

Shenzhen China Bicycle Company(Holdings)Limited

Summary of Annual Report 2019

I. Important Notice

The summary is abstract from full-text of 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 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 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

The 2019 annual financial report of the Company was audited by Baker Tilly China CPA (LLP), and an unqualified audit report with significant uncertainty of going concern was issued. The board of directors and the board of supervisors of the Company have detailed explanations on related matters. Investors should read carefully.

Since the audited net profit is negative for two consecutive fiscal years in 2018 and 2019, according to the relevant regulation of Article 13.2.1 of Rules Governing the Listing of Stocks on Shenzhen Stock Exchange, Shenzhen Stock Exchange will implement delisting risk warning for the stock trading of the Company.

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 plan of cash bonus, dividends and capitalizing of reserves either.

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

Applicable Not applicable

II. Company information

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
Fax.	0755-28181009	0755-28181009
Tel.	0755-25516998,28181666	0755-25516998,28181666
E-mail	dmc@szcbc.com	dmc@szcbc.com

2. Main business or product introduction in the reporting period

During the reporting period, the Company is engaged in the main business of bicycle business, lithium battery material business and jewelry and gold business. Bicycle business including the production, assembly, purchase and sales of bicycles and electric bicycles etc.

3. Main accounting data and financial indexes

(1) Main accounting data and financial indexes for recently three years

Whether it has retroactive adjustment or re-statement on previous accounting data for accounting policy changed and accounting error correction or not

Yes No

In RMB

	2019	2018	Changes over last year	2017
Operating income (RMB)	76,022,687.75	119,906,950.34	-36.60%	137,490,597.69
Net profit attributable to shareholders of the listed company (RMB)	-7,186,905.64	-1,591,968.91	351.45%	1,529,587.27
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (RMB)	-7,370,499.83	-1,837,914.46	301.03%	1,189,700.50
Net cash flow arising from operating activities (RMB)	-13,791,941.34	-9,479,474.16	45.49%	-3,431,578.40
Basic earnings per share (RMB/Share)	-0.0130	-0.0029	348.28%	0.0028
Diluted earnings per share (RMB/Share)	-0.0130	-0.0029	348.28%	0.0028
Weighted average ROE	-53.69%	-10.54%	-43.15%	10.11%
	End of 2019	End of 2018	Changes over end of last year	End of 2017
Total assets (RMB)	62,733,602.58	73,242,960.17	-14.35%	73,559,961.28
Net assets attributable to shareholder of listed company (RMB)	7,119,396.30	14,306,301.94	-50.24%	15,898,270.85

(2) Quarterly main financial index

In RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	21,954,108.28	16,320,324.74	24,574,484.81	13,173,769.92
Net profit attributable to shareholders of the listed company	-366,774.37	-432,171.80	1,040,149.76	-7,428,109.23
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	-410,571.37	-499,818.80	1,040,149.76	-7,500,259.42
Net cash flow arising from operating activities	-6,105,394.21	-2,795,862.53	1,583,584.06	-6,474,268.66

Whether there are significant differences between the above-mentioned financial index or its total number and the relevant financial index disclosed in the company's quarterly report and semi-annual report

Yes No

4. Shares and shareholders

(1) Particulars about common stock shareholders, preference shareholders with voting rights recovered and top ten shareholders

In Share

Total common stock shareholders in reporting period-end	50,884	Total common stock shareholders at end of last month before annual report disclosed	49,779	Total preference shareholders with voting rights recovered at end of reporting period	0	Total preference shareholders with voting rights recovered at end of last month before annual report disclosed	0
Top ten shareholders							
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Amount of shares held	Amount of restricted shares held	Number of shares pledged/frozen		
					State of share	Amount	
Shenzhen Guosheng Energy Investment Development Co., Ltd.	Domestic non-State-owned legal person	11.52%	63,508,747	0	-	-	
UOB Koy Hian (Hong Kong) Co., Ltd.	Foreign legal person	2.89%	15,907,850	0	-	-	
Guosen Securities (Hong Kong) brokerage Co., Ltd.	Foreign legal person	2.52%	13,909,425	0	-	-	
Shenwan Hongyuan Securities (Hong Kong) Co., Ltd.	Foreign legal person	1.20%	6,626,116	0	-	-	
Li Huili	Domestic	0.71%	3,891,124	0	-	-	

	nature person					
Xu Hongbo	Domestic nature person	0.58%	3,187,419	0	-	-
CMS Hong Kong Co., Ltd	State-owned legal person	0.54%	2,958,688	0	-	-
Ge Zhiqiong	Domestic nature person	0.52%	2,861,552	0	-	-
Special Account for Property Disposal of Bankrupt Enterprise of CBC	Domestic non-State-owned legal person	0.47%	2,602,402	0	-	-
Zhuorun Technology Co., Ltd.	Foreign legal person	0.36%	2,000,000	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 Guosheng 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.					
Explanation on involving margin business (if applicable)	N/A					

(2) Total preferred stock shareholders of the Company and shares held by top ten shareholders with preferred stock held

Applicable Not applicable

The Company had no shareholders with preferred stock held in the reporting.

(3) Property right and controlling relationships between the actual controllers of the Company and the Company is as follows:

5. Corporate bonds

Whether the company has corporate bonds that have been publicly issued and listed on the stock exchange, and not yet due or due but not fully cashed on the approval date of annual report

No

III. Discussion and analysis of business

1. Introduction of operation in the reporting period

In 2019, the international political and economic situation is complex and severe, domestic development imbalance and inadequate problems are still prominent, and the economy is facing a new downward pressure. 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. In 2018, the relevant state ministry issued a new national standard for electric bicycle safety technical specifications which was implemented on April 15, 2019. The implementation of the new national standard has accelerated the industry's reshuffle and formed industry shocks before implementation. In addition, in the past two years, the bike sharing has been violently oscillating the bicycle industry and the upstream supply chain operations with capital advantages, due to the lack of profit model and capital chain problems, and it continued to have a big impact on the whole industry in 2019. 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, ushered in the development opportunity of the implementation of the new national standards for electric bicycles, 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.

In this context, in 2019, due to the actual situation of having a weak economic foundation after reforming, on the one hand, the company adhered to taking the development of traditional business model as the principle, combined with the new national standard of electric bicycle safety technical specifications, carried out research and development on new products, optimized and adjusted product structure and sales model transformation,

actively expanded the e-commerce business model and realized the steady development of e-commerce retail business; at the same time, 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, started getting involved in the lithium battery materials business based on the extensive business consultation and business opportunity sifting, continues to expanding the business of Lithium battery materials and rich the main business; During the reporting period, the Company newly develops jewelry and gold supply chain business and expands the business dimensions. In August 2019, the Company and Shenzhen Zuankinson Jewelry Co., Ltd jointly established a Shenzhen Xinsen Jewelry and Gold Supply Chain Co., Ltd with contribution of 6.5 million yuan. Of which, the Company holds 65% equity, and is the controlling shareholder of Shenzhen Xinsen Jewelry and Gold Supply Chain Co., Ltd, while 35% equity held by Zuankinson Jewelry. According to actual operation development, in February 2020, the two parties are decided to increase the capital of Shenzhen Xinsen Jewelry and Gold Supply Chain Co., Ltd to 20 million yuan in the same proportion. on the other hand, strive to promote the selection work of the company's restructuring, planned the non-public offering of shares, expecting to improve the business strength and development potential.

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. On April 21, 2020, the company convened the 19th (provisional) board meeting of the tenth session of the board of directors, and reviewed and approved the "Proposal on the Termination of Agreement for Signing a Conditional Share Subscription Agreement (Second Revision) with the Original Subscription Object" and the "Proposal on the Plan for Non-public Issuance of A Shares of Shenzhen China Bicycle Company (Holdings) Limited", etc. The company terminated the non-public offering of shares of 2016 and launched the plan for non-public issuance of A shares in 2020, and planned to raise funds with total amount not exceeding RMB 450 million by non-public offering of shares to 5 specific investors, i.e. Wansheng Industrial Holdings (Shenzhen) Co., Ltd., Fuzhou Zuankinson Jewelry Co., Ltd., Shenzhen Yilian Jinchuang Technology Co., Ltd., Shenzhen Hualinglong Jewelry Co., Ltd., and Shenzhen Jindaogu Jewelry Co., Ltd., all raised funds will be used to supplement working capital after deducting the issuance expenses. The non-public offering plan still needs to be approved by the company's shareholders' meeting and the China Securities Regulatory Commission. Relevant

work is in progress.

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 business dimension, rich the main business and strengthening the structural adjustment, intensifying the quality management, strengthening cost control, overcoming the industry shocks and industry punches of share-bicycle’s fluctuation on the eve of the implementation of new national standards, strive to 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 76,022,700 Yuan and net profit of -7,813,900 Yuan in 2019, of which, the net profit attributable to shareholders of listed companies was -7,186,900 Yuan.

Item	Period-end or current period	Period-begin or last period	Y-o-Y changes (+,-)	Cause of changes
Operation revenue	76,022,687.75	119,906,950.34	-36.60%	Revenue from bicycle and lithium battery material business declined
Operation cost	68,681,471.12	108,071,430.05	-36.45%	Cost of bicycle and lithium battery material business declined
Sales expenses	3,178,476.39	5,933,231.41	-46.43%	Decline of sales resulted in a decreases in operation expenses
R&D expenses	2,753,277.72	0.00		More investment in R&D of bicycle business and lithium battery material
Net profit	-7,813,881.65	-1,880,505.78	315.52%	Loss from the declined in revenue and soaring expenses
Net profit attributable to shareholders of parent company	-7,186,905.64	-1,591,968.91	315.52%	Loss of profits results in a deficit of profit attributable to owners of parent company
Net cash flow from operation activity	-13,791,941.34	-9,479,474.16	45.49%	Tax of previous year paid in the current period and choice of the settlement method
Net cash flow from investment activity	-897,577.01	-17,293.82	5,090.16%	Purchasing fixed assets in the period
Net cash flow from financing activity	4,275,000.00	6,808,378.06	-37.21%	The bank acceptance issue upon receipt of the pledged bank certificate of deposit decreased in the period
Monetary fund	6,074,367.91	18,488,886.26	-67.15%	Pay last year’s taxes and payment of bills payable on due
Account receivable	38,616,523.93	29,007,509.02	33.13%	Receivable from customers increased
Account paid in advance	938,425.99	13,799,753.60	-93.20%	The account paid in advance for materials (for the business of lithium battery material business) are delivery basically in the period
Inventory	6,078,330.30	2,386,603.94	154.69%	The jewelry gold and bicycles in stock from the subsidiary
Other current assets	3,318,514.25	2,266,241.66	46.43%	Input tax to be deducted increased
Note payable	0.00	2,000,000.00	-100.00%	Bank acceptance bill are due for payment
Account received in advance	1,739,953.80	405,779.88	328.79%	Account received by subsidiary in advance for goods from clients increased in the period
Taxes payable	585,062.75	6,297,096.28	-90.71%	Taxes of lat year are paid in the period
Minority’s interest	4,322,186.79	2674162.80	61.63%	Share holding of the minority shareholder of the subsidiary newly established was 35%

2. Whether the main business had major change in the reporting period

Yes No

3. About the industries, products, or regions accounting for over 10% of the company's operating income or operating profit

Applicable Not applicable

In RMB

Name	Operating revenue	Operating profit	Gross profit ratio	Increase/decrease of operating revenue y-o-y	Increase/decrease of operating profit y-o-y	Increase/decrease of gross profit ratio y-o-y
Sales of bicycles and spare parts	46,942,798.66	5,345,176.98	11.39%	-44.58%	-39.72%	0.92%
Lithium battery material	24,460,850.63	1,632,080.31	6.67%	-30.52%	-45.02%	-1.76%
Jewelry gold	4,619,038.46	363,959.34	7.88%	100.00%	100.00%	100.00%

4. Whether the characteristics of management seasonal or cyclical need special attention

Yes No

5. In the reporting period, note of major changes in operating income, operating cost, total net profit attributable to common stock shareholders of listed company or composing the previous reporting period

Applicable Not applicable

During the reporting period, after the implementation of the new national standard, the detailed implementing rules of the 3C standard for bicycle were delayed. The consumer market, upstream supply chain, and downstream distribution channels were on the sidelines, leading to a significant decline in market demand orders. In this period, the company invested in the establishment of a holding subsidiary to develop the jewelry gold supply chain business, and increased the operating income of the jewelry gold supply chain business.

6. Particular about suspended and delisting

Applicable Not applicable

7. 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 year

Applicable Not applicable

1. Change of accounting policy

(1) On 30 April 2019, the Ministry of Finance issued the Notice on Revision and Issuance of 2019 Financial Statement Format for General Corporate (Cai Kuai [2019] No.6), format of the financial statement has been

revised. The Revision and Issued of 2018 Financial Statement Format for General Corporate (Cai Kuai [2018] No.15) repeal at the same time. Main impact are as:

Content and reasons for accounting policy changes	Item and amount impacted
<p>”Note receivable and account receivable” is divide into Account receivable and Note receivable for presentation</p>	<p>In consolidate balance sheet, the note receivable at end of 2019 recorded as 580,000.00 yuan, account receivable recorded as 38,616,523.93 yuan; note receivable at end of 2018 recorded as 0.00 yuan and account receivable recorded as 29,007,509.02 yuan.</p> <p>In balance sheet of parent company, the note receivable at end of 2019 recorded as 580,000.00 yuan, account receivable recorded as 32,843,536.70 yuan; note receivable at end of 2018 recorded as 0.00 yuan and account receivable recorded as 12,827,954.16 yuan</p>
<p>”Note payable and account payable” is divide into Account payable and Note payable for presentation</p>	<p>In consolidate balance sheet, the note payable at end of 2019 recorded as 0.00 yuan, account payable recorded as 10,191,385.23 yuan; note payable at end of 2018 recorded as 2,000,000.00 yuan and account payable recorded as 9,979,010.69 yuan</p> <p>In balance sheet of parent company, the note payable at end of 2019 recorded as 0.00 yuan, account payable recorded as 9,002,524.60 yuan; note payable at end of 2018 recorded as 0.00 yuan and account payable recorded as 0.00 yuan</p>
<p>”Less: Loss of assets impairment” adjusted to “Add: Loss of assets impairment (Loss is listed with “-”)”</p>	<p>In consolidate profit statement, the loss of assets impairment for 2019 recorded as -499,175.17 yuan while recorded as -1,200,526.41 yuan for year of 2018.</p> <p>In profit statement of the parent company, the loss of assets impairment for 2019 recorded as 0.00 yuan while recorded as 14,209.76 yuan for year of 2018.</p>
<p>The government grants actually received by the enterprise, are listed under the item of “Cash received from other operating activities” whether it is related to assets or income.</p>	<p>In consolidate cash flow statement, the government grants reckoned in “Cash received from other operating activities” for year of 2019 recorded as 0.00 yuan while recorded as 0.00 yuan for year of 2018.</p> <p>In cash flow statement of parent company, the government grants reckoned in “Cash received from other operating activities” for year of 2019 recorded as 0.00 yuan while recorded as 0.00 yuan for year of 2018.</p>

(2) Change of classification and measurement of financial instrument

In 2017, the Ministry of Finance revised the Accounting Standards for Business Enterprise No. 22- Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprise No. 23- Transfer of Financial Assets, Accounting Standards for Business Enterprise No. 24- Hedge Accounting and Accounting Standards for Business Enterprise No. 37- Presentation of Financial Instruments. The above mentioned standards are implemented since 1 Jan. 2019. according to the standards, for financial instruments that have not been

recognized as of the date of implementation, if the previous recognition and measurement are inconsistent with the requirements of the revised standards, the amount of retained earnings at the beginning of the year and other relevant items in the financial statements shall be adjusted according to the cumulative impact number, and the information of the comparable period shall not be adjusted. Main impacts are as:

Content and reasons for accounting policy changes	Item and amount impacted
When implemented the new financial instrument standard, the financial assets debt instrument measured by fair value and with variation reckoned into current gains/losses will listed under the item of “Trading financial assets”	No impact on the financial statement while implemented the new standards
When implemented the new financial instrument standard, the bad debt loss accrual from account receivable and other account receivable will listed under the item of “Credit impairment loss (loss is listed with”-”)”	Credit impairment loss in consolidate profit statement for year of 2019 recorded as -2,533,065.87 yuan. Credit impairment loss in profit statement of the parent company for year of 2019 recorded as -2,150,073.55 yuan.

(3) On 7 December 2018, the Ministry of Finance issued the Notice on Revised Accounting Standards for Business Enterprise No.21- Lease (Cai Kuai [2018]No.35). according to the cumulative impact, the retained earnings at beginning of the year and other relevant items in the financial statement of the lease liability of the right to use assets shall be adjusted, and the information of the comparable period shall not be adjusted. No impact on the financial statement while implemented the new standards.

(4) On 9 May 2019, the Ministry of Finance issued the Notice on Revised Accounting Standards for Business Enterprise No.7- Non-monetary assets exchange (Cai Kuai [2019]No.8), the exchange of non-monetary assets between the implementation date of this standard on 1 Jan. 2019 (solstice) shall be adjusted according to the standard. The exchange of non-monetary assets incurred before 1 Jan. 2019 shall not be adjusted retroactively. No impact on the financial statement while implemented the new standards.

(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 the period.

(3) Compare with last year’s financial report; explain changes in consolidation statement’s scope

Applicable Not applicable

In August 2019, the Company and Shenzhen Zuankinson Jewelry Co., Ltd jointly established a Shenzhen Xinsen Jewelry and Gold Supply Chain Co., ltd. Of which, the Company holds 65% equity, while 35% equity held by Shenzhen Zuankinson Jewelry Co., Ltd, the enterprise was included in the consolidate scope since establishment.

Board of Directors of
Shenzhen China Bicycle Company (Holdings) Limited
26 April 2020