

Shenzhen China Bicycle Company (Holdings) Limited

Summary of Semi-Annual Report 2018

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, Zhong Xiaojin	
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)	67,734,899.35	48,929,676.27	38.43%
Net profit attributable to shareholders of the listed company (RMB)	554,162.06	-1,691,378.44	-132.76%
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (RMB)	521,366.39	-1,902,819.26	-127.40%
Net cash flow arising from operating activities (RMB)	-3,362,971.19	-8,806,042.23	-61.81%
Basic earnings per share (RMB/Share)	0.0010	-0.0031	-132.26%
Diluted earnings per share (RMB/Share)	0.0010	-0.0031	-132.26%
Weighted average ROE	3.43%	-12.51%	15.94%
	End of current period	End of last period	Increase/decrease in this report-end over that of last period-end
Total assets (RMB)	70,833,599.30	73,559,961.28	-3.71%
Net assets attributable to shareholder of listed company (RMB)	16,452,432.91	15,898,270.85	3.49%

3. Number of shares and shares held

In Share

Total common stock shareholders in reporting period-end	49,697	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		0

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	2.52%	13,909,425	0		0
Huabao Trust Co., Ltd. – Huihuang No.33 single fund trust	Other	1.35%	7,435,165	0		0
Huabao Trust Co., Ltd. – Huihuang No.15 single fund trust	Other	1.29%	7,114,435	0		0
Shenwan Hongyuan Securities (Hongkong) Co., Ltd.	Foreign legal person	1.22%	6,707,257	0		0
Huabao Trust Co., Ltd. – Huihuang No.22 single fund trust	Other	0.80%	4,387,288	0		0
Zhongrong International Trust Co., Ltd. – Zhongrong –Dingfu No.13 structured portfolio investment trust plan	Other	0.72%	3,958,923	0		0
Li Huili	Domestic nature person	0.71%	3,891,124	0		0
Zhongrong International Trust Co., Ltd. – Zhongrong –Dingfu No.14 structured portfolio investment trust plan	Other	0.67%	3,684,497	0		0
Explanation on associated relationship among the aforesaid shareholders	Li Huili, spouse of the Ji Hanfei, the actual controller 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	N/A					

business (if applicable)	
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4. Changes of controlling shareholders or actual controller

Changes of controlling shareholders in reporting period

Applicable Not applicable

Changes of controlling shareholders had no change in reporting period.

Changes of actual controller in reporting period

Applicable Not applicable

Changes of actual controller in reporting period had no change in reporting period.

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 first half of 2018, the international political and economical situation was complex and severe, structural problems and deep-seated contradictions in the domestic economic development were highlighted, economic downturn pressure continued to increase, many unstable and uncertain factors still existed, which affected and impacted the traditional manufacturing industries and the social consumption structure demand. Under the leadership of central government and governments at all levels, the whole nation strengthened their confidence, overcame difficulties, and forged ahead, and achieved steady progress in economic and social development, and the economic fundamentals were continuously consolidated and developed. As a sector in the traditional manufacturing field, the bicycle industry continued the dilemma of rise in labor cost, manufacturing costs, cost of capital, and material costs. Due to the low entry barriers of the industry and the large number of manufacturers, the market competition was fierce and the industry reshuffle intensified. The shared bicycle brands like Mobike were quickly promoted with financial advantages, further met the users' needs, and squeezed the market space of traditional bicycle enterprises. At the same time, as a traditional manufacturing industry, the bicycle industry also ushered in the "Made in China 2025" strategy, under the guidance of the basic principles of "Innovation Driven, Quality First, Green Development, Structure Optimization, and Talent Based", took the important opportunity to speed up the transformation and upgrading, and also faced with the important challenges of e-commerce development impacts on channels, channel integration and Internet+.

China has the world's largest production and marketing of electric bicycles, after years of development, electric bicycles have gradually become an important means of transportation for consumers on everyday short-distance trips, at present, there are about 200 million bicycles in the entire society. Structural body, motor, power battery, and control system are the core components of electric bicycles, Shenzhen China Bicycle has been closely following up the research on their technological development, application development, and commercial value for a long period of time, and has determined the qualified suppliers for core components year by year. The non-public offering of shares for fund-raising investment project of Shenzhen China Bicycle being planned and prepared at present also covers the application researches on switched reluctance motors, super-capacitor batteries, new materials, electric car bus control systems, wearable devices, intelligent positioning lock systems, etc. As one of the core components, electric bicycle power batteries have been mainly lead-acid batteries in the past decade or two, with the development and popularization of new energy technologies and new energy materials, it is expected to be replaced by the lithium batteries in the future. According to the strategy guidelines of "Made in China 2025" by the State Council and the spirit of standardization reform, the Ministry of Industry and Information Technology, the Ministry of Public Security, the State Administration for Industry and Commerce, and the General Administration of Quality Supervision, Inspection and Quarantine have introduced a new national standard for electric bicycles to comprehensively improve the safety performance of electric bicycles, adjust and improve the speed limit, vehicle quality, pedaling and riding ability and other technical indicators. New standards not only are close to people's livelihood, but also improve the application space for lithium battery energy storage, and lithium battery electric bicycles usher in a new stage of development.

Under this background, in first half 2018, the company combined with its 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 research and 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, and actively expanded the e-commerce business model; on the one hand, correspondingly carried out the tracking study on industrial projects and technology applications of upstream and downstream of industrial chain in the long-term process of electric bicycle business, strived to expand the lithium battery materials business based on the extensive business consultation and business opportunity sifting, and took it as an opportunity to gradually expand its main business; on the other 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.

In preparation for non-public offering of shares, in July 2016, the company initiated the planning and preparation for non-public offering of shares and engaged securities companies, lawyers, accountants, and other intermediary agencies to carry out various tasks. Since then, the nineteenth (temporary) meeting, the twenty-second (temporary) meeting, and the twenty-sixth (temporary) meeting of the ninth session of board of directors of the company, and the second extraordinary shareholders' meeting in 2017 reviewed and approved the relevant proposals on non-public offering of shares. Combining the capital market with the actual situation of the company, from January to February, 2018, the fourth (temporary) meeting of the 10th session of board of directors and the first

extraordinary shareholders' meeting of the company in 2018 reviewed and approved the Proposal on Adjusting the Plan for the Company's Non-Public Offering of A-Shares, and the Proposal on the Plan for the Company's Non-Public Offering of A-Shares (three revised versions) and other relevant proposals. According to the above proposals, the total amount of funds raised in this non-public offering of shares did not exceed 750 million Yuan, and planned to invest 680 million Yuan for the "online and offline marketing network platform construction and upgrade project" and planned to invest 70 million Yuan for the "R&D center construction project after deducting the issuance costs.

Under the background that the traditional manufacturing industry at home was still sluggish, in accordance with the guidelines of "Made in China 2025", the company insisted on accelerating its professional transformation and e-commercial transformation, striving to expand its main business, strengthening the structural adjustment, intensifying the quality management, strengthening cost control, improving the ability of traditional enterprises to adapt to economy new normal and participate in market competition. Through various efforts, the company achieved operating revenue of 67,734,900 Yuan and net profit of 491,900 Yuan in first half of 2018, of which, the net profit attributable to shareholders of listed companies was 554,200 Yuan. The company's operations remained stable and have injected new development potential.

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

The Company had no particulars about the changes in aspect of accounting policy, estimates or calculation method in the reporting period.

(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.