Fiscal year

It shall adopt calendar year, namely, one calendar year means period from January 1th to December, 31st.

3. Recording currency

RMB is used as the recording currency.

4. Foundation to charge to an account and price-calculating principle

Foundation to charge to financial accounting is accrual basis. Price-calculating principle of every asset (except other price-calculating principles or required by "Enterprise Accounting Standard") refers to historical cost when obtaining.

5. Foreign-currency business, translation and accounting methods of foreign currency statement.

Foreign currency payment shall be translated into recording currency amount by adopting spot exchange rates issued by People's Bank of China during initial confirmation.

Treatments of foreign currency cash items and foreign currency non-cash items on balance sheet date are as follows：

1）Foreign currency cash items shall be translated by spot exchange rates on balance sheet date. Exchange differences caused by difference of spot exchange rates of balance sheet date and that during initial confirmation or that of former balance sheet date is accounted for current gains or losses.

2）Foreign currency non-cash items measured by historical cost can be translated by exchange rates of transaction date without changing recording currency amount.

3）Foreign currency non-cash items measured by fair value are translated by exchange rates on fair value confirmation date. Difference of translated recording currency amount and original carrying amount is accounted for current gains or losses as variation treatment of fair value.

4) Exchange gains or losses caused by debts with regard to construction of fixed assets shall be handled according to capitalization principle of borrowing expenses. Exchange gains or losses with regard to development of real estate shall be capitalized before completion of real estate.

6. Defined standard of cash equivalent

The company uses investment with short holding period (generally refers to three months form procurement date), strong liquidity, eligibility to convert into cash of known amount and very small value variation risk as cash equivalent during preparation of cash flow statement.

7. Translation method of financial instruments

Financial instruments of the company include financial assets and financial debts.

1) Accounting for financial assets：

--- Confirmation standard of fair value of financial assets

Confirmation standard of fair value of financial assets of the company is as follows：

A. Price of balance sheet date is used as fair value if there are financial assets in active market.

B. Fair value is confirmed by present value calculated by appropriate discount rate (current bank loan rate is generally used as discount rate) according to future cash flow if there are no financial assets in active market.

Classification of financial assets

Financial assets of the company are classified as follows：

A. Financial assets measured by fair value and whose variation is accounted for current gains or losses（including tradable financial assets and financial assets measured by fair value and whose variation is accounted for current gains or losses）；

B. Holding or due investment；

C. Receivable accounts；

D. Financial assets can be sold

Measurement of financial assets

A. Initially confirmed financial assets shall be measured by fair value. Relevant transaction expenses of financial assets which are measured by fair value and whose variation is accounted for current gains or losses shall be accounted for current gains or losses directly；Relevant transaction expenses of other kinds of financial assets shall be accounted for initial confirmation amount.

B. The company will measure financial assets consequently according to fair value without deducting possible transaction expenses during future financial assets treatment. However, following conditions are not included：

① Holding or due investment and receivable accounts shall be measured according to amortized cost by practical rate method；

② Equity instrument investment which has no active market or no quotation in active market and whose fair value can not be measured and derivative financial assets which link to equity instruments and shall be settled by delivery of equity instruments shall be measured by cost.

C. Difference of reclassified fair value of financial assets and cost of book value due to classification change of financial assets caused by business holding purpose change shall be accounted for capital reserves. It shall be accounted for current gains or losses when confirmation is terminated or value is depreciated.

Depreciation of financial assets

Carry out depreciation test of book value of financial assets except those which shall be measured by fair value and whose variation is accounted for current gains or losses on balance sheet date. Objective evidences show that when financial assets depreciate, the difference of expected cash flow present value of financial assets and book value shall be reserved and accounted for current gains or losses.

Objective evidences of depreciation of financial assets shall include following contents：

A. Issue party or debtor has serious financial difficulties；

B. Debtor has breached contract clauses, such as breach or exceeding the time limit to pay for interests or corpus；

C. The company concedes to debtor who has difficulty by considering economical or legal factors；

D. Bebtor may have bankruptcy or other financial reorganizations because of uncertainty of continuous business；

E. The company's financial assets can not continue to trade in active market because of serious financial difficulty of issue party；

F. The company can not recover investment cost because of serious disadvantageous changes of technical, market, economical and legal environment of debtor；

G. Fair value of equity instrument investment falls seriously or non-provisionally；

H. Although we can not determine whether cash flow of a certain asset of financial asset combination decreases or not, the company discover that expected future cash flow since initial confirmation of the group of financial assets has decreased and it can be measured after overall evaluation according to open data.

I. Other objective evidences which can show depreciation of financial assets.

Measurement of depreciation loss of financial assets

A. Financial assets measured by fair value and whose variation is accounted for current gains or losses need no depreciation testing；

B. Measurement of depreciation loss of holding or due investment：The difference of expected future cash flow present value and book value at the end of period shall be reserved and accounted for current gains or losses；

C. Measurement of depreciation loss of receivable accounts：The company shall adopt allowance method of bad debt loss for translation, carry out depreciation test of receivable accounts and prepare for reserve in bad debt on balance sheet date.

① Carry out depreciation test of receivable accounts with large amount individually. If objective evidences show that the value has depreciated, the company will confirm depreciation loss and prepare for reserve in bad debt according to difference of future cash flow present value and book value.

② Reserve 3‰ of sum of receivable accounts at the end of year and other receivable accounts as for receivable accounts with not large amount and un-predicated receivable accounts after individual test. Preparation of bad debt reservation is

accounted for current management expenses.
③ Reserve 100% of bad debts after individual confirmation of bad debts.
Confirmation standard of bad debts of the company is as follows：① Property of debtor can not be recovered after payment due to bankruptcy or death；② Debtor can not pay for due debts with obvious evidence.
D. Depreciation judgment of financial assets that can be sold：The financial assets can be thought to depreciate if fair value of the financial asset decreases continuously and non-provisionally.
Gains or losses caused by variation of fair value of financial assets shall be handled according to following stipulations：
A. Gains or losses caused by variation of fair value of financial assets measured by fair value and whose variation is accounted for current gains or losses shall be accounted for current gains or losses.
B. Gains or losses caused by variation of fair value of saleable financial assets can be accounted for owners equity directly except exchange rate difference caused by depreciation loss and foreign currency cash financial assets. They shall be accounted for current gains or losses when financial assets are transferred confirmation termination.
C. Exchange rate difference caused by saleable foreign currency cash financial assets shall be accounted for current gains or losses. Interests of saleable financial assets calculated by actual rate method shall be accounted for current gains or losses；Cash dividends of saleable equity instrument investment shall be accounted for current gains or losses during announcement of dividends issuing of invested unit.
2）Accounting of financial debts
Financial debts are divided to following two categories：
A. Financial debts measured by fair value and whose variation is accounted for current debts include transaction financial debts and financial debts measured by fair value and whose variation is accounted for current gains or losses.
B. Other financial debts.
Relevant transaction expenses of financial debts which are measured by fair value and whose variation is accounted for current gains or losses shall be accounted for current gains or losses directly；Relevant transaction expenses of other kinds of financial debts shall be accounted for initial confirmation amount.
Consequent measurement of financial debts shall be handled according to following principle：
A. Financial debts measured by fair value and whose variation is accounted for current gains or losses shall be measured by fair value.
B. Equity instrument which has no active market or no quotation in active market and whose fair value can not be measured and derivative financial debts which link to equity instruments and shall be settled by delivery of equity instruments shall be measured by cost.
Financial debts measured by fair value and whose variation is accounted for current debts shall be accounted for current gains or losses.
Difference of book value of confirmation termination and paid consideration during

complete or partial confirmation termination of financial debts shall be accounted for current gains or losses.

8, Accounting method of stock in trade

Stock in trade shall be divided into raw material, products in the process, commodity stocks, low-value consumption goods, etc.

Procurement and warehousing of every kind of stocks in trade shall be valuated according to actual cost. Cost of holding inventory includes procurement cost, processing cost and other expenses which belong to cost of holding inventory and disbursement which meets capitalization conditions of borrowing costs. Stock quantity shall be determined by perpetual inventory system. It shall be valuated by weighed average method when the stock quantity is issuing.

Low-value consumption goods shall adopt one-off amortization method.

Prepare for inventory falling price reserves of goods at the end of period whose costs are unexpected to recover for damaged stocks, completely or partially worn stocks or those whose sale prices are less than costs on basis of wall-to-wall inventory of stock-in-trade. Define inventory falling price reserves according to difference of cost of single stock item and net realizable value and it shall be accounted for current gains or losses.

9, Translation method of long-term investment on stocks

Long-term dividend investment reflects that of subsidiary company, consortium and joint venture held by the company. In the meanwhile, it includes equity investment of invested unit without control, common control or important influence, quotation in active market and measurement of fair value.

The company will calculate long-term dividend investment caused by enterprise combination and that except for enterprise combination. Calculation is divided into four phases including initial cost confirmation, consequent measurement, income and settlement.

<u>Confirmation of initial investment cost：</u>

（1）Initial investment cost of long-term dividend investment of the company caused by enterprise combination form is determined according to following methods：

A. Long-term dividend investment caused by enterprise combination under the same control

① Unify accounting policy and accounting period of combined party first under premise to adhere to significance principle.

② Obtained share of book value of owners equity of combined party on combination date shall be thought as initial investment cost of long-term dividend investment when the company adopts methods of payment in cash, conversion of non-cash capital or obligation incurred as combined consideration. Adjust capital reserves--stock premium of the company according to difference of initial investment cost and paid cash, transferred non-cash capital and book value of undertaken debts；Adjust reinvested earnings when amount of stock premium is insufficient.

③ The company will use equity securities as combined consideration. Aggregate nominal amount of shares shall be used as capital stock. Adjust capital reserves--stock premium according to difference of initial investment cost of long-term dividend

investment and aggregate nominal amount of shares；Adjust reinvested earnings when amount of stock premium is insufficient.
④ Every direct relevant expense during combination, including auditing expense paid for enterprise combination, evaluation expense, legal service expense and so on shall be accounted for current gains or losses during occurrence.
⑤ Securities issued for enterprise combination or commission charges, brokerage expenses and so on paid for other debts shall be accounted for issued securities and initial measurement amount of other debts.
⑥ Commission charges, brokerage expenses and so on caused by issuing of equity securities during enterprise combination shall offset gain on disposal of assets. Offset capital reserves, surplus reserves, undistributed profit sequentially if gain on disposal of assets is insufficient.
B. Long-term dividend investment caused by enterprise combination under different control
① Combination cost of one-off enterprise combinations of capital, occurred or undertaken debts paid for control rights of purchased party on procurement date of the company and fair value of issued equity securities. Difference of fair value and book value shall be accounted for current gains or losses.
② Combination cost of enterprise combinations by multiple transactions and step-by-step dividend obtainment is sum of every transaction cost.
③ Every direct relevant expense of the company during enterprise combination shall be accounted for enterprise combination cost.
④ If expected future items may occur on procurement date and the influence amount of combination cost can be measured under promise of future items that may influence combination cost in combination contract or agreement, it shall be accounted for combination cost.
⑤ The company will confirm difference of procurement cost and fair value of recognizable capital of combined party obtained in combination as commercial goodwill；Commercial goodwill after initial confirmation shall be measured by difference of cost and aggregate depreciation. Difference of procurement cost and fair value of recognizable net capital of combined party obtained in combination shall be accounted for current gains or losses.
Fair value of recognizable net capital of combined party refers to difference of fair value of recognizable capital of combined party obtained in combination and debts or fair value with debts.
The company will confirm every item of recognizable capital, debt of combined party which meets following conditions individually：
① The company will confirm individually and measure according to fair value if economical interests of other assets (not limited to original assets confirmed by combined party) besides intangible assets of combined party during combination may flow into the company with reliable measurement.
Intangible assets obtained in combination and whose fair value can be reliably measured can be confirmed as intangible assets and measured according to fair value.
② Other debts whose implementation of relevant obligations may lead economical

interests flow out of the company with reliable measurement of fair value besides existing debts obtained by combined party during combination shall be confirmed individually and measured according to fair value.

If combined party may have debts obtained in combination with reliable measurement of fair value, it shall be confirmed individually and measured according to fair value.

(2) Long-term dividend investment obtained out of enterprise combination shall enter in an account during obtainment according to initial investment cost. Initial investment method shall be defined according to following methods：

A. Long-term dividend investment purchased in cash shall be used as initial investment cost according to total price of actual payment (including relevant expenses such as paid taxation, commission charges).

B. Long-term dividend investment obtained by issuing equity securities shall be used as initial investment cost according to fair value of issuing of equity securities.

C. Long-term dividend investment paid by investor shall be used as initial investment cost according to value stipulated by investment contract or agreement except unfair value stipulated by contract or agreement.

D. Long-term dividend investment obtained by debtor by way of payment of debts of non-cash capital or that converted by receivable creditor's rights shall be used as initial investment cost according to fair value and receivable relevant expenses of taxation.

E. If transaction of conversion from non-cash trade to long-term dividend investment has commercial essence, converted long-term dividend investment shall be used as initial investment cost according to fair value and receivable relevant expenses of taxation；If the transaction has no commercial essence, sum of book value caused by capital conversion by invested long-term dividend investment and receivable relevant expenses of taxation shall be used as initial investment cost.

Price of actual payment includes announced but not drawn cash dividend. Difference of price of actual payment and announced but not drawn cash dividend shall be used as initial investment cost.

<u>Consequent measurement of long-term dividend investment</u>

Consequent measurement of long-term dividend investment of the company shall be calculated by cost method and equity method.

The company's investment to subsidiary company and long-term dividend investment which has no common control or significant influence to invested unit, quotation in active market and reliable measurement of fair value shall be calculated by cost method. Adjust cost of long-term dividend investment calculated by cost method during super addition or recovery of investment.

The company will calculate joint venture which has common control to invested unit and consortium which has significant influence to invested unit by equity method.

<u>Confirmation method of long-term dividend investment gains</u>

Confirm gains of enterprises which are calculated by cost method when invested unit declares to issue cash dividend but the investment income is limited to obtained quota of aggregate net profit of invested unit after receiving investment. If obtained cash dividend declared by invested unit exceeds above amount, the surplus shall be used as offset of initial investment cost to offset book valve of investment.

As for enterprises which are calculated by equity method, net gains or losses after receiving stock rights of invested unit shall be thought as the foundation. It is required to confirm investment gains and adjust book value of long-term dividend investment at the end of every accounting period according to net profit or share of net loss of invested unit that the company shall share or undertake. The company shall decrease book value of long-term dividend investment correspondingly according to calculated profit or cash dividend declared by invested unit.

Disposal of long-term dividend investment

Difference of book value of investment and actually obtained price during disposal of equity investment shall be used as current investment gains.

10, Investment real estate

1) Definition of investment real estate

Investment real estate of the company refers to real estate whose purpose includes rental-earning, capital appreciation or both.

2) Scope of investment real estate

Investment real estate of the company includes leased building.

3) Investment real estate of the company shall be measured by cost mode.

Measure, calculate and deduct depreciation charge or amortize investment real estate under cost mode according to regulations of "Accounting Standard for Business Enterprises No. 4-Fixed assets" and "Accounting Standard for Business Enterprises No. 6- Intangible assets"；Handle depreciation according to regulations of "Accounting Standard for Business Enterprises No. 8-Impairment of assets".

11. Valuation and depreciation methods of fixed assets

Fixed assets refer to the tangible assets held for commodity production, labor service, lease, operation or management and with a use term of over 1 fiscal year. The related economic interest to the fixed assets is likely to flow into the company and the cost of it can be measured reliably.

1). Fixed assets of the company shall be initially measured according to the cost.

The fixed assets include purchasing price, related taxes, and other expenditures that could be directly included in this assets and is used before making fixed assets in the usable condition, such as transportation fees, loading and unloading fees, service charge of career men, estimated discarding expense and etc.

As to the fixed assets which are bought at a total price, according to the fair value proportion of every fixed asset, we distribute the total cost and fix their cost.

The cost of the self-built fixed asset is composed of the expenses needed in constructing before the expected applicable state.

The loan cost expenditure which accords with the capitalization requirements is recorded in fixed asset cost.

As to the fixed asset of which deferred payment is made under the abnormal credit condition, the fixed asset cost is measured on the basis of the present value of the purchasing price. The margin between the actual price and the present value of purchasing price, except the part which is capitalized according to *China Accounting Standard No.17—loan cost*, shall be recorded in current profit and losses.

2). If the follow-up expenditures related to fixed assets are proved to make economic interests which are going to flow to the enterprise and the cost can be measured reliably, then it should be capitalized.

3). At least, the service life, the estimated residual value and the depreciation method of the fixed asset should be checked at the end of the year, and discover: if the expected service life is discrepant to the initial, adjust the service life of the fixed asset, if the estimated residual value is discrepant to the initial, adjust it, and if the expected achieving method of the economic interest related to the fixed asset is changed greatly, the depreciation method of the fixed asset should be changed.

4). The changes to the service life, estimated residual value and the depreciation method of the fixed asset should be dealt as accounting estimate change.

5). The depreciation of fixed assets adopts the straight-line method to set the average, and according to the original value of various fixed assets and the expected service life of fixed assets minus residual value ratio (10% of the original) to set the depreciation rate, the year assorted depreciation rate as follows:

sort of the asset	service life	year depreciation ratio
houses and buildings	20 years	4.5%
machinery and equipment	10 years	9%
office equipment	5 years	18%
electronic equipment	5 years	18%
means of transportation	5 years	18%
other equipment	5 years	18%

6). If the following occur, on the date of balance sheet, the fixed asset should be measured according to the lesser one between the book value and the recoverable amount, and withdraw preparation of fixed asset measurement to the margin when the recoverable amount is less than the book value:

A. It is proved that the asset is outdated or its entity is ruined,

B. The asset has been or will be left unused, ended to use, or planed to be dealt with in advance,

C. The enterprise interior report shows that the economic performance of the asset is or will be less than expected,

D. Other evidence shows that the asset may have been under devaluating.

After the recognition to the loss of asset devaluation, adjust the depreciation expense with asset devaluation to depreciate the asset after deducting the asset devaluation in the rest service life of the asset.

7). It shouldn't be conversed in the future accounting period after the recognition of the asset devaluation loss.

12. Measurement method of construction in progress

The construction in progress is recorded in book according to the actual expenditure of each construction. When the built asset is in the expected applicable state, transfer to the fixed assets according to the final accounts of the construction, construction budget, cost or the actual cost measurement of the construction.

Before the fixed assets achieve the expected applicable state, the loan cost which accords with the capitalization requirements and foreign currency conversion margin should be recorded in construction cost, and after that they should be recorded in current financial expense.

On the date of balance sheet, for the construction in progress which is proved to have been devaluated or stopped construction and estimated that it will not be reconstructed within three years, the recoverable value should be estimated, and withdraw devaluation preparation according to the margin when the recoverable amount is less than the book value.

13. Measurement method to loan cost

Loan costs refer to the interest, amortization of overate or discount price （including commission charge and so on） and difference of currency exchange caused by borrowing.

1). Capitalization requirements, if the following three requirements are all achieved, the loan cost before the fixed asset constructed achieving the expected applicable state should be capitalized.

(1) The capital expenditure has been materialized

(2) The loan cost has been materialized

(3) The needed purchasing and construction activities for making the asset achieve the expected applicable state have already started

2) Recognition to the capitalization amount

(1) The special loan borrowed for constructing or producing asset which accords with the capitalization requirements is recognized with the actually materialized interest expense of the special loan minus the interest income of the unused loan deposited in bank or the investing profit from application to the temporary investment.

(2) For the general loan used to construct or produce asset which accords with the capitalization requirements, the company calculate the interest amount which should be capitalized of the general loan by multiplying the weighted average of the asset expenditure which is the exceeded part of the accumulated asset expenditure comparing with the special loan to the capital ratio of the general loan used. The capital ratio is calculated according to the weighted interest rate of the general loan.

(3) If the discount or premium occurred to the loan, confirm the amortization value of every accounting period and adjust the interest amount of every period according to the actual interest rate.

(4) During the capitalization, the exchange margin of the principal and interest of the foreign currency special loan should be capitalized and recorded in the asset cost which accords with the capitalization requirement.

(5) As to The auxiliary expense of the loan, if it is materialized before the constructed asset, accordant to the capitalization requirement, achieving the expected

applicable state or salable sate, it should be capitalized while materializing according to the materialized amount and recorded in the asset cost accordant to the capitalization requirements. If it is materialized before the constructed asset, accordant to the capitalization requirement, achieving the expected applicable state or salable sate, it should be recognized as expense while materializing according to the materialized amount and recorded in the current profit and losses.

(6) Capitalization of loan costs will be stopped when abnormal suspension occurrs to assets accordant to capitalization period while purchasing or construction goes on continuously for 3 months. The loan cost during suspension will be determined as expenses and recorded in current profit and losses until the constructing activity of assets restarted.

14. Valuation and amortization method of intangible assets

1) For the intangible asset purchased or obtained through legal procedures, it should be recorded according to the actual price. For the accepted intangible asset as investment, it should be recorded to the contract or recognized measurement. For the intangible asset developed by ourselves, all the expenditures during researching should be recognized as expense and recorded in current profit and losses, and the expenditures during researching shall be capitalized if it accords with the following requirements:

(1) It is technically feasible to finish the intangible asset to make it able to be used or sold

(2) There is an intention to complete the intangible asset to use or sell

(3) The intangible asset can bring about economic benefit

(4) Having enough technical, financial and other resources to support to complete the development of the intangible asset and capable of using or selling it

(5) The expenditure to the developing period of the intangible asset can be measured reliably

2) For the intangible asset of which the service life can be recognized, amortize with the straight-line method within its validity period.

3) For the intangible asset of which the service life can not be recognized, it will not be amortized within the holding period.

4) On the date of balance sheet, the intangible asset should be measured according to the lesser one between the book value and the recoverable amount, and withdraw devaluation preparation to the margin when the recoverable amount is less than the book value. Check the service life and amortization method of the intangible asset of which the service life is limited to ensure whether the service life and amortization method of the intangible asset should be changed or not. For the one need to be re-estimated, change the amortization time limit and method.

After the recognition to the devaluation losses of the intangible asset, adjust the amortization expense of the devaluated intangible asset in the future, and amortize according to the book value after deducting the asset devaluation.

It should not be conversed in the future accounting period after the recognition to the intangible asset devaluation.

15. The measurement method of long-term unamortized expenses

1) Organization costs: gather the organization costs in the long-term unamortized expenses when they occur, and recorded in the current profit and losses completely in the first monthly when the company begins to operate.

2) Long-term unamortized expenses: evaluate according to the actual materialized amount, if there is definite beneficial period, amortize according to the beneficial period, and if there is no beneficial period, amortize averagely in five years.

3) Fitment cost: amortize according to the beneficial period and the shorter fixed number of year of two fitments, usually the amortization is less than 5years.

16. Recognition principle of anticipated liabilities

If the duty related to the contingent items accords with all the following requirements, it should be recognized as liability:

1) The duty is the current duty of the company

2) The execution of the duty may cause outflow of economic interest from the company

3) The duty can be measured reliably

17. Revenue Recognition

1) The recognition principle and method of product selling income

(1) The product selling income of the company shall be recognized when it meets all the following requirements:

A. the main risk and reward of the product property have been transferred to the purchasers

B. the company has not retained the continued management authority usually related to the property or control effectively the products sold.

C. the income can be measured reliably

D. the related economic interest is likely to flow into the company

E. the related cost materialized or going to be materialized can be measured reliably

(2) The company confirms the amount of product selling income according to the contract or negotiated price received or going to be received from the purchasers except the unfair contract or negotiated price received or going to be received.

(3) The deferred method is applied to the collection of the contract or negotiated price, and the product selling amount is recognized according to the fair value of the receivable contract or negotiated price. The margin between the contract or negotiated price and their fair value should be amortized with the effective interest method during the period of contract or agreement and recorded in the current profit and losses.

(4) If the contract or agreement signed by the company with others includes both products selling and rendering of service which can be distinguished and measured separately, product selling should be dealt with as product selling, and the rendering of service should be dealt with as rendering of service.

(5) If the product selling and rendering of service cannot be distinguished or cannot be measured separately though distinguished, both of them should be dealt with as product selling.

(6) If the product recognized as product selling income is returned back, counteract

the current product selling income while occurring.

2) Rental income

The rental date set in the contract or agreement signed by the company and the leaser is taken as the beginning to confirm rental income, and the amount is amortized monthly to confirm the rental income.

3) The usufruct income of the released assets will be recognized only when it meets all the following requirements: the related economic interest is likely to flow into the company and the income can be valuated reliably.

The usufruct income of the released assets is recognized according to the following operations: interest income, recognized according to the time and effective interest rate of the capital used by others, other charges income, recognized by the charging time and method of related contract and agreement.

4) Rendering of service: the construction started and finished in the same year, when the service has been provided, and the charge or the charge proof has been collected, the service income should be recognized, if the beginning and ending of the service belongs to different accounting year, and the result to the rendering of service can be valuated reliably, the related service income should be recognized according to the percentage of completion on the date of balance sheet. The detailed disposal is as follows:

(1) If the result to the rendering of service can be valuated reliably on the date of balance sheet, the service income should be recognized according to the percentage of completion. The total income of rendering of service should be recognized according to the received or to be received contract or agreement price.

(2) On the date of balance sheet, the current service income should be recognized by multiplying the total service income to the completion rate of progress and deducting the accumulated service income recognized in the former accounting period. At the same time, carry forward the current service cost by multiplying the estimated total service cost to the completion rate of progress and deducting the accumulated service cost recognized in the former accounting period.

(3) If the result to the rendering of service cannot be valuated reliably on the date of balance sheet, deal separately according to the following conditions: for the materialized service cost which is estimated to be compensated, confirm the service cost according to the materialized service cost, and carry forward the service cost with the same value, for the materialized service cost which is estimated not to be compensated, record the materialized service cost in current profit and losses, and do not confirm the service income.

5) Property management income, when the property management service is provided, the related economic interest can flow into the company and the related cost can be measured reliably, the property management income should be recognized.

18. Measurement method to employees' payment

1) Recognition and measurement to employee's payment

All kinds of payments to the employees for the service they provided should be measured as employees' payment in the company.

For measurement to the accrued wages, if the withdraw basis and withdraw proportion have been regulated by the nation, withdraw according to the national standard. If there is no definite withdraw basis and proportion, estimate the current accrued wages rationally according to the related payment system. If the current actual amount is more than the estimated amount, compensate the accrued wages. If the current actual amount is less than the estimated amount, withdraw the exceeded accrued wages.

As to the accrued wages of which the validity is over one year after the date of balance sheet with the service provided by employees, record the discount value of the accrued wages in the related asset cost or current profit and losses by taking the corresponding bank lending rate as discounting rate.

For the non-currency welfare to which the beneficiary cannot be recognized, record it directly in the current profit and losses and accrued wages.

2) The dismissed welfare is recorded in the current management cost, and the accrued wages is recognized.

For the planed dismissing, follow the dismissing planed item, estimate and confirm rationally the accrued wages result from dismissing welfare. The quantity of the employees planned to be dismissed according to the planning item and each of their dismissing compensation is withdrawn as accrued wages and recorded in accrued wages.

For the case which the material dismissing is finished within a year and the payment time is over a year, record the discount value as the accrued wages by taking the corresponding bank lending rate as discounting rate.

3) Recognition and measurement to the retiring welfare

If there is a retiring welfare system in the company, follow the standard of the system, record the discount value as the accrued wages in the current profit and losses by taking the corresponding bank lending rate as discounting rate.

19. Measurement method of liabilities restructuring

1) Measurement method of debt restructuring

If the liabilities conditions are changed, take the fair value after the liabilities conditions are changed as the recorded value of the liabilities after restructuring. For the margin between the book value and the recorded value of the restructured liabilities, if the anticipated liabilities is involved, the margin between the recorded value of the liabilities after restructuring and the anticipated liabilities value should be recorded in current profit and losses.

If the liabilities restructuring is carried out by combining the method of discharging with cash, discharging with non-cash assets, forwarding the liabilities to assets, changing other liabilities conditions, counteract the book value of the restructured liabilities and the margin between the book value and recorded value of the restructured liabilities with the cash paid, the fair value of the transferred non-cash asset and the fair value taking shares in turn. If the anticipated liabilities are involved, the margin between the recorded value of the liabilities after restructuring and the anticipated liabilities value should be recorded in current profit and losses.

2) Measurement method of credit restructuring

If the credit of the company is discharged with cash, record the margin between the book balance of the restructured credit and the cash received in the current profit and losses. If the credit has been withdrawn devaluation preparation, first counteract the devaluation preparation with the margin, for the part of the devaluation preparation which is deficient in counteracting; record it in the current profit and losses.

For the discharging with non-cash assets, record the fair value of the received non-cash assets in book, and record the margin between the book balance of the restructured credit and the fair value of the received non-cash asset in current profit and losses after deducting the withdrawn devaluation preparation.

For the credit forwarded to assets, confirm the fair value taking shares as the investment to debtors. For the margin between the book balance of the restructured credit and the air value of the share, if the devaluation preparation to the credit has been already withdrawn, first counteract the devaluation preparation with the margin, for the part of the devaluation preparation which is deficient in counteracting; record it in the current profit and losses.

If the credit is discharged by combining the method of discharging with cash, discharging with non-cash assets, forwarding the liabilities to assets, changing other liabilities conditions, counteract the book balance of the restructured credit and the margin between the book balance and the fair value of the share with the cash paid, the fair value of the received non-cash asset and the fair value taking shares in turn. If the devaluation preparation to the credit has been already withdrawn, first counteract the devaluation preparation with the margin, for the part of the devaluation preparation which is deficient in counteracting; record it in the current profit and losses.

20. Accounting method to income tax

The balance sheet liability method is applied to the accounting of the income tax expense

1) On the date of balance sheet, according to the discrepancy between tax law and accounting, it should be divided to taxable temporary discrepancy and counteractable temporary discrepancy and recognized as deferred income tax asset and deferred income tax liabilities separately, and measured with anticipated taxable (or given back) income tax value according to the tax law.

If the effective tax rate is changed, reevaluate the recognized deferred income tax asset and deferred income tax liabilities with the new tax rate, and record the influenced value in the income tax expense corresponding to the tax rate changes. Record the income tax caused by enterprise combination and the exchanges occurs directly in owner's equity in current income.

On the date of balance sheet, check the book value of the deferred income tax asset. If it is proved that in the future there may be no sufficient taxable income to counteract the deferred income tax asset, deduct the book value of the deferred income tax asset according to the discrepancy between them.

2) Recognition to the deferred income tax asset

(1) The company recognizes the deferred income tax asset result from the

counteractable temporary discrepancy in the limit of the taxable income which is likely to be obtained to counteract the counteractable temporary discrepancy. However, the deferred income tax asset which own the following features and result from the initial recognition to assets and liabilities in exchanging should not be recognized.

A. the exchange is not enterprise combination

B. while exchanging, neither the accounting profit nor the taxable income is influenced (or the loss can be counteracted)

(2) For the counteractable temporary discrepancy related to investment to subsidiary companies, affiliated companies and joint ventures, if it meets all the following requirements, the company recognizes the corresponding deferred income tax asset:

A. the temporary discrepancy is likely to be conversed in the foreseeable feature

B. the taxable income is likely to be obtained to counteract the temporary discrepancy in the future

3) Recognition to deferred income tax liabilities

The company recognizes all the deferred income tax liabilities result from taxable temporary discrepancy except the deferred income tax liabilities result from the following conditions:

(1) Initial recognition to goodwill

(2) The initial recognition of asset or liability caused by exchanges owning all the following features:

A. the exchange is not enterprise combination

B. while exchanging, neither the accounting profit nor the taxable income is influenced (or the loss can be counteracted)

(3) For the counteractable temporary discrepancy related to investment to subsidiary companies, affiliated companies and joint ventures, if it meets all the following requirements, the company recognizes the corresponding deferred income tax liabilities:

A. the investing company has the ability to control the conversing time of the temporary discrepancy

B. it is likely that the temporary discrepancy in the foreseeable will not be conversed

4) Measurement to income tax expenses

The company records the current income tax and deferred income tax in the current profit and losses as income tax expenses income, except the income tax result from the following cases:

(1) Enterprise combination

(2) The exchanges or items directly recognized in the owner's equity

21. Preparation method for consolidated accounting statements

The principle to consolidate accounting statements: consolidate the accounting statements of the invested companies of which more than 50% of its voting capital are belong to parent company or the subsidiary companies to which parent company has the actual control power though no more than 50% of its voting capital are belongs to parent company.

The method is to take the accounting statements of the parent company and the included subsidiary companies as basis, prepare according to other related data after adjusting the long-term investment on shares from the parent company to the subsidiary companies according to the equity law. While consolidating, counteracting the interior exchanges between the parent company and the subsidiary companies or among the subsidiary companies such as important investment, exchange, stock, purchase and sell and unfulfilled profit, and calculate the minority shareholders' equity.

The parent company is to prepare the consolidated accounting statement.

Shenzhen China Bicycle Company (Holdings) Limited

Annotation 5: Accounting policies, accounting estimation changes, accounting error rectification and the influence of changes to the range of the consolidated accounting statement

1. Accounting policy changing:

From Jan. 1st 2007, the Company began to execute the Accounting Standards for Business Enterprises issued by the ministry of finance in 2006, and prepare the beginning balance sheet in 2007 and the income statement in the same period of last year according to *Accounting Standards for Business Enterprises No.38--First time adoption of Accounting Standards for Business Enterprises* (hereafter referred as "new accounting standard" for short) and *Question and Answer No.7 Regarding the Rules on Information Disclosure for Companies That Publicly Offer Securities—Compilation and Disclosure of Comparative Financial and Accounting Information During the Transition Period between the New and Old Accounting Standards.*

1) Adjustment to the unrecognized investment loss

According to the regulations of *Accounting Standards for Business Enterprises No.33-Consolidated financial statement*, abolishing the unrecognized investment loss in the balance sheet and profit statement causes reducing of RMB 69, 837,014.72 Yuan to the undistributed profit belongs to the parent company at the beginning.

2) Adjustment to the deferred income tax asset

According to the new accounting standard, the Company has added the income tax influential value of RMB 9,849,555.22 result from the liability of RMB 65,663,701.43 exempted from the Pacification Agreement signed with International Financial Corporation on March 29th 2007 to the subsistence income on Jan. 1st 2007. The adjustments all belong to the increased value of the equity of parent company.

3） Adjustment in consolidation scope

Because it had stopped operation before 2006, with losses made in every year and the net profit being negative, China Internatioanl had not been considered into consolidation according to the old Accounting Standard. While according to the new Accounting Standard, the Company will consolidate China International and make retroactive adjustment on the amount of period-begin, decreasing retained income of Jan 1st of 2007 with RMB 924,020.14.

2. Revision to accounting errors

During the liquidation of current account of the Company, it is found that the income RMB 7,229,274.45 Yuan of the previous year has not been counted. Related accounting error has been made and it is restated as follows:

(1) It is verified that after collection the debit balance of the subsidiaries with charge account and distributors with long account in the “account receivable-account receivable in 2005” of the controlled subsidiary Shenzhen Emmelle Industry Co., Ltd. is RMB 4,736,994.02 Yuan (including total debit balance RMB 3,545,347.30 Yuan and total credit balance RMB 8,282,341.32 Yuan). The balance is caused by the undercounted income of the Company resulting from sales income from buyout of inventory disposal and normal sales return after products buyout collected by Shenzhen Emmelle Industry Co., Ltd. on behalf of the Company before 2005, and detail account error during accounting treatment. Now the accounting error is restated and adjusted as follows, and the comparative financial statement of 2006 is adjusted:

Add RMB 4,736,994.02 Yuan to account receivable-Shenzhen Emmelle Industry Co., Ltd., at the same time, add RMB 4,041,830.03 Yuan to undistributed profit at the beginning of the year, and add RMB 695,163.99 Yuan to tax payable. Shenzhen Emmelle Industry Co., Ltd. adds RMB 4,736,994.02 Yuan to “account receivable-account receivable in 2005”, and correspondingly subtracts RMB 4,736,994.02 Yuan from account receivable- Shenzhen China Bicycle Company (Holdings) Limited.

(2) After Verifying the balance RMB 3,356,971.48 Yuan on the “expense in advance” account of the controlled subsidiary Shenzhen Emmelle Industry Co., Ltd., it is discovered that the balance is brand using charge which was not withdrawn by the Company in the previous years, including RMB 588,264.10 Yuan for 2003 and RMB 2,768,707.38 Yuan for 2004. The accounting error is restated and adjusted as follows, and the comparative financial statement of 2006 is adjusted:

Add RMB 3,356,971.48 Yuan to other account receivable-Shenzhen Emmelle Industry Co., Ltd., at the same time, add RMB 3,187,444.42 Yuan to undistributed profit at the beginning of the year, and add RMB 169,527.06 Yuan to tax payable. Shenzhen Emmelle Industry Co., Ltd. adds RMB 3,356,971.48 元 Yuan to other account payable-Shenzhen China Bicycle Company (Holdings) Limited, and correspondingly reduces the expense in advance.

3. Changes to the range of consolidation

China Bicycle (International) Co. Ltd.）（hereafter referred to as simply "China International"） is a company registered in J Hong Kong on August 7th , 2000 by two natural persons. According to the backup information for registration on March 4th, 2003, the company has been assigned the 19998 Hong Kong dollar shares of the 20000 Hong Kong dollars shares in total issued by China International. However, the finance and operation of China International is controlled by original shareholders. Therefore, the company has not put the China International into merger for the years before 2006.

On December 27th, 2006, China International reelected the members of Board and three directors in total are appointed. One natural person resigned the position of director and Yeqing, Lihai, two senior management of the company were elected as new directors. On January 4th, 2007 the original shareholders transferred the shares they held, 1 Hong Kong dollar shares to China Bicycle（Hong Kong）, Co., Ltd, the subsidiary of China International. On March 19th, 2007, China International modify the directors accreditation of deposit account in Hong Kong and Shanghai Corporation, which is the only valid assets of the company to the two news directors of the company. They can control the account by their signature. One of the appointed drawee is changed to Yeqing. Since the date, the Company acquired the working control to China International on both finance and Operation. Therefore, the Company has put it into the consolidated financial statement. Currently, China International is in the closed out state. As of the December 31st, 2007, the total assets are 32,781.14 RMB with net assets of - 856,842.38 RMB a retained profits of - 13,160.48 RMB.

Annotation 6: Tax

The main taxes adopted by the Company include: VAT, business tax, city construction and maintenance tax, extra charges for education and enterprise income tax, etc.

The respective tax rate of the turnover tax is: 17% for VAT, 5% for business tax, 1% for the city construction and maintenance tax, 3% for the extra charges for education.

The tax rate of enterprise income tax is 15%.

Annotation 7: Controlled subsidiaries and associated enterprises

1. Controlled subsidiaries

Name of controlled subsidiaries	Registered capital	Business scope	Investment amount	Shareholding proportion	Consolidated or not
China Bicycle (Hong Kong) Co., Ltd.	HK$5000,000	Distribution of bicycle and parts	5,350,000.00	99%	Yes
Shenzhen Anjule Property Management Co., Ltd.	￥2000,000	Self-owned property management	2,000,000.00	100%	Yes
Shenzhen Emmelle Industry Co., Ltd.	￥2000,000	Distribution of bicycle and parts	1,400,000.00	70%	Yes
China Bicycle (International) Co., Ltd.	HK$20,000		20,000.00	100%	Yes
China Bicycle (Ha’erbing) Co., Ltd.	￥1,200,000	Distribution of bicycle and parts	720,000.00	60%	No (1)
China Bicycle (Shangxi) Co., Ltd.	￥1,720,000	Distribution of bicycle and parts	1,204,000.00	70%	No
China Bicycle (Gansu) Co., Ltd.	￥600,000	Distribution of bicycle and parts	480,000.00	80%	No

Name of controlled subsidiaries	Registered capital	Business scope	Investment amount	Shareholding proportion	Consolidated or not
Jiujiang Huatian Real Estate Co., Ltd	US$1400000	Real estate developing and operation	3,621,631.00	100%	No
Hangzhou Zhongjiang Industry Co., Ltd	￥32,800,000	Real estate developing and operation	5,045,700.00	51%	No
Shenzhen Huajiaming Industry and Trading developing Co. Ltd	￥2,000,000	National commerce and commodity distributor	1,960,000.00	98%	No
China Bicycle (Jiangxi) Co., Ltd.	￥2,000,000	Distribution of bicycle and parts	551,668.30	55%	No
China Bicycle (Guangzhou) Co., Ltd.	￥2,000,000	Distribution of bicycle and parts	2,000,000.00	100%	No
China Bicycle (Hainan) Co., Ltd.	￥2,000,000	Distribution of bicycle and parts	350,000.00	70%	No
Jiangxi Hongji Real Estate Co., Ltd	HK$20,000	Real estate developing and operation	4,716,670.00	51%	No
Zoria Pte Ltd	SD100,000	Distribution of bicycle and parts	497,000.00	100%	No

According to requirements of new financial codes, the Company made liquidation and checking for the 11 zero-book-value and unconsolidated subsidiaries like China Bicycle (Ha'erbing) Co., Ltd, China Bicycle (Shangxi) Co., Ltd, China Bicycle (Gansu) Co., Ltd, Jiujiang Huatian Real Estate Co., Ltd, Hangzhou Zhongjiang Industry Co., Ltd, Shenzhen Huajiaming Industry and Trading developing Co. Ltd, China Bicycle (Jiangxi) Co., Ltd, China Bicycle (Guangzhou) Co., Ltd, China Bicycle (Hainan) Co., Ltd, Jiangxi Hongji Real Estate Co., Ltd and Zoria Pte Ltd.

2. Associated enterprises

Name of associated enterprises	Registered capital	Business scope	Investment amount	Share proportion
Hunan KYMCO Motorcycle Co., Ltd.	US$29500,000	Manufacture of automobile and motorcycle parts and so on	5,679,300.00	5.5%
Jiangxi Lihua Industry Co., Ltd.	￥130000,000	Commercial industry and service industry	35,315,474.40	39.83%
Shenzhen Golden Ring Printing Co., Ltd.	US$3700,000	Manufacture of bicycle, automobile and motorcycle parts and so on	14,883,560.00	38%
Chengdu Emmelle Technology	￥600,000	Development of computer	180,000.00	30%

Name of associated enterprises	Registered capital	Business scope	Investment amount	Share proportion
Co., Ltd.		software and hardware; machining, assembly, distribution and technical consultation of electric bicycle and other legal program		

Annotation 8: Notes to the main items presented in the financial statements (unless otherwise specified, the data below is after consolidation)

1. Monetary fund

		2007/12/31		2007/1/1	
Item	Currency	Original currency	Converted to RMB	Original currency	Converted to RMB
Cash	RMB	131,454.91	131,454.91	72,240.22	72,240.22
	Hong Kong dollar	1.25	9.13	68,394.27	68,715.72
	US dollar	1,894.27	1,773.76	34.25	267.45
Subtotal			133,237.80		141,223.39
Bank deposit	RMB	13,555,013.78	13,555,013.78	15,412,300.31	15,412,300.31
	Hong Kong dollar	53,044.89	347,619.39	20,265.84	21,216.84
	US dollar	13,107.84	12,273.92	48,808.73	405,112.85
Subtotal			13,914,907.09		15,838,630.00
Other monetary fund	RMB	-	-	-	-
Subtotal			14,048,144.89		15,979,853.39

2. Note receivable

Note type	2007/12/31	2007/1/1
Bank acceptance	1,673,960.00	-
Total	1,673,960.00	-

List as follows based on clients:

Name of client	Face amount	Reason	Expiry date
Shijiazhuang Dasong	100,000.00	Sale	2008.6.13
Jinan Yusign Sales Co., Ltd	100,000.00	Sale	2008.6.24
Jinan Yusign Sales Co., Ltd	65,696.00	Sale	2008.6.24
Jinan Yusign Sales Co., Ltd	100,000.00	Sale	2008.6.24
Jinan Yusign Sales Co., Ltd	100,000.00	Sale	2008.6.24
Jinan Yusign Sales Co., Ltd	100,000.00	Sale	2008.6.24
Jinan Yusign Sales Co., Ltd	100,000.00	Sale	2008.6.24

Jinan Yusign Sales Co., Ltd	100,000.00	Sale	2008.6.24
Jinan Yusign Sales Co., Ltd	100,000.00	Sale	2008.6.24
Zhengzhou Daming Technology and Trade Co., Ltd.	18,232.00	Sale	2008.6.12
Zhengzhou Daming Technology and Trade Co., Ltd.	97,997.00	Sale	2008.6.12
Zhengzhou Daming Technology and Trade Co., Ltd.	45,740.00	Sale	2008.6.12
Zhengzhou Daming Technology and Trade Co., Ltd.	13,320.00	Sale	2008.6.20
Zhengzhou Daming Technology and Trade Co., Ltd.	24,750.00	Sale	2008.6.20
Zhengzhou Daming Technology and Trade Co., Ltd.	22,430.00	Sale	2008.6.20
Zhengzhou Daming Technology and Trade Co., Ltd.	53,200.00	Sale	2008.6.20
Zhengzhou Daming Technology and Trade Co., Ltd.	25,520.00	Sale	2008.6.20
Zhengzhou Daming Technology and Trade Co., Ltd.	46,112.70	Sale	2008.6.25
Zhengzhou Daming Technology and Trade Co., Ltd.	16,923.80	Sale	2008.6.25
Zhengzhou Daming Technology and Trade Co., Ltd.	85,738.50	Sale	2008.6.25
Zhengzhou Daming Technology and Trade Co., Ltd.	113,950.00	Sale	2008.6.25
Zhengzhou Daming Technology and Trade Co., Ltd.	114,350.00	Sale	2008.6.25
After-sale service Department of Xi'an Fuxing Electric Bicycle	130,000.00	Sale	2008.6.24
Total	1,673,960.00		

3. Account receivable

Age of the account	2007/12/31			
	Amount	Proportion	Bad debt reserve	Net amount
Within one year	251,184.98	0.02%	95.85	251,089.13
1-2 years	24.00	0.00%	-	24.00
2-3 years	104,844.07	0.01%	17,560.08	87,283.99
Over 3 years	1,040,796,109.98	99.97%	1,040,652,456.59	143,653.39
Total	1,041,152,163.03	100.00%	1,040,670,112.52	482,050.51

Age of the account	2007/1/1			
	Amount	Proportion	Bad debt reserve	Net amount
Within one year	3,333,512.93	0.32%	1,274.31	3,332,238.62

1-2 years	2,497,751.35	0.24%	1,606.96	2,496,144.39
2-3 years	139,094.32	0.01%	19,505.33	119,588.99
Over 3 years	1,046,498,403.09	99.43%	1,041,761,409.07	4,736,994.02
Total	1,052,468,761.69	100.00%	1,041,783,795.67	10,684,966.02

(1) Risk analysis for the account receivable at the end of the period

Age of the account	2007/12/31			
	Amount	Proportion	Bad debt reserve	Net amount
Account receivable with single big amount	908,571,410.20	87.27%	908,571,410.20	-
Account receivable with no single big amount but with big risk after combined according to the characteristics of credit risk	132,224,699.78	12.70%	132,081,046.39	143,653.39
Other accounts receivable without single big amount	356,053.05	0.03%	17,655.93	338,397.12
Total	1,041,152,163.03	100.00%	1,040,670,112.52	482,050.51

The standard for account receivable with single big amount of the Company is set as RMB 5 million Yuan according to the business scale and business nature of the Company and settlement condition of clients.

(2) The balance at the end of the period does not include the account receivable of shareholders holding 5% (5% included) or above shares with voting rights of the Company.

(3) Total amount of the top five in the balance at the end of the period is RMB 683,071,013.01 Yuan, accounting for 65.53% of the total amount of account receivable.

(4) The main details of the bad debt reserve with big proportion （100% withdrawn） withdrawn accumulatively at the end of the current period for account receivable are as follows:

Debtor	Amount	With draw proportion	Amount of bad debt reserve withdrawn accumulatively	Age of the account	Reason for withdraw \
Diamond Back (Hong Kong) Co. Ltd.	350,183,397.14	100 %	350,183,397.14	Over 3 years	Long age of the account/the debtor is in bad

					condition
Zhigao Resources International Co., Ltd.	140,887,132.85	100%	140,887,132.85	Over 3 years	Long age of the account/the debtor is in bad condition
STARWAY	97,930,571.16	100%	97,930,571.16	Over 3 years	Long age of the account/the debtor is in bad condition
Shenzhen Jinfeng Industrial Development Company	52,406,319.69	100%	52,406,319.69	Over 3 years	Long age of the account/the debtor is in bad condition
AUGUSTA	41,663,592.17	100%	41,663,592.17	Over 3 years	Long age of the account/the debtor is in bad condition
Shenzhen Suangli Industrial Development Company	39,225,011.29	100%	39,225,011.29	Over 3 years	Long age of the account/the debtor is in bad condition
PROFITPROOF	37,162,850.00	100%	37,162,850.00	Over 3 years	Long age of the account/the debtor is in bad condition
Shenzhen Qianfeng Investment Co., Ltd.	36,094,697.98	100%	36,094,697.98	Over 3 years	Long age of the account/the debtor is in bad condition

Shenzhen Jiatianli Industrial Development Co., Ltd.	29,276,556.29	100%	29,276,556.29	Over 3 years	Long age of the account/the debtor is in bad condition
KOMIX	24,074,959.66	100%	24,074,959.66	Over 3 years	Long age of the account/the debtor is in bad condition
Subtotal	848,905,088.23		848,905,088.23		

(5) The net amount at the end of the period is less than that at the beginning of the period for RMB 5,605,961.16 Yuan, which is mainly caused by arrearage collection.

4. Account prepaid

Structure of age of the account	2007/12/31		2007/1/1	
	Amount	Proportion	Amount	Proportion
Within 1 year (1 year included)	1,187,093.48	91.02%	765,414.80	31.81%
1 year to 2 years (2 years included)	-	-	1,641,102.08	68.19%
2 years to 3 years (3 years included)	117,100.00	8.98%	-	-
Over 3 years	-	-	-	-
Total	1,304,193.48	100.00%	2,406,516.88	100.00%

(1) The balance at the end of the period does not include the account prepaid to shareholders holding 5% (5% included) or above shares with voting rights of the Company.
(2) The balance at the end of the period is less than that at the beginning of the period for RMB 1,102,323.40 Yuan, which is mainly caused by reclassification adjustment.

5. Other account receivable

Age of the account	2007/12/31			
	Amount	Proportion	Bad debt reserve	Net amount
Within one year	9,436,385.37	1.71%	12,276.37	9,424,109.00
1-2 years	1,594,976.28	0.29%	4,705.53	1,590,270.75
2-3 years	9,225,788.74	1.67%	27,677.37	9,198,111.37
Over 3 years	531,647,245.61	96.33%	531,085,217.16	562,028.45

Total	551,904,396.00	100.00%	531,129,876.43	20,774,519.57

Age of the account	2007/1/1 Amount	Proportion	Bad debt reserve	Net amount
Within one year	7,289,777.92	1.32%	4,756.59	7,285,021.33
1-2 years	1,896,853.52	0.34%	393,491.59	1,503,361.93
2-3 years	5,039,237.20	0.92%	13,604.43	5,025,632.77
Over 3 years	536,233,476.45	97.42%	536,233,476.45	-
Total	550,459,345.09	100.00%	536,645,329.06	13,814,016.03

(1) Risk analysis for account receivable at the end of the period:

Ago of the account	2007/12/31 Amount	Proportion	Bad debt reserve	Net amount
Account receivable with single big amount	470,805,148.56	85.17%	462,011,209.76	8,793,938.80
Account receivable without single big amount but with big risk after combined according to the characteristics of credit risk	69,074,007.40	12.50%	69,074,007.40	-
Other accounts receivable without single big amount	12,025,240.04	2.18%	44,659.27	11,980,580.77
Total	551,904,396.00	100.01%	531,129,876.43	20,774,519.57

The standard for account receivable with single big amount of the Company is set as RMB 5 million Yuan according to the business scale and business nature of the Company and settlement condition of clients.

(2) Total amount of the top five in the balance at the end of the period is RMB 357,711,532.44 Yuan, accounting for 64.71% of the total amount of other account receivable.

(3) The main details of the bad debt reserve with big proportion （100% withdrawn） withdrawn accumulatively at the end of the current period for other account receivable are as follows:

Debtor	Amount	Withdraw proportion	Amount of bad debt reserve withdrawn accumulatively	Age of the account	Reason for withdraw \

STARWAY	220,038,935.10	100%	220,038,935.10	Over 3 years	Long age of the account/the debtor is in bad condition
China Composite Material (Shenzhen) Co., Ltd.	60,541,700.96	100%	60,541,700.96	Over 3 years	Long age of the account/the debtor is in bad condition
MORE-LARGE	30,059,193.03	100%	30,059,193.03	Over 3 years	Long age of the account/the debtor is in bad condition
Shenzhen Huajiaming Industrial Trading Development Co., Ltd.	26,541,041.11	100%	26,541,041.11	Over 3 years	Long age of the account/the debtor is in bad condition
ZORIA	20,530,662.24	100%	20,530,662.24	Over 3 years	Long age of the account/the debtor is in bad condition
Total	357,711,532.44		357,711,532.44		

(4) The balance at the end of the period is more than that at the beginning of the period for RMB 6,960,503.54 Yuan, which is mainly caused by reclassification adjustment.

6. Inventory and inventory devalue provision

(1) The changes to inventory are listed as follows:

Type	2007/1/1	Increase of the current period	Decrease of the current period	2007/12/31
Raw material	255,751,614.77	9,051,951.63	15,593,389.55	249,215,915.55
Low-value consumables	2,060,544.83	16,133.92	100,871.32	1,470,068.73
Self-manufactured half-finished	4,492,881.54	23,704,995.67	23,075,102.10	5,622,775.11

products				
Goods in stock	29,539,647.61	236,393,466.92	226,702,266.08	39,069,218.53
Total	291,844,688.75	269,166,548.14	265,471,629.05	295,377,977.92

(2) Changes to inventory devalue provision are listed as follows:

Type	2007/1/1	Increase of the current period	Decrease of the current period		2007/12/31
			Turn back	Write-off	
Raw material	229,667,161.87	-	-	-	229,667,161.87
Low-value consumables	1,793,131.95	-	-	477,712.22	1,315,419.73
Self-manufactured half-finished products	-	2,611,095.99	-	-	2,611,095.99
Finished products	16,674,745.11	5,718,341.94	-	1,725,582.23	20,667,504.82
Total	248,135,038.93	8,329,437.93	-	2,203,294.45	254,261,182.41

The assured basis for the inventory above to be converted into present net value is: the raw material is converted according to the average unit price of the latest purchase; the material which is out of expiration period, outdated, or unsuitable for transformation and awaiting scrap is converted according to the recoverable amount; finished products is converted according to the unit price of the latest sale minus the direct expense and tax that may be necessary for conversion.

7: Long-term equity investment

(1) The long-term equity investment is listed as follows:

Item	Amount at the beginning of the period	Increase of the current period*	Decrease of the current period**	Amount at the end of the period
Long-term equity investment	70,221,674.48	180,000.00	24,115,524.40	46,286,150.08
Minus: devalue provision	41,658,577.98	---	22,778,911.41	18,879,666.57
Net amount of long-term equity investment	28,563,096.50	180,000.00	1,336,612.99	27,406,483.51

* Increase of the current period is the investment to Chengdu Emmelle Technology Co., Ltd made by the controlled subsidiary Shenzhen Emmelle Industry Co., Ltd. Refer to the Explanation to Annotation 7.

**Decrease of the current period, among which the RMB 1,336,612.99 Yuan is the investments to Jiangxi Lihua Industry Co., Ltd made by the Company and to Chengdu Emmelle Technology Co., Ltd made by the controlled subsidiary Shenzhen Emmelle Industry Co., Ltd. based on equity rights adjustment. Others （including devalue provision） are the investments to related companies written off after verification through the resolution 5th meeting of the 7th board of directors on April, 25, 2008.

(2) Long-term equity investment

a. Other equity investment calculated through cost method

Name of company invested	Investment time limit	Proportion in the registered capital of the company invested	Initial investment cost	Amount at the beginning of the period	Increase of the current period	Decrease of the current period	Amount at the end of the period
Shenzhen Xinlian Consultation Co., Ltd.			50,000.00	50,000.00	---	50,000.00	
Hunan Guangnan Motorcycle Co., Ltd.	50 years	5.5%	5,679,300.00	5,679,300.00	---	0	5,679,300.00
Shenzhen Junbao Industry Co., Ltd.	50 years	12.5%	3,535,000.00	3,535,000.00	---	3,535,000.00	0
Subtotal			9,264,300.00	9,264,300.00	---	3,585,000.00	5,679,300.00

b. Other equity investment calculated through equity method

Name of company invested	Investment time limit	Proportion in the registered capital of the company invested	Initial investment cost	Amount at the beginning of the period	Equity adjustment during the current period	Other increase/ decrease of the current period	Accumulative equity adjustment	Amount at the end of the period
Shenzhen Danxia Bicycle Parts Co., Ltd.		20%	941,600.00	---	---	---	(941,600.00)	---
Jiangsu Huaiyin Huayu Bicycle Parts Manufacturer Co., Ltd.	30 years	25%	6,138,559.00	---	---	---	(6,138,559.00)	---
Shantou S.E.Z. Dapeng Industry Co., Ltd.	20 years	30%	5,425,150.30	4,285,165.03	---	-4,285,165.03	(1,139,985.27)	
Shenzhen Canghai Industry Co., Ltd.	10 years	30%	178,000.00	---	---	0	(178,000.00)	---
Yangzhou	30	30%	1,821,606.0	1,359,361.	---	-1,359,36	(462,244.75)	

Name of company invested	Investment time limit	Proportion in the registered capital of the company invested	Initial investment cost	Amount at the beginning of the period	Equity adjustment during the current period	Other increase/ decrease of the current period	Accumulative equity adjustment	Amount at the end of the period
Xinghua Bicycle Material Co., Ltd.	years		0	25		1.25		
Jiangxi Lihua Industry Co., Ltd.	30 years	39.83%	35,314,474.40	26,879,903.07	-1,156,612.99	0	(9,036,836.81)	25,723,290.08
Shenzhen Golden Ring Printing Co., Ltd.	20 years	38%	14,883,560.00	14,883,560.00	---	0	---	14,883,560.00
Jiangxi Hongji Real Estate Development Co., Ltd.	39 years	51%	4,716,670.00	---	---	0	(4,716,670.00)	
Hangzhou Zhongjiang Industry Co., Ltd.	---	51%	5,045,700.00	5,045,700.00	---	-5,045,700.00	---	
China Bicycle Harbin Distribution Co., Ltd		60%	720,000.00	---	---	0	-720,000.00	---
Shenzhen China Bicycle Shaanxi Distribution Co., Ltd.		70%	1,204,000.00	---	---	0	-1,204,000.00	---
Shenzhen China Bicycle Gansu Distribution Co., Ltd.		80%	480,000.00	---	---	0	-480,000.00	---
Shenzhen China Bicycle (Group)	---	55%	551,668.30	551,668.30	---	-551,668.30	---	

Name of company invested	Investment time limit	Proportion in the registered capital of the company invested	Initial investment cost	Amount at the beginning of the period	Equity adjustment during the current period	Other increase/ decrease of the current period	Accumulative equity adjustment	Amount at the end of the period
Jiangxi Distribution Co., Ltd.								
Shenzhen China Bicycle (Group) Hainan Distribution Co., Ltd.	---	70%	350,000.00	370,385.83	---	-370,385.83	20,385.83	
Shenzhen China Bicycle (Group) Guangzhou Distribution Co., Ltd.	---	100%	2,000,000.00	2,000,000.00	---	-2,000,000.00	---	
Shenzhen Huajiaming Industrial Trading Development Co., Ltd.	20 years	98%	1,960,000.00	1,960,000.00	---	-1,960,000.00	---	
Jiujiang Huatian Real Estate Co., Ltd.	40 years	100%	3,621,631.00	3,621,631.00	---	-3,621,631.00	---	
Zoria Pte Ltd	---	100%	497,000.00	---		0	(497,000.00)	---
Chengdu Emmelle Technology Co., Ltd.	Permanent	30%	180,000.00		-180,000.00	180,000.00		
Total			86,029,619.00	60,957,374.48	-1,336,612.99	-19,013,911.41	-25,494,510.00	40,606,850.08

c. Changes to devalue provision

Name of the company invested	Amount at the beginning of	Increase of the current period	Decrease of the current	Amount at the end of the period

	the period		period	
Shenzhen Xinlian Consultation Co., Ltd.	50,000.00		50,000.00	
Hunan Guangnan Motorcycle Co., Ltd.	4,719,777.37		0	4,719,777.37
Shenzhen Junbao Industry Co., Ltd.	3,535,000.00		3,535,000.00	0
Shantou S.E.Z. Dapeng Industry Co., Ltd.	4,285,165.03		4,285,165.03	0
Yangzhou Xinghua Bicycle Material Co., Ltd.	1,359,361.25		1,359,361.25	0
Jiangxi Lihua Industry Co., Ltd.	3,209,889.20		0	3,209,889.20
Shenzhen Golden Ring Printing Co., Ltd.	10,950,000.00		0	10,950,000.00
Hangzhou Zhongjiang Industry Co., Ltd.	5,045,700.00		5,045,700.00	0
Shenzhen China Bicycle (Group) Jiangxi Distribution Co., Ltd.	551,668.30		551,668.30	0
Shenzhen China Bicycle (Group) Hainan Distribution Co., Ltd.	370,385.83		370,385.83	0
Shenzhen China Bicycle (Group) Guangzhou Distribution Co., Ltd.	2,000,000.00		2,000,000.00	0
Shenzhen Huajiaming Industrial Trading Development Co., Ltd.	1,960,000.00		1,960,000.00	0
Jiujiang Huatian Real Estate Co., Ltd.	3,621,631.00		3,621,631.00	0
Total	41,658,577.98		22,778,911.41	18,879,666.57

8. Investment real estate

Item	2007/1/1	Increase of the current period	Decrease of the current period	2007/12/31
1. Total original price	14,346,102.94	-	-	14,346,102.94
1) Houses, buildings	14,346,102.94			14,346,102.94
2) Land-use right				
2. Total accumulative depreciation and accumulative amortization	2,743,692.19	645,574.67	-	3,389,266.86
1) Houses, buildings	2,743,692.19	645,574.67		3,389,266.86
2) Land-use right				
3. Total devalue	-	-	-	-

provision amount				
1) Houses, buildings				
2) Land-use right				
4. Total book value	11,602,410.75	-	-	10,956,836.08
1) Houses, buildings	11,602,410.75			10,956,836.08
2) Land-use right				

The Company adopts cost method for the subsequent calculation of investment real estate.

9. Fixed assets and accumulated depreciation

Type	2005/12/31	Increase of the current period	Decrease of the current period	2006/12/31
Original value of fixed assets				
Houses and buildings	286,914,125.91		7,714,943.93	236,056,082.90
Machinery equipments	772,300.00	567,400.00		1,339,700.00
Transport equipments	2,123,777.00		345,750.00	1,778,027.00
Other equipments	1,504,652.78	183,573.52	7,643.00	1,680,583.30
Total	291,314,855.69	750,973.52	8,068,336.93	240,854,393.20
Accumulative depreciation				
Houses and buildings	176,847,838.90	10,981,284.06	6,644,685.40	166,947,213.90
Machinery equipments	695,070.00	36,422.39	-	731,492.39
Transport equipments	1,374,496.96	263,985.91	311,175.00	1,327,307.87
Other equipments	1,224,654.09	472,830.82	495,460.20	1,202,024.71
Total	180,142,059.95	11,754,523.18	7,451,320.60	170,208,038.87
Devalue provision	2,084,874.23			2,084,874.23
Net amount of fixed assets	109,087,921.51			68,561,480.10

(1) The original value at the end of the period is less than that at the beginning of the period for RMB 7,317,363.41 Yuan, which is mainly caused by inventory loss RMB 7,304,831.93 Yuan.

10. Liquidation of fixed assets

Item	2007/12/31	2007/1/1
Houses	-	19,334,138.97
Machinery equipments	-	16,044,270.02
Transport equipments	-	32,488.29
Office equipments	-	359,297.63
Other equipments	-	139,907.16
Total	-	35,910,102.07

The No.2 assembly building, No.3 big workshop, No.5 warehouse building and all machinery equipments of the workshop of the factory in the Dushu Village, Shuibei Industrial Zone has been reserved as mortagage for the 8-year long-term loan US$8.5 million from International Finance Corporation (IFC). The mortgaged equipments and buildings above has been auctioned in 2001 by Shenzhen Yichui International Auction Co., Ltd and Shenzhe Real Estate Transaction Center entrusted by Shenzhen Intermediate People's Court so as to compensate for the US$4.63 million among the loan US$8.5 million from the IFC. As for the rest US$3.87 million, the debt restructuring between the Company and IFC is successful this year, so the liquidation of this sum of fixed assets is finished.

11. Intangible assets

Item	Original value	Obtaining method	Accumulated amortization amount	2007/1/1	Increase of the current period	Amortization of the current period
Land-use right	43,143,099.08	Purchase	15,100,085.70	28,905,875.42		862,862.04
Total	43,143,099.08		15,100,085.70	28,905,875.42		862,862.04

The 127,333 ㎡ land in the Yousong Village, Longhua Town, Bao'an District, Shenzhen, of which the land-use right is valid from July 1st, 1990 to June 30th, 2040.

12. Deferred income tax assets

Item	2007/12/31	2007/1/1
Profit from prospective debt restructuring	-	9,849,555.22
Total	-	9,849,555.22

13. Assets devalue provision

Item	2007/1/1	Increase of the current period	The amount turned back of the current	The amount written off of the current period	2007/12/31

			period		
1. Bad debt reserve	1,578,429,124.73	3,945,197.10	-	10,574,332.88	1,571,799,988.95
Inc: accounts receivable	1,041,783,795.67	-1,113,683.15	-	-	1,040,670,112.52
Other accounts receivable	536,645,329.06	5,058,880.25	-	10,574,332.88	531,129,876.43
2. Inventory devalue provision	248,135,038.93	8,329,437.93	-	2,203,294.45	254,261,182.41
Inc: raw material	229,667,161.87	-	-	-	229,667,161.87
Low-value consumables	1,793,131.95	-	-	477,712.22	1,315,419.73
Self-manufactured half-finished products	-	2,611,095.99	-	-	2,611,095.99
Goods in stock	16,674,745.11	5,718,341.94	-	1,725,582.23	20,667,504.82
3. Devalue provision for long-term investment	41,658,577.98	-	-	-	41,658,577.98
4. Devalue provision of fixed assets	2,084,874.23	-	-	-	2,084,874.23
Total	1,870,307,615.87	12,274,635.03	-	12,777,627.33	1,869,804,623.57

14. Assets with restricted ownership

Assets assort	Original value at the beginning of the period	Increase of the current period	Decrease of the current period	Original value at the end of the period
1. Assets reserved as mortgages for loan *				
Inc: house and buildings	230,684,010.96		43,143,099.08	187,540,911.88
Intangible assets		43,143,099.08		43,143,099.08

2. Houses and buildings **		4,768,111.78		4,768,111.78
Total	230,684,010.96	43,143,099.08	43,143,099.08	230,684,010.96

* The Company had guaranteed for US$7.5 million loan of the subsidiary China Bicycle (Hong Kong) Co., Ltd. borrowed from China Merchants bank. Since China Bicycle (Hong Kong) Co., Ltd could not pay off the loan after the expiration period, the Company was brought into Shenzhen Intermediate People's Court by China Merchants Bank. The Court had seized the 127,333 m^2 land in the Yousong Village, Longhua Town, Baoan District, Shenzhen and buildings on the land. The land and buildings on the land were also reserved as mortagage for the US$7,330,334.84 loan from China Orient Asset Management Corporation.

**The Company was brought into Shenzhen Luohu Court for the arrearage of US$500,000 advance for letter of credit and interest to Agricultural Bank of China, Shenzhen Luohu Branch. The court was intended to auction the Company's house property in Seg Park, South Huangqiang Road Shenzhen to pay the arrearage.

15. Short-term loans

(1) Listed according to loan types

Loan type	Currency	Dec. 31 2007		Jan. 1 2007	
		Original currency	Converted to RMB	Original currency	Converted to RMB
Credit	RMB				
	HKD				
	USD	21,089,522.66	154,050,527.22	21,089,522.66	164,681,755.60
	Subtotal		154,050,527.22		164,681,755.60
Mortagage	RMB		620,000.00		620,000.00
	HKD				
	USD	7,330,334.84	53,545,163.87	7,330,334.84	57,240,385.67
	Subtotal		54,165,163.87		57,860,385.67
Guarantee	RMB		123,057,930.00		123,057,930.00
	HKD	8,000,000.00	7,491,040.00	8,000,000.00	8,038,080.00
	USD	9,510,604.55	79,400,787.96	9,510,604.55	85,187,614.14
	Subtotal		209,949,757.96		216,283,624.14
	Total		418,165,449.05		438,825,765.41

(2) Listed according to financial institution

Loan institution	Loan amount	Loan application	Overdue reason	Prospective date for loan repayment
China Orient Asset Management Corporation	102,059,203.87	Loan for turnover of production	Fund shortage	Unpredictable
China Cinda Asset Management Corporation	62,373,979.40	Loan for turnover of production	Fund shortage	Unpredictable

China Huarong Asset Management Corporation	39,458,353.75	Loan for turnover of production	Fund shortage	Unpredictable
The Export-Import Bank of China	114,557,930.00	Loan for turnover of production	Fund shortage	Unpredictable
China Merhcants Bank, Luohu Branch	19,695,194.07	Loan for turnover of production	Fund shortage	Unpredictable
China Everbright bank	14,686,661.99	Loan for turnover of production	Fund shortage	Unpredictable
China Merchants Bank Head Office	64,714,125.97	Loan for turnover of production	Fund shortage	Unpredictable
China Construction Bank, Sichuan Mianyang Branch	620,000.00	Loan for turnover of production	Fund shortage	Unpredictable
Total	418,165,449.05			

16. Accounts payable

Item	2007/12/31	2007/1/1
Accounts payable	135,329,891.70	143,368,055.14

The accounts payable does not include the arrearage to shareholders holding 5% (5% included) or above shares with voting rights of the Company.

17. Deposit received

Item	2007/12/31	2007/1/1
Deposit received	18,086,124.15	1,591,292.38

(1) The deposit received does not include the arrearage to shareholders holding 5% (5% included) or above shares with voting rights of the Company.
(2) The balance at the end of the period is more that that at the beginning of the period for RMB 16,857,439.47 Yuan, which is mainly caused by reclassification adjustment.

18. Wages payable

	Item	2007/12/31	2007/1/1
1	Wage	537,498.91	524,216.70
2	Bonus		
3	Allowance		
4	Subsidy		
5	Employees' welfare		396,014.15

	expenses		
6	Social insurance expense		
	(1) Medical insurance		
	(2) Endowment insurance		
	(3) Unemployment insurance		
	（4） Work-related injury insurance		
	(4) Pregnant and birth insurance		
7	Housing fund		
8	Trade union funds	854,553.30	902,317.88
9	Personnel education fund		
10	Non-monetary welfare		
11	Dismission welfare		
12	Share-based payment settled in cash		
	Total	1,392,052.21	1,822,548.73

19. Tax payable

Tax type	2007/12/31	2007/1/1
Enterprise income tax	33,753,125.02	33,753,125.02
VAT	54,139,347.10	53,419,236.08
Business tax	447,794.29	401,476.52
Housing property tax	7,303,655.67	7,154,079.46
City construction and maintenance tax	-15,823.39	-20,987.32
Withheld individual income tax	-186,992.91	-123,486.15
Others	19,116.46	-13,029.23
Total	95,460,222.24	94,570,414.38

20. Other accounts payable

Item	2007/12/31	2007/1/1
Other accounts payable	169,601,705.14	166,832,917.96

The other accounts payable does not include the arrearage to shareholders holding 5% (5% included) or above shares with voting rights of the Company.

21. Long-term liabilities due in 1 year

Loan institution	Currency	2007/12/31 Original currency	2007/12/31 Converted to RMB	2007/1/1 Original currency	2007/1/1 Converted to RMB

China Everbright Bank	USD	2,157,395.94	15,758,914.37	2,157,395.94	16,846,457.67
World Bank (IFC)	USD		-	8,500,000.00	67,636,664.01
Shenzhen Guosheng Energy Investment Development Co., Ltd.	USD	84,797,624.57	619,412,728.42	84,797,624.57	662,159,210.98
Shenzhen Guosheng Energy Investment Development Co., Ltd.	RMB	-	19,300,058.59	-	38,059,320.00
Guangdong Sunrise Holdings Co., Ltd.	RMB	-	232,801,657.06	-	214,036,395.65
Guangdong Sunrise Holdings Co., Ltd.	USD	204,847.86	1,599,595.48	204,847.86	1,700,237.25
China Orient Asset Management Corporation	RMB	-	3,000,000.00	-	3,000,000.00
Great Wall Asset Management Corporation	USD	2,500,000.00	18,261,500.00	2,500,000.00	19,521,750.00
Great Wall Asset Management Corporation	RMB	-	3,000,000.00	-	3,000,000.00
Total			913,134,453.92		1,025,960,035.56

The decrease of the current period is mainly caused by the agreement on debt restructuring signed with IFC this year, which releases the Company from the loan of US$ 8.5 million.

22. Other current liabilities

Item	2007/12/31	2007/1/1	Reason for

			balance
Loan and note interest	86,097,636.52	92,188,218.48	Unpaid
Audit expenses		12,314.00	Unpaid
Rental fee		116,388.25	Unpaid
Labour insurance expenses		182,896.75	Unpaid
Utility expense		4,519.60	Unpaid
Others		707,478.67	Unpaid
Total	86,097,636.52	93,211,815.75	

The decrease of the current period is mainly caused by the agreement on debt restructuring signed with IFC this year, which releases the Company from the loan payable interest RMB 40,742,296.96 Yuan.

23. Prospective liabilities

Item	2007/12/31	2007/1/1	Reason for withdraw
Loan guarantee for ZoriaPteLTd	78,087,000.00	78,087,000.00	The company guaranteed has gone into serious insolvency.
Loan guarantee for Jintian Industry (Group) Co., Ltd.	50,000,000.00	50,000,000.00	The company guaranteed has gone into serious insolvency.
Loan guarantee for Guangdong Sunrise Holdings Co., Ltd.	25,271,000.00	25,271,000.00	The company guaranteed has gone into serious insolvency.
Loan guarantee for Shenzhen Tianma Cosmetics Co., Ltd.	8,000,000.00	8,000,000.00	The company guaranteed has gone bankrupt.
Loan Guarantee for Shandong Huajiaming Trading Co., Ltd.	83,142.92	518,924.66	The company guaranteed has gone into serious insolvency.
Total	161,441,142.92	161,876,924.66	

Refer to annotation 11 for detailed reason for withdraw.

24. Capital stock

	2006.12.31		Increase/decrease of the current year(＋，－)				
Item	Quantity	Proportion	Bonus share	Converted from public accumulated funds	Equity incentive	others	Subtot
1. Shares with limited sales condition	204,747,836.00	42.71%	-	-	-	-	-
1) Shares held		0.00%	-	-	-	-	-

by state legal person								
2) Other domestic capital share	204,612,836.00	42.71%	-	-	-	-	-	
Inc: shares held by domestic legal person	-	-	-	-	-	-	-	
Shares held by domestic non-state legal person	-	-	-	-	-	-	-	
3) Others	135,000.00	0.03%	-	-	-	-	-	
2. Shares with no limited sales condition	274,685,167.00	57.29%	-	-	-	-	-	
Domestically listed RMB ordinary share	76,617,000.00	15.98%	-	-	-	-	-	
Domestically listed foreign capital shares	198,068,167.00	41.31%	-	-	-	-	-	
3. Total share amount	479,433,003.00	100.00%	-	-	-	-	-	

The capital stock of the Company has been verified with (96) YANZIZI No.076 Capital Verification Report issued by Shenzhen Accountant Office.

25. Capital reserves

Item	2007/1/1	Increase of the current period	Decrease of the current period	2007/12/31
Other capital reserve	362,027,636.64	-	-	362,027,636.64
Inc: profit from debt restructuring	358,019,011.67	-	-	358,019,011.67
Arrearage need not to be paid	690,624.97	-	-	690,624.97
Price difference of related transactions	3,318,000.00	-	-	3,318,000.00
Total	362,027,636.64	-	-	362,027,636.64

26. Surplus reserves

Item	2007/1/1	Increase of the current period	Decrease of the current period	2007/12/31

Statutory surplus reserve	32,673,227.01	-	-	32,673,227.01

27. Undistributed profit

Item	2007/12/31	2007/1/1
Undistributed profit at the beginning of the period	-2,720,585,548.43	-2,708,561,289.69
Net profit	62,974,630.60	-12,024,258.74
Minus：withdraw statutory surplus reserve		
Withdraw statutory welfare reserve		
Ordinary shares dividends		
Profit converted to capital stock		
Undistributed profit at the end of the period	-862,409.50	

28. Operating income and cost

	2007		2006	
Type of business item	Operating income	Operating cost	Operating income	Operating cost
Main business:				
Distribution of bicycle and parts	224,545,279.20	219,349,717.13	216,471,342.65	211,094,213.67
Property management income	2,028,200.43	3,885,073.40	3,201,917.46	3,944,268.42
Subtotal	226,573,479.63	223,234,790.53	219,673,260.11	215,038,482.09
Other business				
Fixed assets rental income	5,968,464.76	3,363,048.66	7,028,967.93	4,547,638.08
Utility income	1,422,770.31	2,243,548.75	5,793,646.50	5,323,893.68
Material distribution	456,600.01	298,831.92	-	-
Others	180,000.00	1,104,612.95	-	-
Subtotal	8,027,835.08	7,010,042.28	12,822,614.43	9,871,531.76
Total	234,601,314.71	230,244,832.81	232,495,874.54	224,910,013.85

29. Business tax

Tax type	2007	2006	Calculation and payment standard
Business tax	167,786.77	160,777.40	Rental income*5%
City construction and maintenance tax	2,558.22	29,539.18	Amount of turnover tax*1%
Extra charges for education	5,033.60	65,306.13	Amount of turnover tax*3%
Total	175,378.59	255,622.71	

30. Financial expenses

Type	2007	2006
Interest expense	34,268,445.38	34,369,652.90
Minus interest income	140,629.79	194,531.65
Minus: exchange gains	68,378,586.97	48,673,557.85
Others	26,784.98	33,293.33
Total	-34,223,986.40	-14,465,143.27

The financial expense of this year is less than that of the previous year for RMB 19,758,843.13 Yuan, which is mainly caused by increase to exchanges gains result from changes to exchange rate.

31. Asset impairment loss

Type	2007	2006
Bad debt loss	3,945,197.10	3,843,818.78
Inventory devalue loss	7,851,725.71	1,591,437.87
Long-term equity investment devalue loss	-	3,706,019.89
Total	11,796,922.81	9,141,276.54

32. Investment income

Item	2007	2006
Gains and loss adjustment calculated through equity method	-1,336,613.99	-1,173,559.60
Total	-1,336,613.99	-1,173,559.60

33. Non-operating income

Item	2007	2006
Disposal profit on fixed assets	2,652,336.90	4,735.50
Profit from debt restructuring	68,568,701.43	
Others	26,863.11	131,166.08
Total	71,247,901.44	135,901.58

The profit from debt restructuring is caused by the agreement on debt restructuring signed with IFC this year, which has exempted the Company from the principal and interest of loan payable.

34. Non-operating expenses

Item	2007	2006
Disposal loss on fixed assets	2,775.00	-
Commonweal donation	14,615.00	80,819.68
Loss on fixed assets inventory shorts	1,892,109.37	-
Amercement expense		3,025.96
Others	26,116.98	18,406.72
Total	1,935,616.35	102,252.36

35. Income tax

Item	2007	2006
Income tax expense of the current period	-	-
Deferred income tax expense	9,849,555.22	
Subtotal	9,849,555.22	

Annotation 9: Notes to main items of the financial statement of parent company

1. Accounts receivable

Age of the accounting	2007/12/31			
	Amount	Proportion	Bad debt reserve	Net amount
Within 1 year	31,950.00	0.00%	95.85	31,854.15
1 year to 2 years	-	-	-	-
2 years to 3 years	1,127,063.59	0.10%	17,560.08	1,109,503.51
Over 3 years	1,180,317,672.69	99.90%	1,038,158,184.19	142,159,488.50
Total	1,181,476,686.28	100.00%	1,038,175,840.12	143,300,846.16

Age of the accounting	2007/1/1			
	Amount	Proportion	Bad debt reserve	Net amount
Within 1 year	23,072,380.79	1.88%	1,274.31	23,071,106.48
1 year to 2 years	1,092.60	0.00%	21.00	1,071.60
2 years to 3 years	108,444.07	0.01%	325.33	108,118.74
Over 3 years	1,205,617,938.45	98.11%	1,037,910,398.33	167,707,540.12

Total	1,228,799,855.91	100.00%	1,037,912,018.97	190,887,836.94

(1) The balance at the end of the period does not include the account receivable of shareholders holding 5% (5% included) or above shares with voting rights of the Company.
(2) Total amount of the top five in the balance at the end of the period is RMB 683,071,013.01 Yuan, accounting for 65.53% of the total amount of account receivable.

2. Other accounts receivable

Age of the accounting	2007/12/31			
	Amount	Proportion	Bad debt reserve	Net amount
Within 1 year	2,436,436.85	0.42%	7,309.31	2,429,127.54
1 year to 2 years	-	-	-	-
2 years to 3 years	9,129,289.40	1.57%	27,387.87	9,101,901.53
Over 3 years	571,247,506.43	98.02%	516,233,685.64	55,013,820.79
Total	582,813,232.68	100.01%	516,268,382.82	66,544,849.86

Age of the accounting	2007/1/1			
	Amount	Proportion	Bad debt reserve	Net amount
Within 1 year	18,089,344.51	3.30%	2,874.96	18,086,469.55
1 year to 2 years	862,639.53	0.16%	2,495.72	860,143.81
2 years to 3 years	3,888,787.70	0.71%	11,582.48	3,877,205.22
Over 3 years	525,217,661.46	95.83%	521,766,882.29	3,450,779.17
Total	548,058,433.20	100.00%	521,783,835.45	26,274,597.75

(1) The balance at the end of the period does not include the account receivable of shareholders holding 5% (5% included) or above shares with voting rights of the Company.
(2) Total amount of the top five in the balance at the end of the period is RMB 357,711,532.44 Yuan, accounting for 64.71% of the total amount of other accounts receivable.

3. Long-term investment
(1) The long-term equity investment is listed as follows:

Item	Amount at the beginning of the period	Increase of the current period*	Decrease of the current period**	Amount at the end of the period
Long-term equity investment	78,971,674.48	18,727.60	23,935,524.40	55,054,877.68

Minus: devalue provision	50,408,577.98	18,727.60	22,778,911.41	27,648,394.17
Net amount of long-term equity investment	28,563,096.50			27,406,483.51

* Increase of the current period is the investment to China Bicycle (International) Co., Ltd. Refer to the Explanation to Annotation 7.

**Decrease of the current period, among which the RMB 1,156,612.99 Yuan is the profit and loss adjustment to Jiangxi Lihua Industry Co., Ltd. Others （including devalue provision） are the investment to related companies written off after verification through 5th meeting of the 7th board of directors on April 25, 2008.

(2) Long-term equity investment

a. Other equity investment calculated through cost method

Name of company invested	Investment time limit	Proportion in the registered capital of the company invested	Initial investment cost	Amount at the beginning of the period	Increase of the current period	Decrease of the current period	Amount at the end of the period
Shenzhen Xinlian Consultation Co., Ltd.			50,000.00	50,000.00	---	50,000.00	
Shenzhen Anjule Property Management Co., Ltd.		100%	2,000,000.00	2,000,000.00			2,000,000.00
China Bicycle (International) Co., Ltd.		100%	18,727.60		18,727.60		18,727.60
China Bicycle (Hong Kong) Co., Ltd.		100%	5,350,000.00	5,350,000.00			5,350,000.00
Shenzhen Emmelle Industry Co., Ltd.		70%	1,400,000.00	1,400,000.00			1,400,000.00
Hunan Guangnan Motorcycle Co., Ltd.	50 years	5.5%	5,679,300.00	5,679,300.00	---	0	5,679,300.00
Shenzhen Junbao Industry Co., Ltd.	50 years	12.5%	3,535,000.00	3,535,000.00	---	3,535,000.00	0
Subtotal			18,033,027.60	18,014,300.00	18,727.60	3,585,000.00	14,448,027.60

b. Other equity investment calculated through equity method

Name of company invested	Investment time limit	Proportion in the registered capital of the company invested	Initial investment cost	Amount at the beginning of the period	Equity adjustment during the current period	Other increase/ decrease of the current period	Accumulative equity adjustment	Amount at the end of the period
Shenzhen Danxia Bicycle Parts Co., Ltd.		20%	941,600.00	---	---	---	(941,600.00)	---
Jiangsu Huaiyin Huayu Bicycle Parts Manufacturer Co., Ltd.	30 years	25%	6,138,559.00	---	---	---	(6,138,559.00)	---
Shantou S.E.Z. Dapeng Industry Co., Ltd.	20 years	30%	5,425,150.30	4,285,165.03	---	-4,285,165.03	(1,139,985.27)	
Shenzhen Canghai Industry Co., Ltd.	10 years	30%	178,000.00	---	---	0	(178,000.00)	---
Yangzhou Xinghua Bicycle Material Co., Ltd.	30 years	30%	1,821,606.00	1,359,361.25	---	-1,359,361.25	(462,244.75)	
Jiangxi Lihua Industry Co., Ltd.	30 years	39.83%	35,314,474.40	26,879,903.07	-1,156,612.99	0	(9,036,836.81)	25,723,290.08
Shenzhen Golden Ring Printing Co., Ltd.	20 years	38%	14,883,560.00	14,883,560.00	---	0	---	14,883,560.00
Jiangxi Hongji Real Estate Development Co., Ltd.	39 years	51%	4,716,670.00	---	---	0	(4,716,670.00)	
Hangzhou	---	51%	5,045,700.0	5,045,700.	---	-5,045,70	---	

Name of company invested	Investment time limit	Proportion in the registered capital of the company invested	Initial investment cost	Amount at the beginning of the period	Equity adjustment during the current period	Other increase/ decrease of the current period	Accumulative equity adjustment	Amount at the end of the period
Zhongjiang Industry Co., Ltd.			0	00		0.00		
China Bicycle Harbin Distribution Co., Ltd		60%	720,000.00	---	---	0	-720,000.00	---
Shenzhen China Bicycle Shaanxi Distribution Co., Ltd.		70%	1,204,000.00	---	---	0	-1,204,000.00	---
Shenzhen China Bicycle Gansu Distribution Co., Ltd.		80%	480,000.00	---	---	0	-480,000.00	---
Shenzhen China Bicycle (Group) Jiangxi Distribution Co., Ltd.	---	55%	551,668.30	551,668.30	---	-551,668.30	---	
Shenzhen China Bicycle (Group) Hainan Distribution Co., Ltd.	---	70%	350,000.00	370,385.83	---	-370,385.83	20,385.83	
Shenzhen China Bicycle (Group) Guangzhou Distribution Co., Ltd.	---	100%	2,000,000.00	2,000,000.00	---	-2,000,000.00	---	
Shenzhen Huajiaming	20 years	98%	1,960,000.00	1,960,000.00	---	-1,960,000.00	---	

Name of company invested	Investment time limit	Proportion in the registered capital of the company invested	Initial investment cost	Amount at the beginning of the period	Equity adjustment during the current period	Other increase/ decrease of the current period	Accumulative equity adjustment	Amount at the end of the period
Industrial Trading Development Co., Ltd.								
Jiujiang Huatian Real Estate Co., Ltd.	40 years	100%	3,621,631.00	3,621,631.00	---	-3,621,631.00	---	
Zoria Pte Ltd	---	100%	497,000.00	---		0	(497,000.00)	---
Total			86,029,619.00	60,957,374.48	-1,156,612.99	-19,193,911.41	-25,494,510.00	40,606,850.08

c. Changes to devalue provision

Name of the company invested	Amount at the beginning of the period	Increase of the current period*	Decrease of the current period**	Amount at the end of the period
Shenzhen Xinlian Consultation Co., Ltd.	50,000.00		50,000.00	
Hunan Guangnan Motorcycle Co., Ltd.	4,719,777.37		-	4,719,777.37
Shenzhen Junbao Industry Co., Ltd.	3,535,000.00		3,535,000.00	-
Shantou S.E.Z. Dapeng Industry Co., Ltd.	4,285,165.03		4,285,165.03	-
Yangzhou Xinghua Bicycle Material Co., Ltd.	1,359,361.25		1,359,361.25	-
Jiangxi Lihua Industry Co., Ltd.	3,209,889.20		-	3,209,889.20
Shenzhen Golden Ring Printing Co., Ltd.	10,950,000.00		-	10,950,000.00
Hangzhou Zhongjiang Industry Co., Ltd.	5,045,700.00		5,045,700.00	-
Shenzhen China Bicycle (Group) Jiangxi Distribution Co., Ltd.	551,668.30		551,668.30	-
Shenzhen China Bicycle	370,385.83		370,385.83	-

(Group) Hainan Distribution Co., Ltd.				
Shenzhen China Bicycle (Group) Guangzhou Distribution Co., Ltd.	2,000,000.00		2,000,000.00	-
Shenzhen Huajiaming Industrial Trading Development Co., Ltd.	1,960,000.00		1,960,000.00	-
Shenzhen Anjule Property Management Co., Ltd.	2,000,000.00			2,000,000.00
China Bicycle (International) Co., Ltd.		18,727.60		18,727.60
China Bicycle (Hong Kong) Co., Ltd.	5,350,000.00			5,350,000.00
Shenzhen Emmelle Industry Co., Ltd.	1,400,000.00			1,400,000.00
Jiujiang Huatian Real Estate Co., Ltd.	3,621,631.00		3,621,631.00	-
Total	50,408,577.98	18,727.60	22,778,911.41	27,648,394.17

4. Main business income and cost

Item	2007	2006
Main business income	10,122,401.15	19,210,025.98
Main business cost	17,556,401.02	26,514,397.10
Gross profit from main business	-7,433,999.87	-7,304,371.12

5. Investment income

Item	2007	2006
Long-term investment devalue provision withdrawn	-18,727.60	-3,706,019.89
Gains and loss adjustment calculated through equity method	-1,156,612.99	-1,770,696.52
Total	-1,175,340.59	-5,476,716.41

Annotation 10: affiliated party relationships and the transactions among them

(1) Affiliated companies with controlling relationship

Name of affiliated company	Enterprise type	Legal representative	Registered capital	Business scope	Shares or equity held	Relationship with the Company
Shenzhen Guosheng Energy	Limited liability compan	Shang shijun	￥70000,000	Set up industry, domestic business, material supply	13.58%	Controlling shareholder

Investment Development Co., Ltd.	y (legal person sole proprietorship)			and marketing (excluding exclusive, controlled and monopoly commodity)		

(2) Affiliated companies with no controlling relationship

Name of affiliated company	Relationship with the Company
Shenzhen Huajiaming Industrial Trading Development Co., Ltd.	Subsidiary
Shenzhen Danxia Bicycle Parts Co., Ltd.	Affiliated company
Shenzhen Canghai Industry Co., Ltd.	Affiliated company
Jiangsu Huaiyin Huayu Bicycle Parts Manufacturer Co., Ltd.	Affiliated company
Yangzhou Xinghua Bicycle Material Co., Ltd.	Affiliated company
Shantou S.E.Z. Dapeng Industry Co., Ltd.	Affiliated company
Shenzhen Golden Ring Printing Co., Ltd.	Affiliated company

Name of related company	Relationship with the Company
Hong Kong Dahuan Bicycle Co., Ltd.	Shareholders holding more than 5% shares
Daming International Co., Ltd	Director of the Company is the General Manager of this company
DiamondBack（Hong Kong）Co., Ltd.	Director of the Company is the General Manager of this company
Zhigao International mechanical Co., Ltd.	Director of the Company is the General Manager of this company
Zhigao Resource international Co., Ltd.	Director of the Company is the General Manager of this company
China Composite Material (Shenzhen) Co., Ltd.	Director of the Company is the chairman of the board of this company
Hong Kong Huajiaming Industrial Trading Industry Co., Ltd	Director of the Company is the chairman of the board of this company

(3) Dealings of affiliated companies

Item	Name of affiliated company	Economic content	Amount at the end of the period	Amount at the beginning of the period
Account receivable	DiamondBack(HongKong)Co.Ltd.	Payment for goods	174,219,907.69	174,219,907.69
	Zhigao Resource International Co., Ltd.	Payment for goods	139,582,568.23	139,487,301.22

Item	Name of affiliated company	Economic content	Amount at the end of the period	Amount at the beginning of the period
	Subtotal		313,802,475.92	313,707,208.91
Account payable	Hong Kong Huajiaming Industrial Trading Industry Co., Ltd	Payment for goods	8,431,448.99	8,961,977.50
	Shenzhen Canghai Industry Co., Ltd.	Payment for goods	100,385.48	100,385.48
	Shenzhen Danxia Bicycle Parts Co., Ltd.	Payment for goods	429,566.27	456,593.30
	Jiangsu Huaiyin Huayu Bicycle Parts Manufacturer Co., Ltd.	Payment for goods	4,965,269.13	4,965,269.13
	Shantou S.E.Z. Dapeng Industry Co., Ltd.	Payment for goods	6,887,436.89	6,887,436.89
	Subtotal		20,814,106.76	21,371,662.30
Other account receivable	China Composite Material (Shenzhen) Co., Ltd.	Dealings money	60,541,700.96	60,541,700.96
	Shenzhen Huajiaming Industrial Trading Development Co., Ltd.	Dealings money	26,541,041.11	27,541,041.11
	Subtotal		87,082,742.07	88,082,742.07
Other account payable	Shenzhen Canghai Industry Co., Ltd.	Dealings money	89,000.00	89,000.00
	Shenzhen Golden Ring Printing Co., Ltd.	Money received temporarily	600,000.00	600,000.00
	Zhigao International mechanical Co., Ltd.	Dealings money	21,805,856.49	24,917,519.01
	Daming International Co., Ltd	Commission expense	10,834,362.33	10,834,362.33
	Hong Kong Huajiaming Industrial Trading Industry Co., Ltd	Dealings money	1,796,922.26	1,796,922.26
	Diamond Back (Hong Kong) Co., Ltd.	Dealings money	2,231,513.11	2,394,471.38
	Subtotal		37,357,654.19	40,632,274.98
Long-equity liability due in 1 year	Shenzhen Guocheng Energy Investment Development Co., Ltd.	Principal sum of loan	638,712,787.01	700,218,530.98
	Subtotal		871,613,930.42	915,955,163.88

Annotation 11: Contingency

Item	Amount involved	Influence on the company's financial situation, operating results and cash flow during the current period and in the future	Nature
Loan guarantee for Guangdong Sunrise Holdings Co., Ltd.	RMB36,100,000.00 USD1,740,000.00	*	Guarantee
Loan guarantee for Jintian Industry (Group) Co., Ltd.	RMB50,000,000.00	**	Guarantee
Loan guarantee for Shenzhen Tianma Cosmetics Co., Ltd.	RMB8,000,000.00	***	Guarantee
ZoriaPteLtdc	USD10,000,000.00	****	Guarantee
Shandong Huajiaming Trading Co., Ltd.	RMB518,924.66	*****	Guarantee
Total	RMB94,618,924.66 USD11,740,000.00		

* 50% of the guarantee amount for the company is predicted for loss, equal to RMB 25,271,000.00 Yuan.
** The company is a listed limited company, and has gone into serious insolvency. Therefore, the total guarantee amount is predicted for loss.
*** The company is closed down. Therefore, the total guarantee amount is predicted for loss.
**** The company, a controlled subsidiary (unconsolidated) of the Company, has gone into serious insolvency, and is under liquidation now. Therefore, the total guarantee amount is predicted for loss.
***** This company is the subsidiary of Shenzhen Huajiaming Industrial Trading Development Co., Ltd. - the subsidiary of the Company, and has gone into serious insolvency. Therefore, the total guarantee amount is predicted for loss.

Annotation12: Law suit

1. As of Dec. 31st, 2007, the company has been claimed by 16 financial organs for failure of repaying the loan in due with principal and interest of RMB 408,555,000 Yuan, 99,160,100 US dollars and 8,261,600 Hong Kong dollars. Most of the law suits have been judged and the Company has been defeated or mediated. Before end of 2000 year, China Bank, Agricultural Bank of China and Industrial and Commercial Bank of China has made assignment to related asset management corporations for all or part of financial claim and the main body involved changed correspondingly.

2. As of Dec. 31st, 2007, the Company has been claimed by 29 supplier with amount of RMB 30,580,800 Yuan, 17,650,800 Hong Kong Dollars and 1,668,500 US dollars. Most of the law suits have been judged and the Company has been defeated.

Annotation 13: Interpretation for important issues

In accordance with yinjianbantong [2004] 6 document issued on January 7th, 2004 by China Banking Regulatory Commission,General Offices, 11 financial organs including BOC stopped collecting interest of load of the Company for 3 years since January 1st, 2002 and exempted from all interest in red（including default interest and Compound Interest） made by the Company before Dec 31st, 2001. The Company has made all interest payable（including default interest and Compound Interest）, namely, 357,993,665.24 Yuan RMB into " capital reserve " and stopped to deduct interest for the period between January 1st, 2002 and Dec 31st , 2004. The exemption expires on Dec 31st, 2004.

In 2005, China Huarong Asset Management Corporation, Shenzhen office, China Orient Asset Management Corporation, Shenzhen office, China Xinda Asset Management Corporation, Shenzhen office, China Great Wall Asset management Corporation, Shenzhen office gave up the annual interest for 2005. From2006 to 2007, the Company has deducted the interest according to the normal loan rate.

For the ambiguity made by "stop to collect interest", "General Rules on Loan" has not interpreted it. For this reason, China Huarong Asset Management Corporation, Shenzhen office, China Orient Asset Management Corporation, Shenzhen office, China Xinda Asset Management, Shenzhen office and Great Wall Asset management corporation, Shenzhen office did not claimed for the interest. Yet, Shenzhen Development Bank Claimed for the interest and compound interest for the period between January 1st, 2002 and Dec 31st, 2004. The Company holds the idea that it needs not to pay the interest stopped to calculate and has not deducts the interest and compound interest for the period between January 1st, 2002 and Dec 31st, 2004. For the interest made after the exemption, the Company has deduced the loan interest according to normal loan. It is still being negotiated for the payment or not for the interest.

2. Debt Restructuring with International Finance Corporation

The Company has signed a “deed of arrangement" as of March 29th, 2007 with friendly negotiation. It is agreed to settle all debts between the two parties with amount equivalent to RMB 2 million Yuan. The Company has paid the fund mentioned above to the account appointed by International Finance Corporation on April 4th, 2007. In accordance with the provision in new "*Accounting Standards for Business Enterprises No.12 - Debt restructuring*", the agreement of the deed of arrangement has made RMB 68.57 million Yuan for the Company.

3. Shenzhen Guosheng Energy Investment Development Co., Ltd. become the biggest shareholder of the Company

The Company received from Shenzhen Guosheng Energy Investment Development Co., Ltd. on May 8th, 2007 the "Confirming letter for company share transfer” which stated Shenzhen Guosheng Energy Investment Development Co., Ltd. is to be assigned the 65,098,412 corporate shares of "A" shares from Huarong Corporation. The ownership right was transferred on April 30th, 2007. Shenzhen Guosheng Energy

Investment Development Co., Ltd. became the biggest shareholder of the Company, with shares accounting for 13.58% of the total shares of the Company.

Annotation 14: Non adjustment items after the date of balance sheet

1. Capital reserve transferring to capital stock and Share Merger Reform

According to the resolution of capital reserve to convert share capital voted through by the corporate shareholder meeting on February 1st, 2007, the Company makes share capital conversion of 39,519,800 to circulating'A' shares shareholder and the Non- floating stock obtained the floating right. The 'B' shares shareholder was added 1.5 shares to each 10 shares and 32,395,200 shares were issued. Among the converted shares to the 'A' shares shareholder, deducting the 11,512,800 shares gained for the share capital expansion, the 28,007,000 shares are quid pro quo shares arranged to 'A' shares shareholder from the non floating share shareholder. After conversion, the shareholding equity increases to 551,348,000 shares and the floating 'A' shares increased to 116,271,800 from 76,752,000, among which 28,007,000 shares are quid pro quo shares. According to "Share Merger Reform memoranda No. 2—information release (1)" the quid pro quo arrangement rate is 28,007,000÷88,264,8 00= 0.3173 with converted 'A' shares share capital (88,264,800 shares) as base. Therefore, in the conversion, the floating 'A' shares shareholder obtained 3.173 shares for each 10 shares.

The Share Merger Reform of the Company 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.

2. Issues of economical staff cuts

Due to that sale market of the Company is mainly located in north and east China besides Shenzhen, and cost for production and logistics in local Shenzhen is too high, so it is not strong enough of the cost competition for the products made in Shenzhen. With decreased performance in sales, it is impossible to maintain the workers scale in Shenzhen.To implement the work guideline of cutting employees and improve working efficiency and realizing development in market economy mode, the company decided to cut employees for economical efficiency according the relevant regulations of Labor Contract Law of PRC since April 1st, 2008. The employees planed to cut are 188 and RMB 7.05 million Yuan is needed for the compensation in the budget.

Annotation 15: Sustained operation interpretation

As of Dec 31st, 2007 the total assets of the Company is RMB 214,381,500 Yuan and the total liabilities is RMB 1,998,721,000 Yuan with net assets of RMB 1,784,339,500 Yuan. The Company is in insolvency and it may fail to liquidate assets to clear off debts during the normal operation. Therefore, the Company and the original first creditor adopted the measures as follows:

Since March 2002, the first creditor of the Company, China Huarong Asset Management Corporation made breakthrough advance on the debt restructing. " Shenzhen China restructing scheme " has approved by the China Banking Regulatory Commission. The monetary liabilities of the company before December 31st, 2004 has been exempted.

China Huarong Asset Management Corporation and Shenzhen Julongsheng Industrial Development Co., Ltd, Shenzhen Guosheng Energy Investment Development Co., Ltd. agreed and signed on November 13th 2006 "Letter of Agreement". The Guosheng Energy accepted the 65,098,412 ‘A’ shares of corporate share from Huarong Coporation. The ownership right was transferred on April 30th, 2007. Shenzhen Guosheng Energy Investment Development Co., Ltd. became the biggest shareholder and biggest creditor of the Company and handled the debt restructuring issues.

The company is making debt restructing scheme and has made certain achievement. The company has signed with International Finance Corporation on March 29th, 2007 the " Deed of arrangement ". Both parties are agreed to settle all right of credit and liability between the two parties by paying the amount equivalent to 2 million Yuan RMB. The debt amount is about 3.87million U.S. dollars and about 42.78 million RMB. The two biggest debtees of the company, Shenzhen Guosheng Energy Investment Development Co. Ltd. and Guangdong sunrise Holdings Co. Ltd. has agreed to collect the interest of debt in 2007. The exempted interest amount are 54.76 million Yuan and 14.85 million Yuan. This item of interest exempt will continue to the future years.

Whie making liability restructing, the main businesses of the company increase great and make profit. In this sense, the payment pressure for the company in the short term reduces great and the sustained operation improves .

With restructuring of the debt and assets of the Company and the development of the company, the business environment and operation state will improve further.

Annotation 16: supplementary information

1. Supplementary information of cash flow statement

(1) Supplementary information of consolidated cash flow statement

Item	2007	2006
1. Reconciliation of net profit/ (loss) to cash flows from operating activities		
Net profit	62,974,630.60	-12,024,258.74
Plus: assets devalue provision	11,796,922.81	9,141,276.54
Fixed assets depreciation	11,754,523.18	12,396,831.07
Amortization of intangible assets		
Amortization of long-term deferred expenses		

Item	2007	2006
Loss on disposal of fixed assets, intangible assets and other long-term assets (income is listed with"-")	-2,649,561.90	-
Scrap loss of fixed assets (income is listed with"-")	1,892,109.37	-
Loss on changes to fair value (income is listed with"-")	-	-
Financial expense (income is listed with"-")	-34,223,986.40	-14,465,143.27
Investment loss (income is listed with"-")	1,336,613.99	4,879,579.49
Decrease of deferred income tax assets (increase is listed with"-")	9,849,555.22	-9,849,555.22
Increase of deferred income tax liabilities (decrease is listed with"-")	-	-
Inventory decrease (increase is listed with"-")	-3,533,289.17	2,014,914.10
Decrease in operating receivables (increase is listed with"-")	10,973,871.15	-10,169,692.22
Increase in operating payables (decrease is listed with"-")	-3,191,637.65	-33,904,862.32
Others	-68,568,701.43	42,027,323.27
Net amount of cash flows from operating activities	-1,588,950.23	-9,953,587.30
2. Investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital		
Reclassification of convertible bonds expiring within one year as current liability		
Fixed assets acquired under finance leases		
3. Net increase /(decrease) in cash and cash equivalents		
Cash balance the end of the year	14,062,198.43	15,979,853.39
Minus: cash balance at the beginning of the year	15,979,853.39	25,991,640.78
Plus: balance of cash equivalents at the end of the year	-	-
Minus: balance of cash equivalents at the beginning of the year	-	-
Net amount of increase /(decrease) in cash and cash equivalents	-1,917,654.96	-10,011,787.39

(2) Supplementary information of the Company' cash flow statement

Item	2007	2006
1. Reconciliation of net profit/ (loss) to cash flows		

Item	2007	2006
from operating activities		
Net profit	60,572,143.94	-9,648,015.34
Plus: assets devalue provision	11,796,922.81	7,732,679.98
Fixed assets depreciation	11,449,561.79	12,035,249.49
Amortization of intangible assets	-	-
Amortization of long-term deferred expenses	-	-
Loss on disposal of fixed assets, intangible assets and other long-term assets (income is listed with"-")	-2,646,561.90	-
Scrap loss of fixed assets (income is listed with"-")	1,892,109.37	-
Loss on changes to fair value (income is listed with"-")	-	-
Financial expense (income is listed with"-")	-29,733,485.40	-14,292,785.12
Investment loss (income is listed with"-")	1,175,340.59	5,476,716.41
Decrease of deferred income tax assets (increase is listed with"-")	9,849,555.22	-9,849,555.22
Increase of deferred income tax liabilities (decrease is listed with"-")	-	-
Inventory decrease (increase is listed with"-")	-1,383,545.41	-2,040,109.24
Decrease in operating receivables (increase is listed with"-")	14,092,372.23	-21,402,309.17
Increase in operating payables (decrease is listed with"-")	-8,385,442.59	-12,039,277.73
Others	-68,568,701.43	43,446,677.27
Net amount of cash flows from operating activities	110,269.22	-580,728.67
2. Investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital	-	-
Reclassification of convertible bonds expiring within one year as current liability	-	-
Fixed assets acquired under finance leases	-	
3. Net increase /(decrease) in cash and cash equivalents		
Cash balance the end of the year	477,660.27	504,436.50
Minus: cash balance at the beginning of the year	504,436.50	1,121,149.17
Plus: balance of cash equivalents at the end of the year	-	-
Minus: balance of cash equivalents at the beginning of the year	-	-
Net amount of increase /(decrease) in cash and cash equivalents	-26,776.23	-616,712.67

2. Detailed statement of non-recurring profit and loss items

Detailed item	2007	2006
1.Disposal profit and loss on non-current assets	757,452.53	4,735.50
2. Tax refund and exemption approved by exceeding authority or without formal document of approval	-	-
3. government subsidy recorded into the current gains and losses	-	-
4. Capital occupation received from non- financial enterprises and recorded into the current gains and losses	-	-
5. Profit and loss resulting from the discrepancy between enterprise combination cost and the fair value of the identifiable net assets of the combined enterprise	-	-
6. Profit and loss on exchange of non-monetary assets	-	-
7. Profit and loss on entrusted investment	-	-
8. Assets devalue provisions withdrawn for force majeure, such as natural disaster	-	-
9. Debt restructuring expense	68,568,701.43	-
10. Enterprise restructuring expense	-	-
11. Profit and loss exceeding fair value, resulting from unfair transactions	-	-
12. Net profit and loss of the current period from the beginning of the subsidiary to combination date, resulting from enterprise combination under the same control	-	-
13. Profit and loss on predicted liabilities unrelated to main business of the Company	-	-
14. Net amount of other non-operating income and expense except the above items	-	-
15. Others	-13,868.87	28,913.72
Total	69,312,285.09	33,649.22
Minus: corresponding income tax of non-recurring profit and loss	-	-
Minus: the part shared by minority shareholders	-	-
Net profit influenced by non-recurring profit and loss	69,312,285.09	33,649.22
Net profit on the statement	62,974,630.60	-12,024,258.74
Minus: profit and loss of minority shareholders	-	-
Net profit attributable to shareholders of parent company	62,974,630.60	-12,024,258.74
The ratio of non-recurring profit and loss to net profit attributable to shareholders of parent company in the same period	110.06%	-
Net profit attributable to shareholders of parent company after deducting non-recurring profit and loss	-6,337,654.49	-12,057,907.96

3. Rate of return on common stockholders' equity and earnings per share

Period	Financial index	Rate of return on common stockholders' equity		Earnings per share (RMB Yuan/share)	
		Fully diluted	Weighted average	Basic earnings per share	Diluted earnings per share
2007	Net profit attributable to common shareholders			0.1314	0.1314
	Net profit attributable to common shareholders after deducting non-recurring profit and loss			-0.0132	-0.0132
2006	Net profit attributable to common shareholders			-0.0251	-0.0251
	Net profit attributable to common shareholders after deducting non-recurring profit and loss			-0.0252	-0.0252

Item	2007	2006
Calculation of basic earnings per share and diluted earnings per share		
1. Numerator		
Net profit after tax	62,974,630.60	-12,024,258.74
Adjust: preference share dividend and influence of other instruments		
Profit and loss attributable to common shareholders of parent company, in the calculation of basic earnings per share	62,974,630.60	-12,024,258.74
Adjust:		
Dividend and interest related to diluted potential common share	-	-
Changes to income or expense, caused by converting diluted potential common share	-	-
Profit and loss attributable to common shareholders of parent company, in the calculation of diluted earnings per share	62,974,630.60	-12,024,258.74
2. Denominator		

Weight average of common shares issued externally during the current period, in the calculation of basic earnings per share	479,433,003.00	479,433,003.00
Plus: the weighted average while all diluted potential common shares are converted into common shares	-	-
Weight average of common shares issued externally during the current period, in the calculation of diluted earnings per share	479,433,003.00	479,433,003.00
3. Earnings per share		
Basic earnings per share	0.1314	-0.0251
Diluted earnings per share	0.1314	-0.0251

4. Comparison table of 2006 profit statement difference after retroactive adjustment according to new accounting standard

Item	Amount
Net profit in 2006 (old accounting standard)	-9,648,015.34
Plus: total influence of retroactive adjusted item	-2,376,243.40
Inc: income tax	-
Minus: profit and loss of minority shareholders influenced by retroactive adjusted item	-
Net profit attributable to shareholder of parent company in 2006 (new accounting standard)	-12,024,258.74
Spare reference information for assumption of full adoption of new accounting standard	
1. Total influence of other item	-
2. Plus: profit and loss of minority shareholders influenced by retroactive adjusted item	-
3. Plus: profit and loss of minority shareholders listed in the original interim financial statement	-
Simulated net profit in 2006	-12,024,258.74

According to the new and old accounting standard, the "unrecognized investment loss" will not be recognized any more. The "unrecognized investment loss" RMB 2,376,243.40 Yuan of 2006 is transferred into the net profit attributable to shareholders of parent company.

The spare reference profit table above is prepared according to the provisions of "*Question and Answer No.7 Regarding the Rules on Information Disclosure for Companies That Publicly Offer Securities—Compilation and Disclosure of Comparative Financial and Accounting Information During the Transition Period between the New and Old Accounting Standards*". And it is assumed that the Company has fully implement the "*Accounting Standards for Business Enterprises*" (2006 edition) at the beginning period of comparison.

5. Comparative disclosure statement of the difference adjustment table of

shareholders' equity according to the new and old accounting standards

No.	Name of item	Disclosure of 2007 annual report	Original disclosure of 2006 annual report	Difference	Reason
	Shareholders' equity on Dec. 31 2006 (old accounting standard)	-1,863,530,511.45	-1,863,530,511.45	-	-
1	Long-term equity difference				-
	Inc: long-term equity investment difference resulting from enterprise combination under the same control				-
	Credit difference of other long-term equity investment calculated through equity method				-
2	Investment real estate intend to be measured at fair value				-
3	Supplementary depreciation of previous years withdrawn because of predicted expense on discarded assets				-
4	Dismission compensation accordant to recognition conditions for predicted liabilities				-
5	Share-based payment				-
6	Restructuring obligation accordant to recognition conditions for predicted liability				-
7	Enterprise combination				-
	Inc: book value of business reputation resulting from enterprise combination under the same control				-
	Business reputation devalue provision withdrawn according to new accounting standard				-
8	Financial assets measured at fair value and of which changes recorded as profit and loss for the current period, and financial assets available for sale				-
9	Financial liabilities measured at fair value and of which changes recorded as profit and loss for the current period				-
10	Equity added through financial				-

No.	Name of item	Disclosure of 2007 annual report	Original disclosure of 2006 annual report	Difference	Reason
	instrument partition				
11	derivative financial instruments				-
12	Income tax	9,849,555.22	9,849,555.22	-	-
13	Equity of minority shareholders				-
14	Others				-
	Shareholders' equity on Jan. 1 2007 (new accounting standard)	-1,853,680,956.23	-1,853,680,956.23	-	-

During the compilation of 2007 annual report, the Company has rechecked the book balance related to assets, liabilities and shareholders' equity on the first adoption date. The Company has no economic business corresponding to other adjustment item except the adjustment to income tax, so there is no difference.

The consolidated financial statement for 2007 of the Company and annotations are compiled according to *Accounting Standards for Business Enterprises* No.1 to No.37 issued by the state.