

GUANGONG SUNRISE HOLDINGS CO. , LTD.

ANNUAL REPORT 2003

Apr.10, 2004

Contents

I. IMPORTANT NOTES-----	3
II. COMPANY PROFILE-----	4
III. SUMMARY OF ACCOUNTING HIGHLIGHTS AND BUSINESS HIGHLIGHTS-----	5
IV. CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS-----	7
V. PARTICULARS ABOUT DIRECTOR, SUPERVISOR, SENIOR EXECUTIVES AND STAFF-----	9
VI. ADMINISTRATIVE STRUCTURE-----	11
VII. BRIEFINGS ON THE SHAREHOLDERS' GENERAL MEETING-----	14
VIII. REPORT OF THE BOARD OF DIRECTORS -----	16
IX. REPORT OF THE SUPERVISORY COMMITTEE -----	26
X. SIGNIFICANT EVENTS-----	29
XI. FINANCIAL REPORT-----	42
XII. DOCUMENTS FOR REFERENCE-----	75

I. IMPORTANT NOTES

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.

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.

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.

Chairman of the Board of the Company Mr. Yang Fenbo, Person in charge of Accounting Affairs and concurrently Deputy 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.

II. COMPANY PROFILE

1. Legal name of the Company in Chinese: 广东盛润集团股份有限公司
Legal name of the Company in English: Guangdong Sunrise Holdings Co., Ltd.
(Abbreviation: SUNRISE)
2. Legal Representative: Yang Fenbo
3. Secretary of the Board of Directors: Ao Yingchun
Contact Tel: (0755) 83226903
Authorized Representative in Charge of Securities Affairs: Chen Liantan
Contact Tel: (0755) 83617716
Contact Address: Secretariat on the 6th Floor, Jia Hua Bldg., Huaqiang North Road, Shenzhen
Fax: (0755) 83204588
E-mail: lionda@mailcenter.com.cn
4. Registered Address: Huaqiang North Road, Shenzhen, Guangdong, PRC
Office Address: 6th Floor, Jiahua Bldg., Huaqiang North Road, Shenzhen
Post Code: 518031
5. Newspapers Chosen for Disclosing the Information of the Company:
Securities Times and Ta Kung Pao
Internet Website Designated by CSRC for Publishing the Annual Report:
<http://www.cninfo.com.cn/default.htm>
The Place Where the Annual Report is Prepared and Placed: Secretariat on the 6th Floor of the Company
6. Stock Exchange Listed with: Shenzhen Stock Exchange
Short Form of the Stock: *ST Sunrise A, *ST Sunrise B
Stock Code: 000030, 200030
7. Other Relevant Information of the Company
The initial registration of the Company:
Date: Sep. 1993
Place: Jia Hua Bldg., Huaqiang North Road, Shenzhen

Registered code of enterprise legal person's business license: 4400001001658

Registered code of tax: Shen National Revenue 440301190325278

Shen Local Tax 440304190325278

Shenzhen Dahua Tiancheng Certified Public Accountants

Office Address: 11th Floor, Tower B, Lian He Plaza, Bin He Road, Shenzhen

III. SUMMARY OF ACCOUNTING HIGHLIGHTS AND BUSINESS HIGHLIGHTS

1. Accounting data and business indexes as of the year 2003

	(Unit: In RMB)
Total profit	11,952,274.35
Net profit	11,391,186.93
Net profit after deducting non-recurring gains and losses	-44,254,649.78
Profit from core business	13,140,761.41
Profit from other business	3,206,436.02
Operating profit	-47,720,262.08
Investment income	44,339,336.01
Subsidy income	0
Net income / expenditure from non-operating	15,333,200.42
Net cash flows arising from operating activities	-10,742,755.13
Net increase/decrease in cash and cash equivalents	25,555,488.57

Note 1: Net profit of the Company calculated based on International Accounting Standard was RMB 11,944,000, as well as earnings per share of RMB 0.0414. Reason of difference in net profit calculated according to CAS and IAS are as follows:

Item		Losses of shareholder (RMB'000)
Financial 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

Note 2: Items of non-recurring gains and losses and the relevant amount: (Unit: RMB)

Disposal gains and losses of investee company's equity	40,469,952.00
Net income / expenditure from non-operating	15,333,200.42
Provision for every asset's depreciation	-157,315.71
Total non-recurring gains and losses	55,645,836.71

2. Major accounting date and financial indexes over the past three years ended by the report year

(Unit: In RMB)

Items	2003	2002	2001
Income from core business	77,267,774.95	6,711,824.10	514,193,221.51
Net profit	11,391,186.93	-566,485,166.06	-995,379,245.69
Total assets	378,293,188.86	203,258,077.52	444,493,757.35
Shareholder's equity (excluding minority interests)	-1,544,474,179.38	-1,556,403,680.29	-971,769,207.28
Earnings per share	0.0395	-1.9641	-3.45
Weighted average	0.0395	-1.9641	-3.45
Fully diluted	0.0395	-1.9641	-3.45
Earnings per share after deducting non-recurring gains and losses	-0.1534	-0.9436	-2.18
Net assets per share	-5.3549	-5.3963	-3.37
Net assets per share after adjustment	-5.6173	-5.3973	-3.39
Net cash flows per share arising from operating activities	-0.0372	-0.0067	0.108
Earnings rate of net assets (%)	-----	-----	-----

Weighted average (%)	-----	-----	-----
Fully diluted (%)	-----	-----	-----
Earnings rate of net assets after deducting non-recurring gains and losses (%)	-----	-----	-----

3. Appendix of profit statement

Earnings rate of net assets and earnings per share calculated as Preparation Rules for Information Disclosure of Companies Publicly Issuing Securities No. 9 of CSRC:

Profit in the report period	Earnings per share (RMB)		Earnings rate of net assets (%)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from main business	0.0456	0.0456	-0.85	-0.85
Operating profit	-0.1654	-0.1654	-----	-----
Net profit	0.0395	0.0395	-0.74	-0.74
Net profit after deducting non-recurring gains and losses	-0.1534	-0.1534	-----	-----

4. Change of shareholders' equity in the report period and the reason

(Unit: RMB)

Items	Share capital	Capital public reserve	Surplus public reserve	Statutory public welfare fund	Retained profit	Total shareholders' equity
Amount at the period-beginning	288,420,000.00	366,380,670.29	137,828,517.30	18,313,616.63	-2,349,032,867.88	-1,556,403,680.29
Increase in the report period	0	485,204.44	53,109.54	53,109.54	11,391,186.93	11,929,500.91
Decrease in the	0	0	0	0	0	0

report period						
Amount at the period-end	288,420,000.00	366,865,874.73	137,881,626.84	18,366,726.17	-2,337,641,680.95	-1,544,474,179.38
Reason for change		Differential price of related transaction	Withdrawal of price variance from employee's housing	Withdrawal of price variance from employee's housing	Earnings	Earnings

IV. CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS

(I) Statement of change in share capital

Unit: share

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

2.Domestically listed foreign shares	39600000							39600000
3. Overseas listed foreign shares								
4. Others								
Total listed shares	79860000							79860000
III. Total shares	288420000							288420000

(II) Issuance and listing of shares

1. At the end of the report period, the Company issued neither new shares nor derived securities over the previous three years.
2. The total shares and structure of shares remained unchanged in the report period.
3. There existed no inner employees' shares in the Company.

(III) About Shareholders

1. At the end of the report period, the Company had totally 16768 shareholders.
2. Particulars about the top ten shareholders (ended Dec. 31, 2003)

Shareholders	Holding shares at the year-end (Shares)	Proportion of share held	Pledged and frozen shares	Kind of share
Shenzhen Investment Holding Corporation	191400000	66.36%	0	State-owned share
Shenzhen Colored Metal Financial Co. Ltd.	5280000	1.83%	Unknown	Domestic oriented legal person's shares
Shenzhen International Trust & Investment Co.	5280000	1.83%	Unknown	Domestic oriented legal person's shares
Shenzhen Huachengda Investment Holding Co., Ltd.	3960000	1.37%	Unknown	Domestic oriented legal person's shares
CHINA EVERBRIGHT HOLDINGS CO. LTD	3853526	1.34%	Unknown	B share
Shenzhen Guoyin Investment Development Co., Ltd.	2640000	0.92%	2640000	Domestic oriented legal person's shares

WU CHING	391861	0.16%	Unknown	B share
Zhang Zhiliu	320000	0.11%	Unknown	B share
Li Minquan	289700	0.10%	Unknown	A share
Deng Shaoping	258100	0.09%	Unknown	B share

Note (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>.

3. The controlling shareholder of the Company

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 controlling shareholder of Shenzhen Investment Holding Corporation is Shenzhen Municipality State-owned Assets Management Committee.

4. The top ten shareholders with circulating shares of the Company

Volume	Name of shareholders	Shares held at the period-end (share)	Kind of shares held (A share, B share, H share or other)	Explanation on associated relationship
1	CHINA EVERBRIGHT HOLDINGS CO., LTD	3853526	B share	The Company does not know whether there exists associated relationship among the top ten shareholders with circulating shares or not.
2	WU CHING	391861	B share	
3	Zhang Zhiliu	320000	B share	
4	Li Minquan	289700	A share	
5	Deng Shaoping	258100	B share	
6	Qu Lei	247232	B share	
7	Lin Hongbo	246400	B share	

8	CHINA PINGAN INSURANCE (HK) CO., LTD.	228940	B share	
9	Tang Ronghua	224302	B share	
10	Cai Jinsi	220500	B share	

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

(I) Directors, supervisors and senior executives

1. Basic information of directors, supervisors and senior executives

Name	Gender	Title	Age	Office term	Holding shares		Reason of change
					At period -begin ning	At period -end	
Yang Fenbo	Male	Chairman of the Board	46	May 2002- May 2005	0	0	
Pan Shiming	Male	Director, General Manager	33	May 2002- May 2005	0	0	
Liu Chuan	Male	Director	41	May 2002- May 2005	0	0	
Rao Jiangshan	Male	Director	36	May 2002- May 2005	0	16000	Purchased in second market
Zang Weidong	Male	Director, Deputy General Manager	58	May 2002- May 2005	0	0	
Ao Yingchun	Male	Director, Secretariat of the Board	35	May 2003- May 2005	0	0	
Chen Zhitao	Male	Director	36	May 2003- May 2005	0	0	

Tang Jianxi	Male	Director	45	May 2002- May 2005	0	0	
Guo Shiping	Male	Independent director	46	May 2003- May 2005	0	0	
Wu Zhaolin	Male	Independent director	61	May 2003- May 2005	0	0	
Ma Hong	Male	Independent director	36	May 2003- May 2005	0	0	
Li Xin	Male	Chairman of the Supervisory Committee	42	May 2002- May 2005	0	0	
Wang Hangjun	Male	Supervisor	37	May 2002- May 2005	0	0	
Yang Yi	Male	Supervisor	32	May 2003- May 2005	0	0	
Ji Tielan	Female	Supervisor	52	May 2002- May 2005	0	0	
Fan Song	Male	Deputy General Manager	40	July 2003- May 2005	0	0	

Note: Director Chen Zhitao took the post of Manager of Assets Dept. of Shenzhen International Trust & Investment Co. from Mar. 2001 to Dec. 2003; Director Tang Jianxi took the post General Manager of Shenzhen Colored Metal Financial Co. Ltd. from Jan. 1995 to now; Supervisor Wang Hangjun took the post of Director of Auditing Dept. of Shenzhen Investment Holding Corporation from Oct. 2001 to now.

2. Particulars about the annual remuneration

In the report year, the Company paid the annual remuneration to directors, supervisors and senior executives according to Rules of Compensation Management of the Company with their administrative position and their length of service.

The Company had totally 16 directors, supervisors and senior executives in office at present. Among them, 5 persons draw the annual remuneration from the Company, and the total

annual remuneration (including basis wage, various premium, welfare, subsidy, housing allowance and others) received from the Company was RMB 657,000. Of them, one enjoyed the annual remuneration over RMB 150,000; three enjoyed from RMB 120,000 to RMB 150,000 respectively; one enjoyed from RMB 100,000 to RMB 120,000 respectively. The total amount of annual remuneration of the top three directors drawing the highest payment was RMB 426,000; the total amount of annual remuneration of the top three senior executives drawing the highest payment was RMB 426,000.

Among the directors, supervisors and senior executives not drawing remuneration from the Company, Director Chen Zhitao, Liu Chuan, Rao Jiangshan, Tang Jianxi and Supervisor Wang Hangjun, Li Xin, Yang Yi, Ji Tielan drew remuneration from the shareholder companies.

In the report period, the independent directors of the Company drew the allowance amounting to RMB 30,000, the directors of the Company drew the allowance amounting to RMB 5,000 and the supervisors of the Company drew the allowance amounting to RMB 3,000.

3. Leaving office and engagement of directors, supervisors and senior executives of the Company in the report period

(1) On Mar. 3, 2003, the meeting of the Board of the Company examined and approved the proposals on engaging Mr. Pan Shiming as General Manager of the Company and Mr. Yang Fenbo's not taking post of General Manager; engaging Mr. Ao Yingchun as Secretariat of the Board and Mr. Pan Shiming's not concurrently taking post of Secretariat of the Board; disengaging post of Mr. Jiang Dingshan as Deputy General Manager.

(2) On Apr. 16, 2003, the meeting of the Board of Directors of the Company examined and approved the proposal on change of directors: agree Mr. Peng Jihu, Mr. Gao Peiye and Mr. Liu Zhanjun to quit the post of independent director, agree Mr. Tang Baicao to quit the post of director, nominate Mr. Guo Shiping, Mr. Wu Zhaolin and Mr. Ma Hong as independent director and Mr. Ao Yingchun as director.

(3) On May 21, 2003, the Shareholders' General Meeting held by the Company examined and approved proposals on Mr. Peng Jihu, Mr. Gao Peiye and Mr. Liu Zhanjun's quitting post of independent directors, Mr. Tang Baicao and Mr. Luo Guohua's quitting post of director, Ms.

Yue Luyu's quitting post of supervisor, electing Mr. Guo Shiping, Mr. Wu Zhaolin and Mr. Ma Hong as independent directors of the Company, Mr. Ao Yingchun and Mr. Chen Zhitao as director of the Company and Mr. Yang Yi as supervisor of the Company.

(4) On July 29, 2003, the meeting of the Board of the Company examined and approved to engage Mr. Fan Song as Deputy General Manager of the Company.

(II) Staffs of the Company

Kind	Number	Proportion (%)
Production	584	77.56
Sale	69	9.16
Technology	60	7.97
Financial	12	1.59
Administration	13	1.73
Other	15	1.99
Total	753	100

Among them, 1 doctor, 10 postgraduates, 75 bachelors, 70 persons with three years regular college and others are 597. The Company needs bear the expenses of 15 retirees.

VI. ADMINISTRATIVE STRUCTURE

(I) Administration of the Company

According to Company Law, Securities Law, Administration Rule of Listed Companies, Guidelines Opinion on Establishing Independent Director in Listed Companies and other laws and regulations, the Company continuously improved the administrative structure and standardized operation of the Company. In the report period, the Company established Procedure Rule of the Shareholders' General Meeting, Procedure Rule of the Board of Directors, Independent Directors System and Information Disclosure System. The administration of the Company is as follows:

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

Company could convene and hold the Shareholders' General Meeting strictly according to normative opinions of the Shareholders' General Meeting.

2. Relationship between controlling shareholder and public company: The controlling shareholder Shenzhen Investment Holding Corporation hasn't overstep the Shareholders' General Meeting to interfere in the Company's decision-making and operation; The Company is absolutely separated from the controlling shareholder in terms of personnel, assets, finance, organization and business. The Board of Directors, the Supervisory Committee and internal organizations operated independently.

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

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

5. Relevant beneficiaries: The Company could fully respect and safeguard the legal rights and interests of the banks, other creditors, employees, consumers and other parties of related interests, so as to jointly promote the Company to solve problems and make development.

6. Information disclosure: The Company replenished the staffs that were engaged in information disclosing work, and specially set up secretary of the Board and representative in charge of securities affairs, continually strengthened vocational study and training. The transfer mechanism of inner information was scientific and perfect in order to disclose the information of the Company completely, accurately and timely. The information disclosure

and consultation was improved increasingly.

(II) 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.

(III) Particulars about separation between the Company and controlling shareholder

In the report period, the Company separated from the controlling shareholder in respect of business, personnel, assets, organization and finance as follows:

1. In respect of business

The Company is completely independent from its controlling shareholder in term of business. The Company is engaged in operation and management of printing and property, while the controlling shareholder, Shenzhen Investment Holding Corporation 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. There existed no competition in the same trade between the Company and the controlling shareholder in respect of business.

2. In respect of personnel

The Company is absolutely independent in the management of labor, personnel and salaries. Office address and production sites are different from the controlling shareholder. The Company's senior executives including Chairman of the Board, General Manager, Deputy General Manager, and Secretary of the Board are full time employers in the Company without taking concurrent position in shareholding Company, and receive salary from the

Company. The controlling shareholder recommended the candidate of directors through legal procedure; the decisions on engaging and removing personnel as made in the Board meeting and the Shareholders' General Meeting could be performed efficiently.

3. In respect of assets: the Company is strictly separated from the controlling shareholder in assets, and both of them operate independently. The property right between the Company and the controlling shareholder is clear. In the report period, the controlling shareholder neither occupied and controlled the Company's assets nor interfered operation and management of the Company.

4. In respect of finance: The Company has established independent finance department as well as a set of independent and integrated accounting settlement system and financial administration system; the Company has opened independent bank account and independently pays the tax according to laws.

(IV) Evaluation, encouragement mechanism and system for senior executives

The Company set up evaluation and encouragement and binding mechanism for Managers by such means as work report, month evaluation, quarter evaluation and year-end evaluation. The Company implemented encouragement and punishment based on evaluation result.

VII. BRIEFINGS ON THE SHAREHOLDERS' GENERAL MEETING

(I). Annual Shareholders' General Meeting 2002 of the Company

In the report period, the Board of Directors of the Company published notice of notification of holding Annual Shareholders' General Meeting 2002 on Securities Times and Ta Kung Pao dated Apr. 19, 2003 according to relevant regulation. The holding of Annual Shareholders' General Meeting is as follows:

The Company held the Shareholders' General Meeting in the meeting room on 6/F of the Company on May 21, 2003. Five shareholders or shareholders' proxies attended the meeting, representing 202,077,000 shares, taking by 70.06% of the total share capital of the Company. Among it, there were 201,960,000 domestic shares (A shares), taking by 70.02%; there were domestically listed foreign shares (B share) totally 117,000 shares, taking by 0.04% of the total share capital. The Meeting was in line with the relevant regulation of Company Law and

the Articles of Association of the Company. Chairman of the Board, Mr. Yang Fenbo presided over the Meeting. The Meeting examined and approved 15 proposals including work report of the Board of Directors for 2002 by vote with signature and the vote result of every proposal is as follows:

1. Work Report of the Board of Directors 2002 of the Company
2. Work Report of the Supervisory Committee 2002 of the Company
3. Annual Report 2002 and its Summary
4. Proposal on Reengagement of Financial Auditing Organization

The Company continued to engage Shenzhen Dahua Tiancheng Certified Public Accountants as financial auditing organization in 2003.

5. Proposal on Change of Directors

The Meeting agreed Mr. Peng Jihu, Mr. Gao Peiye and Mr. Liu Zhanjun to quit post of independent director, agreed Mr. Tang Baicao and Mr. Luo Guohua to quit post of director, agreed to additionally elect Mr. Guo Shiping, Mr. Wu Zhaolin, Mr. Ma Hong as independent director of the Company and Mr. Ao Yingchun and Mr. Chen Zhitao as director of the Company and adopt accumulated vote for candidates of independent director and director.

6. Financial Settlement Report 2002 of the Company
7. Profit Distribution Preplan 2002 of the Company

As audited by Shenzhen Dahua Tiancheng Certified Public Accountants, net profit in 2002 of the Company was RMB -566,485,166.06 and remained profit was RMB -2,317,794,577.86. The Company neither made profit distribution nor transferred capital public reserve into share capital in this year.

8. Profit Distribution Policy for 2003 of the Company

Because the remained profit of the Company in 2002 was RMB -2,317,794,577.86, the Company estimated to make up for loss of the previous years by profit realized in 2003 and neither made profit distribution nor transferred capital public reserve into share capital.

9. Proposal on Appropriating Provision for Depreciation for 2002 of the Company

To implement and execute Enterprise Accounting System and further consolidate assets, the Company made deep liquidation and sufficient assessment for assets on account, liabilities

and estimated liabilities of stock company, after verifying, the Company still needs to make the following account adjustment and accounting disposal:

- (1) Appropriating provision for special doubtful debts of other account receivable amounting to RMB 204,483,469.03;
- (2) Estimated liabilities of guarantee loan for Guang Ying Da Industrial and so on amounting to RMB 309,046,371.01;
- (3) Appropriating provision for long-term investment depreciation.

The above amounts to RMB 538,374,426.60.

10. Procedure Rule of the Shareholders' General Meeting

11. Procedure Rule of the Board of Directors

12. Independent Director System

13. Information Disclosure System

14. Proposal on Amendment of Articles of Association of the Company

Term 13 of Article 2 of Articles of Association of the Company was amended from "As authorized by the company registration institution, the operation scope of the Company is: self-operate and operate as an agent the import and export business inside Guangdong of the commodity of the second and the third kind (detailed commodities are executed as YJMJZ[1990] No. 320). The Company engages in transfer-into internal sale of export commodity and internal sale of import commodity, sale of wood and products, industrial production material (excluding gold, silver, automobile and chemical dangerous products), knitting, textiles, computer and fittings, auxiliary foods, other foods (including retail of tobacco and drink), latex products, freight, consultant service and industrial investment." to "As authorized by the company registration institution, the operation scope of the Company is: self-operate and operate as an agent the import and export business inside Guangdong of the commodity of the second and the third kind (detailed commodities are executed as YJMJZ[1990] No. 320). The Company engages in transfer-into internal sale of export commodity and internal sale of import commodity, sale of wood and products, industrial production material (excluding gold, silver, automobile and chemical dangerous products), knitting, textiles, computer and fittings, latex products, consultant service and industrial

investment.”

15. Proposal on Change of Supervisor

The Meeting examined proposal on Mr. Wang Hangjun and Ms. Yue Luyu’s quitting post of supervisor, additionally electing Mr. Yang Yi and Ms. Niu Suyan as supervisor of the Company. The proposal on Mr. Wang Hangjun’s quitting post of supervisor and Ms. Niu Suyan’s taking post of supervisor of the Company was overruled.

The public notice on resolution of Annual Shareholders’ General Meeting 2002 of the Company was published on Securities Times and Ta Kung Pao dated May 22, 2003.

(II) Election and change of directors and supervisors of the Company

In the report period, the Company changed partial directors and supervisors. Please refer to the first item of this section Annual Shareholders’ General Meeting 2002 of the Company for the details.

SECTION VIII. REPORT OF THE BOARD OF DIRECTORS

I. 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 Good Year

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 Good Year 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 773 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.

II. Operation in the report period

In the report period, the main operations of the Company were printing and packing and property operation and management. In 2003, the income from main operations was RMB 77,267,774.95 and the profit from main operations was RMB 13,140,761.41, which increased by a relatively large margin compared with those in 2002. The net profit in the whole year was RMB 11,391,186.93 and the Company realized making up the deficits and getting surplus.

1. Formation of main operations in the report period was as follows:

Unit: RMB'0000

Industries or products	Income from main operations	Cost of main operations	Gross profit ratio (%)	Increase/decrease in income from main operations over the last year (%)	Increase/decrease in cost of main operations over the last year (%)	Increase/decrease in gross profit ratio over the last year (%)
Print	7118.29	6269.42	11.93	-	-	-
Property operation and management	608.48	112.29	81.55	-9.34	1.32	-2.32
Including: amount of related transactions	0	0	0	-	-	-
Pricing rules of related transactions	Equity trusteeship					

Notes: Shenzhen Good Year 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 data of the print in the above statement were not comparable with those in the same period of year 2002. 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 Good Year Company. So the data in the report period of 2003 were zero.

2. In the report period, the scope of the main operations of the Company changed by a relatively large margin compared with the last report period: Shenzhen Good Year 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 Good Year Industrial Co., Ltd. was printing and packing and property operation and management, which made the Company's scope of main operations be changed compared with the last report period: In the report period, the scope of the Company's main operations not only included property operation and management, but also included the production and sales of presswork.

3. Statement of main operations classified according to areas

Unit: RMB'0000

Areas	Income from main operations	Cost of main operations	Gross profit ratio (%)
Export	2,137.41	1,901.05	11.06
Northeast	625.81	516.14	17.52
Guangdong	4,048.36	3,165.74	21.80
Others	915.19	798.79	12.72
Total	7,726.77	6,381.72	17.41

4. Operations and achievements of main holding companies and share-holding companies of

the Company

Unit: RMB'0000

Names of companies	Proportion of shares held	Industries	Registered capital	Scale of assets	Net profit	Whether in consolidated statements
Shenzhen Good Year Industrial Co., Ltd.	26.54%	Printing and packing and property operation and management	7270	21,891.08	17.73	Yes
Shenzhen Lionda Industry and Trade Co., Ltd.	32%	Property operation and management	2000	2576.94	62.35	Yes

5. Major suppliers and customers

Unit: RMB'0000

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

6. Problems and difficulties from the operation and the solutions

Although the Company has done a lot of work and made great efforts in restructuring and solving problems, especially gaining a certain effect in such aspects as releasing guarantees, repaying debts and reducing cost and increasing efficiency, the Company still had many problems hard to be resolved:

(1) All kinds of lawsuits increased and their executions were strengthened, thus it was hard to improve the Company's operating achievements.

Hitherto, the unconcluded lawsuits involved in by the Company reached to more than 150 with lawsuit amount exceeding RMB 1380 million (Interests, overdue interests and lawsuit charges excluded), most of which was because that its own liabilities or guarantee liabilities were in recourse by creditors. Moreover, majority of the lawsuits were in execution and the court kept sealing up the equity and assets of the holding and share-holding enterprises of the Company, among which some of the main assets have been forced to be implemented, thus the operating achievements of the Company was hard to be improved by a relatively large margin.

(2) The Company's risks in liabilities and guarantees were still very heavy and it was hard to attract the restructuring parties to invest roundly.

Although the Company has solved its great guarantee to Shenzhonghua and other part of debts and guarantees, the risks in debts and guarantees were still very large. At present, the bank loans of the Company still reached to RMB 629 million and all contingent debts reached to RMB 889 million except for the guarantee amounting to RMB 929 million provided for Shenzhonghua, the Company still had joint guarantees with such several listed companies in Shenzhen as Shenshihua, Shenfangzhi and Shenshenbao. Thus, the value of the "Shell" resources of the Company was not large and the Company has not found the cooperative restructuring parties with strength, credit and operating ability all along.

(3) Due to the lack of external investing, there existed considerable difficulties in the debts restructuring negotiation with the creditors.

In the report period, the Company negotiated and communicated with several creditors on the problem of debts restructuring. But because the amount of left debts and guarantee was still great and the creditors and debt amount were disperse. Moreover, most of the creditors were state-owned banks, thus it was hard to get the policy of cutting off or peeling off debts. Therefore, when there was no external investment, the difficulty was considerable for the Company to further reconstruct the debt with its own resources.

Under such situation, except for maintaining normal production and operation, the Company

would still work hard to reconcile with creditors, decrease the Company's debts risks and crisis and strive for more time for the Company's restructuring. At the same time, in order to decrease the deficit, the Company actively and steadily implemented "relaxing controls" on the affiliated holding subsidiaries whose products get no market and operation has no efficiency, which made the Company's deficit be decreased.

III. Investment of the Company

In the report period, the Company had no raised proceeds and there was no such situation that the application of proceeds raised through previous share offering continuing to the report period. In the report period, the Company had no investment project.

IV. Financial position of the Company

In the report period, Shenzhen Dahua Tiancheng Certified Public Accountants provided auditors' report with reservation for the Company with detailed financial position and analysis as follows:

Unit: RMB

Financial indexes	In 2003	In 2002	Increase/decrease (%)	Reasons for changes
Total assets	378,293,188.86	203,258,077.52	86.11	Changes in companies consolidated in the statements
Shareholders' equity (minority's equity excluded)	-1,544,474,179.38	-1,556,403,680.29	-	Correction in material accounting errors
Income from main operations	77,267,774.95	6,711,824.10	1051.22	Changes in companies consolidated in the statements
Profit from main operations	13,140,761.41	5,254,475.21	150.09	Changes in companies consolidated in the statements

				atements
Net profit	11,391,186.93	-566,485,166.06	-	Sales of equity, disposal of assets and not appropriating impairment losses of assets basically in the year (while appropriating large quantities of impairment losses of assets in the last year) etc.
Net increase in cash and cash equivalents	25,555,488.57	-18,300,700.00	-	Changes in companies consolidated in the statements

V. Probable influence of lawsuits on the financial position of the Company

At present, the court has suspended the execution of most of the lawsuits that the Company was involved in and most of creditors were also very comprehensive of the Company's status quo, so the above lawsuits would not have much effect on the Company's financial position temporarily. However, in the lawsuits where the court has sealed up the Company's property, if the creditors applied for the court to dispose and sell the above assets, it would result in the decrease of the Company's assets. But if the selling price of the assets was higher than the original value, some earnings would affect on the Company's profit positively, whereas, the sales would affect on the Company's profit negatively.

VI. Routine work of the Board of Directors

(I) In the report period, the Board of Directors held the meetings with details as follows:

1. On Feb. 12, 2003, the Company held the Meeting of the Board by means of communications and the following proposals have been agreed and passed after consideration

and voting by all directors at the Meeting:

Since Shenzhen Lionda Light Textile and Chemistry Co., Ltd. (hereinafter referred to as Light Textile and Chemistry) and Shenzhen Lionda Development Co., Ltd. (hereinafter referred to as Development Company), the affiliated controlling subsidiaries of the Company, has stopped their operations since early of 2002, so since then these companies were not included in the scope of consolidation of the Company. Ended Dec.31, 2002, the total assets and net assets of Light Textile and Chemistry was RMB 13.61 million and RMB 13.41 million respectively. The total assets and net assets of Development Company was RMB 53.68 million and RMB -27.28 million respectively. The total assets and net assets of the two companies amounted to RMB 67.29 million and RMB -13.87 million, thus the stop of consolidation of the two companies would decrease the total assets of the Company by RMB 67.29 million and increase the net assets by RMB 13.87 million. Since the two companies has stopped their operations since the beginning of year 2002, the stop of consolidation of the two companies would not affect the profit and loss of the Company in 2002.

2. On Mar. 26, 2003, the Company held the Meeting of the Board by means of communications and the following proposals have been agreed conformably after consideration and voting by the present directors at the Meeting:

Engaging Mr. Pan Shiming as General Manager of the Company and Mr. Yang Fenbo do not assume this position any more; engaging Mr. Ao Yingchun as Secretary of the Board of Directors and Mr. Pan Shiming do not this position any more; dismissing Mr. Jiang Dingshan from the position of Deputy General Manager of the Company.

3. On Mar. 26, 2003, the Company held the Meeting of the Board by means of communications and the following proposals have been agreed conformably after consideration and voting by the present directors at the Meeting:

Since the Company held 32% equity of Shenzhen Lionda Industry and Trade Co., Ltd. (hereinafter referred to Industry and Trade Company), the Labor Union Committee trusted

20% of the equity of Shenzhen Lionda Industry and Trade Co., Ltd. to the Company to manage in the method of equity trusteeship. During the trusteeship, the Company exerted the operating right and voting right of the said 20% equity and implemented corresponding responsibility. Thus, the equity held and trusted by the Company reached to 52%, and the Company appointed 4 Directors assuming the Director of Industry and Trade Company, taking 4/5 of the total number of the Board of Directors, so the Company get the actual controlling right of Industry and Trade Company. According to the relevant regulations on the consolidated statements in the Accounting System for Business Enterprises, since from 2003, Industry and Trade Company was included in the scope of consolidation.

4. The Company held Board meeting on Mar. 18, 2003 in method of communication, according to the requirements on the operation scope of companies of Guangdong Administration for Industry and Commerce and the actual status of the Company, the Meeting examined and approved the proposal on amending the Article 13th, Chapter II of the ArticleS of Association of the Company:

Article 13th, Chapter II in the Articles of Association of the Company was changed from “Approved by the registration authority of the Company, the business scope of the Company is: “Self-supporting and surrogating export and import business of the 2nd and 3rd types of commodities in Guangdong province (For detailed commodities, please refer to YJMJJ [1990] No. 320 document). The Company is engaged in transferring export commodities into national sales and national sales of import commodities, sales of timber and its products, production materials of industry (excluding gold, silver, cars and chemical dangerous products), knitting and textile products, computers and accessories, by-food, other food (including retail of tobacco and alcohol) and rubber products, freight, consulting service and industrial investment.” Into “Approved by the registration authority of the Company, the business scope of the Company is: “Self-supporting and surrogating export and import business of the 2nd and 3rd types of commodities in Guangdong province (For detailed commodities, please refer to YJMJJ [1990] No. 320 document). The Company is engaged in transferring export commodities into national sales and national sales of import commodities,

sales of timber and its products, production materials of industry (excluding gold, silver, cars and chemical dangerous products), knitting and textile products, computers and accessories and rubber products, consulting service and industrial investment.”

The proposal should be submitted to Annual Shareholders’ General Meeting 2002 for consideration.

5. On April 16, 2003, the Company held the Meeting of the Board in the Company’s Conference Room on 6/F. 11 directors should be present and actually 7 of them attended the Meeting. Partial supervisors and senior executives of the Company attended the Meeting as nonvoting delegates. The following resolutions have been passed conformably after serious discussion and consideration by the present directors at the Meeting, which was presided over by Yang Fenbo, Chairman of the Board:

- (1) Work Report of the Supervisory Committee 2002
- (2) Annual Report 2002
- (3) Financial Report 2002
- (4) Profit Distribution Preplan 2002: no distribution or capitalization
- (5) Profit Distribution Policy 2003: If the Company realized profitability in 2003, the net profit would be offset the losses in previous years
- (6) Proposal on Changing Directors:
 - (a) Agreeing Mr. Peng Jihu to Resign from the Position of Independent Director
 - (b) Agreeing Mr. Gao Peiye to Resign from the Position of Independent Director
 - (c) Agreeing Mr. Liu Zhanjun to Resign from the Position of Independent Director
 - (d) Agreeing Mr. Tang Baicao to Resign from the Position of Director
 - (e) Agreeing to Nominate Mr. Guo Shiping as Independent Director
 - (f) Agreeing to Nominate Mr. Wu Zhaolin as Independent Director
 - (g) Agreeing to Nominate Mr. Ma Hong as Independent Director
 - (h) Agreeing to Nominate Mr. Ao Yingchun as Director

(7) Proposal on Appropriating Impairment Losses for 2002:

(a) Appropriating Provision for Special Bad Debts of Other Receivables Amounting to RMB 204,483,469.03

(b) Predicting Liabilities Amounting to RMB 309,046,371.01 from Guarantee Loan Provided to Such Companies as Guangyingda

(c) Appropriating Impairment Losses of Long-term Investments amounting to RMB 24,844,586.56

The said three items amounted to RMB 538,374,426.60.

The said resolutions I to VII should be submitted to Shareholders' General Meeting for consideration and approval.

(8) The Board of Directors' Deciding to Hold Annual Shareholders' General Meeting 2002 at 9:00 on the Morning of May 21, 2003 (Wednesday)

6. On April 28, 2003, the Company held the Meeting of the Board in the Company's Conference Room on 6/F. 11 directors should be present and actually 8 of them attended the Meeting. Partial supervisors and senior executives of the Company attended the Meeting, which was presided over by Yang Fenbo, Chairman of the Board, as nonvoting delegates. The following resolutions have been passed conformably after serious discussion and consideration by the present directors at the Meeting:

(1) The 1st Quarterly Report 2003

(2) The 1st Quarterly Financial Report 2003

(3) Proposal on Starting Implementing Relaxing Control over Small Enterprises Since the Beginning of Year 2003 in Shenzhen Lionda Property Management Co., Ltd. and Not Listing it into the Scope of Consolidated Statements of the Company Since Year 2003

(4) Proposal on Stopping Calculating All Interests from All Accounts that Shenzhen China Bicycle Company (Holdings) Limited owed to the Company in 2003

7. On July 29, 2003, the Company held the Meeting of the Board through way of

communications. All directors agreed conformably after consideration and voting:

(1) Since the Company held 26.54% equity of Shenzhen Good Year Industrial Co., Ltd. (hereinafter referred to as Good Year Company), as the first largest shareholder. Shenzhen Lionda Group Co., Ltd. entrusted the Company to manage its 19.03% equity of Good Year Company by means of equity trusteeship in a united way since July 1, 2003. During the trusteeship period, the Company exercised the operating right and voting right of the said 19.03% equity and implemented the corresponding obligations. Thus, the equity held and trusted by the Company reached 45.57%. Moreover, the Company arranged 5 directors to occupy the position of director in Good Year Company, taking 5/9 of total number in its Board of Directors, thus the Company had actual control right to Good Year Company. According to relevant provisions on consolidated accounting statements in Accounting System for Business Enterprises, since July 1, 2003, Good Year Company was listed in the scope of consolidated statements of the Company.

(2) Engaging Mr. Fan Song as Deputy General Manager of the Company

8. On Aug. 19, 2003, the Company held the Meeting of the Board in the Company's Conference Room on 6/F. 11 directors should be present and actually 9 of them attended the Meeting. Partial supervisors and senior executives of the Company attended the Meeting as nonvoting delegates and the Meeting was presided over by Yang Fenbo, Chairman of the Board, in compliance with the provisions in Company Law of the P.R.C. and the Articles of Association of the Company. The following resolutions have been passed conformably after serious discussion and consideration by the present directors at the Meeting:

(1) Semi-annual Report and its Summary 2003

(2) Semi-annual Financial Report 2003

9. On Oct. 23, 2003, the Company held the Meeting of the Board by means of communications. The following resolutions have been considered and passed by all directors at the Meeting:

(1) The 3rd Quarterly Report 2003

(2) The 3rd Quarterly Financial Report 2003

10. On Dec. 10, 2003, the Company held the 8th Meeting of 4th Board of Directors in the Company's Conference Room on 6/F. 11 directors should be present and actually 10 of them attended the Meeting (Director Liu Chuan was unable to attend the Meeting due to some reason and entrusted Director Ao Yingchun to attend the Meeting and exercise the voting right on his behalf, thus the number of directors exercising the voting right was 11 persons.). Partial supervisors and senior executives of the Company attended the Meeting as nonvoting delegates and the Meeting was presided over by Yang Fenbo, Chairman of the Board. The following resolutions have been passed conformably after serious discussion and consideration by the present directors at the Meeting:

- (1) Rectification Report on Tour Inspection of CSRC Shenzhen Securities Regulatory Office
- (2) Proposal on Amending the Articles of Association of the Company (Draft)
- (3) Proposal on Changing Directors
 - (a) Agreeing Mr. Rao Jiangshan to Resign from the Position of Director
 - (b) Agreeing Mr. Tang Jianxi to Resign from the Position of Director
 - (c) Agreeing Nominating Mr. Fan Song as Director
- (4) Proposal on Additional Electing Independent Director: Nominating to Additional Electing Mr. Ban Wu as Independent Director
- (5) Proposal on Assets Disposal
- (6) Proposal on Holding the 1st Temporary Shareholders' General Meeting for 2004

(II) Implementation of the Board on resolutions of the Shareholders' General Meeting
The Board of the Company implemented the resolutions of the Shareholders' General

Meeting according to laws in a honest and responsible way.

VII. Profit distribution preplan

Audited by Shenzhen Dahua Tiancheng Certified Public Accountants, the net profit realized by the Company in 2003 was RMB 11,391,186.93, which was used for offsetting the losses in previous years. The retained 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.

VIII. Other reporting issues

(I) Self-inspection Report on the Company's capital occupied by the large shareholders and related parties and the Company's illegal guarantees

According to the requirements in Circular on Standardizing Listed Companies' Capital Current with Related Parties, External Guarantees and Other Several Problems (hereinafter

referred to as Circular), the Company conducted self-inspection to the Company's capital occupied by its controlling shareholder and related parties and the Company's external guarantees and submitted the self-inspection report to CSRC Shenzhen Specially Appointed Office.

1. The Company had no situation that the Company's capital was occupied by its controlling shareholder stated in the Circular.
2. The Company had such situation that the Company's capital was occupied by the related parties. However, it was the event left in the history. Moreover, many related enterprises have stopped operation due to the bad operation. Actually the Company could no longer draw back the capital occupied and has appropriated provision for bad debts from the capital occupied by the related enterprises of the Company whose operations were stopped in the previous years. The Company also had such situation that the Company provided guarantees for the controlling shareholder and its affiliated enterprises. However, it also belonged to the event left in the history. Since majority of guaranteed parties was unable to refund the liabilities, the Company conducted disposal of estimated liabilities to majority of guarantees.
3. In 2003, the Company had no such situation that the Company's capital was occupied illegally by its related parties stated in Circular or the Company provided guarantees for its controlling shareholder and affiliated enterprises.

(II) Special explanation of Shenzhen Dahua Tiancheng Certified Public Accountants on the capital occupied by its controlling shareholder and related parties (SH (2004) ZSZ No. 052 document)

As the certified public accountant auditing the accounting statements of Guangdong Sunrise Holdings Co., Ltd. (hereinafter referred to as Sunrise Holdings) in 2003, according to Circular on Standardizing Listed Companies' Capital Current with Related Parties, External Guarantees and Other Several Problems released by CSRC (ZJF [2003] No. 56), the Certified Public Accountants presented the special explanation on such relevant issues as the capital occupied by the controlling shareholder and its related parties of Sunrise Holdings.

1. As observed, particulars about the capital occupied by its controlling shareholder and related parties of Sunrise Holdings was as follows:

Ended Dec. 31, 2003, Shenzhen Investment Management Company held 191.40 million shares of Sunrise Holdings, taking 66.36% of total share capital of Sunrise Holdings. Ended Dec. 31, 2003, Shenzhen Investment Management Company did not occupy the capital of the listed company.

In 2003, since the bank account was sealed up by Sunrise Holdings, partial current between Sunrise Holdings and other companies was paid instead by Shenzhen Lionda Group Co., Ltd., a subsidiary of the controlling shareholder. Ended Dec. 31, 2003, Shenzhen Lionda Group Co., Ltd. did not occupy the capital of the listed company.

2. During the annual auditing, particulars about the capital occupied by other related parties of Sunrise Holdings was as follows:

(1) Ended Dec. 31, 2003, a subsidiary of Sunrise Holdings not being listed into the consolidated scope occupied capital of the listed company amounting to RMB 92,500,055.74, which was current account and employees' settlement expenses the subsidiary borrowed from Sunrise Holdings. In the year, the accumulated amount of debit was RMB 32,261,537.17, which was non-operating occupation and was reflected in the account of "Other receivables" in Sunrise Holdings. The accumulated amount of credit was RMB 20,539,607.49, which was arrearage withdrawn by Sunrise Holdings with way of refund at cash.

(2) Ended Dec. 31, 2003, an associated company of Sunrise Holdings occupied capital of the

listed company amounting to RMB 273,878,195.85, which was current account borrowed by the associated company from Sunrise Holdings and repayment paid by Sunrise Holdings to creditors due to burden of guarantee responsibility. In the year, the accumulated amount in debit was RMB 11,088,000.00, which was the Company refunded the loans to Shenzhen China Merchants Bank for Shenzhen China Bicycle Company (Holdings) Limited, belonging to non-operating occupation and being reflected in the account of “Other receivables” in Sunrise Holdings.

(3) Ended Dec. 31, 2003, a subsidiary of the controlling shareholder of Sunrise Holdings occupied capital of the listed company amounting to RMB 32,681,724.05, which was current account borrowed by the subsidiary of the controlling shareholder from Sunrise Holdings, belonging to non-operating occupation and being reflected in the account of “Other receivables” in Sunrise Holdings. There was no happening account in the year.

(4) Ended Dec. 31, 2003, a subsidiary of other shareholders of Sunrise Holdings occupied capital of the listed company amounting to RMB 28,283,063.32, which was current account borrowed by the subsidiary of other shareholders from Sunrise Holdings, being reflected in the account of “Other receivables” in Sunrise Holdings. There was no happening account in the year.

During the annual auditing, we have not found Sunrise Holdings disobeyed the provisions in its Item I after Circular on Standardizing Listed Companies’ Capital Current with Related Parties, External Guarantees and Other Several Problems (ZJF [2003] No. 56 document) being issued and implemented.

The special opinion is presented by the certified public accounts in accordance with the requirements of CSRC and its special authorities and is unable to be used for other purposes. The results caused by misuse are irrelevant to the certified public accountant and the certified public accountants responsible for this business.

Appendix: List of Capital Occupied by the Large Shareholder and Related Parties

Unit: RMB'0000

Short form of the stock	Party for the use of funds	Relationship between party for the use of funds and listed company	The relevant items of accounting statement		Amount for the use of funds at the period-end		Amount occurred for the use of funds at the period-begin		Accumulative amount occurred of debtor for the use of funds		Amount occurred of lender for the use of funds		Way for the use	Reason for the use	Notes
B	C	D	E1	F1	E2	F2	E3	F3	E4	F4	E5	F5	G	H	I
ST Sunrise	Shenzhen Paper Mill	Subsidiary of listed company	Other receivables		83,856.45		628,449.01		-		544,592.56		Advance in cash of Lionda Group	Allocation expenses	
	Shanghai Lion Real Estate Co., Ltd.	Subsidiary of listed company	Other receivables		-		18,055,976.82		-		18,055,976.82		Cash	Current funds	
	Shenzhen Lionda Foods Industry Co., Ltd.	Subsidiary of listed company	Other receivables		5,463,418.51		4,998,701.51		464,717.00		-		Advance in cash of Lionda Group	Allocation expenses	
	Shenzhen Jinxing Printing	Subsidiary of listed company	Other receivables		-		407,806.13		-		407,806.13		Cash	Current funds	

	Factory													
	Shenzhen Lionda Development Co., Ltd.	Subsidiary of listed company	Other receivables		59,017,492.33		56,687,192.60		3,861,531.71		1,531,231.98		Advance in cash of Lionda Group	Allocation expenses
	Shenzhen Lionda Material Import & Export Co., Ltd.	Subsidiary of listed company	Other receivables		27,935,288.45		-		27,935,288.45		-		Cash	Loan on one's behalf
Sub-total					92,500,055.74	-	80,778,126.07		32,261,537.16		20,539,607.49			
	Shenzhen China Bicycle Company (Holdings) Limited	Affiliated company	Other receivables		246,491,421.22		235,416,127.75		11,088,000.00		12,706.53		Cash	Refund on one's behalf
	Shenzhen Create New Material Co., Ltd.	Affiliated company	Other receivables		214,000.00		214,000.00		-		-		Cash	Current funds

	Shenzhen Sun Pipeline Co., Ltd.	Affiliated company	Other receivables		25,686,735.00		25,686,735.00	-			-	Advance in cash of Lionda Group	Current funds	
	Shenzhen Jiadeng Trading Co., Ltd.	Subsidiary of affiliated company	Other receivables		1,008,500.00		1,008,500.00	-			-	Cash	Current funds	
	Shenzhen Inter Enterprise Co., Ltd.	Affiliated company	Other receivables		477,539.63		477,539.63	-			-	Cash	Current funds	
Sub-total					273,878,195.85		262,802,902.38	11,088,000.00		12,706.53				
	Beijing Lionda Investment	Subsidiary of controlling shareholder	Other receivables		18,488,500.00		18,488,500.00	-			-	Advance in cash of Lionda Group	Current funds	
	Shenzhen Kenda Science and Technology	Subsidiary of controlling shareholder	Other receivables		13,224.05		13,224.05	-			-	Cash	Current funds	

	Co., Ltd.													
	Shenzhen Guangyingda Industrial Co., Ltd.	Subsidiary of controlling shareholder	Other receivables		14,180,0 00.00		14,180,000. 00		-		-		Cash	Current funds
Sub-total					32,681,7 24.05		32,681,724. 05		-		-		Cash	
	Shenzhen Orient Enterprise Group Co., Ltd.	Subsidiary of shareholder	Other receivables		28,283,0 63.32		28,283,063. 32		-		-		Cash	Current funds
Sub-total					28,283,0 63.32		28,283,063. 32		-		-			
Total					427,343, 038.96		404,545,81 5.82		43,349,5 37.16		20,552,314.02			

(III) Special explanation and independent opinion of independent directors on the Company's accumulated and current external guarantees

In the report period, the Company did not provide guarantees for its controlling shareholder and affiliated enterprises stated in Circular on Standardizing Listed Companies' Capital Current with Related Parties, External Guarantees and Other Several Problems released by CSRC. The Company has ever provided guarantees for its controlling shareholder and affiliated enterprises. However, it belonged to the problem left in the history. Since majority of guaranteed parties was unable to refund the liabilities, the Company conducted disposal of estimated liabilities to majority of guarantees.

(IV) In the report period, the newspapers designated by the Company for information disclosure were Securities Times and Ta Kung Pao.

SECTION IX. REPORT OF THE SUPERVISORY COMMITTEE

In the report period, according to the eight-work guideline, namely "Legal system, supervision, self-discipline and standardization", presented by CSRC and requirements in Rules on Administration of Listed Companies, the Supervisory Committee of the Company seriously implemented the duties endowed by Company Law of the P.R.C., Securities Law of the P.R.C. and the Articles of Association of the Company, reinforced the supervision on the Company's finance, operation and legal and normal duties performance of directors and the Management and exerted their own functions in the aspects of safeguarding shareholders' equity, reinforcing the legal person's administration of the Company and establishing and improving the Company's management system etc..

I. Work of the Supervisory Committee in the report period

In the report period, the Company held meetings of the Supervisory Committee with details as follows:

1. On April 16, 2003, the Company held the Meeting of the Supervisory Committee in the

Company's Conference Room on 6/F. 4 supervisors should be present and actually 3 of them attended the Meeting. The following resolutions have been passed conformably after serious discussion and consideration by the present supervisors at the Meeting:

- (1) Work Report of the Supervisory Committee 2002
- (2) Annual Report 2002
- (3) Financial Report 2002
- (4) Profit Distribution Preplan 2002: no distribution or capitalization
- (5) Profit Distribution Policy 2003: If the Company realized profitability in 2003, the net profit would be offset the losses in previous years
- (6) Proposal on Changing Supervisors:
 - (a) Agreeing Mr. Wang Hangjun to Resign from the Position of Supervisor
 - (b) Agreeing Ms. Yue Luyu to Resign from the Position of Supervisor
 - (c) Nominating Mr. Yang Yi as Supervisor
 - (d) Nominating Ms. Niu Suyan as Supervisor
- (7) Proposal on Appropriating Impairment Losses for 2002:
 - (a) Appropriating Provision for Special Bad Debts of Other Receivables Amounting to RMB 204,483,469.03
 - (b) Predicting Liabilities Amounting to RMB 309,046,371.01 from Guarantee Loan Provided to Such Companies as Guangyingda
 - (c) Appropriating Impairment Losses of Long-term Investments amounting to RMB 24,844,586.56

The said three items amounted to RMB 538,374,426.60.

The said resolutions I to VI should be submitted to Shareholders' General Meeting for consideration and approval.

2. On April 28, 2003, the Company held the Meeting of the Supervisory Committee in the Company's Conference Room on 6/F. 4 supervisors should be present and actually 2 of them attended the Meeting. The following resolutions have been passed conformably after serious discussion and consideration by the present supervisors at the Meeting:

- (1) The 1st Quarterly Report 2003
- (2) The 1st Quarterly Financial Report 2003
- (3) Proposal on Starting Implementing Relaxing Control over Small Enterprises Since the Beginning of Year 2003 in Shenzhen Lionda Property Management Co., Ltd. and Not Listing it into the Scope of Consolidated Statements of the Company Since Year 2003
- (4) Proposal on Stopping Calculating All Interests from All Accounts that Shenzhen China Bicycle Company (Holdings) Limited owed to the Company in 2003

3. On Aug. 19, 2003, the Company held the Meeting of the Supervisory Committee in the Company's Conference Room on 6/F. 4 supervisors should be present and actually 3 of them attended the Meeting. The following resolutions have been passed conformably after serious discussion and consideration by the present supervisors at the Meeting:

- (1) Semi-annual Report and its Summary 2003
- (2) Semi-annual Financial Report 2003

4. On Dec. 10, 2003, the Company held the 7th Meeting of the 4th Supervisory Committee in the Company's Conference Room on 6/F. 4 supervisors should be present and actually 4 of them attended the Meeting. The following resolutions have been passed conformably after serious discussion and consideration by the present supervisors at the Meeting:

- (1) Rectification Report on Tour Inspection of CSRC Shenzhen Securities Regulatory Office
- (2) Proposal on Amending the Articles of Association of the Company (Draft)
- (3) Proposal on Changing Supervisors
- (4) Proposal on Assets Disposal
- (5) Proposal on Holding the 1st Temporary Shareholders' General Meeting 2004

The said items 2 and 3 should be submitted to the 1st Temporary Shareholders' General Meeting 2004 for consideration and approval.

II. Independent opinions of the Supervisory Committee on relevant issues

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.

SECTION X. SIGNIFICANT EVENTS

I. Material lawsuits and arbitration

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 loan 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 executee, 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 executee, 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 executee.

On the dissension case of cooperating agreement between the application executor, namely New HongKong & Macao Co., Ltd. and the executee, 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 executee, 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 adefect. 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 executee 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 sequestered, auctioned and sold the properties located in Rm. 303 – Rm. 307, Block with Northern, International Trading

Bldg., Jiabin Road, Luohu owned by the executee, 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 executee, 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 executee 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 executee, 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 executee; 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 executee, 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 Securites 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 Good Year 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 Good Year 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] YGFMYYZ 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).

(II) Purchase and sale of assets, consolidation and merge

1. Because the Company didn't fulfill the confirmed legal obligation in (1998) SZFJTCZ No.270, 271, 272, 273, 275 Written Civil Ruling and (1998) SZFJYCZ No.153-156 Written Civil Ruling which have taken legal effect, the execution applicant Shenzhen branch office of China Huarong Asset Management Corporation and person executee the Company, and the third party, Shenzhen Dongxin Industrial Co., Ltd. and Shenzhen Lionda Holdings made terms on the disposition of share equity. The terms regulated: 45% share equity of Shenzhen Yingzhu Plastic Co., Ltd. held by the Company was sold to Shenzhen Dongxing Industrial Co., Ltd. at the price of RMB 4,127,650; 5% share equity of Shenzhen Brewery Holdings Limited and 10% share equity of Shenzhen-DIC Ink Co., Ltd., held by the Company, were sold to Shenzhen Lionda Holdings Limited at the price of RMB 33,858,000 and RMB 12,850,000 respectively. The assignees, Shenzhen Dongxing Industrial Co., Ltd. and Shenzhen Lionda Holdings Limited paid the total amount of disposal to the execution applicant Shenzhen branch office of China Huarong Asset Management Corporation. Therefore, Shenzhen Intermediate People's Court released the following Written Civil Ruling by laws: 45% share equity of Shenzhen Yingzhu Plastic Co., Ltd. held by the Company belongs to Shenzhen Yingzhu Plastic Co., Ltd.; 5% share equity of Shenzhen Brewery Holdings Limited held by the Company and 10% share equity of Shenzhen-DIC Ink Co., Ltd. belong to Shenzhen Lionda Holdings Limited. The aforesaid three transfer change procedures of execution disposal of share equity were accomplished in the report period, which produced certain investment income.

2. Ningbo Grain General Company indicted Shenzhen Guangyingda Industrial Development Co., Ltd and the Company about the dispute on the payment of Commodity Contract. In the case, the person executee, the Company didn't fully fulfill the confirmed lawful obligations

regulated by (1998) YJCZ No.293 Written Civil Ruling. Ningbo Intermediate People's Court of Zhejiang Province judged about the remaining debts as follows: (i) To discharge freezing RMB 13.5 mil (taking 45%)share equity of Shanghai Lion Real Estate Development Co., Ltd. held by the Company; (ii) To transfer the above share equity to Shanghai Universe Property Co., Ltd. at the evaluation price. To repay the debts of the creditor, according to the verdict of Ningbo Intermediate People's Court and Supplement Agreement of Disposal signed by the Company and Shanghai Universe Property Co., Ltd., the Company sold off 45% share equity of Shanghai Lion Real Estate Development Co., Ltd. held by the Company to Shanghai Universe Property Co., Ltd.. After the share equity's transfer, Shanghai Universe Property Co., Ltd. held guarantee responsibility for RMB 15 mil debt (the creditor is the China 6th Chemical Construction Company) of Shanghai Lion Real Estate Development Co., Ltd. in place of the Company. The disposal matter of share equity transfer produced certain investment income.

3.The execution applicant Shenzhen Hongli sub-branch of Bank of Communication claimed mandatory enforcement because the Company didn't implement the obligation of SZFJYCZ No.24 Written Civil Ruling issued by Shenzhen Intermediate People's Court. Shenzhen Intermediate People's Court sequestered share equity of Shenzhen New Era Drinking Water Co., Ltd. worthy of RMB 2.12 mil held by person executee. Through evaluation the market price was RMB7.9387 mil, and the suggested floor price of auction was RMB5.5571 mil. All the shareholders of Shenzhen New Era Drinking Water Co., Ltd. declared in writing to give up privileged subscription. Therefore, Shenzhen Intermediate People's Court released (2002) SZFZZ No. 419.Written Civil Ruling. The orders were as follows: Share equity of Shenzhen New Era Drinking Water Co., Ltd. held by the person executee, the Company, was sold off to the third party Shenzhen Shengzhuo Industrial Co., Ltd. at the suggested floor price of auction of RMB5.5571 mil with the assent of the execution applicant and person executee; The third party bore expenses of the above transfer by itself. The transfer change procedures of the aforesaid sales implementation of three items of equities had been all accomplished in the report period and had produced a certain investment earnings.

4.In March 2003, Shenzhen Intermediate People's Court released notice for freezing the share

equity to the Company because the Company didn't implement the repayment obligation, which the Company should bear in the dispute on cooperation agreement with execution applicant New Hong Kong Macao Co., Ltd.. Shenzhen Intermediate People's Court froze by law 25% share equity of Shenzhen Guanghua Insulating Glass Engineering Co., Ltd. held by the Company. After Shenzhen Intermediate People's Court entrusted the evaluation institution by law to evaluate the above share equity, the executed applicant, the Company and the third party, Mr. Jia Yingchun and Mr. Han Shihu made terms about the disposal of the above share equity. Simultaneously, the execution applicant, New Hong Kong Macao Co., Ltd. and another two shareholders of Shenzhen Guanghua Insulating Glass Engineering Co., Ltd., China Luoyang Float Glass Group Company Limited and BNS Company Limited, gave assent to the disposal agreement. Therefore, on Dec.5, 2003, Shenzhen Intermediate People's Court issued (2003) SZFZEZ No.317 Written Civil Ruling by law, and the orders were as follows: 25% share equity of Shenzhen Guanghua Insulating Glass Engineering Co., Ltd. held by the person executee, the Company, at the price of RMB 1,279,716.42 to Mr. Jia Yingchuan and Mr. Han Shihu, of which Mr. Jia Yingchuan was assigned 15% and Mr. Han Shihu 10%. The transfer change procedures of the aforesaid sales implementation of three items of equities had been all accomplished in the report period and had produced a certain investment loss.

The aforesaid four sales of assets is all assets disposition in material lawsuits. In addition, the Company had neither other purchase of assets nor consolidation and merge in the report period or carried down to this period.

(III) Material related transaction

Since July 1, 2003, Shenzhen Lionda Holdings Limited entrusted the Company to directly administrate its 19.03% share equity of Shenzhen Goodyear Enterprise Company Limited by means of share equity custody, which share equity of Shenzhen Goodyear Enterprise Company Limited held and intrusted by the Company attained to 45.57%; the Company sent 5 directors as the directors of Shenzhen Goodyear Enterprise Company Limited, taking 5/9 of the total members of the Board; the Company controlled the shares of Shenzhen Goodyear Enterprise Company Limited. According to the relevant regulations about consolidation of

financial statements of enterprise accounting system, from July 1, 2003, Shenzhen Goodyear Enterprise Company Limited is listed into the consolidation scope of the Company. Shenzhen Lionda Holdings Limited was the wholly owned subsidiary of the first principal shareholder Shenzhen Investment Management Co., Ltd., and there existed related relationship between the Company and Shenzhen Lionda Holdings Limited, so the trusteeship of share equity engendered related transaction. However, the aforesaid related transaction didn't attain to the No.7.3.8. information disclosure standards of Shares Listing Rules of Shenzhen Stock Exchange, which exempted the Company from disclosing the related transaction.

(IV) Material contracts and implementation

1. On Mar. 7, 2003, Shenzhen Lionda Industry & Trade Co., Ltd. Labor Union Committee signed Equity Trusteeship Agreement with the Company. Shenzhen Lionda Industry & Trade Co., Ltd. Labor Union Committee entrusted its holding 20% equity of Industry & Trade Company to the Company for classified management by the means of equity trusteeship and the trusteeship term was from Jan. 1, 2003 to Dec. 31, 2005. During the trusteeship period, the Company exercised the operating right and voting right of this 20% equity and implemented the corresponding obligation. Since the Company held 32% equity of Industry & Trade Company originally, and adding 20% trusteeship equity, the equity held and trusted by the Company reached 52%. Moreover, the Company commissioned four directors to take the post of directors of Industry & Trade Company, taking 4/5 of the total number of its Board of Directors, thus the Company had real holding right to Industry & Trade Company. According to the relevant regulations of Enterprise Accounting System on consolidated accounting statements, from the year 2003, Industry & Trade Company was listed into the consolidated scope of the Company. (For details, please refer to Public Notice on the Lawsuit with Notice No. 2003-007 published in Securities Times and Hong Kong Ta Kung Pao dated Mar. 29, 2003.)

2. On July 1, 2003, Shenzhen Lionda Holdings Limited signed Equity Trusteeship Agreement with the Company. Shenzhen Lionda Holdings Limited entrusted its holding 19.03% equity of Shenzhen Goodyear Enterprise Company Limited to the Company for classified management by the means of equity trusteeship and the trusteeship term was from July 1,

2003 to Dec. 31, 2005. During the trusteeship period, the Company exercised the operating right and voting right of this 19.03% equity and implemented the corresponding obligation. The Company held 26.54% equity of Shenzhen Goodyear Enterprise Company Limited originally as the first principal shareholder. Since July.1, 2003, Shenzhen Lionda Holdings Limited entrusted its holding 19.03% equity of Shenzhen Goodyear Enterprise Company Limited to the Company for classified management by the means of equity trusteeship. Thus, the equity held and trusted by the Company reached 45.57%. Moreover, the Company commissioned five directors to take the post of directors of Shenzhen Goodyear Enterprise Company Limited, taking 5/9 of the total number of its Board of Directors, thus the Company had real holding right to Shenzhen Goodyear Enterprise Company Limited. According to the relevant regulations of Enterprise Accounting System on consolidated accounting statements, from July 1, 2003, Shenzhen Goodyear Enterprise Company Limited was listed into the consolidated scope of the Company. (For details, please refer to Public Notice on the Lawsuit with Notice No. 2003-022 published in Securities Times and Hong Kong Ta Kung Pao dated July 1, 2003.)

3. In the report period, the Company intrusted 20% share equity of Industry & Trade Company held by Shenzhen Lionda Industry & Trade Co., Ltd. Labor Union Committee and the expenses for trusteeship were accounted and distributed 5% of the total amount of net profit in the report year of Industry & Trade Company based on 20% share equity of Industry & Trade Company; the Company intrusted 19.03% share equity of Shenzhen Goodyear Enterprise Company Limited held by Shenzhen Lionda Holdings Limited and the expenses for trusteeship were accounted and distributed 80% of the total amount of net profit in the report year of Shenzhen Goodyear Enterprise Company Limited based on 19.03% share equity of Shenzhen Goodyear Enterprise Company Limited.

In addition, the Company did not trust, contract and lease the assets of other companies in the report period or in the previous years but going down to the report period or vice versa.

(V) Other significant events

(i) Change on the Controlling shareholder

In November 2003, the Company received (GZCQ Letter [2003] No.331) About the Official Reply about the relevant problems on the transfer of state-owned shares of Guangdong Sunrise Holdings Co., Ltd. issued by State Assets Supervision Administration Commission of the State Council. The Reply agreed to transfer 191.4 mil shares of the Company held by Shenzhen Investment Management Co., Ltd. to Shenzhen Lionda Holdings Limited. In December 2003, the Company received Dep. of Listed Company supervision of CSRC Letter [2003] No.334 about Assent on exempting the offer on the obligation of the acquisition of “ST Sunrise” shares by Shenzhen Lionda Holdings. Dep. of Listed Company supervision of CSRC agreed to exempt the offer on the obligation of the acquisition of “ST Sunrise” shares by Shenzhen Lionda Holdings. On Jan.5, 2004, the transaction of share transfer procedures finished in Shenzhen branch of China Securities Registered Clear Co., Ltd.. Please refer to the relevant public notice in Securities Times and in Hong Kong Ta Kung Pao dated Oct. 24, 2003, dated Nov. 25, 2003, dated Dec.26, 2003 and dated Jan.7, 2004 and at the website <http://www.cninfo.com.cn>, which discloses the information of the Company.

(ii) In the report period, the Company has no significant guarantee

(iii) In the report period or carrying down to the report period, the Company had neither significant entrusted cash assets to others' management nor significant entrusted loan.

(iv) In the report period or carrying down to the report period, the Company and the shareholders holding over 5% equity had no commitment events.

(v) The Certified Public Accountants engaged by the Company was still Shenzhen Dahua Tiancheng Certified Public Accountants and K.C.OH & company Certified Public Accountants and the audit expense paid to the Certified Public Accountants in the report year was RMB 0.36 million and RMB 0.36 million.

(vi) In the report period, the Company, the directors of the Company and senior executives has not been checked by CSRC, has no administrative punishment and circling criticism by CSRC and also has not been publicly criticized by SSE and other administrative departments.

X. FINANCIAL REPROT

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)

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	Restated
	Note	RMB'000	2002
			RMB'000
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

	Statutory surplus reserve RMB'000	Capital reserve RMB'000	Statuto ry surplu s reserve RMB'0 00	Statutory public welfare fund RMB'000	Discretio nary surplus reserve RMB'000	Accumulated loss RMB'000	Total reserves RMB'000	Share capital and total reserves RMB'000
As at January 1, 2002	288,420	298,744	78,894	18,285	40,621	(1,709,782)	(1,273,238)	(984,818)
- prior year adjustment								
- loss from letters of credit (note 26)	-	-	-	-	-	(31,238)	(31,238)	(31,238)
As restated	288,420	298,744	78,894	18,285	40,621	(1,741,020)	(1,304,476)	(1,016,056)
Loss for the year of 2002	-	-	-	-	-	(540,425)	(540,425)	(540,425)
Difference from renovation work on staff housing	-	-	-	28	-	-	28	28
As at December 31, 2002	<u>288,420</u>	<u>298,744</u>	<u>78,894</u>	<u>18,313</u>	<u>40,621</u>	<u>(2,281,445)</u>	<u>(1,844,873)</u>	<u>(1,556,453)</u>
As at January 1, 2003	288,420	298,744	78,894	18,313	40,621	(2,250,207)	(1,813,635)	(1,525,215)
- prior year adjustment								
- loss from letters of credit (note 26)	-	-	-	-	-	(31,238)	(31,238)	(31,238)
As restated	288,420	298,744	78,894	18,313	40,621	(2,281,445)	(1,844,873)	(1,556,453)
Profit for the year of 2003	-	-	-	-	-	11,944	11,944	11,944
Difference from renovation work on staff housing	-	-	-	53	-	-	53	53
As at December 31, 2003	<u>288,420</u>	<u>298,744</u>	<u>78,894</u>	<u>18,366</u>	<u>40,621</u>	<u>(2,269,501)</u>	<u>(1,832,876)</u>	<u>(1,544,456)</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	(120)	-
Cash inflow/(outflow) from operating activities before interest and tax payments	(36,713)	2,107

(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	<u>(62,514)</u>	<u>(17,203)</u>
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>27,414</u>	<u>1,858</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 EXPORT TRADING TRADING CO. LTD.	PRC	32% *	IMPORT 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% *** agar	Production of fruit jelly, jelly sweets and high strength
Shenzhen Lionda Materials Import & Export Co., Limited	PRC	100% *** clothing, silks and shoes	Import and export of printing material, machinery, chemical products,
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
FOOD	YUESHEN LIGHT INDUSTRY	PRC	50%	IMPORT AND EXPORT OF
	TRADING CO.			AND TEXTILES
ALLOY	HUNAN SHENLI SPECIAL	PRC	45%	PRODUCTION OF HARD
	ALLOY CO. LTD.			WARE
BATTERIES	SHENZHEN GOLDEN BELL	PRC	40%	PRODUCTION OF DRY
	BATTERIES CO. LTD.			AND ELECTRONIC
PRODUCTS				
CONSULTANT	SHENZHEN YINZHIZUO	PRC	40%	PROVISION OF LAW

RESTAURANT	CLUB			SERVICE	AND
TRANSPORTATION	SHENZHEN TAIYANG TCCP	PRC	34%	PRODUCTION,	
STEEL,	CO. LTD.			AND INSTALLATION OF	
				CONCRETE TUBE	
	SHENZHEN LIONDA BAO	PRC	30%	TRADING	
	SHUI TRADING CO. LTD.				
WATCHES, CLOCK	SHENZHEN ANMIZ WATCH	PRC	30%	PRODUCTION	OF
METERS	& CLOCK CO. LTD.			PARTS, COUNTERS AND	
	SHENZHEN GAOKEDA	PRC	30%	PRODUCTION OF HDLS	
	ELECTRONIC CO. LTD.			TRANSMISSION LINES	
DEVELOPMENT	SHANGHAI QINGPU YINDA	PRC	30%	PROPERTY	
	PROPERTY DEVELOPMENT CO.				
ENAMELWARE	SHENZHEN ENAMELWARE	PRC	20.33%	PRODUCTION	OF
	ENTERPRISE CO. LTD.				
PLASTIC	SHENZHEN JIANDA	PRC	20%	PRODUCTION	OF
ETC.	MACHINERY CO. LTD.			INJECTION MACHINERY,	

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 PARTS ELECTRONIC ENTERPRISE CO. LTD.	PRC	11% *	TRADING OF EQUIPMENT AND
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 RMB'000	2002 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 RMB'000	2002 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	<u>251</u>	<u>197</u>
And after crediting :		
Interest income	65	13
Rental income	<u>4,823</u>	<u>-</u>

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	-	81,079
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	<u>12,568</u>	<u>117,440</u>	<u>125,624</u>	<u>9,672</u>	<u>15,090</u>	<u>280,394</u>
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	<u>(3,066)</u>	<u>(44,427)</u>	<u>(81,588)</u>	<u>(8,163)</u>	<u>(12,413)</u>	<u>(149,657)</u>
Net book value						
As at December 31, 2003	<u>9,502</u>	<u>73,013</u>	<u>44,036</u>	<u>1,509</u>	<u>2,677</u>	<u>130,737</u>
As at December 31, 2002	<u>-</u>	<u>27,944</u>	<u>-</u>	<u>597</u>	<u>815</u>	<u>29,356</u>

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	(2,814)	-
Balance as at December 31, 2003	<u>1,811</u>	<u>18</u>

11. Interests in unconsolidated subsidiaries

	2003 RMB'000	2002 RMB'000
Cost of unconsolidated subsidiaries (*)	32,088	46,080
Impairment loss provision	(32,088)	(46,080)
	-	-
Amounts due to unconsolidated subsidiaries (*)	(5,169)	(3,906)
	<u>(5,169)</u>	<u>(3,906)</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	(8,332)	(14,561)
	9,839	46,636
Amounts due to associates	(373)	-
	<u>9,466</u>	<u>46,636</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 RMB'000	2002 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 RMB'000	2002 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	<u>2,849</u>	<u>-</u>
	<u>44,799</u>	<u>-</u>

16. Other receivables and prepayments

	2003 RMB'000	2002 RMB'000
Prepayments	9,454	440
Other receivables	<u>425,761</u>	<u>133,937</u>
	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	<u>326,482</u>	<u>133,937</u>
	<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 RMB'000	2002 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 RMB'000	2002 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 RMB'000	2002 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 RMB'000	2002 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	<u>78,046</u>	<u>-</u>
	<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)
	-	(98,590)
Minority interests	-	9,859
Loss on disposal of subsidiaries	-	<u>(5,981)</u>
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>1,101,552</u>	<u>1,052,482</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>11,944</u>	<u>(1,544,456)</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.

XI. DOCUMENTS FOR REFERENCE

The complete documents for reference are prepared and placed at the Secretariat of the Board of the Company for CSRC, Shenzhen Stock Exchange and shareholders of the Company to inquire. The documents include:

- (I) Accounting Statement carried with the personnel signature and seal of legal representative, person in charge of the financial affairs and person in charge of the handling accounting affairs;
- (II) Original of Auditor's Report with seal of Certified Public Accountants as well as personal signatures and seal of and the certified public accountants;
- (III) Originals of all documents as disclosed in public on the newspapers as designated by China Securities Regulatory Commission as well as the original manuscripts of the public notices published in the report period.
- (IV) Original 2003 Annual Report of the Company with the personal signature of Chairman of the Board.

Guangdong Sunrise Holdings Co., Ltd.

Chairman of the Board:

Apr. 10, 2004