Guangdong Sunrise Holdings Co., Ltd.
Third Quarterly Report 2004

1. Important notes

1.1 The Board of Directors of Guangdong Sunrise Holdings Co., Ltd. (hereinafter referred to as the Company) and its members 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.

1.2 Nine directors attended the meeting of the Board to discuss the Quarterly Report (by way of communication), Director Mr. Fan Song and Independent Director Mr. Guo Shipin didn't attend the meeting due to business trip.

1.3 Chairman of the Board of the Company, Mr. Yang Fenbo, Chief Financial Supervisor and General Manager, Mr. Pan Shiming and person in charge of accounting organization, Yun Chunhua hereby confirm that the Financial Report of the Quarterly Report is true and complete.

1.4 The Quarter Financial Statements have not been audited.

2. Company Profile

2.1 Basic information

Short form of stock	ST Sunrise A, ST Sunrise B	Short form before change (if have)	ST Lionda A, ST Lionda B
Stock code	000030,200030		

	Secretary of Board of Directors	Representative in Charge of Securities Affairs
Name	Ao Yingchun	Chen Liantan
Contact address	3/F of Dongxing Bldg., No. 76, Lixin Road, Luohu District, Shenzhen	3/F of Dongxing Bldg., No. 76, Lixin Road, Luohu District, Shenzhen
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2.2 Financial information

2.2.1 Major accounting data and financial indexes

Unit: RMB

	At the end of the report period	At the end of the previous year	Increase/decrease compared with the end of the last year (%)
Total assets	366,443,421.15	378,293,188.86	-3.13%

Shareholders' equity (excluding minority equity)	-1,566,255,441.68	-1,544,474,179.38	-1.41%
Net assets per share	-5.4305	-5.3549	-1.41%
Net assets per share after adjustment	-5.6934	-5.6173	-1.35%
	The report period (Jul.-Sep.)	From the year-begin to the end of report period	Increase/decrease of the report period than the corresponding period of last year (%)
Net cash flow arising from operating activities	8,408,898.67	6,242,588.35	-
Earnings per share	-0.021	-0.077	-
Return on equity (%)	-	-	-
Return on equity after deducting non-recurring gains and losses	-	-	-

Items of non-recurring gains and losses	Amount (RMB)
Net income/expenditure of non-operating	354,505.91
Total	354,505.91

2.2.2 Statement of profit

Statement of Profit and Profit Distribution (I)

Unit: RMB

Items	Jan. – Sep. 2003		Jan. – Sep. 2004	
	Consolidation	The Company	Consolidation	The Company
I. Income from core business	35,581,649.11	-	102,664,818.54	-
Less: Cost of core business	25,035,275.95	-	91,222,148.96	-
Taxes and extras of core business	229,632.35	-	150,715.15	-
II. Profit from core business	10,316,740.81	-	11,291,954.43	-
Add: profit	621,787.92	-	5,390,487.56	915,406.89

from other business lines				
Less: Operating expenses	1,866,775.86	-	4,846,639.36	-
Administrative expenses	12,081,645.50	5,472,253.19	9,150,470.83	2,877,371.71
Financial expenses	23,723,010.53	22,958,773.30	25,312,001.05	23,141,455.33
III. Operating profit	-26,732,903.16	-28,431,026.49	-22,626,669.25	-25,103,420.15
Add: Investment income	22,294,515.62	23,175,440.98	2,004,670.88	2,616,052.12
Subsidy income	-	-		-
Income from non-operating	1,827,363.06	20,139.00	417,708.89	307,143.68
Less: Expenditure of non-operating	2,632,455.85	243,748.24	63,202.98	350.00
IV. Total profit	-5,243,480.33	-5,479,194.75	-20,267,492.46	-22,180,574.35
Less: Income taxes	121,601.90	-	310,249.84	-
Minorities shareholders' gains and losses	114,112.52	-	1,602,832.05	-
Add: Unconfirmed investment loss	114,112.52	-	1,602,832.05	-
V. Net profit	-5,479,194.75	-5,479,194.75	-22,180,574.35	-22,180,574.35
Add: Retained profit at the year-begin	-2,317,794,577.86	-2,317,794,577.86	-2,337,641,680.95	-
Other transferred in	-174,968.08	-	-	-
VI. Profit available for distribution	-2,323,448,740.69	-2,323,273,772.61	-2,359,822,255.30	-2,359,822,255.30
Less: Withdrawal of	220,992.23	-	-	-

statutory surplus public reserve				
Less: Withdrawal of statutory welfare fund	220,992.23	-	-	-
Less: Withdrawal of welfare and encouragement fund	-	-	-	-
VII. Profit available for distributable to shareholder	-2,323,890,725.15	-2,323,273,772.61	-2,359,822,255.30	-2,359,822,255.30
Less: Dividend of preferable shares	-	-	-	-
Less: Withdrawal of arbitrary surplus public reserve	441,984.45	-	-	
Less: Dividend of common shares payable	-	-	-	-
Less: Dividend of common shares converted into share capital	-	-	-	-
VIII. Retained profit	-2,324,332,709.60	-2,323,273,772.61	-2,359,822,255.30	-2,359,822,255.30

Statement of Profit and Profit Distribution (II)

Unit: RMB

Items	Jul.- Sep., 2003		Jul.- Sep., 2004	
	Consolidation	The Company	Consolidation	The Company
I. Income from core	30,724,329.43	-	35,035,622.16	-

business				
Less: Cost of core business	23,121,039.00	-	30,703,435.65	-
Taxes and extras of core business	86,862.00	-	12,754.75	-
II. Profit from core business	7,516,428.43	-	4,319,431.76	-
Add: profit from other business lines	621,787.92	-	1,994,175.57	434,106.93
Less: Operating expenses	1,648,680.80	-	1,703,798.13	-
Administrative expenses	5,096,065.70	829,596.95	2,834,947.12	704,610.47
Financial expenses	8,145,152.69	7,373,385.08	8,622,648.76	7,838,357.56
III. Operating profit	-6,751,682.84	-8,202,982.03	-6,847,786.68	-8,108,861.10
Add: Investment income	866,323.47	1,703,090.52	1,701,895.71	1,974,263.37
Subsidy income	-	-		-
Income from non-operating	1,798,000.47	139.00	58,728.71	2,635.00
Less: Expenditure of non-operating	2,272,515.61	2,000.00	40,512.98	-
IV. Total profit	-6,359,874.51	-6,501,752.51	-5,127,675.24	-6,131,962.73
Less: Income taxes	121,601.90	-	214,468.18	-
Minorities shareholders' gains and losses	20,276.10	-	789,819.31	-
V. Net profit	-6,501,752.51	-6,501,752.51	-6,131,962.73	-6,131,962.73

2.3 Total number of shareholders in the end of report period and shares held by the top ten shareholder of circulation shares

Total number of shareholders in the report period	17,482	
Particulars about shares held by the top ten shareholder of circulation shares		
Name of shareholder	Number of circulating shares held in the period end	Type (A. B. H share or others)

CHINA EVERBRIGHT HOLDINGS CO. LTD	3,218,913	B-Share
WU CHING	584,922	B-Share
SHAO WEIJI	536,935	B-Share
CAI ZUJIAN	310,000	B-Share
LIUZhOU JIALI REAL ESTATE DEVELOPMENT CO., LTD.	280,000	A-Share
WEI JINGHUI	274,000	A-Share
ZHANG SHAOHE	270,100	A-Share
DENG SHAOPING	258,100	B-Share
LIN HONGBO	246,400	B-Share
XU LIBO	227,000	A-Share

3. Discussion and analysis of the Management

3.1 Brief analysis of total status of operating activities in the report period

In the report period the main business of the Company is property's operation and management as well as printing and packaging. The Company made certain progress in clearing the arrearage and circulating capital, so the Company is still able to collect operating capital to maintain normal production and operation. In the report period, the Company realized income from main business amounting to RMB 102,664,818.54, profit from main business amounting to RMB 11,291,954.43. However short-term loan of the Company still remains RMB 609 million high, which resulted in the financial expenses of the Company amounting to RMB 25.312 million high in the report period; in addition, administrative expenses was RMB 9,150,500 and operating expenses was RMB 4,846,600. The Company suffered loss in the third quarter of 2004 and the net profit is RMB 22,180,574.35 negative.

3.1.1 Particulars about main industries or products taking over 10% of the total amount of income from core business or profit of core business

√Applicable ☐Inapplicable

Unit: RMB 0'000

Product	Income from core business	Cost of core business	Gross profit ratio (%)
Printing and packaging	9,605.15	8,878.18	7.57%
Property operation and management	661.33	244.03	63.10%

3.1.2 Seasonal and periodicity characteristics of the operation

☐Applicable √Inapplicable

3.1.3 Profit formation of the report period (Explanation of reason and material change of proportion of profit of core business, profit of other business, period expense, investment income, subsidy income and income/expenditure of non-operating in the total amount of profit compared with the previous year)

□Applicable √Inapplicable

3.1.4 Explanation on material change of core business and its structure and the reason compared with the previous report period

□Applicable √Inapplicable

3.1.5 Explanation of reason and material change of profitability capability of core business (gross profit ratio) compared with the previous year

□Applicable √Inapplicable

3.2 Analysis and explanation of significant events and the influence and solutions

√Applicable □Inapplicable

The Company successively received one paper of civil mediation from Futian People's Court, Shenzhen, one paper of civil mediation from Shenzhen Intermediate People's Court, one answering lawsuit notification from Shenzhen Intermediate People's Court, five civil judgment from Shenzhen Intermediate People's Court, two civil judgment from Hainan Higher People's Court, two answering lawsuit notifications from Luohu People's Court, Shenzhen, two civil judgment from Shenzhen Luohu People's Court, one answering lawsuit notification from Shenzhen Nanshan People's Court, two civil judgment from Guangzhou Railway Transportation Intermediate People's Court, one Notification from Guangzhou Railway Transportation Intermediate People's Court and one probation of execution judgment from Guangzhou Guangzhou Railway Transportation Intermediate People's Court (please refer to the details in the Public Notice 2004-021 about Lawsuits published in Securities Times and Hong Kong Ta Kung Pao on Aug. 27, 2004), now the brief explanations were as follows:

I. About the lawsuit of loan contract dispute that Futian sub-branch of Shenzhen Development Bank indicted Shenzhen Guoyin Investment (Group) Co., Ltd. and the guarantee unit, the Company to Shenzhen Futian People's Court, in court, mediated by Shenzhen Futian People's Court before holding the court, both parties came to terms voluntarily: 1. Shenzhen Guoyin Investment (Group) Co., Ltd. paid all principal loan amounting to RMB 4 million and relevant interests to Futian sub-branch of Shenzhen Development Bank before Jun. 30, 2004. 2. The Company took joint guarantee responsibility for the above repayment of Shenzhen Guoyin Investment (Group) Co., Ltd.. The Company has withdrawn projected liabilities on the guarantee, which didn't affect the income of the current period.

II. The plaintiff Shenzhen branch of Bank of China provided USD principal loan amounting to RMB 3,800,000 to the Company on Jun. 27, 1996. Shenzhen Lionda Development Co., Ltd. undertook joint responsibilities guarantee for the loan. The Company didn't pay back interest of loan on schedule and Shenzhen Lionda Development Co., Ltd. didn't take joint guarantee responsibility. Therefore, the plaintiff Shenzhen branch of Bank of China indicted the Company and Shenzhen Lionda Development Co., Ltd. to Shenzhen Luohu People's Court. Shenzhen Luohu People's Court made civil judgment by law as follows: 1. The defendant, the Company paid back principal loan amounting to USD 3,800,000 and relevant interests in 10 days since the verdict took effect; 2. The defendant, Shenzhen Lionda Development Co., Ltd. undertook joint guarantee responsibility for the above liabilities. After the money was paid by Shenzhen Lionda Development Co., Ltd., Shenzhen Lionda Development Co., Ltd. was entitled to call back from the Company. The Company had withdrawn financial expenses on schedule about the borrowing, which had no other influence on the income of the current period.

III. About the lawsuit of loan contract dispute that Shenzhen branch office of China Oriental Assets Management Company indicted Shenzhen Taiyang Pipe Co., Ltd. and the guarantee unit the Company to Shenzhen Intermediate People's Court, Shenzhen Intermediate People's Court made civil judgment as follows by law: 1. The Defendant Shenzhen Taiyang Pipe Co., Ltd. cleared loan principalk amounting to USD 3.15 million and relevant interests to Shenzhen branch office of China Oriental Assets Management Company in 10 days since the judgment took effect. 2. The Defendant, the Company undertook joint guarantee responsibility for the above liabilities. After the Company paid for Shenzhen Taiyang Pipe Co., Ltd., the Company was entitled to call back from the company. The Company has withdrawn totally projected liabilities, which didn't influence the income of the current period.

IV. About the lawsuit of loan contract dispute that Shenzhen Investment Holdings Company indicted the Company to Shenzhen Intermediate People's Court, through the mediation of Shenzhen Intermediate People's Court, both parties came to terms beyond court. The litigants, the Company and Shenzhen Investment Holdings signed Composition with the contents as follows: 1. The Company confirmed owing Shenzhen Investment Holdings Company RMB 16579232; 2. Provided that the Company didn't pay back on schedule, Shenzhen Investment Holdings Company was entitled to dispose shares of Shenzhen Goodyear Printing and Packaging Industrial Co., Ltd. held by the Company through judicial procedures; 3. Provided that the payment that Shenzhen Investment Holdings Company got from disposing the above share equity surpassed RMB 16579232, the exceeding part should be returned to the Company; provided that the payment was less than RMB 16579232, the Company would continue to confirm the rest liabilities and paid back as soon as possible. 4. Both parties shared half the lawsuit expenses. The litigants required Shenzhen Intermediate People's Court to confirm the above composition in form of mediation. Shenzhen Intermediate People's Court made civil mediation for confirmation. The lawsuit just changed the creditor of the Company, which didn't affect the finance of the Company. The share equity at present didn't enter the essential disposing procedures, which didn't cause effect on the finance of the Company temporarily. In occurrence the Company would conduct relevant financial disposition.

V. About the case of loan contract dispute that Shenzhen branch of Bank of China indicted the Company and the guarantee unit SPEC to Shenzhen Intermediate People's Court, Shenzhen Intermediate People's Court made civil judgment by law as follows: 1. The defendant, the Company paid back principal HKD 24 million and relevant interests to Shenzhen branch of Bank of China in 10 days since the judgment took effect; 2. The defendant, SPEC undertook joint guarantee responsibility about the above liabilities. After SPEC paid for the Company, SPEC was entitled to call back from the Company. The Company had withdrawn financial expenses on the loan on schedule, which had no other influence on the income of the current period.

VI. About the case that Shenzhen branch of Agricultural Bank of China indicted Shenzhen Cangpin Import-Export Co., Ltd. and the guarantee unit, the Company to Shenzhen Intermediate People's Court on the bank acceptance note RMB 19582170.53 and RMB 9855700.67 (lawsuit objects of the two bills of action) dispute, and lawsuit that Shenzhen branch of Agricultural Bank of China indicted the Company and SPEC to Shenzhen Intermediate People's Court on the import negotiating financing payment HKD12109722 and USD 989262.70 (lawsuit object of the bill of action), Shenzhen Intermediate People's Court held the court consolidating the above three cases and made civil judgment by law. The civil judgment of the first two cases was as follows: 1. The Defendant, Shenzhen Cangpin Import-Export Co., Ltd. should pay back principal loan amounting to RMB 19582170.53 and RMB 9855700.67 and relevant interests to the Plaintiff, Shenzhen branch of Agricultural Bank of China in 15 days since the judgment took effect; 2. The defendant, the Company undertook joint clearing responsibility about the above liabilities of Shenzhen Cangpin Import-Export Co., Ltd.. The civil judgment of the latter case was as follows: 1. The defendant, the Company returned principal loan HKD 12109722 and USD 989262.70 and relevant interests to the Plaintiff, Shenzhen branch of Agricultural Bank of China in 15 days since the judgment took effect; 2. The defendant, SPEC undertook joint clearing responsibility on the above liabilities of the Company. The Company has withdrawn projected liabilities on the above first two lawsuits, which didn't influence the income of the current period. The Company has withdrawn financial expenses on the loan mentioned with the 3rd lawsuit as schedule, which didn't affect the income of the current period.

VII. The Plaintiff Huaqiaocheng branch of China Merchants Bank provided loan amounting to RMB 2.4 million for Shenzhen Lionda Electrical Appliances Co., Ltd.on Jan. 14, 2000, and the Defendant, the Company undertook joint guarantee responsibility for the above loan. After the loan came due, the plaintiff sent notice of a cal many times to the two defendants, but got no result. The plaintiff appealed to Shenzhen Nanshan People's Court. The Company has withdrawn projected liabilities about the lawsuit, which didn't influence the income of the current period.

VIII. About the case of loan contract dispute that Shenzhen branch of China Everbright Bank indicted Shenzhen Guanghualin Investment Co., Ltd and the guarantee unit the Company, Shenzhen Intermediate People's Court [2002] SZFJYCZ No. 282 Civil Judgment has taken lawful effect. According to the regulations of the above legal documents, the executees, Shenzhen Guangfalin Investment Co., Ltd. and the Company should pay back loan principal amounting to RMB 12796807.80 and relevant interests to the executor, Shenzhen branch of China Everbright Bank. In the implantation of the case, Shenzhen Intermediate People's Court froze 5 million shares of Beijing Wantong Industrial Co., Ltd. held by the Company. Because the executee didn't implement the effective lawful document, Shenzhen Intermediate People's Court made civil judgment as follows: put 5 million shares of Beijing Wantong Industrial Co., Ltd. held by the Company on auction. The lawsuit reduced the investment income of the Company. Because the auction procedures did not accomplish, the financial influence couldn't be estimated at present. After the accomplishment of auction, the Company would conduct financial disposition on the shares according to the transaction price.

IX. On Sep. 9, 1999, Dongmen sub-branch of Shenzhen branch of Industrial and Commercial Bank of China provided loan amounting to RMB 4 million to Shenzhen Cangpin Import-export Co., Ltd. and the Company provided guarantee for the loan. The loan wasn't paid back on due. Dongmen sub-branch urged to get back but got no result. Dongmen sub-branch appealed to Shenzhen Luohu People's Court and Shenzhen Luohu People's Court made civil judgment by law as follows: 1. The defendant Shenzhen Cangpin Import-export Co., Ltd. should pay back principal loan amounting to 4 million RMB and relevant interests in 10 days since the judgment took effect; 2. The defendant, the Company undertook joint clearing responsibilities about the above liabilities. After the Company paid for Shenzhen Cangpin Import-export Co., Ltd., the Company was entitled to ask for money from Shenzhen Cangpin Import-export Co., Ltd.. The Company had withdrawn projected liabilities on the lawsuit, which didn't influence the income of the current period.

X. About the case that Haikou Longhua sub-branch of China Construction Bank, Hianan province indicted Hianan Wanda Industrial and Trade Group Company and the guarantee unit, the Company about bank acceptance note, Hainan Higher People's Court auctioned by law 7 million sponsor domestic legal person' shares "ST Zhonghua" and 432000 directional legal person shares "ST Changling" registered in Shenzhen branch of China Securities Depository&Clearing Corporation Limited and held by the executee, the Company. The above shares were bought by Shanghai Buxin Industrial&Trade Co., Ltd., Shanghai Gaorong Investment Consultancy Co., Ltd., Huabao Trust Investment Co., Ltd. and Guangzhou Hengyong Yingfeng Enterprise Development Co., Ltd. and the shares has been auctioned and transacted. Hainan Higher People's Court made civil judgment by law: remove the sequestration and freezing on the 7 million sponsor domestic legal person' shares "ST Zhonghua" and 432000 directional legal person shares "ST Changling"registered in Shenzhen branch of China Securities Depository&Clearing Corporation Limited and held by the Company. The above shares were transacted as RMB 0.2916 and RMB 0.32 per share respectively. After deducting the expenses on evaluation, auction and transfer undertaken by the executee, the rest RMB 2061441.92 was transferred to the applicant executor. Because the executee had no other property affording to be executed continually, Hainan Higher People's Court made civil judgment as follows: 1. Stop the implementation of Hainan Higher People's Court [1999] QJCZ No. 1 civil judgment; in 10 years after the case stopped implementation, if the applicant executor find any property possessed by the executee available for execution, the applicant executor can applied execution again. The Company has withdrawn projected liabilities on the guarantee and the action price was higher than the book value, which produced investment income amounting to RMB 2061441.92.

XI. On Jun. 30, 2001, Shenzhen branch of Industrial and Commercial Bank of China provided loan amounting to RMB 17.9 million to Shenzhen Lionda Papermaking Co., Ltd.. The Company and Shenzhen Guoyin Investment (group) Co., Ltd. provided guarantee for the loan. The loan was not refunded on due. Shenzhen branch of Industrial and Commercial Bank of China urged to get back many times but got no result, so it appealed to Shenzhen Intermediate People's Court. The case was set to be held on Jul. 26, 2004. The Company has withdrawn projected liabilities on the lawsuit, which didn't influence the income of the current period.

XII. According to the judgments, which has taken law effect, Guangzhou Railway Transportation Intermediate Court accepted the designation of Guangdong Higher People's Court [2003] YGFZZZ No. 148 designated execution determination, on Dec. 11, 2003 placed cases on file and applied to execute 28 executing cases of the applicant executors, Shenzhen branch office of Industrial and Commercial Bank of China, Shenzhen Luohu sub-branch of China Merchants Bank, Shenzhen branch of Fuji Bank, Shenzhen branch of Bank of Communications, Shenzhen branch of Bank of China, Shenzhen branch of France Societe Generale Bank, Tianbei branch office of Buji sub-branch of Shenzhen branch of Agricultural Bank of China, Tianbei sub-branch of Shenzhen branch of Agricultural Bank of China, Longhua sub-branch of Shenzhen branch of Bank of China, Shenzhen Colored Metals Finance Co., Ltd., Beijing Techniques Import-Export Co., Ltd., CMCH and the executee, the Company. Because the executee didn't fulfill the obligations confirmed by the legal documents, Guangzhou Railway Transportation Intermediate People's Court made civil judgment as follows: freeze, seal up, sequestrate the property worthy of RMB 600 million of the executee, the Company; send notification to the Company. Guangzhou Railway Transportation Intermediate People's Court has sealed up and frozen the following property of the Company: 1. 11968590 sponsor domestic legal person's "ST Zhonghua" shares held by the Company and bonus shares and placing shares; 2. 95% share equity of Shenzhen Lionda Development Co., Ltd., 70% share equity of Shenzhen Lionda Timing Industrial Co., Ltd., 95% share equity of Shenzhen Lionda Food Industrial Co., Ltd., 95% share equity of Shenzhen Cangpin Import-Export Co., Ltd., 80% share equity of Shenzhen Yinkun Light Textile Chemical Co., Ltd., 95% share equity of Shenzhen Lionda Electrical Appliances Co., Ltd., and 30% Shenzhen Guangyingda Industrial Devlopment Co., Ltd. held by the Company. The share equity at present didn't enter the essential processing procedures, which had no influence on the finance of the Company temporarily. In actual occurrence, the Company would conduct relevant financial disposition.

XIII. Guanghou Railway Transportation Intermediate People's Court accepted the designation of Guangdong Higher People's Court, placed a case on file and executed 11 cases including L/C contract disputes case etc. between Shenzhen branch office of China Huarong Assets Management Company and Shenzhen China Bicycle Holdings Co., Ltd. and the Company. In the implementation of Guangzhou Railway Transportation Intermediate People's Court, the applicant executor appealed to stop implementation for the reason that USD 7.6 million and RMB 152425737.95 has been received during implementing the case and the principal object of applicant execution was all called back. Therefore, Guanghzhou Railway Transportation Intermediate People's Court made civil judgment as follows by law: [1998] SZFJCZ No. 153, No.

154, No.155, No. 156, No. 157, No. 158, No. 159, No. 160, No. 161, No. 162, and No. 163 civil judgment stopped implementation. The Company has conducted financial disposition in the corresponding years, which didn't affect the income of the year.

IX. Guangzhou Railway Transportation Intermediate People's Court accepted the designation of Guangdong Higher People's Court [2003] YGFZZZ No. 148 Designation Execution Decision, according to the judgments, which has taken law effect, on Dec. 11, 2003, placed cases on file and applied to execute cases of the applicant executors, Shenzhen branch office of China Huarong Assets Management Company, Chinese Merchants bank, Shenzhen branch of France Societe Generale Bank, Shenzhen branch of Bank of East Asia Co., Ltd., Shenzhen branch office of China Great Wall Assets Management Company, Longhua sub-branch of Shenzhen branch of Bank of China, Shenzhen Huali Package and Trade Co., Ltd., Shenzhen Colored Metal Finance Co., Ltd., Guimeng Chain (Shenzhen) Co., Ltd., Hongguang Bicyclepart (Shenzhen) Co., Ltd., Xinlong Bicyclepart (Shenzhen) Co., Ltd., Jiantai Rubber (Shenzhen) Co., Ltd., Guangzhou Yizheng Bicyclepart Co., Ltd., Dongguan Longyi Bicycle Parts Co., Ltd. and the executees, Shenzhen China Bicycle Holdings Co., Ltd. and the Company. In the implementation, Guangzhou Railway Transportation sealed up and froze property including real estate, stocks etc., of the executees. According to the notification of Guangdong Higher People's Court and relevant lawful regulations, Guangzhou Railway Transportation Intermediate People's Court made probation of execution decision: [2004] GTZFZZ No. 13, No 15-17, No. 19-22, No. 24, No. 25 and No. 30-43 cases respited to be executed six month from Apr. 14, 2004 to Oct. 13, 2004. The share equity at present didn't enter the essential processing procedures, which had no influence on the finance of the Company temporarily. In actual occurrence, the Company would conduct relevant financial disposition.

3.3 Particulars about accounting policies, accounting estimation, change of consolidated scope and significant accounting errors and explanation of reasons

□Applicable √Inapplicable

3.4 Relevant explanation of the Board of Directors and the Supervisory Committee under the situation of being audited and provided "Non-standardized opinion"

√Applicable □Inapplicable

Shenzhen Dahua Tiancheng Certified Public Accountants considered that the refunding pressure of the Company's short-term liabilities was comparatively large and there were large quantities of guarantee liabilities being suited, which would directly impact on the sustainable operation of the Company if they could not be removed in a short time. Thus, Shenzhen Dahua Tiancheng Certified Public Accountants produced unqualified Auditors' Report with emphasized matters. For this matter, the Board of Directors of the Company thought that though facing relatively large refunding pressure of short-term liabilities, the Company strengthened to clear arrearage to liquidize the assets and could manage to raise the running funds necessary for the normal production and operation. Simultaneously, the Company propelled the debt reorganization and implemented debt reorganization in line with commercial principles. In addition, the Company held 26.54% of Shenzhen Goodyear

Industry Co., Ltd. as the first Principal Shareholder and the Second Principal shareholder entrusted 19.03% of Shenzhen Goodyear Industry Co., Ltd. to the Company for management, thus the Company possessed actual control on Shenzhen Goodyear Industry Co., Ltd.; the Company held 32% of Shenzhen Lionda Industry&Trade Co., Ltd. as the first Principal Shareholder and another shareholder entrusted 20% of Shenzhen Lionda Industry&Trade Co., Ltd. to the Company for management in 2003, thus the Company possessed actual control on Shenzhen Lionda Industry&Trade Co., Ltd.. The above two companies possessed certain profitability. In conclusion, the Company possessed sustained operation ability.

3.5 Estimation of accumulative net profit from the beginning of the year to the end of next report period to be loss probably or the warning of its material change compared with the corresponding period of the last year and explanation of reason

□Applicable √Inapplicable

3.6 Rolling adjustment of annual business plan or budget ever disclosed

□Applicable √Inapplicable

Board of Directors of
Guangdong Sunrise Holdings Co., Ltd.
Chairman of the Board: Yang Fenbo

Oct. 22, 2004