

Shenzhen China Bicycle Company (Holdings) Limited

Summary of Semi-Annual Report 2017

I. Important Notice

The summary is abstract from full-text of semi-annual report, for more details of operating results, financial condition and future development plan of the Company; investors should found in the full-text of semi-annual report that published on media appointed by CSRC.

Objection statement of directors, supervisors and senior executives

Name	Position	Content and reason
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Statement

Other directors attending the Meeting for semi-annual report deliberation except for the followed

Name of director absent	Title for absent director	Reasons for absent	Attorney
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Prompt of non-standard audit opinion

Applicable Not applicable

Profit distribution pre-plan of common stock or capitalizing of common reserves pre-plan deliberated by the Board in the reporting period

Applicable Not applicable

The Company has no plans of cash dividend distributed, no bonus shares and has no share converted from capital reserve.

Profit distribution pre-plan of preferred stock deliberated and approved by the Board in the reporting period

Applicable Not applicable

II. Company profile

1. Company Profile

Short form of the stock	Zhonghua – A, Zhonghua -B	Stock code	000017、200017
Stock exchange for listing	Shenzhen Stock Exchange		
Person/Way to contact	Secretary of the Board	Rep. of security affairs	
Name	Sun Longlong	Cui Hongxia	
Office add.	Room 1201, Wantong Building, No.3002, Sungang East Road, Shenzhen	Room 1201, Wantong Building, No.3002, Sungang East Road, Shenzhen	
Tel.	0755-25516998,28181666	0755-25516998,28181666	
E-mail	dmc@szcbc.com	dmc@szcbc.com	

2. Main accounting data and financial indexes

Whether it has retroactive adjustment or re-statement on previous accounting data or not

Yes No

	Current period	Same period of last year	Increase/decrease in this report y-o-y
Operating revenue (RMB)	48,929,676.27	65,774,013.33	-25.61%
Net profit attributable to shareholders of the listed company (RMB)	-1,691,378.44	448,356.29	-477.24%
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (RMB)	-1,902,819.26	193,927.51	-1,081.20%
Net cash flow arising from operating activities (RMB)	-8,806,042.23	-4,748,614.78	85.44%
Basic earnings per share (RMB/Share)	-0.0031	0.0008	-487.50%
Diluted earnings per share (RMB/Share)	-0.0031	0.0008	-487.50%
Weighted average ROE	-12.51%	3.74%	-16.25%
	End of current period	End of last period	Increase/decrease in this report-end over that of last period-end
Total assets (RMB)	48,954,777.06	54,088,275.72	-9.49%
Net assets attributable to shareholder of listed company (RMB)	12,677,305.14	14,368,683.58	-11.77%

3. Number of shares and shares held

In Share

Total common stock shareholders in reporting period-end	56,305	Total preference shareholders with voting rights recovered at end of reporting period (if applicable)	0			
Top ten shareholders						
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Shareholding numbers	Amount of restricted shares held	Number of share pledged/frozen	
					State of share	Amount
Shenzhen Guocheng Energy Investment	Domestic non-State-owned legal person	11.52%	63,508,747	0	Pledged	11,000,000

Development Co., Ltd.						
UOB Koy Hian (Hong Kong) Co., Ltd.	Foreign legal person	2.89%	15,907,850	0		0
Guosen Securities (Hong Kong) brokerage Co., Ltd.	Foreign legal person	2.54%	13,988,425	0		0
Shenwan Hongyuan Securities (Hong Kong) Co., Ltd.	Foreign legal person	1.10%	6,043,657	0		0
Zhongrong International Trust Co., Ltd. – ZR- DF No.13 Structured Stock Collection Fund Trust Plan	Other	0.87%	4,770,923	0		0
Zhongrong International Trust Co., Ltd. – ZR- DF No.14 Structured Stock Collection Fund Trust Plan	Other	0.83%	4,547,797	0		0
Li Huili	Domestic nature person	0.71%	3,891,124	0		0
CMB (H.K.) Limited	State-owned legal person	0.68%	3,767,235	0		0
Zhongrong International Trust Co., Ltd. – ZR- DF No.12 Structured Stock Collection Fund Trust Plan	Other	0.67%	3,721,600	0		0
Zong Bin	Domestic nature person	0.58%	3,187,180	0		0
Explanation on associated relationship among the aforesaid shareholders	Li Huili, spouse of the Ji Hanfei, the actual controller of first majority shareholders of the Company- Shenzhen Guosheng Energy Investment Development Co., Ltd., holding B-share of the Company on behalf of Shenzhen Guocheng Energy Investment Development Co., Ltd., beyond that, the Company has no idea of whether other circulated shareholders belong to concerted action persons ruled in the Administration Norms for Information Disclosure of Change on Shareholding of Shareholders of Listed Companies.					
Shareholders involving margin business (if applicable)	N/A					

4. Changes of controlling shareholders or actual controller

Changes of controlling shareholders in reporting period

Applicable Not applicable

Name of new controlling shareholder	No controlling shareholder
Date of change	2017-02-20
Inquiry index on appointed website	2016 Annual Report in Juchao website
Disclosure date on appointed website	2017-04-27

Changes of actual controller in reporting period

Applicable Not applicable

Name of new actual controller	No actual controller
Date of change	2017-02-20
Inquiry index on appointed website	2016 Annual Report in Juchao website
Disclosure date on appointed website	2017-04-27

5. Total preferred stock shareholders of the Company and shares held by top ten shareholders with preferred stock held

Applicable Not applicable

No preferred stock in reporting period.

6. Corporation Bonds

Whether the Company has a corporation bonds that issuance publicly and listed on stock exchange and without due on the date when annual report approved for released or fail to cash in full on due

No

III. Discussion and analysis by the Management Team

1. Introduction of operation in the reporting period

Dose the Company need to comply with disclosure requirements of the special industry

No

In 2017, the international political and economic situation was complicated and severe, the domestic economic development faced many difficulties and challenges the deep-seated problems were still prominent, and there were many unstable and uncertain factors, which affected and impacted the traditional manufacturing industry and social consumption structure demand. Under the leadership of the central government and the governments at all levels, people of the whole country made great efforts to overcome difficulties, forged ahead and realized the steady progress of economic and social development, and constantly made new achievements.

As a sector in the traditional manufacturing field, the bicycle industry continued the dilemma of rise in labor costs, manufacturing costs, capital costs, and material costs. The rather low threshold for entering the industry and many manufacturers resulted in the fierce market competition and intensifying industry reshuffle. The bicycle sharing brands such as Mobike and ofo have obtained large amount of financing and rapid promotion, but also further digested the user's demand, and squeezed the market space of traditional bicycle enterprises. At the same time, as a sector in the traditional manufacturing field, the bicycle industry has also ushered in the "Made in China 2025" strategy, under the guidance of the basic principles of "driven by innovation, quality first, green development, structural optimization, based on talents", accelerate the important opportunity challenges of transformation and upgrading, faced the important opportunity challenges of e-commerce development to channel impact, channel integration and internet +, along with the

development of cycling culture in China, China's bicycle market shall form a new space for development. In this context, in 2017, the company combined with the actual situation of weak economic foundation after restructuring, on the one hand, adhered to taking the traditional business model development as the principle, strengthened the product development efforts, and constantly optimized and adjusted the product structure and sales model transformation, according to the e-commerce transformation of business team and the cost control way of internal introduction and external connection, actively expanded the e-commerce business model, and achieved the good development and rapid growth of e-commerce retail business; on the one hand, strived to promote the selection work of the company's restructuring, planned the non-public offering of shares, and started the business upgrades and connection work of the offline sales platform for sports experience and R & D center construction projects.

As for the planning of non-public offering of shares, in July 2016, the company started planning the non-public offering of shares, and raised funds for the purchase of major assets; the company's Board of Directors considered and approved the Plan for Non-public Offering of A Shares in 2016. On the basis of the due diligence, audit evaluation and commercial negotiation of the intermediary institution, and combined with the actual situation of the capital market and the company, in February 2017, the Board of Directors of the company considered and approved the Proposal on Adjusting the Company's Non-public Offering of A Shares, the Plan for Non-public Offering of A Shares in 2016 (Revision) and so on. According to the revision of the plan, the total amount of this private placement was no more than 1.2 billion Yuan, after deducting the issue costs, the company planned to invest 800 million Yuan of funds for the "intelligent community building talk-back equipment and system platform construction project", and invest 400 million Yuan of funds for the "sports experience online and offline sales platform and R & D center construction project". In May 2017, the Board of Directors of the Company examined and approved the Proposal on Adjusting the Scheme of Non-Public Offering of Shares by the Company. According to the plan revision, the total amount of raised funds for this non-public offering should not exceed RMB 800 million, after deducting the issuance expenses, the company planned to invest RMB 660 million of funds for "online and offline marketing network platform construction and upgrading project", and planned to invest RMB 140 million of funds for "R & D center construction project". On June 19, 2017, the company convened the second extraordinary general meeting of shareholders in 2017 which approved the aforesaid proposal on non-public offering of shares.

As for the business operation and management, in 2017, the company focused on the following aspects: First is to make every endeavor to maintain the company's existing traditional business operation mode. Second is to promote the development of e-commerce business model on the basis of traditional model, combine with the actual situation of the company, learn from the experience of the successful e-commerce examples, and follow the principle of efficiency and benefits to design and implement the company's team e-commerce transformation and the e-commerce business development ideas of internal introduction, external connection and controllable costs. On the basis of completing the initial e-commerce development layout of bicycle business and the team training construction, EMMELLE flagship store has achieved good brand propaganda effect and e-commerce retail business development momentum and business efficiency with the help of Tmall, Jingdong, VIP, Suning, Gome, official website, official wechat, HHLME and other e-commerce platforms, the sustainable development ideas of e-commerce business have been verified and implemented. Third is to continue to increase the promotion and the research and development efforts to the medium- and high-end products, continue to introduce new products according to market changes, actively apply new technologies, closely track the cutting-edge innovative technology and exploration applications like the intelligentization of smart helmet electric car with super-capacitor battery, and constantly improve and extend the product lines. Fourth is to start the business upgrades and convergence work at the earlier stage of sports experience online and offline sales platform and R & D center construction project, and strive to upgrade the sales and research and development capabilities. Fifth is to improve the support level of background departments to front desk business by strengthening the background management and office automation. Sixth is to actively carry out the business while the company seriously cooperates with the manager to carry out the unaccomplished matter related to reorganization procedures.

While the domestic traditional manufacturing industry was still in depressed, the company insisted on following the guidelines of

“Made in China 2025” to accelerate its own professionalization transformation, e-commerce transformation, manufacturing miniaturization transformation and others, strengthen the adjustment of product structure, enhance the quality management, strengthen the cost control, and strive to enhance the traditional enterprises’ abilities to adapt to the economy new normal and participate in the market competition. In first half year of 2017, the company achieved operating income of 48.9297 million Yuan, net profit of -2,127,300 Yuan, and the net profit attributable to the shareholders of listed company of -1,691,400 Yuan.

2. Relevant items involving financial report

(1) Particulars about the changes in aspect of accounting policy, estimates and calculation method compared with the financial report of last fiscal period

Applicable Not applicable

Content and reasons	Approval procedures	Note
Pursuant to the notice issued by the Ministry of Finance on 10 May 2017 relating to issuance of the amended No.16 of Enterprise Accounting Standards – Government Grant (No. CK[2017]15), government grant associated with a company’s normal operation shall be recorded in “other income” or used to offset relevant cost expenses based on economic substance; government grant not associated with a company’s normal operation should be recognized as non-operating income or expense. These provisions have come into effect since 12 June 2017. Government grants existed as at 1 January 2017 shall be accounted for under prospective application method, and those new government grants increased between 1 January 2017 and the date when the new provision came into effect are subject to adjustments under the new government grant standards.	2 nd Meeting of 10 th BOD	Impact of this change of accounting policies in our consolidated financial statement is the change of accounting item for government grant: government grant related to our normal operation shall be recorded as “other income” and reported separately under the item of “operating profit” in profit statement. These adjustments are only made to the reporting items and structure of profit statement, with no impact on the Company’s profit for the period or shareholders’ interests, no impact on our financial condition and operating results and no involvement of the retrospective adjustment for the previous years.

(2) Major accounting errors within reporting period that needs retrospective restatement

Applicable Not applicable

No major accounting errors within reporting period that needs retrospective restatement for the Company in reporting period.

(3) Particulars about the change of consolidation range compared with the financial report of last fiscal period

Applicable Not applicable

The Company had no particular about the change of consolidation range compared in reporting period.