

GUANGONG SUNRISE HOLDINGS CO. , LTD.

2003 ANNUAL REPORT SUMMARY

§1. Important Notes

1.1 Board of Directors of Guangdong Sunrise 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. The 2003 annual report summary is abstracted from the full text of annual report; the investors are suggested to read the full text of annual report to understand more details.

1.2 No directors stated that they couldn't ensure the correctness, accuracy and completeness of the contents of the Annual Report or have objection for this report.

1.3 Ten directors were present at the meeting of the Board examining Annual Report 2003 and Director Zang Weidong entrusted Director Ao Yingchun to attend the Board meeting .

1.4 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.

1.5 Chairman of the Board of the Company Mr. Yang Fenbo, Person in charge of Accounting Affairs and concurrently General Manager Mr. Pan Shiming, Person in charge of Accounting Organization Yun Chunhua hereby confirm that the Financial Report of the Annual Report is true and complete.

§2. Company Profile

2.1 Basic information

Short form of the stock	*ST Sunrise A, *ST Sunrise B
Stock code	000030, 200030

Listed stock exchange	Shenzhen Stock Exchange
Registered address and office address	6F, Jia Hua Bldg., Huaqiang North Road, Shenzhen, Guangdong
Post code	518031
Internet website	http://www.cninfo.com.cn/default.htm
E-mail	lionda@mailcenter.com.cn

2.2 Contact person and method

	Secretary of the Board of Directors	Representative in charge of securities affairs
Name	Ao Yingchun	Chen Liantan
Contract address	Secretariat on the 6 th Floor, Jia Hua Bldg., Huaqiang North Road, Shenzhen	Secretariat on the 6 th Floor, Jia Hua Bldg., Huaqiang North Road, Shenzhen
Tel.	0755-83226903	0755-83617716
Fax	0755-83204588	0755-83204588
E-mail	lionda@mailcenter.com.cn	lionda@mailcenter.com.cn

§3. Summary of Accounting Data and Financial Indexes

3.1 Major accounting data

Unit: RMB

	2003 (current year)	2002 (last year)	Increase/decrease from the previous year (%)	2001
Income from main operations	77,267,774.95	6,711,824.10	1051.22%	514,193,221.51
Total profit	11,952,274.35	-566,485,585.72	--	-981,340,933.01
Net profit	11,391,186.93	-566,485,166.06	--	-995,397,245.69
Net profit after deducting non-recurring gains and losses	-44,254,649.78	-272,054,382.58	--	-627,122,420.66
	At the end of 2003 (the end of current year)	At the end of 2002 (the end of last year)	Increase/decrease from the end of previous year (%)	At the end of 2001

Total assets	378,293,188.86	203,258,077.52	86.11%	444,493,757.35
Shareholder's equity (excluding minority interests)	-1,544,474,179.38	-1,556,403,680.29	--	-971,769,207.28
Net cash flows arising from operating activities	-10,742,755.13	-1,944,121.53	--	31,171,906.34

3.2 Major financial indexes

Unit: RMB

	2003 (current year)	2002 (last year)	Increase/decrease from the previous year (%)	2001
Earning per share	0.04	-1.96	-	-3.45
Earning per share (if share capital changes, calculate based on new share capital)	0.04	-	-	-
Return on equity	-	-	-	-
Return on equity as calculated based on net profit after deducting non-recurring gains and losses	-	-	-	-
Net cash flows per share arising from operating activities	-0.04	-0.01	-	0.11
	At the end of 2003 (the end of current year)	At the end of 2002 (the end of last year)	Increase/decrease from the end of previous year (%)	At the end of 2001
Net assets per share	-5.35	-5.40	-	-3.37
Net assets per share after adjustment	-5.62	-5.40	-	-3.39

3.3 Difference of Chinese Accounting Standard (CAS) and International Accounting Standard (IAS)

√ Applicable ☐ Inapplicable

Unit: RMB'0000

	CAS	IAS
Net profit	1,139.12	1,194.40
Explanation on the difference	The influence on net gains/losses in auditor’s report audited by Chinese CPA after adjustment as IAS is as follows:	
	Item	Losses of shareholders (RMB’000)
	Auditor’s report audited by Chinese CPA	11,391
	Adjustment	
	Switched back expenses to be apportioned	130
	Differential trade price unrealized	-485
	Correction of previous mistakes of affiliated company	-198
	As restated under IAS	11,944

§4. Changes in Share Capital and Particulars about Shareholders

4.1 Statement of change in shares

Unit: share

	Before the change	Increase / decrease in this time (+, -)	After the change
I. Unlisted shares			
1. Sponsors' shares	191,400,000	0	191,400,000
Including: State-owned shares	191,400,000	0	191,400,000
Domestic legal person's share		0	0
Foreign legal person's share		0	0
Others		0	0
2. Raised legal person's shares	17,160,000	0	17,160,000
3. Inner employees' shares		0	0

4. Preference shares or others		0	0
Total unlisted shares	208,560,000	0	208,560,000
II. Listed shares			
1. RMB ordinary shares	40,260,000	0	40,260,000
2. Domestically listed foreign shares	39,600,000	0	39,600,000
3. Overseas listed foreign shares		0	0
4. Others		0	0
Total listed shares	79,860,000	0	79,860,000
III. Total shares	288,420,000	0	288,420,000

4.2 Statement of shares held by the top ten shareholders and the top ten shareholders of circulating share

Total number of shareholders at the end of report period				16,768		
Particulars about shares held by the top ten shareholders						
Name of Shareholder (Full name)	Increase/ decrease in the report year (share)	Holding shares at the year-end (share)	Proportion in total shares (%)	Type of shares (Circulating/No n-circulating)	Number of share pledged or frozen (share)	Nature of shareholders (State-owned shareholder or Foreign shareholder)
Shenzhen Investment Holding Corporation	0	191,400,000	66.36	Non-circulating	0	State-owned share
Shenzhen Colored Metal Financial Co. Ltd.	0	5,280,000	1.83	Non-circulating	Unknown	
Shenzhen International Trust & Investment Co.	0	5,280,000	1.83	Non-circulating	Unknown	
Shenzhen Huachengda Investment Holding Co., Ltd.	0	3,960,000	1.37	Non-circulating	Unknown	
CHINA EVERBRIGHT HOLDINGS CO., LTD	-1,179,720	3,853,526	1.34	Circulating	Unknown	

Shenzhen Guoyin Investment Development Co., Ltd.	0	2,640,000	0.92	Non-circulating	2,640,000	
WU CHING	Unknown	391,861	0.14	Circulating	Unknown	
Zhang Zhiliu	Unknown	320,000	0.11	Circulating	Unknown	
Li Minquan	Unknown	289,700	0.10	Circulating	Unknown	
Deng Shaoping	Unknown	258,100	0.09	Circulating	Unknown	

Explanation on associated relationship among the top ten shareholders or consistent action	(1) Shenzhen Investment Holding Corporation is the controlling shareholder of the Company, which holds the share on behalf of the state, and the shares are not listed and circulated. Among the top ten shareholders, Shenzhen Investment Holding Corporation is the controlling shareholder of Shenzhen International Trust & Investment Co., and they exists the associated relationship. Except for this, there exists no associated relationship between state-owned shareholder and legal person shareholder, and they do not belong to the consistent actionist regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Company. The Company is unknown whether there exists associated relationship among other shareholders with circulating shares, or whether they belong to the consistent actionist regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Company. (2) Change of the controlling shareholder of the Company in the report period: In Oct. 2003, the Company received the notification of Shenzhen Investment Holding Corporation, the principal shareholder of the Company, who planned to transfer equity of Guangdong Sunrise Holdings Co., Ltd. amounting to 191,400,000 shares to Shenzhen Lionda Holdings Co., Ltd.. In Nov. 2003, the Company received Reply on Relevant Problems of Transfer of State-owned Shares of Guangdong Sunrise Holdings Co., Ltd. (GZCQH[2003] NO. 331) copied by State-owned Assets Supervision and Administration Commission of the State Council that agreed to transfer equity of the Company totally 191,400,000 shares held by Shenzhen Investment Holding Corporation to Shenzhen Lionda Holdings Co., Ltd.. In Dec. 2003, the Company received Letter on Agreeing to Exempt Liabilities of Shenzhen Lionda Holdings Co., Ltd.'s Purchasing Shares of "ST Sunrise" through Offer that agreed to exempt liabilities of Shenzhen Lionda Holdings Co., Ltd.'s purchasing shares of "ST Sunrise" through offer and finished dealing with procedure of equity transfer in register in China Securities Depositing and Clearing Corporation Limited Shenzhen Branch on Jan. 5, 2004. Relevant public notices were referred to Securities Times and Ta Kung Pao dated Oct. 24, 2003, Nov. 25, 2003, Dec. 26, 2003 and Jan. 7, 2004 and the internet website for the Company's information disclosure http://www.cninfo.com.cn.
---	--

Particulars about shares held by the top ten shareholders of circulating share

Name of Shareholders (full name)	Holding circulating share at the year-end (share)	Type (A-share, B-share, H-share or others)
CHINA EVERBRIGHT HOLDINGS CO., LTD	3,853,526	B share
WU CHING	391,861	B share
Zhang Zhiliu	320,000	B share
Li Minquan	289,700	A share
Deng Shaoping	258,100	B share
Qu Lei	247,232	B share
Lin Hongbo	246,400	B share
CHINA PINGAN INSURANCE (HK) CO., LTD.	228,940	B share
Tang Ronghua	224,302	B share
Cai Jinsi	220,500	B share
Explanation on associated relationship of the top ten shareholders of circulating share	The Company does not know whether there exists associated relationship among the above top ten shareholders of circulating share.	

4.3 Particulars about holding shareholders and actual controller of the Company

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

☐ Applicable ☒ Inapplicable

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

The controlling shareholder of the Company, Shenzhen Investment Holding Corporation was established in July 1987 and its registered capital was RMB 2 billion and its legal representative was Mr. Li Heihu. It is the first company, which is engaged in operation of state-owned assets, and is state-owned sole corporation. It exerted the investor's rights for state-owned enterprises in line with industry, traffic and transportation on behalf of the Shenzhen municipal government, and was responsible for investment of state-owned assets and operation of property right. The shares of the Company held by it in the report period were not pledged and frozen. The controlling shareholder of Shenzhen Investment Holding Corporation is

Shenzhen Municipality State-owned Assets Management Committee.

Explanation on change of the controlling shareholder of the Company in the report period:

In Oct. 2003, the Company received the notification of Shenzhen Investment Holding Corporation, the principal shareholder of the Company, who planned to transfer equity of Guangdong Sunrise Holdings Co., Ltd. amounting to 191,400,000 shares to Shenzhen Lionda Holdings Co., Ltd.. In Nov. 2003, the Company received Reply on Relevant Problems of Transfer of State-owned Shares of Guangdong Sunrise Holdings Co., Ltd. (GZCQH[2003] NO. 331) copied by State-owned Assets Supervision and Administration Commission of the State Council that agreed to transfer equity of the Company totally 191,400,000 shares held by Shenzhen Investment Holding Corporation to Shenzhen Lionda Holdings Co., Ltd.. In Dec. 2003, the Company received Letter on Agreeing to Exempt Liabilities of Shenzhen Lionda Holdings Co., Ltd.'s Purchasing Shares of "ST Sunrise" through Offer that agreed to exempt liabilities of Shenzhen Lionda Holdings Co., Ltd.'s purchasing shares of "ST Sunrise" through offer and finished dealing with procedure of equity transfer in register in China Securities Depositing and Clearing Corporation Limited Shenzhen Branch on Jan. 5, 2004. Relevant public notices were referred to Securities Times and Ta Kung Pao dated Oct. 24, 2003, Nov. 25, 2003, Dec. 26, 2003 and Jan. 7, 2004 and the internet website for the Company's information disclosure <http://www.cninfo.com.cn>.

§5. Particulars About Director, Supervisor, Senior Executive

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

Name	Title	Gender	Age	Office term	Shares held at period- beginning	Shares Held at period -end	Reason of change
------	-------	--------	-----	-------------	--	-------------------------------------	---------------------

Yang Fenbo	Chairman of the Board	Male	46	May 2002-May 2005	0	0	
Pan Shiming	Director, General Manager	Male	33	May 2002-May 2005	0	0	
Liu Chuan	Director	Male	41	May 2002-May 2005	0	0	
Rao Jiangshan	Director	Male	36	May 2002-May 2005	0	16000	Purchased in second market
Zang Weidong	Director, Deputy General Manager	Male	58	May 2002-May 2005	0	0	
Ao Yingchun	Director, Secretariat of the Board	Male	35	May 2003-May 2005	0	0	
Chen Zhitao	Director	Male	36	May 2003-May 2005	0	0	
Tang Jianxi	Director	Male	45	May 2002-May 2005	0	0	
Guo Shiping	Independent director	Male	46	May 2003-May 2005	0	0	
Wu Zhaolin	Independent director	Male	61	May 2003-May 2005	0	0	
Ma Hong	Independent director	Male	36	May 2003-May 2005	0	0	
Li Xin	Chairman of the Supervisory Committee	Male	42	May 2002-May 2005	0	0	
Wang Hangjun	Supervisor	Male	37	May 2002-May 2005	0	0	
Yang Yi	Supervisor	Male	32	May 2003-	0	0	

				May 2005			
Ji Tielan	Supervisor	Female	52	May 2002- May 2005	0	0	
Fan Song	Deputy General Manager	Male	40	July 2003- May 2005	0	0	

5.2 Particulars about directors, supervisors holding the post in Shareholding Company

☒ Applicable ☐ Inapplicable

Name	Name of shareholding Company	Title in shareholding Company	Office term	Drawing the payment or allowance (Yes / No)
Chen Zhitao	Shenzhen International Trust & Investment Co.	Manger of Assets Dept.	Mar. 2001- Dec. 2003	No
Tang Jianxi	Shenzhen Colored Metal Financial Co. Ltd.	Deputy General Manager	Jan. 1995 to now	Yes
Wang Hangjun	Shenzhen Investment Holding Corporation	Chief Director of Auditing Dept.	Oct. 2001 to now	No

5.3 Particulars about the annual payment of directors, supervisors and senior executives

Unit: RMB'0000

Total annual payment	65.70
Total annual payment of the top three directors drawing the highest payment	42.60
Total annual payment of the top three senior executives drawing the highest payment	42.60
Allowance of independent director	30,000 per person/ year
Other treatment of Independent Directors	No
Name of directors and supervisors received no payment or allowance from the Company	Chen Zhitao 、 Wang Hangjun

Payment	Number of persons
Over RMB 150,000	1
RMB 150,000 ~ RMB 120,000	3
RMB 100,000 ~ RMB 120,000	1

§ 6. Report of the Board of Directors

6.1 Discussion and analysis to the whole operation in the report period

In the report period, under the direct lead of the Board of Directors and the collective efforts of the whole staff, the Company developed work tightly surrounding such aspects as making up the deficits and getting surpluses, clearing the lawsuit arrearage, relaxing control and keeping stabilization etc., strengthened internal management of the Company, controlled budget, operated in a standardized way strictly according to Company Law of the P.R.C., Securities Law of the P.R.C. and Rules on Administration of Listed Companies, completed all tasks relatively well and achieved the profitability goal of the whole year in 2003.

In the report period, the main operations of the Company were printing and packing and property operation and management. The income from main operations was RMB 77,267,774.95 and the profit from main operations was RMB 13,140,761.41 in the whole year. Compared with the last year, the income and profit from main operations of the Company increased by a relatively large margin, respectively amounting to RMB 70,555,950.85 and RMB 7,886,286.2, which was mainly because that Shenzhen Jianian Industrial Co., Ltd. has been included into the consolidated scope since July 1, 2003 (For the details, please refer to the public notice of the Board of the Company with notice no. 2003-022 published on Securities Times and Ta Kung Pao dated July 30, 2003.). The main business scope of Shenzhen Jianian Industrial Co., Ltd. was printing and packing and property operation and management, which made the income and profit from main operations of the Company be further enhanced. In the first half of 2003, the sales of three equities, namely Shenri Printing Ink, Kingway

Beer and Yinzhu Plastic, by the court increased earnings from long-term investments of the Company. The Company also liquidized the assets through such ways as clearing arrearages and basically maintained the normal operation of the Company. Based on all situations mentioned above, the Company realized making up the deficits and getting surpluses and accomplished net profit amounting to RMB 11,391,186.93 in the whole year of 2003.

However, as the court strengthened execution and kept sealing up the equity and assets of the holding and share-holding enterprises of the Company, among which some main assets and equity were forced to be executed and sold to pay off the debts, there still existed certain difficulties in the operation of the Company. Although the Company solved the substantive guarantees of Shenzhonghua and other part of liabilities and guarantees, the Company still bore great risks in liabilities and guarantees. At present, the bank loans of the Company still reached to RMB 629 million; all contingent debts reached RMB 889 million except for the guarantee amounting to RMB 929 million provided for Shenzhonghua, thus the Company bore heavy burden of interests and penalties. Moreover, the creditors and debt amount were disperse relatively and majority of the creditors were state-owned banks, therefore, it was hard to get the policy of cutting off or peeling off liabilities and it was hard for all relevant parties to reach coherent agreements on the problem of restructuring debts and the difficulty for the Company to further reconstruct the debts was considerable. Due to the above actual situations, the Company still could hardly attract the complete input of the restructuring parties and still has not find the cooperative restructuring parties which have strength, credit and operating ability.

6.2 Statement of main operations classified according to industries or products

Unit: RMB'0000

Classified according to industries or products	Income from main operations	Cost of main operations	Gross profit ratio (%)	Increase/decrease in income from main operations	Increase/decrease in cost of main	Increase/decrease in gross profit ratio over the last year
--	-----------------------------	-------------------------	------------------------	--	-----------------------------------	--

	(RMB)	(RMB)		over the last year (%)	operations over the last year (%)	(%)
Print	7,118.29	6,269.42	11.93	0.00		
Other industries	608.48	112.29	81.55	-9.34	1.32	-2.32
Including: related transactions	0.00	0.00	-			
Presswork	7,118.29	6,269.42	11.93			
Property management	608.48	112.29	81.55	-9.34	1.32	-2.32
Including: related transactions	0.00	0.00	-	0.00		
Pricing rules for related transactions	Equity trusteeship (consultative pricing). However, in the Agreement on Equity Trusteeship (related transaction), the earnings (trusteeship expense) were confirmed as 80% of the actually distributed dividends of this part of trusted shares, which would be reflected in 2004 subject to the consideration of the Shareholders' General Meeting of Jianian Company. So the data in the report period of 2003 were zero.					
Necessity and durative of related transactions	Shenzhen Jianian Industrial Co., Ltd. has been included into the consolidated scope since July 1, 2003 with its main business scope of printing and packing and property operation and management, which made the scope of the Company's main operations be changed in 2003 as follows: print was newly included, so as to further give prominence to the main operations of the Company and strengthen the Company's sustainable operating capability.					

6.3 Particulars about main operations classified according to areas

Unit: RMB'0000

Areas	Income from main operations	Increase/decrease in income from main operations over the last year (%)
Export	2,137.41	-

Northeast area	625.81	-
Guangdong area	4,048.36	503.17
Others	915.19	-

6.4 Particulars about the customers of purchase and sales

Unit: RMB'0000

Total amount of purchase of the top five suppliers	1,770.82	Proportion in the total amount of purchase	28.25%
Total amount of sales of the top five sales customers	4,180.04	Proportion in the total amount of sales	58.72%

6.5 Operation of share-holding companies (applicable to the situation where investment equity takes over 10% of its net profit)

☒ Applicable ☐ Inapplicable

Unit: RMB'0000

Name of share-holding company		Shenzhen Jianian Industrial Co., Ltd.
Investment earnings contributed in the period		65.66
Proportion in net profit of the listed company		5.76%
Share-holding company	Business scope	Printing, packing and property operation and management
	Net profit	247.39

Name of share-holding company		Shenzhen Lionda Industry and Trade Co., Ltd.
Investment earnings contributed in the period		19.86

Proportion in net profit of the listed company		1.74%
Share-holding company	Business scope	Property operation and management
	Net profit	62.35

6.6 Explanation on reasons of material changes in main operations and its structure

☒ Applicable ☐ Inapplicable

Since Shenzhen Jianian Industrial Co., Ltd. has been included into the consolidated scope since July 1, 2003 (For the details, please refer to the public notice of the Board of the Company with notice no. 2003-022 published on Securities Times and Ta Kung Pao dated July 30, 2003.) and the main business scope of Shenzhen Jianian Industrial Co., Ltd. was printing and packing and property operation and management, the scope of the Company's main operations changed over the last report period: in the report period, the Company's scope of main operations not only included property operation and management, but also increased production and sales of print.

6.7 Explanation on reasons of material changes in profitability capability of main operations (gross profit ratio) than that in the last year

☒ Applicable ☐ Inapplicable

Since Shenzhen Jianian Industrial Co., Ltd. has been included into the consolidated scope since July 1, 2003 (For the details, please refer to the public notice of the Board of the Company with notice no. 2003-022 published on Securities Times and Ta Kung Pao dated July 30, 2003.) and the main business scope of Shenzhen Jianian Industrial Co., Ltd. was printing and packing and property operation and management, the Company's scope of main operations changed compared with the last report period, namely increasing production and sales of print, which thus made the Company's profitability in main operations change.

6.8 Analysis to reasons of material changes in operating results and profit structure compared

with the previous year

☒ Applicable ☐ Inapplicable

In the report period, the Company realized income from main operations and profit from main operations amounting to RMB 77,267,774.95 and RMB 13,140,761.41 respectively. Compared with the last year, the income and profit from main operations of the Company increased by a relatively large margin, respectively amounting to RMB 70,555,950.85 and RMB 7,886,286.2, which was mainly because that Shenzhen Jianian Industrial Co., Ltd. has been included into the consolidated scope since July 1, 2003 (For the details, please refer to the public notice of the Board of the Company with notice no. 2003-022 published on Securities Times and Ta Kung Pao dated July 30, 2003.). The main business scope of Shenzhen Jianian Industrial Co., Ltd. was printing and packing and property operation and management, which made the income and profit from main operations of the Company be further enhanced. In the first half of 2003, the sales of three equities, namely Shenri Printing Ink, Kingway Beer and Yinzhu Plastic, by the court increased earnings from long-term investments of the Company. The Company also liquidized the assets through such ways as clearing arrearages and basically maintained the normal operation of the Company. Based on all situations mentioned above, the Company realized making up the deficits and getting surpluses.

Analysis to reasons of material changes in the whole financial position than that in the last year

☒ Applicable ☐ Inapplicable

In the report period, the main operations of the Company were printing and packing and property operation and management. The income from main operations was RMB 77,267,774.95 and the profit from main operations was RMB 13,140,761.41 in the whole year. Compared with the last year, the income and profit from main operations of the Company increased by a relatively large margin, respectively amounting to RMB 70,555,950.85 and RMB 7,886,286.2, which was mainly because that Shenzhen

Jianian Industrial Co., Ltd. has been included into the consolidated scope since July 1, 2003 (For the details, please refer to the public notice of the Board of the Company with notice no. 2003-022 published on Securities Times and Ta Kung Pao dated July 30, 2003.). The main business scope of Shenzhen Jianian Industrial Co., Ltd. was printing and packing and property operation and management, which made the income and profit from main operations of the Company be further enhanced. Besides, the sales of three equities, namely Shenri Printing Ink, Kingway Beer and Yinzhu Plastic, by the court increased earnings from long-term investments of the Company. The Company also liquidized the assets through such ways as clearing arrearages and basically maintained the normal operation of the Company.

6.9 Explanation on the past, current and future important effects of the material changes in production and operation environment, macro-policies and regulations on the Company's financial position and operating results

☐ Applicable ☒ Inapplicable

6.10 Completion of the profit estimation

☐ Applicable ☒ Inapplicable

6.11 Completion of the business plan

☐ Applicable ☒ Inapplicable

6.12 Application of the raised proceeds

☐ Applicable ☒ Inapplicable

Particulars about the changed projects

☐ Applicable ☒ Inapplicable

6.13 Application of the proceeds not raised through shares offering

☐ Applicable ☒ Inapplicable

6.14 Explanation of the Board of Directors on the "Qualified Opinion" made by the Certified Public Accountants

☒ Applicable ☐ Inapplicable

Because the repayment of short-term debts gave much pressure on the Company and large quantity of guarantee debts were involved in the lawsuits, Shenzhen Dahua Tiancheng Certified Public Accountants presented unqualified auditor's report with emphasized matters. Concerning this problem, the Board of directors believed, although the Company encountered big pressure of repaying the short-term debts, the Company accelerated the work of clearing arrearage and liquidity and was capable of raising the operating capital to sustain the normal production and operation; simultaneously the Company propelled to reconstruct the debts actively and tried its best to implement the reconstruction of debts in light of commercial rules. In addition, the Company held 26.54% of Shenzhen Goodyear Enterprise Company Limited as the first principal shareholder, and the second principal shareholder entrusted its 19.03% of Shenzhen Goodyear Enterprise Company Limited to the Company to manage, so the Company controlled Shenzhen Goodyear Enterprise Company in essence; the Company held 32% of Shenzhen Lionda Industry & Trade Co., Ltd. and another shareholder entrusted its 20% of Shenzhen Lionda Industry & Trade Co., Ltd. to the Company to manage, so the Company controlled Shenzhen Lionda Industry & Trade Co., Ltd. in essence. The aforesaid two companies possessed certain profitability. In conclusion, the Company possessed the ability of consistent operation.

6.15 Business plan as of the next year of the Board of Directors (If it has)

☐ Applicable ☒ Inapplicable

Profit estimation of the next year (If it has)

☐ Applicable ☒ Inapplicable

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

Audited by Shenzhen Dahua Tiancheng Certified Public Accountants, the net profit realized by the Company in 2003 was RMB11,391,186.93, which was used for offsetting the losses in previous years. There tained earnings was RMB-2,337,641,680.95. The Company did not distribute profits or convert reserve into share capital. This preplan should be submitted to Shareholders' General Meeting for consideration.

§7. Significant Events

7.1 Purchase of assets

☐ Applicable ☒ Inapplicable

7.2 Sales of assets

☒ Applicable ☐ Inapplicable

Unit: RMB'0000

Transaction both parties and the assets sold	Date of sale	Sale price	Contribution to net profit of the Company of the assets sold from the year-begin to the date of sale	Gains or losses form sale	Related transaction or not (if it is, please explain pricing principle)
Shenzhen Dongxing Industrial Co., Ltd., 45% equity of Shenzhen Yinzhu Plastic Products Co., Ltd.	Mar. 24, 2003	412.77	0.00	322.77	No
Shenzhen Lionda Group Co., Ltd., 5% equity of Shenzhen King Way Beer Co., Ltd.	Mar. 24, 2003	3,385.80	0.00	835.05	No
Shenzhen Lionda Group Co., Ltd., 10% equity of Shenzhen Shenri Printing Ink Co., Ltd.	Mar. 24, 2003	1,285.00	0.00	985.00	No
Shanghai Universe Property Co., Ltd., 45% equity of Shanghai Lion Real Estate Development Co., Ltd.	Apr. 15, 2003	2,000.00	0.00	2,000.00	No

Shenzhen Shengzhuo Industrial Co., Ltd., the equity worth RMB 2.12 million of Shenzhen New Century Drinking Technology Co., Ltd.	Jun. 20, 2003	555.71	75.95	43.66	No
Jia Yingchuan, Han Shihu, 25% equity of Shenzhen Guanghua Vacuum Glass Engineering Co., Ltd.	Dec. 5, 2003	127.97	0.00	-139.49	No

The events of assets sold by the Company belonged to the events sold off by the court basically, and a majority of disposition events produced the certain investment income, which had a certain contribution for the Company's turning losses into gains as of the year 2003, and brought a certain influence for the further investment income of the Company, while did not impact on the stability of the Company's management team.

7.3 Significant guarantees

☒ Applicable ☐ Inapplicable

Unit: RMB'0000

Name of guaranteed objects	Date of happening (date of agreement signing)	Amount of guarantees	Type of guarantees	Term of guarantees	Complete Implementation or not	Guarantee for related parties or not (yes or no)
Shenzhen Lionda Bonded Trade Co., Ltd.	May 30, 2000	850.00	Joint responsibility guarantee	May 30, 2000-May 30, 2001	No	Yes

Shenzhen Sun Pipeline Co., Ltd.	Dec. 30, 1993	4,335.00	Joint responsibility guarantee	Dec. 30, 1993- Dec. 30, 1998	No	Yes
Shenzhen Gaokeda Electron Co., Ltd.	Mar. 10, 1994	50.00	Joint responsibility guarantee	Mar. 10, 1994- -Mar. 10, 1995	No	Yes
Shenzhen Yuda Import & Export Co., Ltd.	Jul. 8, 1998	480.00	Joint responsibility guarantee	Jul. 8, 1998- -Jan. 25, 2000	No	Yes
Shenzhen China Bicycle Company (Holdings) Limited	Dec. 19, 1995	31,678.80	Joint responsibility guarantee	Dec. 19, 1995- -Nov. 25, 1998	No	Yes
Yueshen Light Industrial & Trade Company	Dec. 30, 1993	900.00	Joint responsibility guarantee	Dec. 30, 1993- -Jun. 22, 1996	No	Yes
Guozhou Xufeng Enterprise Group Co., Ltd.	May 2, 1995	1,500.00	Joint responsibility guarantee	May 2, 1995- May 2, 1996	No	No
Shenzhen Jinbeisheng Investment Co., Ltd.	Jun. 22, 1995	7,760.00	Joint responsibility guarantee	Jun. 22, 1995- Jun. 22, 1996	No	No
Shenzhen Guoyin Investment Group Co., Ltd.	Dec. 13, 1995	4,030.00	Joint responsibility guarantee	Dec. 13, 1995- Jan. 28, 2001	No	Yes
Shenzhen Paina Garniture Co., Ltd.	Apr. 30, 1998	130.00	Joint responsibility guarantee	Apr. 30, 1998- -Jan. 30, 1999	No	No

Shenzhen Gintian Industrial Group Co., Ltd.	Jun. 30, 1997	2,675.00	Joint responsibility guarantee	Jun. 30, 1997- -Dec. 31, 1999	No	No
Shenzhen Zhongwu Material Import & Export Co., Ltd.	Apr. 30, 1997	1,679.00	Joint responsibility guarantee	Apr. 30, 1997- -Apr. 30, 1999	No	No
Shenzhen Guangyingda Industrial Development Company	Sep. 25, 1995	8,641.47	Joint responsibility guarantee	Sep. 25, 1995- -Jan. 31, 1999	No	Yes
Shenzhen Ligang Industrial Company	Aug. 15, 1996	723.38	Joint responsibility guarantee	Aug. 15, 1996- -Aug. 15, 1997	No	No
Shenzhen Maoyuan Investment Development Co., Ltd.	Jan. 30, 1995	856.00	Joint responsibility guarantee	Jan. 30, 1995- -Jan. 30, 1996	No	No
Shenzhen Xingda Industry & Trading Co., Ltd.	May 1, 1996	190.00	Joint responsibility guarantee	May 1, 1996- May 1, 1998	No	No
Shenzhen Chemical & Plastic Co., Ltd.	Mar. 5, 1997	1,500.00	Joint responsibility guarantee	Mar. 5, 1997- -Mar. 5, 1998	No	No
Shenzhen Jinhai Electron Co., Ltd.	Apr. 7, 1996	350.00	Joint responsibility guarantee	Apr. 7, 1996- Apr. 7, 1997	No	No
Shenzhen Guanghualin Investment Co., Ltd.	May 23, 1996	1,320.00	Joint responsibility guarantee	May 23, 1996- May 23, 1997	No	No

Shenzhen Tiantai Chemical Co., Ltd.	Jun. 20, 1995	166.00	Joint responsibility guarantee	Jun. 20, 1995-Jun. 20, 1996	No	No
Shenzhen Structure Material Group	Mar. 1, 1998	80.00	Joint responsibility guarantee	Mar. 1, 1998-Mar. 1, 1999	No	No
Shenzhen Jinyuan Industry & Trading Company	Apr. 30, 1997	80.00	Joint responsibility guarantee	Apr. 30, 1997-Apr. 30, 1998	No	No
Hainan Wanda Industry & Trading Co., Ltd.	Aug. 16, 1996	3,300.00	Joint responsibility guarantee	Aug. 16, 1996-Aug. 16, 1997	No	No
Shenzhen Xuena Co., Ltd.	Jun. 10, 1995	108.69	Joint responsibility guarantee	Jun. 10, 1995-Dec. 10, 1996	No	No
Shenzhen Light Industry Import & Export Company	Jul. 31, 1997	273.00	Joint responsibility guarantee	Jul. 31, 1997-Dec. 31, 1999	No	Yes
Jilin Lionda Company	Jun. 30, 1996	350.00	Joint responsibility guarantee	Jun. 30, 1996-Dec. 30, 1997	No	Yes
Shenzhen Big World Department Store	Mar. 1, 1996	1,402.70	Joint responsibility guarantee	Mar. 1, 1996-Mar. 1, 1997	No	No
Shenzhen Lionda Development Co., Ltd.	Apr. 25, 1996	931.30	Joint responsibility guarantee	Apr. 25, 1996-Apr. 25, 1999	No	Yes

Shenzhen Lionda Electrical Appliance Co., Ltd.	Nov. 3, 1996	985.00	Joint responsibility guarantee	Nov. 3, 1996- Nov. 3, 1999	No	Yes
Shenzhen Paper Making Company	Mar. 15, 1997	1,790.00	Joint responsibility guarantee	Mar. 15, 1997- -Mar. 15, 2000	No	Yes
Shenzhen Lionda Foods Co., Ltd.	Sep. 1, 1996	2,940.00	Joint responsibility guarantee	Sep. 1, 1996- Mar. 1, 2000	No	Yes
Shenzhen Lionda Material Import & Export Co., Ltd.	Aug. 13, 1995	6,566.04	Joint responsibility guarantee	Aug. 13, 1995- Aug. 13, 2000	No	Yes
Hunan Lionda Company	Oct. 25, 1997	325.00	Joint responsibility guarantee	Oct. 25, 1997- Oct. 25, 1998	No	Yes
Total amount of guarantee			181,875.51			
Total balance of guarantee			88,975.51			
Including: total balance of related guarantees			65,125.61			
Total guarantees provided by the listed company for controlling subsidiaries			13,537.34			
Total illegal guarantees			64,723.77			
Proportion of total guarantees in net assets of the Company			0.00			

7.4 Current related credits and liabilities

☒ Applicable ☐ Inapplicable

Related party	Funds provided to related parties	Funds provided by related parties to listed company
---------------	-----------------------------------	---

	Amount occurred	Balance	Amount occurred	Balance
Shenzhen Paper Making Company	-54.46	8.39	0.00	0.00
Shanghai Lion Real Estate Co., Ltd.	-1,805.60	0.00	0.00	0.00
Shenzhen Lionda Foods Industry Co., Ltd.	46.47	546.34	0.00	0.00
Shenzhen Hesper Printing Factory	-40.78	0.00	0.00	0.00
Shenzhen Lionda Development Co., Ltd.	233.03	5,901.75	0.00	0.00
Shenzhen Lionda Material Import & Export Co., Ltd.	2,793.53	2,793.53	0.00	0.00
Shenzhen China Bicycle Company (Holdings) Limited	1,107.53	24,649.14	0.00	0.00
Shenzhen Create New Material Co., Ltd.	0.00	21.40	0.00	0.00
Shenzhen Sun Pipeline Co., Ltd.	0.00	2,568.67	0.00	0.00
Shenzhen Jiadeng Trading Co., Ltd.	0.00	100.85	0.00	0.00
Shenzhen Inter Enterprise Co., Ltd.	0.00	47.75	0.00	0.00
Beijing Lionda Investment	0.00	1,848.85	0.00	0.00
Shenzhen Kenda Science and Technology Co., Ltd.	0.00	1.32	0.00	0.00
Shenzhen Guangyingda Industrial Co., Ltd.	0.00	1,418.00	0.00	0.00
Shenzhen Orient Enterprise Co., Ltd.	0.00	2,828.31	0.00	0.00
Total	2,279.72	42,734.30	0.00	0.00

7.5 Entrusted financing

☐ Applicable ☒ Inapplicable

7.6 Implementation of projects committed

☐ Applicable ☒ Inapplicable

7.7 Significant lawsuit and arbitration

☒ Applicable ☐ Inapplicable

1. The case on Industrial and Commercial Bank of China Shenzhen Branch indicted Shenzhen Guoyin Investment (Group) Co., Ltd. (“Guoyin Investment Company”) and the Company to Shenzhen Intermediate People’s Court, Shenzhen Intermediate People’s Court made civil judgment in line with the law: (1) the appellee Guoyin Investment Company repaid the principal of the loan amounting to RMB 17.50 million and the relevant interests to accuser Industrial and Commercial Bank of China; (2) the Company should bear the joint discharging responsibility for the aforesaid liabilities of the appellee Guoyin Investment Company. (For details, please refer to Public Notice on the Lawsuit Events with Notice No. 2003-001 published in Securities Times and Ta Kung Pao dated Jan. 8, 2003.)

2. The case on China Everbright Bank prosecuted the Company and Shenzhen Textile (Holding) Co., Ltd. (“Shenzhen Textile Co.”) to Beijing Municipal the 1st Intermediate People’s Court, Beijing Municipal the 1st Intermediate People’s Court made civil judgment in line with the law: (1) the Company repaid the principal of the loan amounting to RMB 14 million and the relevant interests to accuser China Everbright Bank; (2) the appellee Shenzhen Textile Co. should bear the joint discharging responsibility for the aforesaid liabilities of the Company. (For details, please refer to Public Notice on the Lawsuit Events with Notice No. 2003-002 published in Securities Times and Ta Kung Pao dated Feb. 12, 2003.)

3. Since Shenzhen Lionda Development Co., Ltd. (“Development Company”) did not repay the loan amounting to RMB 980,000 that was borrowed in Oct. 2000 to Shenzhen Development Bank Luohu Sub-branch at its expiration and the Company provided the guarantee for the said loan, Shenzhen Development Bank Luohu Branch indicted the Company and Development Company to Shenzhen Luohu Court in Jan. 2003.

Since the Company did not repay the loan amounting to RMB 3.60 million that was borrowed in Apr. 1999 to Industrial and Commercial Bank of China Shenzhen Futian Sub-branch at its expiration and Shenzhen Jinbeisheng Investment Co., Ltd. (“Jinbeisheng Company”) provided guarantee for the said loan, Industrial and Commercial Bank of China Shenzhen Futian Sub-branch indicted the Company and Jinbeisheng Company to Shenzhen Futian

Court in Jan. 2003.

Since the Company did not repay the loan amounting to RMB 5.43 million that was borrowed in Dec. 1988 to Industrial and Commercial Bank of China Shenzhen Futian Sub-branch at its expiration and Shenzhen Jinbeisheng Investment Co., Ltd. (“Jinbeisheng Company”) provided guarantee for the said loan, Industrial and Commercial Bank of China Shenzhen Futian Sub-branch indicted the Company and Jinbeisheng Company to Shenzhen Intermediate People’s Court in Jan. 2003.

Since the Company did not repay the loan amounting to RMB 22 million (dividing into three loans: RMB 8 million, RMB 6 million and RMB 8 million) that was borrowed in Dec. 1998 to Industrial and Commercial Bank of China Shenzhen Futian Sub-branch at its expiration and Shenzhen Petrochemical Group Co., Ltd. (“Petrochemical Company”) provided guarantee for the aforesaid three loans, Industrial and Commercial Bank of China Shenzhen Futian Sub-branch indicted the Company and Petrochemical Company to Shenzhen Intermediate People’s Court in Jan. 2003.

Since the Company did not repay the loan amounting to USD 2 million that was borrowed in Dec. 1998 to Industrial and Commercial Bank of China Shenzhen Futian Sub-branch at its expiration and Shenzhen Yinkun Light Textile Chemical Co., Ltd. (“Light Textile Chemical Co., Ltd.”) provided guarantee for the said loan, Industrial and Commercial Bank of China Shenzhen Futian Sub-branch indicted the Company and Light Textile Chemical Co., Ltd. to Shenzhen Intermediate People’s Court in Jan. 2003.

Since the Company did not repay the loan amounting to RMB 19 million that was borrowed in Aug. 1999 to Industrial and Commercial Bank of China Shenzhen Shendong Sub-branch at its expiration and Shenzhen Lionda Material Import & Export Co., Ltd. (“Material Company”) provided guarantee for the said loan, Industrial and Commercial Bank of China Shenzhen Shendong Sub-branch indicted the Company and Material Company to Shenzhen Intermediate People’s Court in Jan. 2003.

For details of the aforesaid cases, please refer to Public Notice on the Lawsuit Events with Notice No. 2003-004 published in Securities Times and Ta Kung Pao dated Feb. 28, 2003.

4. The Company borrowed the loan amounting to USD 1.7 million from Shenzhen

Development Bank Futian Sub-branch in Dec. 1996, and also borrowed the new loan to repay the former loan for the said ban from Shenzhen Development Bank Futian Sub-branch in Nov. 2001 with renewal period of 6 months, Shenzhen Petrochemical Industry (Group) Co., Ltd. (“SPEC”) provided guarantee for the said loan. Since the said loan has expired on May 13, 2002, and the Company did not refund the loan at its expiration, Shenzhen Development Bank Futian Sub-branch indicted the Company and SPEC to Shenzhen Intermediate People’s Court in Feb. 2003.

The case on Shenzhen Development Bank Luohu Sub-branch indicted Shenzhen Lionda Development Co., Ltd. and the Company to Shenzhen Luohu District People’s Court, Shenzhen Luohu District People’s Court made civil judgment in line with the law: (1) Shenzhen Lionda Development Co., Ltd. repaid the principal of the loan amounting to RMB 0.98 million and the relevant interests to the accuser Shenzhen Development Bank Luohu Sub-branch; (2) the Company should bear the joint discharging responsibility for the aforesaid liabilities.

For details of the said cases, please refer to Public Notice on the Lawsuit Events with Notice No. 2003-006 published in Securities Times and Ta Kung Pao dated Mar. 8, 2003.

5. The three cases on Industrial and Commercial Bank of China Shenzhen Futian Sub-branch indicted the Company and Shenzhen Petrochemical Industry (Group) Co., Ltd. (“SPEC”), Shenzhen Intermediate People’s Court made the following civil judgment: (1) the Company should repaid the principal of the loans amounting to RMB 22 million (dividing into three loans: RMB 8 million, RMB 6 million and RMB 8 million) and the relevant interests to Industrial and Commercial Bank of China Futian Sub-branch; (2) SPEC should bear the joint discharging responsibility for the aforesaid liabilities.

Since Shenzhen Lionda Paper-making Co., Ltd. did not repay the loan amounting to USD 0.34 million to China Merchants Bank Shenzhen OCT Sub-branch at its expiration and the Company provided guarantee for the said loan, China Merchants Bank Shenzhen OCT Sub-branch indicted Shenzhen Lionda Paper-making Co., Ltd. and the Company. Shenzhen Nanshan District People’s Court held a court and heard the said case on Apr. 24, 2003.

On the case that China Chemical Engineering 6th Construction Company indicted Shanghai

Lion Real Estate Development Co., Ltd. and the Company, the guarantee unit, for the dissension of participating in the construction funds, the Company reached the Reconciliatory Agreement with Shanghai Lion Real Estate Development Co., Ltd. and China Chemical Engineering 6th Construction Company with contents as follows: According to judgment letter (1999) HYZMZ No. 188 issued by Shanghai 1st Intermediate People's Court, the court froze the equity amounting to RMB 13.50 million and partial investment earnings of Shanghai Lion Real Estate Development Co., Ltd. held by the Company according to the law. After negotiation, the application executor, namely China Chemical Engineering 6th Construction Company and the application executee, namely the Company and Shanghai Lion Real Estate Development Co., Ltd. conformably agreed that the application executor would apply for releasing the equity freezing to the executee and stopping the implementation of this case and would be responsible for delivering the signing documents to Shanghai Lion Real Estate Development Co., Ltd. when transferring the account, under the situation that the application executee, namely Shanghai Lion Real Estate Development Co., Ltd. repaid RMB 15 million to the application executor in one time.

On the case that Ningbo Foods Corporation indicted Shenzhen Guangyingda Industrial Development Co., Ltd. and the Company for payment dissension of purchase and sales contract, since the executee, namely the Company did not completely implement the legal obligation confirmed in Civil Judgment (1998) YJCZ No. 293, Zhejiang Ningbo Intermediate People's Court made the following judgment to the rest liabilities: (1) Releasing the freezing to the equity of Shanghai Lion Real Estate Development Co., Ltd. amounting to RMB 13.50 million (taking 45%) held by the Company; (2) Transferring the aforesaid equity to Shanghai Universe Property Co., Ltd. with assessment price. The income from this selling was used to cancel out the rest liabilities owed in the case.

Since Shenzhen Lionda Foods Industrial Co., Ltd. ("Lionda Foods Company") did not repay the loan amounting to HKD 1.40 million that was borrowed in Jul. 1987 to Shenzhen Nonferrous Metal Financial Co., Ltd. at its expiration and the Company provided guarantee for the said loan, Shenzhen Nonferrous Metal Financial Co., Ltd. indicted Lionda Foods Company and the Company to Shenzhen Luohu District People's Court. However, the

executtee, namely Lionda Foods Company and the Company did not implement the obligation of repayment confirmed in Civil Judgment (1999) SLFJZ No. 798 in the designated period and Shenzhen Luohu District People's Court judged according to the law: auctioning the properties of the 1st and 2nd floor of the 2nd Block of the main factory owned by the executtee, namely Lionda Foods Company locating in Dongxiao Road of Luohu District, Shenzhen. The actual payment gained from the auction was used to repay the liabilities and the rest was retreated to the executtee.

On the dissension case of cooperating agreement between the application executor, namely New HongKong & Macao Co., Ltd. and the executtee, namely the Company, Judgment Letter (2000) MZCZ No. 0199 issued by China International Economy & Trade Arbitration Committee had taken force adefect. Thus, in Mar. 2003, Shenzhen Intermediate People's Court produced Notification on Equity Freezing to the Company and froze 95% equity of Shenzhen Lionda Paper-making Co., Ltd. held by the Company, 25% equity of Shenzhen Guanghua Vacuum Glass Engineering Co., Ltd. held by the Company, 30% equity of Shenzhen Lionda Bonded Trade Co., Ltd. held by the Company, 93.75% equity of Shenzhen Lionda Properties Management Co., Ltd. held by the Company and 32% equity of Shenzhen Lionda Industry & Trade Co., Ltd. held by the Company.

On the dissension case of loan agreement between the application executor, namely China Merchants Shekou Holdings Co., Ltd., and the executtee, namely Shenzhen Guangyingda Industrial Development Co., Ltd. ("Guangyingda Company") and the Company, Shenzhen Intermediate People's Court made the following judgment with Civil Judgment (1999) SZFJECZ No. 148: Guangyingda Company should repay the principal of the loan amounting to USD 1.21 million and the relevant interests to China Merchants Shekou Holdings Co., Ltd. and the Company should bear the joint responsibility for repayment. The said judgment had taken force adefect. Thus, in Mar. 2003, Shenzhen Intermediate People's Court produced Notification on Equity Freezing to the Company and froze 80% equity and earnings of Shenzhen Lionda Light Textile Chemical Co., Ltd. held by the Company, 95% equity and earnings of Shenzhen Lionda Electric Appliances Co., Ltd. held by the Company, 95% equity of Shenzhen Lionda Development Co., Ltd. held by the Company, 95% equity and earnings

of Shenzhen Lionda Foods Industry Co., Ltd. held by the Company, 95% equity and earnings of Shenzhen Lionda Material Import & Export Co., Ltd. held by the Company and 70% equity and earnings of Shenzhen Lionda Timed Industry Co., Ltd. held by the Company according to the law.

For details of the aforesaid cases, please refer to Public Notice on Lawsuit Events with Notice No. 2003-013 published in Securities Times and Ta Kung Pao dated May 17, 2003.

6. The case of loan dissension that Shenzhen Development Bank Futian Sub-branch indicted the Company and guarantee unit Shenzhen Petrochemical Industry (Group) Co., Ltd. ("SPEC"), Shenzhen Intermediate People's Court made the following civil judgment according to the law: The Company should repay the loan amounting to USD 1.70 million and the relevant interests to Shenzhen Development Bank Futian Sub-branch and SPEC should bear the joint discharging responsibility for the said liabilities.

On the sixteen cases of loan dissension that Industrial and Commercial Bank of China Shenzhen Branch Operation Division (The equity had been transferred to China Huarong Assets Management Corporation Shenzhen Office) indicted Shenzhen China Bicycle Company (Holdings) Limited and guarantee unit the Company, since the Company did not implement the legal obligations confirmed in Civil Judgments (1998) SZFJTCZ No. 270, 271, 272, 273, 275 and Civil Judgments (1998) SZFJYCZ No. 153-163 which had taken force adefect, Shenzhen Intermediate People's Court froze the executee, namely the Company's 45% equity in Shenzhen Yinzhu Plastic Products Co., Ltd., 5% equity in Shenzhen King Way Beer Co., Ltd. and 10% equity in Shenzhen Shenri Printing Ink Co., Ltd. according to the law. Not long ago, the application executor, namely China Huarong Assets Management Corporation Shenzhen Office reached an agreement of equity sale with the executee, namely the Company, and the third party, namely Shenzhen Dongxing Industrial Co., Ltd. and Shenzhen Lionda Group Co., Ltd., which regulated: Selling 45% equity of Shenzhen Yinzhu Plastic Products Co., Ltd. held by the Company to Shenzhen Dongxing Industrial Co., Ltd. with RMB 4,127,650; Selling 5% equity of Shenzhen King Way Beer Co., Ltd. and 10% equity of Shenzhen Shenri Printing Ink Co., Ltd. held by the Company to Shenzhen Lionda

Group Company Limited with RMB 33,858,000 and RMB 12,850,000 respectively. The assignees, namely Shenzhen Dongxing Industrial Co., Ltd. and Shenzhen Lionda Group Company Limited had paid all payments from sale to the application executor, China Huarong Assets Management Company Shenzhen Office, thus, Shenzhen Intermediate People's Court made the following civil judgment according to the law: 45% equity of Shenzhen Yinzhu Plastic Products Co., Ltd. held by the Company should belong to Shenzhen Dongxing Industrial Co., Ltd.; 5% equity of Shenzhen King Way Beer Co., Ltd. held by the Company and 10% equity of Shenzhen Shenri Printing Ink Co., Ltd. held by the Company should belong to Shenzhen Lionda Group Company Limited. In June 2003, 45% equity of Shenzhen Yinzhu Plastic Products Co., Ltd. held by the Company was transferred again to Shenzhen Dongxing Industrial Co., Ltd., 5% equity of Shenzhen King Way Beer Co., Ltd. held by the Company and 10% equity of Shenzhen Shenri Printing Ink Co., Ltd. held by the Company were transferred again to Shenzhen Lionda Group Co., Ltd.. The transfer procedures of the aforesaid items had been all finished. For details of the aforesaid cases, please refer to Public Notice on Lawsuit Events with Notice No. 2003-016 and 2003-019 published in Securities Times and Ta Kung Pao dated May 24, 2003 and Jun. 18, 2003 respectively.

7. The case of loan contract dissension that China Merchants Bank Futian Sub-branch prosecuted Shenzhen Lionda Development Co., Ltd. and guarantee unit namely the Company, since Civil Judgment Letter (2002) SFFJCZ No. 1772 issued by Shenzhen Futian District People's Court had taken force adefect. According to the aforesaid judgment, the executee, namely Shenzhen Lionda Development Co., Ltd. should repay the principal of the loan amounting to HKD 1.4 million and the relevant interests, and the Company should bear the joint discharging responsibility for the said liabilities; the appellate fees of case amounting to RMB 19010 was taken on by the executee. But the executee didn't have the executable properties, the application executor could not yet provide the executable properties to the executee, thus the said case could not executed. Shenzhen Futian Court made the civil judgment letter according to the law — (2003) SFFZZ No. 2333 dated Jun. 23, 2003, which judged: suspending to execute civil judgment letter (2002) SFFJCZ No. 1772 issued by

Shenzhen Futian Court; the application executor could apply to the People's Court to renew compelling performance when the executee have the executable properties

The case of loan contract dissension that Shenzhen Nonferrous Metal Financial Co., Ltd. prosecuted the Company and the guarantee unit namely Shenzhen China Bicycle Company (Holdings) Limited with the lawsuit object amounting to RMB 28 million and USD 0.74 million, since Civil Judgment Letter (2003) SZFZYCZ No. 464 issued by Shenzhen Intermediate People's Court has taken force adeffect. Shenzhen Intermediate People's Court made the sequestration notification — (2003) SZFZDZ No. 531 according to the law dated Nov. 25, 2003, which stated: in accordance with the regulation of Article 223 of PRC Code of Civil Law, the said Court sealed up the equity of Shenzhen Yihao Yinxin Investment Development Co., Ltd., equity of Shenzhen Jinzhong Batteries Co., Ltd., equity of Shenzhen Ronghui Investment Development Co., Ltd., equity of Shenzhen Printing Mechanism Development Company and equity of Yushen Light Industrial & Trade Company held by the executee Guangdong Sunrise Holdings Co., Ltd. according to the law, please you fulfilled the liabilities confirmed in legal documents due within 5 days since the day the said notification sent to; the said Court would forcibly execute for the aforesaid sequestration (freezing) properties according to the law if it did not perform overdue". Through primary checking, the Company did not invest in Shenzhen Yihao Yinxin Investment Development Co., Ltd., Shenzhen Ronghui Investment Development Co., Ltd. and Shenzhen Printing Mechanism Development Company, the Company has organized the relevant personnel to further checking.

On the case of loan contract dissension that Bank of China Shenzhen Luohu Sub-branch indicted Shenzhen Lionda Material Import & Export Co., Ltd. and the guarantee unit the Company, since the executee refused to fulfill the efficient legal document — Civil Judgment Letter (2001) SZFJYCZ No. 487 issued by Shenzhen Intermediate People's Court. According to the said judgment, the executee, namely Shenzhen Lionda Material Import & Export Co., Ltd. should repay the principal of the loan amounting to RMB 10 million and the relevant interests, the Company should bear the joint discharging responsibility for the said liabilities. Shenzhen Intermediate People's Court investigated and verified the related properties of the

executtee in course of execution, and made civil judgment letter — (2003) SZFZEZ No. 283-1 in line with the law on Sep. 23, 2003, which judged: the Court sequestrated, auctioned and sold the properties located in Rm. 303 – Rm. 307, Block with Northern, International Trading Bldg., Jiabin Road, Luohu owned by the executtee, namely Shenzhen Lionda Material Import & Export Co., Ltd..

On the case of loan contract dissension that Bank of Communications Shenzhen Hongli Sub-branch prosecuted the Company, civil judgment letter (2002) SZFJYCZ No. 24 issued by Shenzhen Intermediate People's Court has taken force adefect, the executtee, namely the Company was responsible for the discharging obligation for the principal of the loan amounting to RMB 5 million and the relevant interests, since the Company could not fulfill the said obligation, so the application executor applied to forcibly execute; Shenzhen Intermediate People's Court sequestrated the equity worth RMB 2.12 million of Shenzhen New Century Drinking Technology Co., Ltd. owned by the executtee in line with the law. After evaluation, the market value amounting to RMB 7.9387 million and auction base price advised amounting to RMB 5.5571 million, all shareholders of Shenzhen New Century Drinking Technology Co., Ltd. announced to give up the preemption in writing. Thereout, Shenzhen Intermediate People's Court made civil judgment letter — (2002) SZFZZ No. 419 in line with the law on June 20, 2003, which judged: the equity worth RMB 2.12 million of Shenzhen New Century Drinking Technology Co., Ltd. owned by the executtee, namely the Company was sold to the third party Shenzhen Shengzhuo Industrial Co., Ltd. designated by the two parties with the auction base price advised of RMB 5.5571 million agreed by the application executor and the application executtee; the relevant expenses related with the said transfer were taken on the third party. At present, the transfer procedure has been finished.

On the case of cooperation agreement dissension between the application executor, namely New HongKong & Macao Co., Ltd. and the executtee, namely the Company, the Company should bear the responsibility for repayment of USD 3763649.40. In Mar. 2003, Shenzhen Intermediate People's Court produced the Notification on Equity Freezing to the Company, and froze 25% equity of Shenzhen Guanghua Vacuum Glass Engineering Co., Ltd. held by the Company. After evaluated by evaluation institution entrusted by Shenzhen Intermediate

People's Court in line with the law for the aforesaid equity, the executee, namely the Company reached an agreement of equity disposition with the third party Jia Yingchuan and Han Shihu. Meanwhile, the application executor New HongKong & Macao Co., Ltd., Shenzhen Guanghua Vacuum Glass Engineering Co., Ltd. and other two shareholders, namely China Luoyang Float Glass Group Co., Ltd. and Beixin Science and Technology Development Co., Ltd. agreed unanimously for the said agreement of equity disposition. Thereout, Shenzhen Intermediate People's Court made civil judgment letter — (2003) SZFZEZ No. 317 in line with the law on Dec. 5, 2003, which judged: taking 25% equity of Shenzhen Guanghua Vacuum Glass Engineering Co., Ltd. held by the executee, namely the Company to sell Jia Yingchuan and Han Shihu evaluating RMB 1279716.42, including Jia Yingchuan acquired 15% equity of the said company, and Han Shihu acquired 10% equity of the said company. At present, the transfer procedure has been finished.

On the case of bank acceptance bill dissension that China Construction Bank Hainan Haikou Longhua Sub-branch indicted Hainan Wanda Industry & Trading Group Company and the guarantee unit the Company with lawsuit object of RMB 33 million. Since the executee could not fulfill the obligation confirmed in the legal document, Hainan Province Higher People's Court made civil judgment letter — (2002) QZZ No. 13-4 in line with the law dated Nov. 27, 2003, which judged: auctioned 7 million domestic legal person's shares of "ST China Bicycle" and 0.432 million directional legal person's shares of "ST Shan Changling" registered in Shenzhen Branch of China Securities Registration & Clearing Co., Ltd. held by the executee, namely the Company; the expenses from this auction were used to discharge liabilities.

Since Agricultural Bank of China Shenzhen Branch Office provided advance in cash of bank acceptance bill amounting to RMB 1294284.80 to Shenzhen Cangping Import & Export Co., Ltd., and did not repay the said funds at its expiration; the Company provided guarantee of assuring for the said advance in cash of bank acceptance bill, Agricultural Bank of China Shenzhen Branch Office prosecuted Shenzhen Cangping Import & Export Co., Ltd. and the Company to Shenzhen Luohu District People's Court. Shenzhen Luohu District People's Court held a court and heard the said case dated Dec. 1, 2003, and made civil judgment letter

— (2003) SLFMECZ No. 2434 in line with the law, which judged: (1) the appellee Shenzhen Cangping Import & Export Co., Ltd. repaid advance in cash amounting to RMB 1294284.80 and the relevant interests to accuser Agricultural Bank of China Shenzhen Branch Office; (2) appellee the Company should bear the joint discharging responsibility for the aforesaid liabilities, after repaying instead of Shenzhen Cangping Import & Export Co., Ltd., the Company was entitled to posthumously repay to Shenzhen Cangping Import & Export Co., Ltd..

Since Shenzhen Development Bank Futian Sub-branch provided the principal of the loan amounting to RMB 4 million to Shenzhen Guoyin Investment (Group) Co., Ltd., and did not repay the said funds at its expiration; the Company provided the guarantee for the said loan, Shenzhen Development Bank Futian Sub-branch prosecuted Shenzhen Guoyin Investment (Group) Co., Ltd. and the Company to Shenzhen Futian District People's Court, Shenzhen Futian District People's Court would hold a court and hear the said case on Jan. 6, 2004.

Since Agricultural Bank of China Shenzhen Branch Office provided advance in cash of bank acceptance bill amounting to RMB 19582170.53 and RMB 9855700.67 (the lawsuit objects of the two indictments) to Shenzhen Cangping Import & Export Co., Ltd., and did not repay the funds at its expiration; the Company offered the guarantee of assuring for the said two advance in cash of bank acceptance bills, Agricultural Bank of China Shenzhen Branch Office prosecuted Shenzhen Cangping Import & Export Co., Ltd. and the Company to Shenzhen Intermediate People's Court. Since Agricultural Bank of China Shenzhen Branch Office provided import documentary financing funds amounting to HKD 12109722 and USD 989262.70 (the lawsuit object of the one indictment) to the Company, and did not repay the funds at its expiration; Shenzhen Petrochemical Industry (Group) Co., Ltd. ("SPEC") offered the guarantee of assuring for the said import documentary financing funds, Agricultural Bank of China Shenzhen Branch Office prosecuted the Company and SPEC to Shenzhen Intermediate People's Court. Shenzhen Intermediate People's Court would hear the said three cases together, and decide to hold a court and hear the said case on Jan. 12, 2004.

Shenzhen branch of China Everbright Bank provided loan amounting to USD 2 mil for the Company and the Company didn't repay the loan past due. Shenzhen Investment Holding

Corporation provided guarantee for the loan. The Company was incapable of repayment. Shenzhen Investment Holding Corporation paid back principal loan amounting to RMB16, 579,232(translated in USD 2 mil) to Shenzhen branch of China Everbright Bank for the Company on Jun. 23, 2003. Therefore, Shenzhen Investment Holding Corporation recovered the aforesaid payment to the Company repetitiously. However, Shenzhen Investment Holding Corporation indicted the Company to Shenzhen Intermediate People's Court on Aug. 11, 2003 because the Company couldn't fulfill the obligation of repayment of debt. At the same time, on Aug. 30, 2003, Shenzhen Intermediate People's Court issued (2003) SZFLCZ No.137 Written Civil Ruling by laws, which stated as follows: (i) Blocking the relevant accounts of Shenzhen Investment Holding Corporation; (ii) Freezing 26.5% shares of **Shenzhen Goodyear Enterprise Company Limited** held by the Company. Under the coordination of Shenzhen Intermediate People's Court, the case came to compromise beyond the court. On Dec. 18, 2003, the two parties the Company and Shenzhen Investment Holding Corporation signed compromise agreement with contents as follows: (i) The Company admits the arrearage of RMB16, 579,232 from Shenzhen Investment Holding Corporation; (ii) Provided that the company can't refund the arrearage on schedule, Shenzhen Investment Holding Corporation would be entitled to deal with the shares of **Shenzhen Goodyear Enterprise Company Limited** held by the Company by laws through judicial procedure; (iii) Provided that the Amounts from disposition of the aforesaid shares equity by Shenzhen Investment Holding Corporation exceeds RMB16, 579,232, Shenzhen Investment Holding Corporation would pay back the surplus to the Company. Provided that the Amounts are less than RMB16, 579,232, the Company would continually admit the rest of debt and pay back as soon as possible; (iv) Both parties share alike the expenses of the lawsuit.

The plaintiff, the Company, and the defendants, Shenzhen Heyao Real Estate Development Co., Ltd. (hereinafter referred as Heyao Company), Shenzhen Xiangyue Real Estate Development Co., Ltd. (hereinafter referred as Xianghe Company), Shenzhen Shiheng Investment Co., Ltd. (hereinafter referred as Shiheng Company) and Shenzhen Zhenbo Construction Industrial Co., Ltd. (hereinafter referred as Zhenbo Company) disputed on the Contract about Land Using Right Transfer of No. T106-4 Land of Houhai Village. The

Company appealed to the Shenzhen Intermediate People's Court. Shenzhen Intermediate People's Court held a court and heard the case, and on Sep. 17, 2002 issued [2002] SZFFCZ No.30 Written Civil Ruling, which states as follows: (i) Shenzhen Nanshan District (Blueprint No.94-006) Land Resolution Contract signed by the plaintiff, the Company and the defendants, Heyao Company and Mr. She Hanming is effective; (ii) The unfulfilled part of the Shenzhen Nanshan District (Blueprint No.94-006) Land Resolution Contract by the plaintiff and the defendant Heyao Company was removed; (iii) Heyao Company pays back the land investment principal amounting to RMB 22.176 mil to the Company in a month after the verdict takes effect. Provided that over due, Heyao Company will double pay for the debt interest over due; (iv) the other claims of the Company were overruled. The Company appealed to Supreme People's Court of Guangdong Province against the above orders. Supreme People's Court of Guangdong Province constituted the conciliation court by laws and heard the case and issued [2003] YGFMYZZ No.21 Written Civil Ruling by laws which states as follows: (i) No.1, 2, 3 item of [2002] SZFFCZ No.30 Written Civil Ruling of Shenzhen Intermediate People's Court were maintained; (ii) No.4 item of [2002] SZFFCZ No.30 Written Civil Ruling of Shenzhen Intermediate People's Court was discharged; (iii) Xiangyue Company was liable for the clearing responsibility for the payment, which Heyao Company should refund to the Company; (iv) Other claims of the Company were overruled. The verdict of Supreme People's Court of Guangdong Province was final. Up to now, Heyao Company and Xiangyue Company bear the obligation to pay back land investment principal of the Company amounting to RMB 22.176 mil. During the implementation of the above verdict, Luohu sub-branch of China Merchants Bank applied for the subrogation right of executing the due debt amounting to RMB 22.176 mil of Xiangyue Company to Shenzhen Intermediate People's Court about the lawsuit that Luohu subbranch of China Merchants Bank indicted Shenzhen China Bicycle Company (Holdings) Limited, and the Company as guarantee company about the dispute on credit line agreement. On July 14, 2003 Shenzhen Intermediate People's Court issued Written Civil Ruling (2003) ZDZ No.22 (ZCZ No.13), which states as follows: (i) To freeze and transfer the bank deposit of the third party Xiangyue Company; (ii) To sequester, distraint, auction, and dispose the property of the

third party Xiangyue Company. Because execution applicant Luohu branch of China Merchants Bank appealed to Shenzhen Intermediate People's Court and proposed claims to discharge freezing 46 suits of houses of YuDe Jiayuan and to negotiate with the third party by itself to dissolve the problem. On Aug.14, 2003, Shenzhen Intermediate People's Court released checking result notice. Shenzhen Intermediate People's Court discharged freezing 46 suits of houses of YuDe Jiayuan held by Xiangyue Company located in T No. 106-004 Houhai village, Nanshan District. Afterwards, Luohu branch of China Merchants make compromise terms with the Company and another creditor of the Company with main contents as follows: (i) Before signing the agreement, Xiangyue Company paid China Merchants half of the payment of RMB22.176 mil amounting to RMB11.088 mil to refund the debts of the Company, which the Company should bear to China Merchants in the (2003) ZDZ No.22 (ZCZ No.13 lawsuit. China Merchants would recover the rest of the payment from the Company and Shenzhen China Bicycle Company (Holdings) Limited.; (ii)The payment that Xiangyue Company paid another half of RMB 22.176 mil (RMB11.088 mil) to China Merchants would be used to refund what the Company owed to China Merchants. Meanwhile, each party agreed that China Merchants took the rest of payment amounting to RMB11.088 mil to directly pay the debts that the Company should bear in (2003) SZFZDZ No.721 lawsuit. Thus, the lawsuit of dispute on land using right transfer of Houhai village finished and on Dec. 4, 2003 Shenzhen Intermediate People's Court released [2003] SZFZDZ No.739 Notice of settling the case by law.

Please refer to the details about the details of the above case published in the lawsuit public notice 2003-032 in Securities Times and Hong Kong Ta Kung Pao dated on Dec. 23, 2003.

8. On Dec. 31,1998, Shenzhen branch of Bank of China provided principal loan HKD24 mil to the Company. The Company didn't pay back the loan past due. Shenzhen Petrochemical Industry (Group) Co., Ltd. provided guarantee for the loan. Shenzhen branch of Bank of China indicted the Company and Shenzhen Petrochemical Industry (Group) Co., Ltd. to Shenzhen Intermediate People's Court to proceed. The claims are: (i) The Company was judged to clear up the principal loan HKD 24 mil and interest immediately (the interest would be accounted until the principal loan and the interests are refunded, of which the interest

before Oct.10, 2003, is HKD7, 421,013.13); (ii) Shenzhen Petrochemical Industry (Group) Co., Ltd. was judged to hold liable responsibility guarantee for the above debts; (iii) The Company and Shenzhen Petrochemical Industry (Group) Co., Ltd. were judged to bear all the lawsuit expenses of the case. Shenzhen Intermediate People's Court will hold a court and heard the case on Feb. 16, 2004(Please refer to the details about the above case published in the lawsuit public notice 2003-034 in Securities Times and Hong Kong Ta Kung Pao dated on Dec. 26, 2003).

7.8 Particulars about the performance of obligations of Independent Directors

Performance of duties of independent directors

In the report period, according to Guidelines Opinion on Establishing Independent Director in Listed Companies of CSRC, on May 21, 2003, the Company held the Shareholders' General Meeting, which examined and approved Mr. Peng Jihu, Mr. Gao Peiye and Mr. Liu Zhanjun to quit the post of independent directors, examined and approved to elect Mr. Guo Shiping, Mr. Wu Zhaolin and Mr. Ma Hong as independent director of the Company. Since the independent directors of the Company took posts, they attended the Board of Directors and the Shareholders' General Meeting strictly according to relevant laws, regulations and Articles of Association of the Company, issued personal opinion on relevant decision-making of the Company, made the decision-making procedure more scientific and normative and every independent director issued opinion of independent director for change of director.

§8.Report of the Supervisory Committee

1. Operating according to laws

In the report period, according to the relevant laws and regulations of the State, the Supervisory Committee of the Company supervised the holding procedures and resolutions of the Shareholders' General Meetings and the Meetings of the Board, implementation of the Board on the resolutions of the Shareholders' General Meetings, duties performance of senior executives and the Company's management systems etc. and considered that the current Board conducted normative operation strictly according to Company Law of the P.R.C., Securities Law of the P.R.C., Listing Rules, the Articles of Association and other relevant

systems in 2003 in a serious and responsible way with scientific and reasonable operating decision-making and further improved the internal management and internal control system; the Company's directors and managers did not disobey laws and regulations and the Articles of Association or harm the interests of the Company and its shareholders while implementing their duties.

2. Inspecting the Company's finance

The Supervisory Committee of the Company conducted serious and meticulous inspection to the Company's financial system and financial position and considered that the Company's financial report truly reflected the Company's financial position and operating results in 2003. The appraisal presented by Shenzhen Dahua Tiancheng Certified Public Accountants and K.C. Oh & Company Certified Public Accountants was objective and fair.

3. In the report period, the Company sold the assets at a reasonable price, without inside transactions and harming the rights and interests of vast shareholders or resulting in the loss of the Company's assets, and had no acquisition of assets.

4. In the report period, the Company's related transactions were conducted based on fairness and mutual benefit, not harming the interests of vast shareholders or resulting in the loss of the Company's assets.

5. Implementation of the Board on resolutions of the Shareholders' General Meeting

The members in the Supervisory Committee of the Company attended the Meetings of the Board and the Shareholders' General Meeting as nonvoting delegates. The Supervisory Committee of the Company supervised the implementation of resolutions of the Shareholders' General Meeting and considered that the Board has seriously implemented all resolutions of the Shareholders' General Meeting.

§9. Financial Report

9.1 Auditors' report

Guangdong Sunrise Holdings Company Limited

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

**Auditors' report and financial statements
for the year ended December 31, 2003**

Guangdong Sunrise Holdings Company Limited
(a joint stock limited company incorporated
in the People's Republic of China)

1. CONTENTS	pAGES
Report of the auditors	1
Consolidated income statement	2
Consolidated balance sheet	3
Consolidated statement of changes in equity	4
Consolidated cash flow statement	5 - 6
Notes to the financial statements	7 - 27

Report of the auditors to the members of

Guangdong Sunrise Holdings Company Limited

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

We have audited the accompanying balance sheet of Guangdong Sunrise Holdings Company Limited as of December 31, 2003 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements 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. The Group has significant financial burdens on short-term repayment obligations (note 18) and there are large amounts of potential liabilities from court action in relation to the guarantees given by the Group (note 28). 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 management 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 probable impact on the going concern basis.

Because of the probable impact on the going concern basis, we are unable to form an opinion as to whether the financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2003 and the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Hong Kong : March 26, 2004

K. C. Oh & Company
Certified Public Accountants

Guangdong Sunrise Holdings Company Limited

Consolidated income statement for the year ended December 31, 2003

	Note	2003 RMB'000	2002 RMB'000
Turnover	5	77,268	6,712
Cost of sales		<u>(64,127)</u>	<u>(1,457)</u>
Gross profit		13,141	5,255
Other incomes		3,206	5,939
Distribution costs		(3,677)	(4,721)
Administrative costs		(26,802)	(356,410)
Other operating expenses		<u>-</u>	<u>(6,528)</u>
Operating loss		(14,132)	(356,465)
Finance costs		(32,192)	(39,980)
Exceptional items	6	57,616	(136,572)
Share of results from associates		<u>1,265</u>	<u>(7,408)</u>
Profit/(loss) before taxation	7	12,557	(540,425)
Taxation	8	<u>(59)</u>	<u>(26)</u>
Profit/(loss) after taxation		12,498	(540,451)
Minority interests		<u>(554)</u>	<u>26</u>
Profit/(loss) for the year		<u>11,944</u>	<u>(540,425)</u>
Earnings/(loss) per share		<u>RMB0.041</u>	<u>RMB(1.874)</u>

The calculation of the basic earnings/(loss) per share is based on the current year's profit of RMB11,944,000 (2002 - loss of RMB540,425,000) attributable to the shareholders and on the existing number of 288,420,000 shares in issue during the year.

Guangdong Sunrise Holdings Company Limited

Consolidated balance sheet as at December 31, 2003

		2003 RMB'000	Restated 2002 RMB'000
	Note		
Non-current assets			
Property, plant and equipment	9	130,737	29,356
Construction in progress	10	1,811	18
Interests in unconsolidated subsidiaries	11	(5,169)	(3,906)
Interests in associates	12	9,466	46,636
Long-term investments	13	11,112	112,296
		<u>147,957</u>	<u>184,400</u>
Current assets			
Inventories	14	31,168	2,192
Account receivables	15	37,291	-
Other receivables and prepayments	16	128,264	2,277
Tax recoverable		458	-
Note receivables		630	-
Short-term investments		44	-
Cash and bank balances		27,414	1,858
		<u>225,269</u>	<u>6,327</u>
Total assets		<u><u>373,226</u></u>	<u><u>190,727</u></u>
Capital and reserves			
Share capital	17	288,420	288,420
Reserves		(1,832,876)	(1,844,873)
		<u>(1,544,456)</u>	<u>(1,556,453)</u>
Minority interests		<u>77,698</u>	<u>294</u>
Current liabilities			
Bank and other loans	18	629,689	653,893
Account payables		29,865	-
Other payables and accrued charges	19	1,177,550	1,092,991
Note payables		2,880	-
Tax payable		-	2
		<u>1,839,984</u>	<u>1,746,886</u>
Total equity and liabilities		<u><u>373,226</u></u>	<u><u>190,727</u></u>

The financial statements on pages 2 to 27 were approved and authorised for issue by the board of directors on March 26, 2004 and are signed on its behalf by :

Director

Director

Guangdong Sunrise Holdings Company Limited

Consolidated statement of changes in equity for the year ended December 31, 2003

	Share capital RMB'000	Capital reserve RMB'000	Statuto surpl reser RMB'0
As at January 1, 2002	288,420	298,744	78,81
- prior year adjustment			
- loss from letters of credit (note 26)	-	-	
As restated	288,420	298,744	78,81
Loss for the year of 2002	-	-	
Difference from renovation work on staff housing	-	-	
As at December 31, 2002	<u>288,420</u>	<u>298,744</u>	<u>78,81</u>
As at January 1, 2003	288,420	298,744	78,81
- prior year adjustment			
- loss from letters of credit (note 26)	-	-	
As restated	288,420	298,744	78,81
Profit for the year of 2003	-	-	
Difference from renovation work on staff housing	-	-	
As at December 31, 2003	<u>288,420</u>	<u>298,744</u>	<u>78,81</u>

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 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 Financial Reporting Standards.

According to the Company's Articles of Association and the PRC's relevant laws and policies, the Company is required to make a transfer at the rate of 10% from the profit after taxation, determined in accordance with the PRC accounting standards, of the Company to the statutory surplus reserve until the reserve balance has reached 50% of the registered capital of the Company. The Company is also

required to transfer 5% to 10% from the profit after taxation to the statutory public welfare fund.

The statutory surplus reserve and the capital reserve may be applied only for the following purposes :

- i the statutory surplus reserve may be used to make up loss; and
- ii a reserve may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, but when the statutory surplus reserve is converted into share capital, the amount remaining in the reserve shall be no less than 25% of the new increased registered capital.

The statutory public welfare fund shall only be applied for the collective welfare of the Company's employees; and upon utilization, an amount equal to expenditure spent on the collective staff welfare shall be transferred from the statutory public welfare fund to discretionary surplus reserve.

Prior to making up the Company's loss and the relevant appropriations to the statutory surplus reserve and the statutory public welfare fund, no dividend may be paid.

Guangdong Sunrise Holdings Company Limited

Consolidated cash flow statement for the year ended December 31, 2003

	Note	2003 RMB'000	Restated 2002 RMB'000
Cash flow from operating activities			
Profit/(loss) before taxation		12,557	(540,425)
Adjustment items :			
Interest income	(	65)	(13)
Dividend income	(	2,932)	-
Interest expense		32,266	40,024
Depreciation		7,824	1,967
Impairment loss reversal on property, plant and equipment	(	1,130)	-
Profit on disposal of property, plant and equipment	(	10,923)	(108)
Loss on disposal of subsidiaries		-	5,981
Impairment loss provision on unconsolidated subsidiaries		1,595	24,845
Profit on disposal of an unconsolidated subsidiary	(	20,000)	-
Increase in interests in unconsolidated subsidiaries		-	(24,966)
Impairment loss reversal on interests in associates		-	(8,466)
(Profit)/loss on disposal of associates		3,082	(25,256)
Share of results from associates	(	1,265)	7,408
Profit on disposal of long-term investments	(	18,637)	-
Reversal for inventory obsolescence		-	(61,127)
Provision/(reversal) for doubtful debts on account receivables		3,645	(7,340)
Reversal for doubtful debts on other receivables and prepayments		-	(73,108)
Provision/(reversal) for loss on guarantees	(	8,671)	303,963
Account payables waived		-	(13,061)
Reversal for loss on minority interests		-	(9,859)
Net operating cash outflow			
before movements in working capital	(	2,654)	(379,541)
Increase in amounts due to unconsolidated subsidiaries		1,263	826
Increase in amounts due to associates		373	-

Decrease in amounts due to long-term investments	-	(76,925)
(Increase)/decrease in inventories	(13,387)	61,127
Decrease in account receivables	2,651	42,000
(Increase)/decrease in other receivables and prepayments	(104,481)	142,951
Increase in note receivables	(630)	-
Increase in account payables	9,798	-
Increase in other payables and accrued charges	70,474	211,669
Decrease in note payables	<u>(120)</u>	<u>-</u>
Cash inflow/(outflow) from operating activities before interest and tax payments	<u>(36,713)</u>	<u>2,107</u>

(to be cont'd)

Guangdong Sunrise Holdings Company Limited

Consolidated cash flow statement for the year ended December 31, 2003

(cont'd)

	Note	2003 RMB'000	Restated 2002 RMB'000
Cash inflow/(outflow) from operating activities			
before interest and tax payments		(36,713)	2,107
Interest paid		(751)	-
Corporate and profits tax paid		(467)	(97)
Net cash inflow/(outflow) from operating activities		<u>(37,931)</u>	<u>2,010</u>
Investing activities			
Interest received		65	13
Dividend received		2,932	-
Purchases of property, plant and equipment		(2,614)	(27)
Proceeds from disposal of property, plant and equipment		27,581	361
Increase in construction in progress		(4,607)	(18)
Net cash inflow from consolidating nominated companies	20	24,669	-
Net cash outflow from disposal of subsidiaries		-	(106,315)
Proceeds from disposal of an unconsolidated subsidiary		20,000	-
Net cash outflow from subsidiaries not consolidated	22	(1,269)	-
Proceeds from disposal of investments in associates		5,507	83,860
Proceeds from disposal of long-term investments		<u>54,639</u>	<u>19,018</u>
Net cash inflow/(outflow) from investing activities		<u>126,903</u>	<u>(3,108)</u>
Financing activities			
Dividend paid to minority shareholders	23	(902)	-
Bank and other loans repaid	23	(62,514)	(17,203)
Net cash outflow from financing activities		<u>(63,416)</u>	<u>(17,203)</u>
Increase/(decrease) in cash and cash equivalents		25,556	(18,301)
Cash and cash equivalents as at beginning of the year		<u>1,858</u>	<u>20,159</u>
Cash and cash equivalents as at end of the year		<u><u>27,414</u></u>	<u><u>1,858</u></u>

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2003

1. Corporate information

Guangdong Sunrise Holdings Company Limited (the “Company”) is established in the People’s Republic of China (the “PRC”) as a joint stock limited company. On June 13, 2002, the name of the Company has been changed from “Shenzhen Lionda Holdings Company Limited” to “Guangdong Sunrise Holdings Company Limited”. 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 3.

2. Basis of account preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) 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 IFRS, 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, 2003 and on the operating results for the year then ended are included in note 30 to the financial statements. In addition, the financial statements have been prepared under the historical cost convention except for certain property, plant and equipment that are stated at valuation less accumulated depreciation.

During the year, the Group had 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. Adequate provisions had been made in this respect. As at December 31, 2003, the Group’s accumulated loss amounted to RMB2,269,501,000. Moreover, the Group had outstanding liabilities on bank and other loans, account payables and other payables, etc. totalling RMB1,839,984,000. 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 a going concern basis.

3. 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.

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2003

(cont'd)

3. Basis of consolidation (cont'd)

(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 activities
Shanghai Lionda Industrial Co. Ltd.	PRC	100%	Trading in light industrial products
Shenzhen Lionda Industrial Trading Co. Ltd.	PRC	32% *	Import and export trading and property management
Shenzhen Goodyear Enterprise Holdings Co. Ltd.	PRC	26.54% **	Packaging
Shenzhen Lionda Property Management Co. Limited	PRC	100% ***	Property management, trading of foods and motor car spare parts
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
Shenzhen Paper Making Co.	PRC	100% ***	Manufacturing paper products and printing machinery
Shenzhen Lionda Food Industrial Co. Limited	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, silks and shoes
Shenzhen Lionda 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

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2003

(cont'd)

3. Basis of consolidation (cont'd)

(a) Subsidiaries (cont'd)

The details of the principal subsidiaries are as follows :

Name	Place of establishment/ operation	Attributable equity interest	Principal activities
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 Junk Trading Market Co. Limited	PRC	51% ***	Trading of junk and wireless communication products

* Pursuant to an agreement signed between the Company and a shareholder of Shenzhen Lionda Industrial Trading Co. Ltd., the Company has been assigned the voting and casting power in relation to the 20% equity interest in Shenzhen Lionda Industrial Trading Co. Ltd. held by this shareholder. The nomination period is from January 1, 2003 to December 31, 2005. As a result of the above arrangement, the Group has an aggregate voting and casting power of 52% over the above nominated company and is able to control this company's board of directors. In this situation, this nominated company is consolidated in the Group's financial statements.

** Pursuant to an agreement signed between the Company and a shareholder of Shenzhen Goodyear Enterprise Holdings Co. Ltd., the Company has been assigned the voting and casting power in relation to the 19.03% equity interest in Shenzhen Goodyear Enterprise Holdings Co. Ltd. held by this shareholder. The nomination period is from July 1, 2003 to December 31, 2005. As a result of the above arrangement, the Group has an aggregate voting and casting power of 45.57% over the above nominated company. Nevertheless, the Group is able to control this company's board of directors. In this situation, this nominated company is consolidated in the Group's financial statements.

*** These subsidiaries are not required to be consolidated as they have ceased the business, are under liquidation or are unable to transfer funds to the parent because of their long-term restricted operations.

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2003

(cont'd)

3. Basis of consolidation (cont'd)

(b) Associates

An associate is a company 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.

Investments in associates are accounted for by equity method. Interests in associates are represented by the Group's share of their net assets, reduced by the impairment loss provision as considered necessary by the directors.

The details of the principal associates are as follows :

Name	Place of establishment/ operation	Attributable equity interest	Principal activities
Yueshen Light Industry Trading Co.	PRC	50%	Import and export of food and textiles
Hunan Shenli Special Alloy Co. Ltd.	PRC	45%	Production of hard alloy ware
Shenzhen Golden Bell Batteries Co. Ltd.	PRC	40%	Production of dry batteries and electronic products
Shenzhen Yinzhezuo Club	PRC	40%	Provision of law consultant service and restaurant
Shenzhen Taiyang TCCP Co. Ltd.	PRC	34%	Production, transportation and installation of steel, concrete tube
Shenzhen Lionda Bao Shui Trading Co. Ltd.	PRC	30%	Trading
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 Enamelware Enterprise Co. Ltd.	PRC	20.33%	Production of enamelware
Shenzhen Jianda Machinery Co. Ltd.	PRC	20%	Production of plastic injection machinery, etc.

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2003

(cont'd)

3. Basis of consolidation (cont'd)

(b) Associates (cont'd)

The details of the principal associates are as follows :

Name	Place of establishment/ operation	Attributable equity interest	Principal activities
Shenzhen Dong Xiang Electronic Enterprise Co. Ltd.	PRC	11% *	Trading of electronic equipment and parts
Baltic Sea Commercial Centre	Latvia	51% **	Hotel operation and commercial service

* Significant influence

** No controlling interest

(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.

4. Principal accounting policies

(a) Property, plant, equipment and depreciation

These 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 income statement 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 capitalized 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 income statement.

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.

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2003

(cont'd)

4. Principal accounting policies (cont'd)

(a) Property, plant, equipment and depreciation (cont'd)

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

Land use rights	Over the lease terms
Buildings	20 years
Plant and machinery	5 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) Investments

Investments, whether they are held on a long-term or a short-term basis, are stated at cost less provision for any diminution in value as considered necessary by the directors. Income from investments is accounted for to the extent of dividend and/or interest income received or receivable.

(d) Inventories

Inventories are stated at the lower of cost and net realizable 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 realizable 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 realizable value. Cost comprises land cost, construction cost, directly attributable overheads and interest cost capitalized during the period of development. Net realizable value represents the estimated selling price less related expenses.

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2003

(cont'd)

4. Principal accounting policies (cont'd)

(e) 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 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 has been established.

(f) Capitalization 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 capitalized as part of the cost of those assets. Borrowing costs not eligible for capitalization are recognized as an expense in the period in which they are incurred. Capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of proceeds from specific borrowings, pending the properties being qualified as completed, is deducted from the borrowing costs capitalized.

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2003

(cont'd)

4. Principal accounting policies (cont'd)

(g) 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.

(h) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily available to known amounts of cash and which are subject to an insignificant risk of changes in value.

(i) Impairment loss

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Any impairment loss arising is recognised as an expense immediately.

A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment loss are credited to the income statement in the year in which the reversals are recognized.

(j) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation subsequent to a past event, which will result in a probable outflow of economic benefits that can be reasonably estimated.

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2003

(cont'd)

4. Principal accounting policies (cont'd)

(k) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed as at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Tax asset can be offset against tax liability only if the Group has a legally enforceable right to make or receive a single net payment and the Group intends to make or receive such a net payment or to recover the asset and settle the liability simultaneously.

5. Turnover

	2003 RMB'000	2002 RMB'000
Sale of merchandises	72,112	-
Takings from catering services	<u>5,156</u>	<u>6,712</u>
	<u>77,268</u>	<u>6,712</u>

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2003

(cont'd)

6. Exceptional items

	2003	2002
	RMB'000	RMB'000
Impairment loss reversal on property, plant and equipment	1,130	-
Profit on disposal of property, plant and equipment	10,923	-
Loss on disposal of subsidiaries	-	(5,981)
Impairment loss provision on unconsolidated subsidiaries	(1,595)	(24,845)
Profit on disposal of an unconsolidated subsidiary	20,000	-
Impairment loss reversal on interests in associates	-	8,466
Profit/(loss) on disposal of associates	(3,082)	25,256
Profit on disposal of long-term investments	18,637	-
Dividend income	2,932	-
Reversal for inventory obsolescence	-	61,127
Reversal for doubtful debts on account receivables	-	7,340
Reversal for doubtful debts on other receivables and prepayments	-	73,108
Provision/(reversal) for loss on guarantees	8,671	(303,963)
Account payables waived	-	13,061
Reversal for loss on minority interests	-	9,859
	<u>57,616</u>	<u>(136,572)</u>

7. Profit/loss before taxation

	2003	2002
	RMB'000	RMB'000
The Group's profit/loss before taxation is arrived at after charging :		
Auditors' remuneration	600	600
Directors' emoluments	527	291
Depreciation	7,824	1,967
Interest expense	32,266	40,024
Provision for doubtful debts on account receivables	3,645	-
Staff costs	12,124	3,146
Contributions to retirement scheme	251	197
	<u>65</u>	<u>13</u>
And after crediting :		
Interest income	65	13
Rental income	4,823	-

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2003

(cont'd)

8. Taxation

	2003 RMB'000	2002 RMB'000
Income tax		
- Company and subsidiaries	7	26
- Associates	52	-
	<u>59</u>	<u>26</u>

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

The reconciliation between tax expense and accounting profit/(loss) at applicable tax rates is as follows :

	2003 RMB'000	2002 RMB'000
Profit/(loss) before taxation	<u>12,557</u>	<u>(540,425)</u>
Tax at the applicable income tax rate of 15% (2002 - 15%)	1,883	(81,064)
Tax effect of :		
- disallowable expenses	9	11
- non-taxable revenue	(160)	-
- recognized tax losses	(1,673)	-
- unrecognized tax losses	<u>-</u>	<u>81,079</u>
Actual tax expense	<u>59</u>	<u>26</u>

No deferred tax asset is recognized as it is uncertain whether taxable profit will be available against which deductible temporary differences can be utilized in the near future. As at December 31, 2003, the net unprovided deferred tax asset was RMB233,587,000 (2002 - RMB288,457,000).

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2003

(cont'd)

9. Property, plant and equipment

	Land use rights RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost						
As at January 1, 2003	-	41,497	-	4,304	8,694	54,495
Additions/transfer from construction in progress	1,754	697	2,145	369	463	5,428
Increase on consolidating nominated companies	10,814	97,991	123,489	8,328	7,682	248,304
Reversal of impairment loss	-	-	52	1,055	23	1,130
Decrease from not consolidating certain subsidiaries	-	(76)	-	(260)	(406)	(742)
Disposals	-	(22,669)	(62)	(4,124)	(1,366)	(28,221)
As at December 31, 2003	12,568	117,440	125,624	9,672	15,090	280,394
Accumulated depreciation						
As at January 1, 2003	-	(13,553)	-	(3,707)	(7,879)	(25,139)
Additions	(554)	(3,799)	(2,093)	(609)	(769)	(7,824)
Increase on consolidating nominated companies	(2,512)	(35,028)	(79,530)	(6,397)	(5,195)	(128,662)
Decrease from not consolidating certain subsidiaries	-	66	-	144	195	405
Disposals	-	7,887	35	2,406	1,235	11,563
As at December 31, 2003	(3,066)	(44,427)	(81,588)	(8,163)	(12,413)	(149,657)
Net book value						
As at December 31, 2003	9,502	73,013	44,036	1,509	2,677	130,737
As at December 31, 2002	-	27,944	-	597	815	29,356

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2003

(cont'd)

10. Construction in progress

	2003 RMB'000	2002 RMB'000
Balance as at January 1, 2003	18	-
Additions	4,607	18
Transfer to property, plant and equipment	<u>(2,814)</u>	<u>-</u>
Balance as at December 31, 2003	<u><u>1,811</u></u>	<u><u>18</u></u>

11. Interests in unconsolidated subsidiaries

	2003 RMB'000	2002 RMB'000
Cost of unconsolidated subsidiaries (*)	32,088	46,080
Impairment loss provision	<u>(32,088)</u>	<u>(46,080)</u>
	-	-
Amounts due to unconsolidated subsidiaries (*)	<u>(5,169)</u>	<u>(3,906)</u>
	<u><u>(5,169)</u></u>	<u><u>(3,906)</u></u>

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

12. Interests in associates

	2003 RMB'000	2002 RMB'000
Share of net assets of associates	18,171	61,197
Impairment loss provision	<u>(8,332)</u>	<u>(14,561)</u>
	9,839	46,636
Amounts due to associates	<u>(373)</u>	<u>-</u>
	<u><u>9,466</u></u>	<u><u>46,636</u></u>

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2003

(cont'd)

13. Long-term investments

	2003	2002
	RMB'000	RMB'000
"A" shares of companies listed in the PRC, at cost (*)	10,000	10,000
Other unlisted equity investments, at cost	<u>34,055</u>	<u>68,477</u>
	44,055	78,477
Impairment loss provision	<u>(32,943)</u>	<u>(33,143)</u>
	11,112	45,334
Amounts due from other long-term investments	<u>-</u>	<u>66,962</u>
	<u><u>11,112</u></u>	<u><u>112,296</u></u>

(*) The Court has seized all the Group's investment in listed shares.

14. Inventories

	2003	2002
	RMB'000	RMB'000
Raw materials	21,516	192
Work in progress	1,082	-
Finished goods	13,161	1,000
Properties held for sale	<u>22,913</u>	<u>22,913</u>
	58,672	24,105
Provision for inventory obsolescence	<u>(27,504)</u>	<u>(21,913)</u>
	<u><u>31,168</u></u>	<u><u>2,192</u></u>

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2003

(cont'd)

15. Account receivables

	2003 RMB'000	2002 RMB'000
Amount receivables	44,799	-
Provision for doubtful debts	(7,508)	-
	<u>37,291</u>	<u>-</u>

As at December 31, 2003, the aging of amount receivables is analyzed as follows :

	2003 RMB'000	2002 RMB'000
Within one year	38,455	-
Over one year but within two years	3,172	-
Over two years but within three years	323	-
Over three years	2,849	-
	<u>44,799</u>	<u>-</u>

16. Other receivables and prepayments

	2003 RMB'000	2002 RMB'000
Prepayments	9,454	440
Other receivables	425,761	133,937
	435,215	134,377
Provision for doubtful debts	(306,951)	(132,100)
	<u>128,264</u>	<u>2,277</u>

As at December 31, 2003, the aging of other receivables and prepayments is analyzed as follows :

	2003 RMB'000	2002 RMB'000
Within one year	10,780	440
Over one year but within two years	70,018	-
Over two years but within three years	27,935	-
Over three years	326,482	133,937
	<u>435,215</u>	<u>134,377</u>

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2003

(cont'd)

17. Share capital

	2003	2002
	RMB'000	RMB'000
Registered, issued and fully paid, at par value of RMB1 each		
208,560,000 (2002 - 208,560,000) domestic shares	208,560	208,560
40,260,000 (2002 - 40,260,000) "A" shares	40,260	40,260
39,600,000 (2002 - 39,600,000) "B" shares	39,600	39,600
	<u>288,420</u>	<u>288,420</u>

18. Bank and other loans

	2003	2002
	RMB'000	RMB'000
Bank loans - unsecured	448,149	493,375
Bank loans - secured	25,398	33,000
Other loans	156,142	127,518
	<u>629,689</u>	<u>653,893</u>

As at December 31, 2003, the aging of bank
and other loans is analyzed as follows :

	2003	2002
	RMB'000	RMB'000
Overdue amounts	564,046	649,395
Premature amounts	65,643	4,498
	<u>629,689</u>	<u>653,893</u>

19. Other payables and accrued charges

	2003	2002
	RMB'000	RMB'000
Amounts received in advance	705	137
Accrued expenses	231,537	193,233
Anticipated commitments and liabilities	707,900	721,904
Accrued staff welfare	343	220
Others	237,065	177,497
	<u>1,177,550</u>	<u>1,092,991</u>

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2003

(cont'd)

20. Nominated companies transferred from associates to subsidiaries

	2003 RMB'000	2002 RMB'000
Property, plant and equipment	119,642	-
Other investments	1,824	
Inventories	15,589	-
Account receivables	43,587	-
Other receivables and prepayments	24,786	-
Cash and bank balances	24,669	-
Short-term bank loans	(38,310)	
Account payables	(20,067)	-
Other payables and accrued charges	(61,255)	-
Note payables	(3,000)	-
	<u>107,465</u>	<u>-</u>
Satisfied by		
Interests in associates	29,419	-
Minority interests	78,046	-
	<u>107,465</u>	<u>-</u>
Net cash inflow from consolidating nominated companies	<u>24,669</u>	<u>-</u>

21. Disposal of subsidiaries

	2003 RMB'000	2002 RMB'000
Property, plant and equipment	-	221
Inventories	-	20,855
Other receivables and prepayments	-	14,745
Cash and bank balances	-	11,603
Account payables	-	(29)
Other payables and accrued charges	-	(118,685)
Short-term bank loans	-	(27,300)
	<u>-</u>	<u>(98,590)</u>
Minority interests	-	9,859
Loss on disposal of subsidiaries	-	(5,981)
Satisfied by cash	<u>-</u>	<u>(94,712)</u>

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2003

(cont'd)

22. Subsidiaries not consolidated

	2003 RMB'000	2002 RMB'000
Property, plant and equipment	337	-
Other receivables and prepayments	3,333	-
Other payables and accrued charges	(3,050)	-
	620	-
Minority interests	(294)	-
Cost of subsidiaries not consolidated	(1,595)	-
Net cash outflow from subsidiaries not consolidated	(1,269)	-

23. Cash flows from financing

	Bank and other loans RMB'000	Minority interests RMB'000
Balance as at beginning of the year	653,893	294
Cash outflow from financing	(62,514)	-
Cash inflow from consolidating nominated companies	38,310	78,046
Reduced by subsidiaries being unconsolidated	-	(294)
Dividend paid to minority shareholders	-	(902)
Minority interests' share of results	-	554
Balance as at end of the year	629,689	77,698

24. Lease commitments

The Group earned rental income of RMB4,823,000 (2002 - nil) during the year. As at December 31, 2003, the total future minimum lease receipts under non-cancellable operating leases are receivable as follows :

	2003 RMB'000	2002 RMB'000
Within one year	8,309	-
In the second to fifth years inclusive	3,262	-
	11,571	-

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2003

(cont'd)

25. Related party transactions

As at December 31, 2003, the Group had balances with related companies that arose from the normal course of the business operations :

	2003 RMB'000	2002 RMB'000
Account receivables before provision :		
Other related companies	<u>356,629</u>	<u>81,094</u>
Account payables :		
Holding company	27,579	20,156
Other related companies	<u>53,783</u>	<u>34,172</u>
	<u>81,362</u>	<u>54,328</u>

Guarantees

As at December 31, 2003, the Group had guarantees on banking facilities granted to related companies amounting to RMB1,526,355,000 (2002 - RMB1,835,956,000).

26. Prior year adjustment

On March 30, 1998, the Group entered into a purchase contract with the supplier Jia Zhou Co., Ltd. In addition, the Group had a co-operative agreement with Xin Gang Ao Co., Ltd. under which the latter had instructed Credit Agricole Indosuez to issue letters of credit in the amount of US\$3.5 million in favour of the Group's supplier Jia Zhou Co., Ltd. However, Jia Zhou Co., Ltd. drew up the amounts from the letters of credit without actual delivery of the Group's ordered items. This act was proven to be fraudulent. As a result, the Group suffered loss and needed to compensate Xin Gang Ao Co., Ltd. The accounting treatments in relation to the above were previously not recorded in the Group's financial statements. To remedy this error, the Group has retrospectively restated the financial statements for this year by increasing both accumulated loss and other payables by RMB31,238,000 as at the beginning of 2002 and 2003.

27. Pledge of assets

As at December 31, 2003, the Group had pledged its buildings with a net book value of RMB57,000,000 to banks to secure general banking facilities.

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2003

(cont'd)

28. Contingent liabilities

As at December 31, 2003, the Group had the following contingent liabilities :

	2003 RMB'000	2002 RMB'000
Potential liabilities from court action in relation to the guarantees given by the Group	66,175	229,357
Guarantees to financial institutions in respect of the Group's facilities	<u>1,035,377</u>	<u>823,125</u>
	<u><u>1,101,552</u></u>	<u><u>1,052,482</u></u>

29. Ultimate holding company

In the opinion of the directors, the ultimate holding company of the Group was Shenzhen Investment Administrative Company, a state-owned enterprise established in the PRC. As at January 5, 2004, Shenzhen Investment Administrative Company sold its 191,400,000 domestic shares in the Company to Shenzhen Lionda Group Co., Ltd. Since then, Shenzhen Lionda Group Co., Ltd. held 66.36% equity interest in the Company and had become the Company's ultimate holding company.

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

	Profit attributable to shareholders RMB'000	Net asset value RMB'000
As reported by PRC Certified Public Accountants	11,391	(1,544,474)
Adjustments to conform to IFRS		
Unrealized inter-group profit margin	485	-
Prior year adjustment on interest in an associate	198	-
Prepayments amortized	(130)	(174)
Housing welfare fund transfer	<u>-</u>	<u>192</u>
As restated in conformity with IFRS	<u><u>11,944</u></u>	<u><u>(1,544,456)</u></u>

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2003

(cont'd)

31. Financial instruments

Financial assets of the Group include cash and bank balances, short-term investments, note receivables, account receivables, other receivables and prepayments and tax recoverable. Financial liabilities include bank and other loans, note payables, 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.

Note receivables, 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.

32. Language

The translated English version of financial statements is for reference only. Should any disagreement arise, the Chinese version shall prevail.

33. Comparative figures

Certain comparative figures of consolidated balance sheet, consolidated cash flow statement and the related notes have been reclassified so as to conform to the current year's presentation.

9.2 Accounting statement

9.3 There was no change on accounting policy, accounting assessment and settlement method compared with the latest annual report.

9.4 There was change on consolidation scope in the report period compared with the latest annual report. The explanations are as following:

The shareholding companies brought into the consolidation scope of statement for the year 2002 but not been brought into the consolidation scope of statement for the year 2003 are as follows: Shenzhen Lionda Property Management Co., Ltd. and Shenzhen Lionda Second Hand Trade Market Co., Ltd.. Since Shenzhen Lionda Property Management Co., Ltd. has gone into liquidation in 2003, so it has not been brought into the consolidation scope of statement, and Shenzhen Lionda Second Hand Trade Market Co., Ltd., the subsidiary of the Shenzhen Lionda Property Management Co., Ltd., has not been brought into the consolidation scope of statement.

The shareholding companies brought into the consolidation scope of statement for the year 2003 but not been brought into the consolidation scope of statement for the year 2002 are as follows: Shenzhen Lionda Industry and Trade Co., Ltd. and Shenzhen Good Year Industrial Co., Ltd..

In accordance with the Agreement on Equity Trusteeship signed between the Company and Labor Union of Shenzhen Lionda Industry and Trade Co., Ltd. (hereinafter referred to as "Industry and Trade Co., Ltd."), the Labor Union of Industry and Trade Co., Ltd. entrusted the Company to manage its 20% equity of Industry and Trade Co., Ltd. with trusteeship period from Jan. 1, 2003 to Dec. 31, 2005. After trusteeship, the Company held and entrusted 52% equity of Industry and Trade Co., Ltd., had the actual control right to Industry and Trade Co., Ltd., so the Company consolidated the statement as from Jan. 1, 2003 to Dec. 31, 2003 of Industry and Trade Co., Ltd..

In accordance with the Agreement on Equity Trusteeship signed between the Company and Shenzhen Lionda Group Co., Ltd., the other shareholder of Shenzhen Good Year Industrial Co., Ltd. (hereinafter refer to as "Good Year Co., Ltd."), Shenzhen Lionda Group Co., Ltd. entrusted the Company to manage its 19.03% equity of Good Year Co., Ltd. with trusteeship period from July 1, 2003 to Dec. 31, 2005. After trusteeship, the Company held and entrusted 45.57% equity of Good Year Co., Ltd.. Since the proportion that director appointed by the Company occupying the members of the Board of Good Year Co., Ltd. reached over half, thus the Company had the actual control right to Good Year Co., Ltd., so the Company consolidated the statement as from July 1, 2003 to Dec. 31, 2003 of Good Year Co., Ltd..

Guangdong Sunrise Holdings Co., Ltd.

Chairman of the Board:

Apr. 10, 2004