SHENZHEN LIONDA HOLDINGS CO., LTD.

2001 ANNUAL REPORT

Important Note:

Board of Directors of Shenzhen Lionda Holdings Co., Ltd. (hereinafter referred to as the Company) individually and collectively accept responsibility for the correctness, accuracy and completeness of the contents of this report and confirm that there are no material omissions nor errors which would render any statement misleading. This report was prepared in both Chinese and English. Should there be any difference in interpretation of the two versions, the Chinese version shall prevail.

K. C. Oh & Company Certified Public Accountants was unable to form an opinion in its Auditors' Report, to which the Board of Directors and the Supervisory Committee made detailed explanation. The investors are reminded to notice.

Contents

I. COMPANY PROFILE

1. Legal name of the Company in Chinese: 深圳市莱英达集团股份有限公司

Legal name of the Company in English: Shenzhen Lionda Holdings Co., Ltd.
(Abbreviation: LIONDA)

2. Legal Representative: Mr. Li Chengyou
3. Secretary of Board of Directors: Mr. Pan Shiming

   Liaison Tel: (86) 755 3361666

   Fax: (86) 755 3361777

   Authorized Representative in charge of Securities Affairs: Ma Keru

   Liaison Address:

   Property Right and Development Dept. of the Company, Jiahua Bldg., Huaqiang Rd. N., Shenzhen

   E-mail: lionda@mailcenter.com.cn
4. Registered Address: Huaqiang Rd. N., Shenzhen, Guangdong, China

   Office Address: Jiahua Bldg., Huaqiang Rd. N., Shenzhen

   Post Code: 518031

   The Company's Internet Website: www.lionda.com

   E-mail: szlionda@public.szptt.net.cn
5. Newspapers Chosen for Disclosing the Information of the Company:

   Securities Times and Ta Kung Pao

   Internet Website Designated by CSRC for Publishing the Annual Report:

   http://www.cninfo.com.cn

   The Place Where the Annual Report is Prepared and Placed:

   Property Right and Development Department on 3/F of the Company
6. Stock Exchange Listed with: Shenzhen Stock Exchange

   Short Form of the Stock: ST Lionda A, ST Lionda B

   Stock Code: 000030, 200030
7. Other Relevant Information of the Company

   The initial registration of the Company:

   Date: Sep.1993

   Address: Jiahua Bldg., Huaqinag Rd. N., Shenzhen

   Registration number of business license of enterprise juristic person:

   4400001001658

Number of taxation registration: 440301700200001

The certified public accountants engaged by the Company:

K. C. Oh & Company Certified Public Accountants

II. ACCOUNTING HIGHLIGHTS AND BUSINESS HIGHLIGHTS

1. Accounting data and business indexes as of the year 2001

(Unit: In RMB'000)

Total profit	-1,034,242
Net profit:	-1,051,758
Net profit after deducting non-recurring gains and losses	-697,409
Profit from main business lines	64,022
Profit from other business lines	3,444
Share in profits of associates	-298,942
Financial expenditure	-13,716
Extraordinary items	-20,450
Net income / expenditure from non-operating	-701,134
Net cash flows arising from operating activities	-95,756
Net increase in cash and cash equivalents	-129,293

Note1: Net profit of the Company calculated based on Enterprise Accounting Regulation ("EAR") was RMB -995,379,245.69, difference between the domestic and overseas auditing results was mainly due to follows: (positive amount means due increase and negative amount means due decrease in net profit according to EAR)

	Unit: RMB
Bad debt provision	-8,466,000.00
Interest cancellation of estate projects	-63,810,000.00
Amortization of expenditure to be amortized	429,245.69
Income from liabilities reorganization	19,996,000.00
Share in profits of associates	-3,478,000.00
Organization cost cancellation	-1,050,000.00

Note2: Items of non-recurring gains and losses and related amounts:

Unit: In RMB'000

Disposed gains and losses of investee equity	38,754

Income from guarantee	676
Net gains and losses from non-operating	-413,775
Income from liabilities reorganization	-19,996
Total amount from non-recurring gains and losses	-354,349

2. Major accounting date and financial indexes over the past three years ended by the report year (Unit: In RMB)

Item	2001	2000	1999
Income from main business lines	514, 193, 000	739,839,000	1,011,802,000
Net profit	−1, 051, 758, 000	40,794,000	79,224,000
Total assets	441,304,000	1,447,710,000	1,626,640,000
Shareholder’s equity (excluding minority interests)	-984,818,000	78,927,000	52,611,000
Earnings per share (RMB/share)	−3, 67	0.141	0.27
Weighted average	-3,67	0.141	0.27
Fully diluted	-3,67	0.141	0.27
Earnings per share after deducting non-recurring gains and losses	--	0.02	--
Net assets per share (RMB/share)	-3.41	0.27	0.18
Net cash flows per share arising from operating activities	-0.33	0.163	-0.043

Note: Net assets as of the year 1999 and year 2001 are negative after the retroactive adjustments. Thus, the Company has not list item of return on equity because it has no actual meaning for the Company.

Attachment: Supplementary statement of profit in the report year

Profit as of the year 2001	Earnings per share (RMB)	
	Fully diluted	Weighted average
Profit from main business lines	0.22	0.22
Operating profit	-1.04	-1.04
Net profit	-3.67	-3.67
Net profit after deducting non-recurring gains and losses	-2.42	-2.42

2. Changes in shareholders’ equity and the causes in the report year

Unit: In RMB’000

Items	Share capital	Capital public reserve	Surplus public reserve	Statutory capital welfare fund	Accumulated losses	Stockholds’ equity
Total	288,420	298,744	119,515	18,285	-1,709,782	-984,818
Amount at the year-begin	288,420	298,283	118,019	16,789	-655,032	-221,941
Increase in the	0	461	1,496	1,496	0	0

report year						
Decrease in the report year	0	0	0	0	1,051,758	762,877
Amount at the year-end	288,420	298,744	119,515	18,285	-1,709,782	-984,818
Causes		Recombination of debts	Profit distribution	Profit distribution	Deficit	Deficit

III. CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS

(I) Particulars about share capital

1. Statement of changes in Share (Unit: shares)

(Ended Dec. 31, 2001)

Items	Before the change	Increase/decrease of this time (+, -)						After the change
		Share Allotment	Bonus shares	Capitalization of public reserve	Additional issuance	Others	Sub-total	
Ⅰ. Unlisted Shares								
1. Promoters' shares	208560000	0	0	0	0	0	0	208560000
Including:								
State-owned share	191400000	0	0	0	0	0	0	191400000
Domestic juristic person's shares								
Foreign juristic person's shares								
Others								
2. Raised juristic person's shares	17160000	0	0	0	0	0	0	17160000
3. Employees' shares								
4. Preference shares or others								
Total Unlisted shares	208560000	0	0	0	0	0	0	208560000
II. Listed Shares								
1. RMB ordinary shares	40260000	0	0	0	0	0	0	40260000
2.Domestically listed foreign shares	39600000	0	0	0	0	0	0	39600000
3. Overseas listed foreign shares								
4. Others								
Total Listed shares	79860000	0	0	0	0	0	0	79860000
III. Total shares	288420000	0	0	0	0	0	0	288420000

2. Issuance and listing of the shares

The Company has not issued shares over the previous three years at the end of the report year;

and both the total share capital and its structure remained unchanged.

3. About Shareholders

Ended Dec. 31, 2001, the Company has 10655 shareholders in total, including 5331 shareholders of A-share, 5324 shareholders of B-shares. Particulars about shares held by the top ten shareholders:

No.	Shareholders	Shares held at the year-end (Shares)	Proportion in Total Shares	Type of share
1	Shenzhen Investment Management Co.	191400000	66.36%	State-owned shares
2	CHINA EVERBRIGE HOLDINGS CO. LTD	5892360	2.04%	Domestically listed foreign shares
3	Shenzhen Colored Metal Financial Co. Ltd.	5280000	1.83%	Domestic juristic person's shares
4	Shenzhen International Trust & Investment Co.	5280000	1.83%	Domestic juristic person's shares
5	Shenzhen South Securities Industrial Co., Ltd.	3960000	1.37%	Domestic juristic person's shares
6	Shenzhen Guoyin Investment Development Co., Ltd.	2640000	0.92%	Domestic juristic person's shares
7	WEN CAN RONG	866760	0.30%	Domestically listed foreign shares
8	SHEN XIAO LIN	647599	0.22%	Domestically listed foreign shares
9	FEI JIAN WEN	588000	0.20%	A shares for circulation
10	MSTER UNIVERSE FUND LTD.	499800	0.17%	Domestically listed foreign shares

Note 1: Shenzhen Investment Management Co. holds the Company's shares on behalf of the state, who was incorporated in July 1987, the Company is the first state assets operation company in China, performing investor's rights on behalf of Shenzhen Municipal People's Government for the state enterprises of industry, communications and transport, being in charge of operation of investment and property rights of the state assets. Legal representative: Mr. Li Heihu; registration capital: RMB 2 billion. Shenzhen Investment Management Co. is a state sole corporation, and its holding shareholder is Shenzhen State Assets Management Committee.

Note 2: There was no change in the holding shareholder in the report period

Note 3: Among the top ten shareholders, except that Shenzhen Investment Management Co. is the holding shareholder of Shenzhen International Trust & Investment Co. belonging to related parties, there are no other related parties.

IV. PARTICULARS ABOUT DIRECTOR, SUPERVISOR, SENIOR EXECUTIVES AND STAFF

(I) Basis condition

Name	Gender	Title	Age	Office term	Number of holding shares

					Year-begin	Year-end
Li Chengyou	Male	Chairman of the Board	54	1999 to 2002	0	0
Xie Ruxian	Male	Director,General Manager	38	1999 to 2002	0	0
Cai Siying	Male	Director, Deputy General Manager	52	2000 to 2002	0	0
Cao Jianshe	Male	Director, Deputy General Manager	46	2000 to 2002	0	0
Rao Jiangshan	Male	Director, Deputy General Manager	34	2000 to 2002	0	0
Tang Bocao	Male	Director, Financial Chief Supervisor	46	2001 to 2002	0	0
Luo Guohua	Male	Director	58	2000 to 2002	0	0
Tang Jianxi	Male	Director	43	2001 to 2002	0	0
Peng Jihu	Male	Independent Director	64	2001 to 2002	0	0
Gao Peiye	Male	Independent Director	45	2001 to 2002	0	0
Liu Zhanjun	Male	Independent Director	43	2000 to 2002	0	0
Pan Shiming	Male	Secretary of the Board	31	2001 to 2002	0	0
Zhao Gesheng	Male	Chairman of the Supervisor Committee	52	2000 to 2002	0	0
Li Xin	Male	Supervisor	40	2000 to 2002	0	0
Yue Luyu	Female	Supervisor	54	2000 to 2002	0	0
Ji Tielan	Female	Supervisor	50	2000 to 2002	0	0
Wang Hangjun	Male	Supervisor	35	1999 to 2002	0	0
Ge Weimin	Male	Deputy General Manager	42	2000 to 2002	0	0
Liu Chuan	Male	Deputy General Manager	39	2000 to 2002	0	0
Yang Feibo	Male	Chief Engineer	42	2000 to 2002	0	0

Note: Dir. Mr. Luo Guohua took the post in Shenzhen International Trust & Investment Co.; Mr. Tang Jianxi took the post of deputy general manager of Shenzhen Colored Metal Financial Co. Ltd.; Supervisor Wang Hangjun took the post of secretary of the Audit Dept. of Shenzhen Investment Management Co..

(II) Particulars about the annual salary

In the report year, the Company pays the annual salaries to directors, supervisors and senior executives according to Rules of Salary Management of the Company, their administrative titles and their length of service.

The Company has totally 20 directors, supervisors and senior executives, and 13 persons draw their annual salary from the Company. The total annual salary (basis wage, various premium, welfare, subsidy, housing allowance and others) received from the Company is RMB 1,377,813 Of them, two enjoy their annual salary from RMB 150,000 to RMB 160,000 respectively; five enjoy their annual salary from RMB 100,000 to RMB 130,000 respectively; six enjoy their annual salary from RMB 70,000 to RMB 100,000. The total amount of the top three directors is RMB 431,709. The total amount of the top three senior executives is RMB 355,352.

Dir. Luo Guohua, Tang Bocao and Tang Jianxi, Supervisor Wang Hangjun receive no pay

from the Company, and they draw their annual salary from Shareholding Company.
In the report year, the independent directors drew their allowance under RMB 10,000 respectively.

(III) Directors, supervisors and senior executives leaving the office and engaging in the report year

In the report year, original director Liu Linfeng and Su Zhiming and original secretary of the Board Wei Dan left their office.

In the report year, Tang Jianxi and Tang Bocao were engaged as director of the Conpany; Peng Jihu and Gao Peiye were engaged as independent director; Pan Shiming was engaged as secretary of the Board. For personal resumes, please refer to Public Notice published in Securities Time and Ta Kung Pao dated April 17, 2001.

(IV) About staff

The subsidiary companies of the Company have decreased because the partial equity were transferred, thus, there was decrease in number of staff members. At the end of the year 2001, the Company and its subsidiary companies had totally 1318 staff members in office at present, of them:

Under 30-year-old:	37.2% of the whole staff members
Between 31-year-old and 45-year-old:	50.8% of the whole staff members
Over 45-year-old:	12% of the whole staff members
Undergraduate of master degree or above:	2.54% of the whole staff members
Bachelor degree:	17.09% of the whole staff members
3-years regular college:	14.70% of the whole staff members
Technical secondary school:	13.62% of the whole staff members
Senior high school:	39.49% of the whole staff members
Junior high school:	12.55% of the whole staff members

The Company needs to bear the cost of 11 retirees.

V. ADMINISTRATIVE STRUCTURE

The Company is continually improving its administrative structure and standardizing its operation according to PRC Company Law, Securities Law and requirements of relevant laws and legislations released by CSRC and Shenzhen Stock Exchange in the following terms:

1. Shareholder and the Shareholders' General Meeting: The Company operates in a standardized way, has been practically safeguarding the rights and interests of medium and small shareholders, ensuring all shareholders could fully implemented their own rights; The Company could convene and hold the Shareholders' General Meeting strictly according to normative opinions of the Shareholders' General Meeting.

2. Relationship between Controlling Shareholder and Public Company: The controlling shareholder Shenzhen Investment and Management Company hasn't overstep the Shareholders' General Meeting to directly or indirectly interfere in the Company's decision-making and management activities; The Company is absolutely separated from the controlling shareholder in terms of personnel, assets, finance, organization and business. The Board of Directors, the Supervisory Committee and internal organizations function independently.

3. Directors and the Board of Directors: The Company elected directors strictly according to the election and employment procedure stated in the Articles of Association, and shall further improve the procedure; The number of members of the Board and its formation are in line with requirements of laws and regulations; Every director attended the Board meeting and the Shareholders' General Meeting with an active and responsible attitude, and seriously and strictly performed the obligation of director in listed company; The Company engaged experts to be independent directors. Currently, among the 11 directors, most of them either receive no salaries from the Company or come from outside of the Company.

4. Supervisors and the Supervisory Committee: The number of supervisors and the formation are in line with requirements of laws and legislations; The supervisors have been performing their obligations seriously, supervising the Company's finance and duty performance of directors, managers and other senior executives in the spirit of being responsible to shareholders.

5. Relevant Beneficiaries: The Company has been respecting and safeguarding the legal rights and interests of creditors, employees, consumers and other parties of related interests so as to collectively push the Company to solve problems and make development.

6. Information Disclosure: The Company further finalized information disclosing work in

2001, and adjusted and replenished the staffs that were engaged in information disclosing work.

II. Performance of Obligation of Independent Directors

In the report year, according to requirements in Guild Lines on Establishing Independent Director System in Listed Companies, the Company elected 3 independent directors in the Shareholders' General Meeting, namely, Mr. Peng Jihu, Mr. Gao Peiye and Mr. Liu Zhanjun.

Strictly according to requirements of relevant laws, legislations and the Articles of Association, the independent directors have expressed personal viewpoints on the decisions made in the Board meeting since they took office, which has promoted scientific and standardized decision-making procedures. The independent directors have also expressed their opinions on the self-inspection events regarding administrative structure of the Company.

III. Separation from the Controlling Shareholder

Separation in respects of business, personnel, assets, organization and finance:

1. In respect of business: the Company is absolute independent from its controlling shareholder, and has independent and integrated business system and self-management capability; The Company's main businesses are conducted among its holding subsidiaries that have independent purchase and sales system. Purchase of raw materials and sales of products are respectively conducted by the purchase department and marketing department. Each link in research, production, supplying and sales is separated from each other, and the management behaviors are separated from the Company's controlling shareholder.

2. In respect of personnel: the Company is absolutely independent in administration of labor, human affairs and salaries, and is separated form its controlling shareholder in terms of office address, production and operation place; The Company's senior executives including general manager, vice manager, financial person in charge and Board secretary all take full-time duties and receive salaries in the Company, and haven't taken part-time positions in the controlling shareholder's company. The controlling shareholder recommended candidate of director to the Company under the legal procedures. Decisions on engaging and removing personnel as made in the Board meeting and the Shareholders' General Meeting could be

performed efficiently.

3. In respect of assets: the Company is strictly separated from the controlling shareholder in assets, and both of them operate independently. The Company's each holding subsidiary has independent production system, auxiliary production system and accessory system, and independently holds intangible assets including industrial property right, trademark, non-patent technologies etc.

4. In respect of finance: The Company has established independent finance department as well as a set of independent and integrated accounting system and financial administration system; The Company could make financial decisions independently, and the controlling shareholder didn't interfere in the Company's utilization of funds. The Company has opened independent bank account, and hasn't deposited money in the financial company or settlement center controlled by the controlling shareholder or other related parties. The Company independently paid taxes according to law.

IV. Performance Evaluation, Encouragement and Binding Mechanism for Senior Executives

In the report year, the Company established Reporting System of Property Right Representative, Performance Evaluation and Encouragement and Binding Mechanism for Managers, and required that managers write work report of property right representative at the end of each year. In 2001, the Company established performance evaluation team with the general manager as the team leader, which evaluated performance of middle-level cadres and property right representatives assigned in each department and measures of which included evaluation on operating achievements, assessment of management dissertation and reporting work. Evaluation results have been taken as the main foundation for adjusting cadres' team.

VI. BRIEFINGS ON THE SHAREHOLDERS' GENERAL MEETING

In the report year, the Company held two Shareholders' General Meetings, namely, 2000 Shareholders' General Meeting and 2001 Provisional Shareholders' General Meeting.

I. 2000 Shareholders' General Meeting

The Notification on Holding 2000 Shareholders' General Meeting was published in Securities Times and Hong Kong Ta Kung Pao dated April 17, 2001, in which it was notified that 2000 Shareholders' General Meeting was to be held on May 21, 2001 and discussion topics were listed as well.

The Shareholders' General Meeting was held in the meeting room on the 6/F of Jia Hua Bldg., Huaqiang North Road, Shenzhen, on May 21, 2001. There were actually 3 shareholders' proxies attended the meeting, who represented 201,116,500 shares with voting rights, taking 69.73% of the Company's total shares. The Company's directors, supervisors as well as representatives from intermediaries attended the meeting. The meeting reviewed and passed the following items through signing votes:

1. Reviewed and passed 2000 Work Report of the Board of Directors;
2. Reviewed and passed 2000 Work Report of the Supervisory Committee;
3. Reviewed and passed 2000 Financial Work Report;
4. Reviewed and passed 2000 Annual Report and Report Summary;
5. Reviewed and passed 2000 Profit Distribution Preplan and 2001 Profit Distribution Policies;
6. Reviewed and passed the proposal on engaging financial auditing institutions in 2001;
7. Reviewed and passed the proposal on engaging legal advisors for 2001;
8. Augmented through voting Mr. Peng Jihu and Mr. Gao Peiye to be independent director, and Mr. Tang Jianxi and Mr. Tang Bocao to be director.
9. Reviewed and passed the proposal on amending the Articles of Association;
10. Reviewed and passed the proposal on transferring 95% of equity rights of Shenzhen Light Industry Import and Export Co., Ltd., for which related parties gave up voting right.

The public notice on the resolutions of 2000 Shareholders' General Meeting was published in Securities Times and Hong Kong Ta Kung Pao dated May 22, 2001.

II. The 1st Provisional Shareholders' General Meeting of 2001

The Notification on Holding the 1st Shareholders' General Meeting of 2001 was published in Securities Times and Hong Kong Ta Kung Pao dated September 13, 2001, in which it was notified that the 2001 Shareholders' General Meeting was to be held on October 16, 2001 and discussion topics were listed as well.

The 1st Provisional Shareholders' General Meeting was held in the meeting room on the 6/F of Jia Hua Bldg., Huaqiang North Road, Shenzhen, on October 16, 2001. There were actually 4 shareholders' proxies attended the meeting, who represented 200,666,600 shares with voting rights, taking 69.57% of the Company's total shares; Among the representing shares, 200,640,000 shares were domestic capital shares, taking 69.56% of total shares, while 26,600 shares were foreign capital shares, taking 0.01% of total shares. The Company's directors, supervisors as well as representatives from intermediaries attended the meeting. The meeting reviewed and passed the following items through signing votes:

The meeting reviewed and passed the proposal on rescinding the liability of guarantee offered to Shen Zhong Hua who owed debts to Hua Rong Assets Management Company at certain cost.

The public notice on the resolutions of the 1st Provisional Shareholders' General Meeting of 2001 was published in Securities Times and Hong Kong Ta Kung Pao dated October 17, 2001.

VII. REPORT OF THE BOARD OF DIRECTORS

I. Business Highlights

(I) Main business scope and the operation

1. The Company is principally engaged in the production and nationwide sales of water purifying, mineralizing and magnetizing equipments; as well as development and management of real estate in Shenzhen.

Revenue and profit from main business lines listed under different section:

Unit: RMB

Section	Revenue from main business lines	Profit from main business lines
Drinking Water Equipment Manufacture	469,833,605.23	50,583,404.42
Real Estate Development	36,611,524.33	8,393,423.12
Property management	6,175,906.41	4,655,672.36

2. As the principal product, sales of drink water equipments accounted for 91% of the total revenue from main business lines, details as follows:

Unit: RMB

Product	Sales revenue	Sales cost	Gross profit rate
Drink Water Equipment Manufacture	469,833,605.23	50,583,404.42	10.16%

3. Business scope and the structure remained changed in the report period.

(II) Operation and achievement of major shareholder and investee subsidiaries

1. ShenZhen New Era Drinking Water Sci & Tech. Co., Ltd. (“New Era”)

As one of the largest and earliest manufacturers and sales companies of water dispenser/cooler in China, the company had a registered capital of RMB 27.45 million. Its main series products branded "ANGEL" covers 4 categories including household type, group type, reverse osmosis type, and domestic appliances type and more than 50 models with monthly production capacity exceeding 500 thousand pieces. Total assets, net assets and net profit as of the year reached RMB 119,157,551.43, RMB 66,682,698.22 and RMB 30,064,930.76 respectively. Dec. 2001, 33.5% equity of New Era originally held by the Company was auctioned due to lawsuit to the acquirer who again put the said equity under in trust of the Company. So although the Company was no longer shareholder of New Era, it was the actual controller of it in the report period ended Dec. 31, 2001.

(III) Major suppliers and customers

Main sales revenue was generated by Shenzhen New Era Drinking Water Sci & Tech. Co., Ltd. and all sales was undertaken by Shenzhen Angel Electronic Appliances Co., Ltd. So, the proportion of purchase amount of top five supplier to the total purchase amount is no applicable.

(IV) Problems and difficulties occurred in the operation and the solutions

1. Worsened operation environment

Rulings on most defeated lawsuits concerning the Company’s failure in timely repaying loans were implemented in 2001. Such ruling implementation imposed negative impact on the Company’s operation. To counter the problem, the Company made great effort to negotiate with debtors for reconciliation on one hand and sold partial non-core assets to repay debts on the other hand.

2. Heavy liabilities burden

The Company born a direct liability totaling RMB 800 million, with significant contingent risk, and offered guarantee for loans totaling RMB 1.7 billion. The heaven burden from the loan interest and penalty made it even more difficult for the Company to realize profit. As the only way to solve the problem of heavy liabilities burden and high risky guarantee, reorganization of the Company was carried out continually and obvious results was achieved.

3. Keen competition

Since the product has gone into mature period, major models of the Company’s products went into the period of price war. Also due to increased competitor in the section, market share of the Company was decreased and profitability was lessened. Besides, major products of the Company, Angel brand drinking water cooler, suffered a serious problem of counterfeit production in scale. Facing this problem, the Company has reinforced its marketing and anti-fake strength in 2001 and achieved favorable results in districts of Jiangsu and Zhejiang provinces.

II. Investment

In the report period, the Company did not raise any proceeds, or apply the previously raised proceeds in the report year. The Company had no investment project in the report period.

III. Financial Highlights and Operation Achievement

In the report period, Shenzhen Dahua Tiancheng Certified Public Accountants issued an Auditors' Report without conserved opinion, details as follows:

(1) Total assets as at the end of the report period was RMB 441,304,000, a decrease of 69.52% over the same period of previous year, RMB1,447,710,000 which was mainly due to the cancellation of doubtful accounts of receivables, inventory, long-term investment and consolidation scope changes.
(2) The Company had no long-term liability in the report period.
(3) Shareholders' equity as at the end of the report period was RMB -984,818,000, a decrease of RMB1,063,745,000 over the same period of previous year, RMB 78,927,000, which was mainly due to the cancellation of doubtful assets of receivables, inventory, long-term investment .
(4) Income from main business lines as of 2001 was RMB 64,022,160.57, a decrease of 38.22 % over the same period of previous year, RMB 103,629,583.03, which was mainly due to reduction in turnover and increase in cost.
(5) Net profit as of 2001 was RMB-1,051,758,000, a decrease of RMB1,092,552,000over the same period of previous year, RMB 40,794,000, which was mainly due to the cancellation of doubtful assets of receivables, inventory, long-term investment and decrease of income from reorganization.

IV. Impact of lawsuits on the Company's finance

Since the rulings of lawsuits arising from the direct liabilities and guarantees offered were under implementation. All equity, inventory, receivables and most assets including all fixed assets of the Company were frozen. If the Company failed to reach agreement with the debtors, the courts in different areas are to auction the frozen assets. If so, the Company may lost the control over some subsidiaries and the consolidation scope may accordingly decreased, which may reduce the consolidated assets and revenue by great margin in 2002.

V. Notes to auditors' opinion of K. C. Oh & Company Certified Public Accountants:

Based on IAS, K. C. Oh & Company Certified Public Accountants considers that large amount of provisions for doubtful debts and devaluation as well as huge amount of liabilities caused significant deficits of the Company in 2001 and imposed certain pressure on the Company sustain operation. So it expresses no opinion on the Company's financial statements. While the Board considers such auditing result does not affect the fact that the Company's financial statement subjectively and precisely represent the Company's assets and liabilities as at Dec. 31, 2001 and the achievements of operation as of 2001. The Board of Directors considers the provisions fro devaluation and doubtful debts in compliance with the new EAS and the actual situation of the Company.

V. Operation plan for 2002

The Company will attach great efforts on developing main business lines as well as new profit growth point, sot to enhance the profitability of main business lines.

The liabilities and assets reorganization maintain to be the core task for the Company in next two years.

As the key task in the next two years, the liabilities and assets reorganization decided the Company's future. The basic principal is: firstly, in order to set the Company free from the responsibility as guarantor for loans approximately totaling RMB 1.248 billion born by Shenzhen China Bicycle Company (Holdings) Limited, the Company will implement the contract signed with Hua Rong Company as soon as possible and assist Hua Rong Company to expedite the reorganization for China Bicycle, which is the foundation of China Bicycle's reorganization and the most important key works for the Company in 2002. Secondly, the Company will try to succeed in the policy that all stakeholders of the Company, including debtors, control shareholder, copartners and shareholders with circulation shares, jointly solve the Company's long-lasting problems in depth as heavy burden from liabilities, high risk from guarantee, weakness in main business, so to bring about a uprising for the Company.

VI. Business Plan for 2002

In 2002, the Company will continue to adopt various means to cancel its date and deficits-suffering subsidiaries, so to reduce the operation cost. The Company will reinforce its reform, especially the equity structure reform, to multiply the equity structure by assigning partial equity of its subsidiaries. Although the Company may lost the control of some subsidiaries, these subsidiary may enjoy a better development by introducing external resources and profound capital as well as optimized equity structure.

VI. Routine Work of the Board of Directors

The Company held totally seven Board meetings in the report period.

1. The 1st Board meeting in 2001 was held in the afternoon of April 27, 2001, in which following proposals were examined and approved as resolutions:

(1) Proposal on Cancellation of Shenzhen Porcelain Enamel Company;
(2) Proposal on Assignment of Equity of Shenzhen Guang Hua Vacuum Glass Engineer Co., Ltd.;
(3) Proposal on Exclusion of Shenzhen Lionda Jishi Industrial Co., Ltd. from the Company's Consolidation as of 2000;
(4) Proposal on Replacing Mr. Wei Dan with Mr. Pan Shiming as the Secretary of the Board.

2. The 2nd Board meeting in 2001 was held on April 11, 2001, in which following resolutions were examined and adopted:

(1) 2000 Work Report of the Board of Directors;
(2) 2000 Annual Report and the summary;
(3) 2000 Financial Settlement Report;
(4) Profit Distribution Preplan for 2000 and Profit Distribution Policy for 2001;
(5) Proposal on Engagement of Financial Auditors;
(6) Proposal on Engagement of Lawyer Advisors;
(7) Proposal on Changing Directors;
(8) Proposal on Amending Articles of Association;
(9) Proposal on Repaying Debts Owned to Shenzhen Lionda Group Co., Ltd. with equity of

Lionda Development Co., Ltd.;

(10) Proposal on Holding Shareholders' General Meeting 2000.

3. The 3rd Board meeting in 2001 was held on June 11, 2001 and the Proposal on Bankruptcy of Shenzhen Lionda Jishi Industrial Co., Ltd. was examined and approved in the meeting.

4. The 4th Board meeting in 2001 was held on Aug. 9, 2001, in which following resolutions were examined and approved:

(1) 2001 Interim Report and the summary;

(2) Resolution on 2001 Interim Profit Distribution: neither profit distribution nor capital public reserve transferring into share capital.

5. The 5th Board meeting in 2001 was held on Sep. 12, 2001, in which following resolutions were examined and approved:

(1) Proposal on Releasing the Responsibility of the Company arising from the Guarantee offered to China Bicycle Company (Holdings) Limited for Liabilities Owning to Hua Rong Assets Management Company ("Hua Rong Company");

(2) Resolution on Examination over the above Issue in the 1st Extraordinary Shareholders' General Meeting 2001 dated Oct. 16, 2001.

6. The 6th Board meeting was held on Oct. 26, 2001, in which following resolutions were examined and approved:

(1) 2001 Third Quarterly Report;

(2) 2001 Third Quarterly Financial Settlement Report;

(3) 2001 Third Quarterly Profit Distribution Plan.

7. The 7th Board meeting was held on Nov. 26, 2001, in which following resolution were examined and approved: Due to hard operation and consecutive deficits, Shenzhen Lionda Paper Manufactory, Shenzhen Lionda Electronic Appliances Co., Ltd., Shenzhen Lionda Food Industrial Co., Ltd. and Shenzhen Lionda Material Import and Export Co., Ltd. went bankruptcy in the last year and was excluded in the Company's consolidation since Sep. 2001.

In the report period, the Board carefully implemented all resolutions of the Shareholders' General Meeting strictly within the entrustment limit:

(1) The Company conducted neither profit distribution nor capital public reserve transferring into share capital for 2001;

(2) Proposal on Releasing the Responsibility of the Company arising from the Guarantee offered to China Bicycle Company (Holdings) Limited (China Bicycle) for Liabilities Owning to Hua Rong Company was approved in the 1st Extraordinary Shareholders' General Meeting. The Board of Directors carefully implemented this reorganization plan in spite of the unexpected difficulties, assigned 65,098,412 shares of China Bicycle to Hua Rong Company by means of auction and settled the first installation payment.

VI. Profit Distribution Preplan

As audited by K. C. Oh & Company Certified Public Accountants, the Company realized a net profit of RMB-1,051,758,000in 2001 and had a retained profit of RMB －1,709,782,000. The Company decided to conduct neither profit distribution nor capital public reserve transferring into share capital, pending to eth examination of Shareholders' General Meeting.

VIII. REPORT OF THE SUPERVISORY COMMITTEE

I. Work of the Supervisory Committee in the Report Year

The Company held altogether 3 meetings of the Supervisory Committee in the report year:

1. The 1st Meeting of the Supervisory Committee of 2001 was held on April 11, 2001, in which following resolutions were reviewed and passed:

(1) Reviewed and passed 2000 Annual Report and Report Summary;

(2) Reviewed and passed Work Report of the Supervisory Committee.

2. The 2nd Meeting of the Supervisory Committee of 2001 was held on August 13, 2001, in which 2001 Interim Report and Summary were reviewed and passed.

3. The 3rd Meeting of the Supervisory Committee of 2001 was held on October 26, 2001, in which following resolutions were reviewed and passed:

(1) Reviewed and passed the 3rd Quarter Report of 2001;

(2) Reviewed and passed the 3rd Quarter Financial Report of 2001.

II. Independent Opinions Expressed by the Supervisory Committee on Relevant Issues

1. Operation according to law

In the report year, the Supervisory Committee, pursuant to relevant national laws and legislations, carried out superintendence on the holding procedures of Shareholders' General Meetings and Board meeting, resolution events, implementation of resolutions of Shareholders' General Meetings by the Board of Directors, performance of duties of senior executives as well as the Company's administration system etc.; It believed that in 2001, the Board of Directors strictly complied with PRC Company Law, Securities Law, Rules for Stock Listing, Articles of Association and other relevant systems, operated in a standardized manner, worked conscientiously, conducted business and made decisions in a scientific and reasonable way, and further improved internal administration and internal control system; The directors and managers haven't violated law, legislation, the Articles of Association or damaged the interests of the Company and shareholders when performing duties.

2. Financial Inspection

The Supervisory Committee made serious and careful inspection on the Company's financial system and financial status, and believed that 2001 annual financial report truly reflected its financial status and business results. Based on IAS, K. C. Oh & Company Certified Public Accountants considers that large amount of provisions for doubtful debts and devaluation as well as huge amount of liabilities caused significant deficits of the Company in 2001 and imposed certain pressure on the Company sustain operation. So it expresses no opinion on the Company's financial statements. While the Supervisory Committee considers such auditing result does not affect the fact that the Company's financial statement subjectively and precisely represent the Company's assets and liabilities as at Dec. 31, 2001 and the achievements of operation as of 2001.

3. In the report year, the Company purchased or sold assets at reasonable price, there was no inside trading, damaging of the rights and interests of part of shareholders or asset runoff.

4. Implementation of resolutions of Shareholders' General Meetings by the Board of Directors

The Supervisory Committee members attended Board meetings and Shareholders' General Meetings as non-voting delegates, carried out superintendence on implementation of resolutions of Shareholders' General Meetings, and believed the Board of Directors had seriously implemented each resolution of the Shareholders' General Meetings.

5. The Supervisory Committee considers the notes from the Board to the auditors' opinion expressed by K. C. Oh & Company Certified Public Accountants as appropriate.

IX. SIGNIFICANT EVENTS

(I) Material lawsuits and arbitration

The Company defaulted in repaying the loan of RMB 17,719,150 extended by China Construction Bank, Shenzhen Housing City Construction Sub-branch in 1997 and the loan of RMB 17,975,500 extended by China Construction Bank, Shenzhen City East Sub-branch in 1998. Shenzhen Petrochemical Industrial Co., Ltd. (Petrochemical Co.) is the guarantor of these two loans. China Construction Bank, Shenzhen Housing City Construction Sub-branch and China Construction Bank, Shenzhen City East Sub-branch brought an action against the Company and the Petrochemical Co. in Shenzhen Intermediate People's Court on April 13, 2001 and August, 2001. Petrochemical Co. raised objection to the case in respect of jurisdiction. So this case has not been heard.

The Company defaulted in repaying the loan of RMB 8 million extended by Shenzhen Development Bank Shatoujiao Branch in 1998. Shenzhen Petrochemical Industrial Group Co., Ltd. is the guarantor of the loan. Shenzhen Development Bank Shatoujiao Branch brought an action against the Company and the Petrochemical Co. Yantian District Court held a hearing of the case and decided that the Company should repay the loan and accrued interest and the Petrochemical Co. should bear joint and several liability for debt liquidation.

Shenzhen Guoyin Investment Development Co., Ltd. (Guoyin Investment Co.) defaulted in repaying the loan of RMB 4.8 million extended by Guangdong Development Bank Shenzhen Luohu Sub-branch in 1999. The Company is the guarantor of this loan. Guangdong Development Bank Luohu Sub-branch brought an action against Guoyin Investment Co. and the Company. Shenzhen Luohu Court held a hearing of the case on March 1, 2001 and decided that the Guoyin Investment Co. should repay the loan and accrued interest and the Company should bear joint and several liability for debt liquidation.

Gintian Industry (Group) Co., Ltd. (Gintian Co.) defaulted in repaying the loan of HKD 25 million extended by China Merchants Bank, Shenzhen Shangbu Sub-branch in 1998. The Company is the guarantor of this loan. China Merchants Bank, Shangbu Sub-branch brought an action against Gintian Co. and the Company. Shenzhen Intermediate People's Court held a hearing of the case on May 23, 2001 and decided that the Gintian Co. should repay the loan and accrued interest and the Company should bear joint and several liabilities for debt liquidation. Thereafter, Shenzhen Intermediate People’s Court attached part of the assets of Gintian Co. according to the application of China Merchants Bank Shangbu Sub-branch.

Shenzhen Lionda Leke Box Co., Ltd. (associated company of the Company) defaulted in repaying the loans totaling RMB 13 million extended by Bank of China, Shenzhen Longhua Sub-branch in March, August and December of 1998 respectively. The Company is the guarantor of the loans. Bank of China Shenzhen Longhua Sub-branch brought an action against Leke Co. and the Company in Shenzhen Baoan District Court on September 6, 2001. Baoan District Court heard the case and decided that Leke Co. should repay the loan and accrued interest and the Company should bear joint and several liabilities for debt liquidation.

Shenzhen Lionda Materials Import and Export Co., Ltd. (the share-held subsidiary of the Company) defaulted in repaying the loan of RMB 10 million extended by Bank of China, Shenzhen Luohu Port Sub-branch in 1999. The Company is the guarantor of this loan. Bank of China, Shenzhen Luohu Port Sub-branch brought an action against
Lionda Material Import and Export Co. and the Company. Shenzhen Intermediate People’s Court held a hearing of the case on November 8, 2001 and decided that the Lionda Material Import and Export Co. should repay the loan and accrued interest. Bank of China, Luohu Port Sub-branch would enjoy the priority of compensation to the proceeds from the disposal of the collaterals under the case within the scope of the principal of RMB 1.5 million and accrued interest. The Company should bear joint and several liabilities for liquidating the part of debt that the collaterals for the loan are insufficient to cover.

The Company provided joint and several guarantee for the financing lease of HKD 19,042,343.75 extended by Anhui International Trust Investment Co. to Shenzhen OUR International Technology Development Co. and accrued interest. Anhui International Trust Investment Co. brought an action against in Anhui Provincial High People’s Court in 1998. 9.20 million shares of Shenzhen New Century Drinking Water Technology Co., Ltd. held by the Company were frozen. The case entered the stage of enforcement in December 2001. The frozen shares were sold at the price of RMB 61.10 million to liquidate the debt. Refer to the announcement of the Company published on Securities Times and Hong Kong Ta Kung Pao on December 30, 2001 for details.

The Company received the civil judgment and notice of Shenzhen Intermediate People's Court on December 27, 2001. As the Company provided guarantee to debt owed by Shenzhen China Bicycle Company (Holding) Ltd. to China Huarong Assets Management Co. (Huarong Co.), Shenzhen Intermediate People's Court decided that 65098412 corporate A shares of ST China Bicycle held by the Company should be auctioned. After auction, Huarong Co. obtained the shares at the price of RMB 23435428.32 on March 12, 2002. Refer to the announcement of the Company published on Securities Times and Hong Kong Ta Kung Pao on December 29, 2001 and March 13, 2002 respectively for details.

(II) Acquisition and sales of assets, absorption and merger

After discussion, the Board of Directors of the Company agreed to transfer 25% equity of Shenzhen Guanghua Double Glazing Engineering Co., Ltd. held by the Company to China Luoyang Float Glass Group Co., Ltd. and China Building Material and Equipment Import and Export Zhujiang Co. at the price of RMB 1.75 million on March 27, 2001. As this equity was attached by the court, the procedure of transfer of title has not been settled.

Except the above sales of assets and the asset disposal related to the case in which Anhui High People's Court decided to auction the equity of New Century Co. for debt repayment, the Company was not involved in other sales or acquisition of assets, absorption or merger in the report period.

(III) Material related transactions
The Company did not conclude any material related transaction in the report period.

(IV) Important contracts and their performance

1. As the Company owed debts totaling RMB 86624268.24 to Shenzhen Lionda Group Co., Ltd. (Lionda Group) and enjoyed creditors' right totaling RMB 88553622.43 to Shenzhen Lionda Development Co., Ltd. (Lionda Development Co.), the Company signed debt restructuring agreement with Lionda Group and Lionda Development Co. According to the agreement, Lionda Development Co. will directly repay the debt of the company to Lionda Group Co. The board meeting held on April 11 adopted this proposal. Refer to the announcement of the Company published on Securities Times and Hong Kong Ta Kung Pao on April 20 for details.

2. The Company signed frame agreement with Huarong Co. on August 30, 2001. According to the agreement, the Company was to pay RMB 0.11 billion by installments and transfer 88 million corporate shares of ST China Bicycle to Huarong Co. Huarong Co. was to release the Company from the joint and several guarantee liability for the principal and accrued interests of the debt totaling RMB 0.917 billion owed by ST China Bicycle to Huarong Co. The Company held shareholders' general meeting on October 16, which adopted this proposal. The Company signed supplementary agreement of the above frame agreement (the Agreement) with Huarong Co. The Agreement made specific scheduling of the payment of RMB 0.11 billion in cash and the transfer of 88 million corporate shares of ST China Bicycle to Huarong agreed in the above frame agreement. Refer to the announcement of the Company published on Securities Times and Hong Kong Ta Kung Pao on November 7, 2001 for details. Thereafter, the Company paid RMB 50 million in cash to Huarong Co. As decided by the court, 65098412 corporate A shares of ST China Bicycle held by the Company were auctioned on March 12, 2002. Huarong Co. obtained these shares.

3. As mentioned in Section IX (I) hereof, 9.20 million shares of Shenzhen New Century Drinking Water Technology Co., Ltd. (New Century Co.) held by the Company were to be sold off to liquidate debts according to judgment of Anhui High People's Court. So the title of these shares has been transferred to Shengzhuo Co. However, for realizing the continuous and stable development of New Century Co., the Company signed equity trust agreement with Shengzhuo Co. Shengzhuo Co. agreed to trust 9.2 million shares of New Century Co. held by it to the Company and the term of trust is one year from the date of signing of this

agreement. According to the agreement, the Company was to obtain 80% of the distributable profit corresponding to the trusted equity.

(V) Other important events

The certified public accountants appointed by the Company remained Shenzhen Dahua Tiancheng Certified Public Accountants. The Company paid audit fee of RMB 0.65 million to the above certified public accountants in the report year.

X. FINANCIAL REPORT

Report of the auditors to the members of

SHENZHEN lIONDA hOLDINGS cOMPANY lIMITED

(A joint stock limited company incorporated in the People's Republic of China)

We have audited the financial statements on pages 2 to 24, which are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In forming our opinion, we have considered the disclosures made in note 2 to the financial statements concerning the adequacy of the going concern basis as adopted in the financial statements. As explained in note 2 to the financial statements, the validity of the going concern basis depends upon the external funding being made available to meet the Group's financial obligations that have been due and overdue. The board of directors believes that after the funding the Group will be able to meet its future working capital requirements. Accordingly the financial statements have been prepared on a going concern basis and do not include any adjustments that would result from the failure to obtain such funding. We consider that appropriate disclosures have been made. However, in view of the significant impact on the financial statements in relation to the possibility to raise sufficient working capital funds, there will be pressure on the going concern basis.

Because of the pressure on the going concern basis, we are unable to form an opinion as to whether the financial statements give a true and fair view of the Group as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

K. C. Oh & Company
Certified Public Accountants

Hong Kong : April 15, 2002

Consolidated profit and loss account for the year ended December 31, 2001

	Note	2001 RMB'000	2000 RMB'000
Turnover	6	514,193	739,839
Cost of sales		(450,171)	(636,209)
Gross profit		64,022	103,630
Other incomes		3,444	2,185
Distribution costs		(8,792)	(8,788)
Administrative costs		(296,633)	(80,865)
Other operating expenses		(60,983)	(6,748)
Operating profit/(loss)		(298,942)	9,414
Finance costs		(20,450)	(42,449)
Abnormal items	7	(701,134)	92,765
Share of results from associates		(13,716)	14,398
Profit/(loss) before taxation	8	(1,034,242)	74,128
Taxation	9	(5,356)	(8,965)
Profit/(loss) after taxation		(1,039,598)	65,163
Minority interests		(12,160)	(24,369)
Profit/(loss) for the year		(1,051,758)	40,794
Earnings/(loss) per share		RMB(3.647)	RMB0.141

No separate statement of recognised gains and losses is prepared as the loss for the year is the only component of that statement.

The calculation of the basic earnings/loss per share is based on the current year's loss of RMB1,051,758,000 (2000 - profit of RMB40,794,000) attributable to the shareholders and on the weighted average number of 288,420,000 shares in issue during the year.

SHENZHEN lIONDA hOLDINGS cOMPANY lIMITED

Consolidated balance sheet as at December 31, 2001

	Note	2001	2000
			RMB'000
		RMB'000	
Non-current assets			
Property, plant and equipment	11	38,806	79,838
Properties held under/for development	12	-	4,375
Interests in unconsolidated subsidiaries	13	8,356	3,081
Interests in associates	14	104,182	188,852
Long-term investments	15	54,503	73,850
		205,847	349,996
Current assets			
Inventories	16	62,872	345,836
Account receivables	17	37,563	31,946
Other receivables and prepayments	18	114,863	570,480
Short-term investments, at cost		-	80
Cash and bank balances		20,159	149,372
		235,457	1,097,714
Current liabilities			
Bank and other loans	19	(709,902)	(866,996)
Account payables		(3,594)	(99,263)
Other payables and accrued charges		(712,233)	(352,786)
Taxation payable and provision for deferred tax		(73)	(2,865)
		(1,425,802)	(1,321,910)
Net current liabilities		(1,190,345)	(224,196)
Minority interests		(320)	(46,873)
Total assets less total liabilities		(984,818)	78,927
Capital and reserves			

Share capital	20	288,420	288,420
Reserves	21	(1,273,238)	(209,493)
Shareholders' equity		(984,818)	78,927

The financial statements on pages 2 to 24 were approved and authorised for issue by the board of directors on April 15, 2002 and are signed on its behalf by :

Director **Director**

SHENZHEN lIONDA hOLDINGS cOMPANY lIMITED

Consolidated cash flow statement for the year ended December 31, 2001

	2001 RMB'000	2000 RMB'000
Cash flow from operating activities		
Profit/(loss) before taxation	(1,034,242)	74,128
Adjustment items :		
Interest income	(13,738)	(16,777)
Interest expense	41,027	66,842
Depreciation	2,641	6,703
Debt restructuring income	(19,996)	(34,580)
Provision for loss on guarantees	412,857	-
Loss on disposal of property, plant and equipment	625	703
Deemed disposal gain on a subsidiary	(476)	-
(Increase)/decrease in interests in unconsolidated subsidiaries	(56,679)	15,399
Impairment loss provision of unconsolidated subsidiaries made/(reversed)	13,017	(40,669)
Impairment loss provision of interests in associates	17,856	-
Share of results from associates	13,716	(14,398)
Impairment loss provision of long-term investments	680	-
Provision for inventory obsolescence	80,992	2,048
Inventories written off	63,810	-
Provision for doubtful debts on account receivables	(40,728)	(19,585)
Provision for doubtful debts on other receivables and prepayments	169,168	21
Net operating cash inflow/(outflow) before movements in working capital	(349,470)	39,835
Decrease in inventories	138,162	30,966
Decrease in account receivables	35,111	44,918
Decrease in other receivables and prepayments	278,695	80,492
Increase/(decrease) in account payables	(95,669)	23,006
Decrease in other payables and accrued charges	(53,410)	(92,820)
Cash inflow/(outflow) from operating activities before interest and tax payments	(46,581)	126,397
Interest paid	(41,027)	(66,842)

Corporate and profits tax paid	(8,148)	(12,557)
Net cash inflow/(outflow) from operating activities	46,998	(95,756)

Consolidated cash flow statement for the year ended December 31, 2001

(cont'd)

	2001 RMB'000	2000 RMB'000
Net cash inflow/(outflow) from operating activities	(95,756)	46,998
Investing activities		
Interest received	21,492	2,594
Purchases of property, plant and equipment	(211)	(6,400)
Proceeds from disposal of property, plant and equipment	571	-
Decrease in properties held under/for development	4,375	1,654
Decrease in investments in associates	18,283	59,380
Increase in long-term investments	-	(9,875)
Net cash inflow from investing activities	44,510	47,353
Financing activities		
Dividend paid	(12,448)	(6,879)
Advance to minority shareholders	-	(22,784)
Increase/(decrease) in amounts due to unconsolidated subsidiaries	3,080	(2,819)
Increase in amounts due to long-term investments	33,143	-
Bank and other loans repaid	(102,283)	(79,518)
Increase in capital reserve	461	10
Decrease in statutory public welfare fund	-	(36)
Net cash outflow from financing activities	(78,047)	(112,026)
Decrease in cash and cash equivalents	(129,293)	(17,675)
Cash and cash equivalents as at beginning of the year	149,452	167,127
Cash and cash equivalents as at end of the year	20,159	149,452

Cash flows from financing

	Minority interests	Bank and other loans
		RMB'000

	RMB'000	
Balance as at beginning of the year	866,996	46,873
Cash outflow from financing	(102,283)	-
Reduced by debts restructuring	(54,811)	-
Reduced by subsidiaries being unconsolidated	-	(58,713)
Minority interests' share of results	-	12,160
Balance as at end of the year	709,902	320

SHENZHEN lIONDA hOLDINGS cOMPANY lIMITED

Notes to the financial statements for the year ended December 31, 2001

1. Corporate information

Shenzhen Lionda Holdings Company Limited (the "Company") is established in the People's Republic of China (the "PRC") as a joint stock limited company. The principal activity of the Company is investment holding and the principal activities of the subsidiaries and associates (which together with the Company comprise the "Group") are set out in note 4.

2. Basis of account preparation

The consolidated financial statements have been prepared in accordance with the International Accounting Standards ("IAS") issued by the International Federation of Accountants. These accounting standards differ from those used in the preparation of the PRC statutory financial statements, which are prepared in accordance with the PRC Accounting Standards. To conform to IAS, adjustments have been made to the PRC statutory financial statements. Details of the impact of such adjustments on the net asset value as at December 31, 2001 and on the operating results for the year then ended are included in note 26 to the financial statements.

During the year, the Group has critically reviewed the fair value with respect to diminution in value of inventories, aged receivables with recoverability problem and contingent liabilities arising from corporate guarantees and adequate provisions of

RMB80,992,000, RMB169,168,000 and RMB412,857,000 respectively have been made in this respect. Hence, the Group sustained a significant loss for the year. As at December 31, 2001, the Group's accumulated loss amounted to RMB1,709,782,000. Moreover, the Group has outstanding liabilities such as bank and other loans, account payables, other payables totalling RMB1,425,729,000. The Group is now seeking external financing and the management believes that new funding can be raised in need of future working capital requirements. In view of this, the financial statements are prepared on going concern basis.

3. Adoption of International Accounting Standard IAS 10 (Revised)

In the current year, the Group has adopted the presentation requirements specified by the International Accounting Standard IAS 10 (Revised) "Events after the Balance Sheet Date" for the first time. In accordance with the presentation requirements by IAS 10 (Revised) "Events after the Balance Sheet Date", dividends proposed or declared after the balance sheet date but before the issue of the financial statements are not treated as a liability at the balance sheet date, but as a separate component of equity. As proposed dividends were previously regarded as a liability, new presentation has been applied retrospectively pursuant to the provisos in IAS 10 (Revised).

The effects can be summarised as follows :

	Dividend reserve RMB'000	Net equity RMB'000
As at January 1, 2001 (before restatement)	-	(221,941)
Dividend declared after balance sheet date	12,448	12,448
As at January 1, 2001 (after restatement)	12,448	(209,493)

4. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and of its subsidiaries made up to December 31 each year. Except for those subsidiaries not consolidated for the reasons stated below, all significant inter-company transactions and balances within the Group have been eliminated on consolidation.

(a) Subsidiaries

A SUBSIDIARY IS A COMPANY IN WHICH THE COMPANY HOLDS, DIRECTLY OR INDIRECTLY, MORE THAN 50% OF THE EQUITY INTEREST AS A LONG-TERM INVESTMENT AND/OR HAS THE POWER TO CAST THE MAJORITY OF VOTES AT MEETINGS OF THE BOARD OF DIRECTORS/MANAGEMENT COMMITTEE.

THE DETAILS OF THE PRINCIPAL SUBSIDIARIES ARE AS FOLLOWS :

Name	Place of establishment/ operation	Attributable equity interest	Principal activity
Shenzhen Lionda Development Co. Limited	PRC	100%	Property development and management
Shenzhen Lionda Light Textile Chemical Industrial Co. Limited	PRC	100%	Trading, import and export
Shanghai Lionda Industrial Co. Ltd.	PRC	100%	Trading in light industrial products

Shenzhen Lionda Property Management Co. Limited	PRC	100%	Property management, trading of foods and motor car spare parts
Shanghai Kengde Property Co. Ltd.	PRC	90%	Property development and management
Shenzhen Lionda Junk Trading Market Co. Limited	PRC	51%	Trading of junk

(a) Subsidiaries (cont'd)

THE DETAILS OF THE PRINCIPAL SUBSIDIARIES ARE AS FOLLOWS :

Name	**Place of establishment/ operation**	**Attributable equity interest**	**Principal activity**
Shenzhen Paper Making Co.	PRC	100% *	Manufacturing paper products and printing machinery
Shenzhen Lionda Food Industrial Co.	PRC	100% *	Production of fruit jelly, jelly sweets and high strength agar
Shenzhen Lionda Materials Import & Export Co., Limited	PRC	100% *	Import and export of printing material, machinery, chemical products, clothing, silk and shoes
Shenzhen Lucky C. & B. Industrial Co. Limited	PRC	100% *	Design and production of luggage cases
Shenzhen Lionda Electrical Equipment Co. Limited	PRC	100% *	Production of vacuum flasks and home electrical fans
Shenzhen Paper Manufacturing & Processing Factory	PRC	100% *	Paper processing
Shenzhen Lionda Electrical Manufacturing Factory	PRC	100% *	Production of electric oven and metal products
Shenzhen Lionda Hunan Branch	PRC	100% *	Import and export trading

Shenzhen Xin Qi Beverage Co. Ltd.	PRC	75% *	Production of fruit juice products and pudding
Shenzhen Lionda Time Industrial Co. Limited	PRC	70% *	Production of watches, clocks and parts
Shanghai Lioyin Property Development Co. Ltd.	PRC	55% *	Property development and management and trading of construction materials

* *NOT REQUIRED TO BE CONSOLIDATED AS THE SUBSIDIARY HAS CEASED THE BUSINESS, IS UNDER LIQUIDATION OR IS UNABLE TO TRANSFER FUNDS TO THE PARENT BECAUSE OF ITS OPERATIONS UNDER LONG-TERM RESTRICTIONS*

(b) Associates

An associate is a company, not being a subsidiary, in which the Company holds, directly or indirectly, not less than 20% or not more than 50% equity interest as a long-term investment and is able to exercise significant influence on this company. Investment in associates is accounted for by equity method. Share of results from associates represents the Group's share of post-acquisition profit/loss by the associates during the year.

The details of the principal associates are as follows :

Name	**Place of establishment/ operation**	**Attributable equity interest**	**Principal activity**
DONGGUAN SHEN LIAN PAPER MANUFACTURING CO. LTD.	PRC	50%	PRODUCTION AND TRADING OF PAPER PRODUCTS
SHENZHEN JIALU HOTEL	PRC	50%	HOTEL OPERATIONS
YUESHEN LIGHT INDUSTRY TRADING CO.	PRC	50%	IMPORT AND EXPORT OF FOOD AND TEXTILES
SHENZHEN YINZHIZUO CLUB	PRC	50%	PROVISION OF LAW CONSULTANT SERVICE AND RESTAURANT
SHENYANG LIONDA TIMER INDUSTRIAL CO. LTD.	PRC	50%	PRODUCTION OF WATCH
SHENZHEN SILVERPEARL PLASTIC PRODUCTS CO. LTD.	PRC	45%	PRODUCTION OF PLASTIC FOAM PRODUCTS, ETC.

HUNAN SHENLI SPECIAL ALLOY CO. LTD.	PRC	45%	PRODUCTION OF HARD ALLOY WARE
SHENZHEN M.C. PACKAGING CO. LTD.	PRC	40%	PRODUCTION OF PACKING CONTAINERS
SHENZHEN GOLDEN BELL BATTERIES CO. LTD.	PRC	40%	PRODUCTION OF DRY BATTERIES AND ELECTRONIC PRODUCTS
AMERICAN XINHUA FOODS INDUSTRIAL CO. LTD.	USA	40%	PRODUCTION OF FRUIT JELLY
SHENZHEN TAIYANG TCCP CO. LTD.	PRC	34%	PRODUCTION, TRANSPORTATION AND INSTALLATION OF STEEL, CONCRETE TUBE
SHENZHEN LIONDA INDUSTRIAL TRADING CO. LTD.	PRC	32%	IMPORT AND EXPORT TRADING AND PROPERTY MANAGEMENT
SHENZHEN LIONDA BAO SHUI TRADING CO. LTD.	PRC	30%	TRADING

(b) Associates (cont'd)

The details of the principal associates are as follows :

Name	Place of establishment/ operation	Attributable equity interest	Principal activity
SHENZHEN ANMIZ WATCH & CLOCK CO. LTD.	PRC	30%	PRODUCTION OF WATCHES, CLOCK PARTS, COUNTERS AND METERS
sHENZHEN GAOKEDA ELECTRONIC CO. LTD.	PRC	30%	PRODUCTION OF HDSL TRANSMISSION LINES
SHANGHAI QINGPU YINDA PROPERTY DEVELOPMENT CO.	PRC	30%	PROPERTY DEVELOPMENT
SHENZHEN GOODYEAR ENTERPRISE HOLDINGS CO. LTD.	PRC	26.54%	PACKAGING
SHENZHEN DONG XIANG ELECTRONIC ENTERPRISE CO. LTD.	PRC	25%	TRADING OF ELECTRONIC PARTS
SHENZHEN GUANGHUA INSULATING GLASS ENGINEERING CO.	PRC	25%	PRODUCTION AND INSTALLATION OF INSULATING GLASS
SHENZHEN ENAMELWARE ENTERPRISE CO. LTD.	PRC	20.33%	PRODUCTION OF ENAMELWARE

SHENZHEN JIANDA MACHINERY CO. LTD.	PRC	20%	PRODUCTION OF PLASTIC INJECTION MACHINERY, ETC.
SHENZHEN CHINA BICYCLE COMPANY (HOLDINGS) LIMITED	PRC	19.87% *	PRODUCTION AND ASSEMBLY OF BICYCLES, AND BICYCLE PARTS, ACCESSORIES AND FITNESS BICYCLES
LIONDA NANGCHANG FOODSTUFFS CO.	PRC	51% **	PRODUCTION AND TRADING OF FOODSTUFFS AND BEVERAGE
BALTIC SEA COMMERCIAL CENTRE	LATVIA	51% **	HOTEL OPERATION AND COMMERCIAL SERVICE

* *ABLE TO EXERCISE SIGNIFICANT INFLUENCE*

** *NO CONTROLLING INTEREST*

NOTE : CERTAIN COMPANY NAMES OF THE SUBSIDIARIES AND ASSOCIATES ARE DIRECT TRANSLATION OF THEIR CHINESE REGISTERED NAMES

(c) Related companies

A related company is a company, not being a subsidiary or an associate, in which the major shareholders or directors of the Company or its group companies have a beneficial interest therein, or are in a position to exercise significant influence over that company.

5. Principal accounting policies

(a) Property, plant, equipment and depreciation

Such assets are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, are charged to the consolidated profit and loss account in the period in which they are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of the assets, the expenditures are capitalised as an additional cost of the assets.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any profit or loss resulting from their disposal is included in the consolidated profit and loss account.

Depreciation is provided to write off the cost of depreciable assets, after taking into account of their estimated residual values, over their estimated useful lives on a straight line basis.

The estimated useful lives of property, plant and equipment are as follows :

Leasehold land under	
- Long-term lease	Nil
- Medium or short-term lease	Over the remaining lease term
Buildings	20 to 35 years

Plant and machinery	5 to 10 years
Office equipment	5 years
Motor vehicles	5 years

(b) Construction in progress

Construction in progress represents properties under construction and equipment purchased prior to installation and is stated at cost. Cost comprises direct costs, attributable overheads and where applicable finance expenses arising from borrowings used specifically to finance the construction of the properties and the acquisition of the equipment until the construction or installation is completed.

The cost of completed construction work is transferred to appropriate category of property, plant and equipment, and depreciation commences when the assets are ready for their intended use.

(c) Properties held under/for development

Properties held under/for development are stated at cost less foreseeable losses. Costs comprise land cost, construction cost, direct attributable overheads and interest cost capitalised during the period of development.

(d) Investments

Investments, whether they are held on a long-term or a short-term basis, are stated at cost less provision for any permanent diminution in value considered necessary by the directors.

Income from investments is accounted for to the extent of dividend and/or interest income received or receivable.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition, is calculated on weighted average basis. Net realisable value represents the estimated selling price less all estimated cost to completion and cost to be incurred in marketing, selling and distribution.

Properties held for sale are treated as inventories and are stated at the lower of cost and net realisable value. Cost comprises land cost, construction cost, direct attributable overheads and interest cost capitalised during the period of development. Net realisable value represents the estimated selling price less related expenses.

(f) Revenue recognition

Revenue is recognised when it is probable that the benefits will flow to the Group and when the revenue can be measured reliably.

Sales of goods

Sales of goods are recognised when the goods are delivered and the title has passed.

Sales of properties under development are recognised when the properties developed for sale are sold in advance of completion and the outcome of projects can be ascertained with reasonable certainty by reference to the construction progress. Profit is recognised over the course of the development after taking into account of allowance for contingencies.

Sales of properties are recognised when all the conditions of sale have been met and the risks and rewards of ownership have been transferred to the buyer.

Interest income from bank deposit is accrued on a time proportion basis on the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholders' right to receive payment is established.

(g) Capitalisation of borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Borrowing costs not eligible for capitalisation are recognised as an expense in the period in which they are incurred. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

(h) Foreign currency transactions

The PRC Group companies maintain their books and records in Renminbi. Foreign currency transactions are translated into Renminbi at the applicable rates of exchange prevailing at the first of January every year. Monetary assets and liabilities denominated in foreign currencies are translated into Renminbi at the applicable rates of exchange prevailing at the balance sheet date. Exchange differences arising from changes of exchange rates subsequent to the dates of transactions are included in the determination of the current year's results.

(i) Cash equivalents

Cash equivalents represent short-term highly liquid investments that have insignificant risk of changes in value.

6. Turnover

	2001	**2000**
	RMB'000	**RMB'000**
SALE OF MERCHANDISES	477,582	671,055
SALE OF FINISHED PRODUCTS	-	7,531
SALE OF PROPERTIES HELD FOR SALE	36,611	55,181
TAKINGS FROM CATERING SERVICES	-	6,072
	514,193	739,839

7. Abnormal items

	2001	**2000**
	RMB'000	**RMB'000**

Provision/(reversal) of impairment loss provision			
of unconsolidated subsidiaries		(13,017)	
	40,669		
Impairment loss provision of interests in associates		(17,856)	-
Impairment loss provision of long-term investments		(680)	-
Provision for inventory obsolescence		(80,992)	(2,048)
Inventories written off		(63,810)	-
Provision for doubtful debts of account receivables reversed		40,728	
	19,585		
Provision for doubtful debts of other receivables			
and prepayments		(169,168)	(21)
Provision for loss on guarantees		(412,857)	-
Loss on minority shareholders' interests		(3,478)	-
Debt restructuring income - liabilities waived		19,996	
	34,580		
		(701,134)	92,765

8. Profit/loss before taxation

	2001 RMB'000	2000 RMB'000
The Group's profit/loss before taxation is arrived at after charging :		
Auditors' remuneration	700	700
Directors' emoluments	649	634
Depreciation	2,641	6,703
Loss on disposal of property, plant and equipment	625	703
Interest expense	41,027	66,842
Staff costs	3,537	3,385
Contributions to retirement scheme	466	534
And after crediting :		
Interest income	13,738	16,777
Deemed disposal gain on a subsidiary	476	-
Rental income	944	2,632

9. Taxation

	2001 RMB'000	2000 RMB'000
Income tax		
- Company and subsidiaries	5,356	8,965
- Associates	-	-
	5,356	8,965

The amount of taxation in the consolidated balance sheet represents PRC income tax provision less tax paid during the year.

10. aPPROPRIATIONS

	2001 RMB'000	2000 RMB'000
TRANSFER TO RESERVES		
- STATUTORY SURPLUS RESERVE	-	3,573
- STATUTORY PUBLIC WELFARE FUND	1,496	2,551
- DISCRETIONARY SURPLUS RESERVE	1,496	-
	2,992	6,124

PURSUANT TO THE RELEVANT LAWS AND REGULATIONS OF THE PRC, A JOINT STOCK LIMITED COMPANY IS REQUIRED TO MAKE CERTAIN APPROPRIATIONS TO RESERVES FROM ITS NET PROFIT AFTER TAXATION DETERMINED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS.

THE DIRECTORS OF THE COMPANY PROPOSE TO MAKE TRANSFERS FROM THE PROFIT AFTER TAXATION, ASCERTAINED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS AT THE FOLLOWING PERCENTAGES :

	2001	2000

STATUTORY SURPLUS RESERVE	-	10%
STATUTORY PUBLIC WELFARE FUND	5%	5%

THE PROFIT DISTRIBUTABLE TO SHAREHOLDERS IS CALCULATED BASED ON THE LOWER OF THE AGGREGATE OF THE CURRENT YEAR'S NET PROFIT AFTER TAXATION (AFTER TRANSFERS TO STATUTORY SURPLUS RESERVE AND STATUTORY PUBLIC WELFARE FUND) AND THE RETAINED PROFIT BROUGHT FORWARD, PREPARED UNDER THE PRC ACCOUNTING STANDARDS OR INTERNATIONAL ACCOUNTING STANDARDS.

THE DIRECTORS DO NOT PROPOSE THE PAYMENT OF DIVIDEND IN RESPECT OF THE YEAR ENDED DECEMBER 31, 2001.

12. Properties held under/for development

	2001	**2000**
	RMB'000	**RMB'000**
Cost	-	706
Interest capitalised	-	3,669
	-	4,375

13. Interests in unconsolidated subsidiaries

	2001	**2000**
	RMB'000	**RMB'000**
Cost of unconsolidated subsidiaries (*)	32,671	11,299
Impairment loss provision	(21,235)	(8,218)
	11,436	3,081
Amounts due to unconsolidated subsidiaries (*)	(3,080)	-
	8,356	3,081

(*) *Certain subsidiaries of the Group were excluded from consolidation because they were dormant, held temporarily by the Company with a view to their subsequent disposal in the near future or operating under long-term restrictions that significantly impaired their abilities to transfer funds to their parent. In the opinion of the directors, their exclusion from consolidation would not have a material impact on the overall presentation of the financial statements of the Group as a whole.*

14. Interests in associates

	2001	**2000**
	RMB'000	**RMB'000**
Share of net assets of associates	127,209	194,023
Impairment loss provision	(23,027)	(5,171)
	104,182	
	188,852	

15. Long-term investments

	2001	**2000**
	RMB'000	**RMB'000**
"A" shares of companies listed in the PRC, at cost	10,000	
	12,685	
Other unlisted equity investments, at cost	87,609	
	70,448	
	97,609	
	83,133	
Impairment loss provision	(9,963)	(
9,283)		
	87,646	
	73,850	
Amounts due to other long-term investments	(33,143)	-

	54,503	73,850

16. Inventories

	2001 RMB'000	2000 RMB'000
Raw materials	192	15,422
Work in progress	-	203
Finished goods	6,281	28,280
Properties held for sale	139,439	303,979
	145,912	347,884
Provision for inventory obsolescence	(83,040)	(2,048)
	62,872	345,836

17. Account receivables

	2001 RMB'000	2000 RMB'000
Amount receivables	44,903	80,014
Provision for doubtful debts	(7,340)	
(48,068)		
	37,563	31,946

18. Other receivables and prepayments

	2001 RMB'000	2000 RMB'000
Prepayments	517	17,945
Dividend receivable	1,932	6,364
Other receivables	317,622	582,211
	320,071	606,520
Provision for doubtful debts	(205,208)	(36,040)
	114,863	570,480

19. Bank and other loans

	2001 RMB'000	2000 RMB'000
Bank loans - unsecured	503,826	773,209
Bank loans - secured	33,000	39,280
Other loans	173,076	54,507
	*709,902	866,996

* This comprised overdue amounts of RMB681,192,000

20. Share capital

	2001 RMB'000	2000 RMB'000
Registered, issued and fully paid,		
at par value of RMB1 each		
208,560,000 (2000 - 208,560,000) domestic shares	208,560	208,560
40,260,000 (2000 - 40,260,000) "A" shares	40,260	40,260
39,600,000 (2000 - 39,600,000) "B" shares	39,600	39,600
	288,420	288,420

22. Related party transactions

(a) In the ordinary course of business, the amounts due from/to related companies as at the balance sheet date are disclosed as follows :

	2001 RMB'000	**2000 RMB'000**
Amounts due from		
- Holding companies	-	87,739
- Associates	13,621	109,269
- Other related companies	81,094	94,908
	94,715	291,916
Amounts due to		
- Holding companies	20,156	108,016
- Associates	6,103	22,907
- Other related companies	34,172	35,923
	60,431	166,846

(b) (i) Sales

During the year, the Group did not sell any items (2000 - RMB600,285,708) to Shenzhen Angel Electric Appliance Company Limited, a director of which is also a director of the Group.

(ii) Loan guarantee service charge and interest income

During the year, the Group received service charge and interest income of RMB6,764,774 (2000 - RMB13,863,584) from its associate, Shenzhen China Bicycle Company (Holdings) Limited in relation to the loan guarantees made.

(iii) Guarantees

As at December 31, 2001, the Group had guarantees on banking facilities granted to associates amounting to RMB1,338,444,150 (2000 - RMB1,353,829,000).

23. Pledge of assets

As at December 31, 2001, the Group had pledged its buildings with a net book value of RMB17,000,000 and 40,308,590 “A” shares of Shenzhen China

Bicycle Company (Holdings) Limited and 30,000,000 "A" shares of Shenzhen Lionda Holdings Company Limited to banks to secure general banking facilities.

24. Contingent liabilities

As at December 31, 2001, the Group had the following contingent liabilities :

	2001 RMB'000	2000 RMB'000
Potential liabilities from court action in relation to the guarantees given by the Group	727,498	746,639
Guarantees to financial institutions in respect of the Group's facilities	1,652,879	1,601,929
	2,380,377	2,348,568

25. Holding company and ultimate holding company

The holding company is Shenzhen Lionda Holdings Limited Liability Company. In the opinion of the directors, the ultimate holding company of the Group is Shenzhen Investment Administrative Company, a state-owned enterprise established in the PRC.

26. Impact on loss attributable to shareholders and net asset value as reported by the PRC Certified Public Accountants

	Loss attributable to shareholders RMB'000	Net asset value RMB'000
As reported by PRC Certified Public Accountants	(995,379)	(971,769)
Adjustments to conform to IAS		
Share of results from an associate	-	(3,153)
Provision for doubtful debts	(8,466)	-
Prior year adjustment on interest in an associate	-	(198)
Housing welfare fund transfer	-	192
Loss on minority shareholders' interests	(3,478)	(3,478)
Capitalised interest on properties written off	(63,810)	(6,381)
Deferred assets written off/(reversed)	429	(31)
Debt restructuring income	19,996	-
Pre-operating expenditures written off	(1,050)	-
As restated in conformity with IAS	(1,051,758)	(984,818)

27. FINANCIAL INSTRUMENTS

FINANCIAL ASSETS OF THE GROUP INCLUDE CASH AND BANK BALANCES, ACCOUNT RECEIVABLES, OTHER RECEIVABLES AND

PREPAYMENTS. FINANCIAL LIABILITIES INCLUDE BANK AND OTHER LOANS, ACCOUNT PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES.

(A) CREDIT RISK

CASH AND BANK BALANCES : SUBSTANTIAL AMOUNTS OF THE GROUP’S CASH BALANCES ARE DEPOSITED WITH THE BANK OF CHINA, CHINA MERCHANTS BANK, SHENZHEN DEVELOPMENT BANK AND INDUSTRIAL AND COMMERCIAL BANK OF CHINA.

ACCOUNT RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS : THE GROUP DOES NOT HAVE A SIGNIFICANT EXPOSURE TO ANY INDIVIDUAL CUSTOMER OR COUNTERPART. THE MAJOR CONCENTRATIONS OF CREDIT RISK ARISE FROM EXPOSURES TO A SUBSTANTIAL NUMBER OF ACCOUNT RECEIVABLES THAT ARE MAINLY LOCATED IN THE PRC.

(B) FAIR VALUE

THE FAIR VALUE OF THE FINANCIAL ASSETS AND FINANCIAL LIABILITIES IS NOT MATERIALLY DIFFERENT FROM THEIR CARRYING AMOUNT.

THE CARRYING VALUE OF SHORT-TERM LOANS IS ESTIMATED TO APPROXIMATE ITS FAIR VALUE BASED ON THE BORROWING TERMS AND RATES OF SIMILAR LOANS.

FAIR VALUE ESTIMATES ARE MADE AT A SPECIFIC POINT IN TIME AND BASED ON RELEVANT MARKET INFORMATION AND INFORMATION ABOUT THE FINANCIAL INSTRUMENTS. THESE ESTIMATES ARE SUBJECTIVE IN NATURE AND INVOLVE UNCERTAINTIES ON MATTERS OF SIGNIFICANT JUDGEMENT, AND THEREFORE CANNOT BE DETERMINED WITH PRECISION. CHANGES IN ASSUMPTIONS COULD SIGNIFICANTLY AFFECT THE ESTIMATES.

28. LANGUAGE

THE TRANSLATED ENGLISH VERSION OF FINANCIAL STATEMENTS IS FOR REFERENCE ONLY. SHOULD ANY DISAGREEMENT ARISE,

THE CHINESE VERSION SHALL PREVAIL.

29. COMPARATIVE FIGURES

CERTAIN COMPARATIVE FIGURES HAVE BEEN RECLASSIFIED SO AS TO CONFORM TO THE CURRENT YEAR'S PRESENTATION.

XI. DOCUMENTS AVAILABLE FOR REFERENCE

There is complete set of documents in the secretariat of the Board, which will be provided for reference to CSRC, Stock Exchange or shareholders:

1. Accounting statements carried with personal signatures and seals of legal representative, person in charge of the financial affairs and person in charge of handling accounting affairs.
2. Original of Auditors' Report carried with the seal of Certified Public Accountants as well as personal signatures and seals of certified public accountants;
3. Originals of all documents and manuscripts of Public Notices of the Company disclosed in public on the newspapers designated by CSRC in the report period;
4. Original of 2001 Annual Report carried with personnel signature of the Chairman of the Board.

Board of Directors of
Shenzhen Lionda Holdings Co., Ltd.

April 19, 2002