GUANGDONG SUNRISE HOLDINGS CO., LTD.

Annual Report 2004

April 19th 2005

Important Statement

The Board of Directors and the directors of the Company guarantee that there are no significant omissions, fictitious or misleading statements carried in the Report and we will accept individual and joint responsibilities for the truthfulness, accuracy and completeness of the Report.

Shenzhen Dahua Tiancheng Certified Public Accountants issued qualifiedAuditors' Report of clean audit opinion with emphatic events and the Board of Directors and the Supervisory Committee of the Company also have explanation on relevant events. Investors are requested to pay attention on it.

10 directors voting at the board meeting stated that they couldn’t ensure the correctness, accuracy and completeness of the contents of the Annual Report or have objection for this report.

The list of directors absented the meeting:

Name of directors absented the meeting	The reason of absenting the meeting	Name of the consignee
Chen Zhitao	business trip	Nobody
Bang Wu	business trip	Ma Hong

Independent director Guo Shiping absented the meeting and entrusted independent director Ma Hong to present on behalf of him.

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

Table of Contents

Chapter I. Company Profile 5

Chapter II Financial Highlights 7

Chapter III. Changing in Share Capital and Shareholders 11

Chapter IV Particulars about the Directors, Supervisors, Senior Executives and Employees 17

Chapter V. Administrative Structure 25

Chapter VI. The Shareholders' Meeting 27

Chapter VII. Report of The Board of Directors 29

Chapter VIII. Report of the Supervisory Committee 41

Chapter IX. Significant Events 44

Chapter X. Financial Report 58

Chapter XI. Documents for Reference 117

Chapter I. 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)83877511
Authorized Representative in Charge of Securities Affairs: Chen Liantan
Contact Tel: (0755) 83875531
Contact Address: 4th Floor East, Block 203, Tairan Industrial Zone, Chegongmiao, Shenzhen
Fax: (0755)83875212
E-mail: lionda@mailcenter.com.cn

4. Registered Address: Tairan Industrial Zone, Chegongmiao, Shenzhen, Guangdong, P. R. China
Office Address: 4th Floor East, Block 203, Tairan Industrial Zone, Chegongmiao, Shenzhen
Post Code: 518040

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

Chapter II Financial Highlights

I. Major profit indices (in RMB yuan)

Gross profit	-47,598,307.34
Net profit	-47,938,995.60
Net profit deducted non-recurring gain/loss	-58,441,733.94
Major business profit	16,392,673.09
Other business profit	7,995,357.36
Operation profit	-55,371,875.90
Investment income	-146,224.49
Allowance income	0
None business income / expense (net)	7,919,793.05
Net Cash flow generated by business operation	13,695,335.45
Net decreasing of cash and cash equivalents	-10,186,540.53

Note 1: The net profit accounted under IAS was RMB-47923 thousand, and the earnings per share was RMB-0.1661 the diversity was described by the table bellow:

Items	Loss due to shareholders (RMB'000)
Financial Report audited by domestic CPA	-47,939
Adjusted: write back of amortizable expenses	16
Under International Accounting Standard	-47,923

Note 2: Items of non-recurring gains and losses and the relevant amount: (RMB'000)

Disposal gains and losses of investee company's equity	2,582,945.29
None business income / expense (net)	7,919,793.05
Total non-recurring gains and losses	10,502,738.34

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

Items	2004	2003	2002
Major business income	142,606,802.22	77,267,774.95	6,711,824.10
Net profit	-47,938,995.60	11,391,186.93	-566,485,166.06
Gross Assets	298,458,668.64	378,293,188.86	203,258,077.52
Shareholders' Equity (Exclude Minority Shareholders' Equity)	-1,591,989,994.93	-1,544,474,179.38	-1,556,403,680.29
Earnings per share	-0.1662	0.0395	-1.9641
weighted average	-0.1662	0.0395	-1.9641
On full amortizing basis	-0.1662	0.0395	-1.9641
Earnings per share after deducting of non-recurring gain/loss	-0.2026	-0.1534	-0.9436
Net asset per share	-5.5197	-5.3549	-5.3963
Net asset per share, adjusted	-5.7801	-5.6173	-5.3973
Net Cash flow per share generated by business operation	0.0475	-0.0372	-0.0067
Net earnings / capital ratio (%)	-----	-----	-----
Weighted everage (%)	-----	-----	-----
Fully diluted (%)	-----	-----	-----
Net earnings / capital ratio after deducting of non-recurring gain/loss (%)	-----	-----	-----

III. Supplementary Income 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 of the report period	Year 2004				Year 2003			
	Earnings per share (RMB)		Net earnings / capital ratio (%)		Earnings per share (RMB)		Net earnings / capital ratio (%)	
	On full amortizing basis	weighted average	On full amortizing basis	weighted average	On full amortizing basis	weighted average	On full amortizing basis	weighted average
Major business profit	0.0568	0.0568	-0.0103	-0.0103	0.0456	0.0456	-0.0085	-0.0085
Operation profit	-0.1920	-0.1920	-----	-----	-0.1654	-0.1654	-----	-----
Net profit	-0.1662	-0.1662	-----	-----	0.0395	0.0395	-0.0074	0.0074
Net profit deducted non-recurring gain/loss	-0.2026	-0.2026	-----	-----	-0.1534	-0.1534	-----	-----

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

Items	Share capital	Capital reserves	Surplus reserves	Stautory public welfare	Un-distributed profit	Shareholders' equity
Initial	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
Increased this term	0	0	423,180.05	423,180.05	0	0
Decreased this term	0	0	0		47,938,995.60	47,515,815.55
At the end of term	288,420,000.00	366,865,874.73	138,304,806.89	18,789,906.22	-2,385,580,676.55	-1,591,989,994.93
Cause of change			Balance of housing reforming program retrieved from	Balance of housing reforming program retrieved from	Loss	Loss

Chapter III. Changing in Share Capital and Shareholders

I. Movement of Capital Share

(I) Movement of Capital Share

In shares

	Before the change	Changed this term (+,-)						After the changed
		Share allotted	Bonus shares	Transferred from reserves	New offer	Others	Sub-total	
I. None negotiable shares								
1. Promoter's shares	191400000							191400000
Including:								
State-owned shares	191400000							191400000
Domestic legal person shares								
Overseas legal person shares								
Others								
2. Legal person shares placed	17160000							17160000
3. Employees' shares								
4. Preference shares or others								
Total of non-negotiable shares	208560000							208560000
II. Negotiable shares								
1. Common shares in RMB	40260000							40260000
2. Foreign shares in domestic market	39600000							39600000
3. Foreign shares in overseas market								
4. Others								
Total of negotiable shares	79860000							79860000

III. Total of capital shares	288420000							288420000

(II) Share placing and listing

1. Till 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. The company has no employee shares.

II. Particulars about the Shareholders

1. At the end of the report period, the Company had totally 16768 shareholders, including 6 of non-current share holders, 11635 of current A-share holders, and 5437 of current B-share holders.

2. The top 10 shareholders (Ended June 30th 2004)

Name of the shareholder	Shares held at the end of year	Share proportion %	Pledged or frozen	Class of shareholding
Shenzhen Lionda Group Co., Ltd.	191400000	66.36%	0	Promoter's shares
Shenzhen Colored Metal Financial Co. Ltd.	5280000	1.83%	N/A	Domestic oriented legal person's shares
Shenzhen International Trust & Investment Co.	5280000	1.83%	N/A	Domestic oriented legal person's shares
Shenzhen Huachengda Investment Holding Co., Ltd.	3960000	1.37%	N/A	Domestic oriented legal person's shares
CHINA EVERBRIGHT HOLDINGS CO.LTD	3098555	1.07%	N/A	B shares
Shenzhen Guoyin Investment Development Co., Ltd.	2640000	0.92%	2640000	Domestic oriented legal person's shares
WU CHING	584922	0.20%	N/A	B shares
Liuzhou Jiali Real-estate Development Co., Ltd.	445000	0.15%	N/A	A shares
Shao Weiji	380100	0.13%	N/A	B shares
Cai Zujian	310000	0.11%	N/A	B shares

Note (1): Shenzhen Lionda Group Co., Ltd. is the controlling shareholder of the Company, and the shares held were sponsor's shares, which were not listed and circulated. There exists no associated relationship between top ten shareholders, and there isn't any "action in concert" as setout 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 are applicable under "action in concert" by the Management Measure of Information Disclosure on Change of Shareholding for Listed Company.

(2) Among the top ten shareholders, Shenzhen Lionda Group Co., Ltd. was holding state-owned legal person shares. For Lionda Co. performed restructuring process at the beginning of year 2004, the

procedures of changing the category of the shares it's holding into public shareholder is not able to be completed.

(3) For Shenzhen Guoyin Investment Development Co., Ltd. has been involved in the lawsuit with China Communication Bank Shenzhen Nanshan Branch, the Bank requested property protection procedure to the court. The 2.64 million legal person shares was frozen by Shenzhen Intermediate Court on August 3rd 2000. On November 7th 2000, the court issued a civil judgement. In the judgement, the court stated that China Communication Bank Shenzhen Nanshan Branch has the right to sell the 2.64 million legal person shares.

3. Particulars about the controlling shareholder and practical controller

(1) The Controlling shareholders

Shenzhen Lionda Group Co., Ltd., the controlling shareholder of the Company, was incorporated in June 1997 with registered capital of RMB586.49 million. Mr. Li Chengyou is the legal representative. The company is involved in investing and starting of business (subject to report individually), domestic commerce, goods supplying (special and monopolized goods not included), international trading (as set by the qualification certification), and developing of land No. T306-0013.

(2) The practical controlling party

For Shenzhen Lionda Group Co., Ltd., the controlling shareholder, was restructured on March 4th 2004. Shenzhen Investment Administration Co., Ltd., the shareholder of the group were replaced by the union of Shenzhen Lionda Group Co., Ltd.(account for 90%) and the union of Shenzhen Yili Industrial Co., Ltd. (account for 10%), therefore the practical controller is the union of Shenzhen Lionda Group Co., Ltd.

(3) Changing of controlling shareholder and practical controller of the Company

On Jan 5th 2004, Shenzhen Investment Administration Co., Ltd., the controlling shareholder was replaced by Shenzhen Lionda Group Co., Ltd. For details please go to January 7th 2004 issues of Securities Times and Ta Kung Pao, as well as the official website http://www.cninfo.com.cn .

On March 4th 2004, Shenzhen Investment Administration Co., Ltd., the controlling shareholder of the Company was replaced by the workers' union of Shenzhen Lionda Group Co., Ltd. For details please go to January 7th 2004 issues of Securities Times and Ta Kung Pao, as well as the official website http://www.cninfo.com.cn .

(4) Chart of the controlling relationship between the practical controller and the Company

The workers' union of Shenzhen Lionda Group Co., Ltd.

↓

Shenzhen Lionda Group Co., Ltd.

↓

Guangdong Sunrise Holdings Co., Ltd.

4. Particulars about the top 10 holders of current shares

No.	Name of shareholders	Shares held at the end of year	Share categories (A, B, H or others)
1	CHINA EVERBRIGHT HOLDINGS CO.LTD	3098555	B shares
2	WU CHING	584922	B shares
3	Liuzhou Jiali Real-estate Development Co., Ltd.	445000	A shares
4	Shao Weiji	380100	B shares
5	Cai Zujian	310000	B shares
6	Ma Yinghua	275100	A shares
7	Deng Shaoping	258100	B shares
8	Lin Hongbo	246400	B shares
9	CHINA PINGAN INSURANCE（HK）CO.LTD	221020	B shares
10	Peng Jinglan	220506	B shares

Statement about related parties: The Company is not informed if there are any related parties among the holders of current shares

Chapter IV Particulars about the Directors, Supervisors, Senior Executives and Employees

I. Directors, Supervisors and Senior Executives

Profiles of the current directors, supervisors and senior managements and their shareholding status

Name	Sex	Position	Age	Job term	Shares held	
					At beginning of term	At the end of term
Yang Fenbo	M	Chairman	47	2002.5.21 — 2005.5.20	0	0
Pan Shiming	M	Director, GM	34	2002.5.21 — 2005.5.20	0	0
Ao Yingchun	M	Director, secretary of Board	36	2003.3.3 — 2005.5.20	0	0
Chen Zhitao	M	Director	37	2002.8.6 — 2005.5.20	0	0
Yang Yi	M	Director	33	2004.4.8 — 2005.5.20	0	0
Fan Song	M	Director, Vice GM	41	2003.12.10 — 2005.5.20	0	0
Liu Boyang	M	Director	47	2004.4.8 — 2005.5.20	0	0
Guo Shiping	M	Independent Director	47	2003.4.16 — 2005.5.20	0	0
Wu Zhaolin	M	Independent Director	62	2003.4.16 — 2005.5.20	0	0
Ma Hong	M	Independent Director	37	2003.4.16 — 2005.5.20	0	0

Ban Wu	M	Independent Director	59	2003.12.10 — 2005.5.20	0	0
Li Xin	M	Chairman of the supervisory comission	44	2002.5.21 — 2005.5.20	0	0
Chen Laiyun	M	Supervisor	36	2003.12.10 — 2005.5.20	0	0
Yu Zuquan	M	Supervisor	42	2004.4.8 — 2005.5.20	0	0

Notes:

(1) None of the above directors, supervisors and senior executives was holding the shares of the Company during the report term.

(2) Job taking in shareholding parties

Director Yang Yi is taking Vice Director of Financial Dept. of Shenzhen Lionda Group Co., Ltd. the job term started April 10th 2001 up to present.

Supervisor Li Xi was taking the General Manager of property section of Shenzhen Lionda Group Co., Ltd. his job term started July 15 15th 2003 and ended December 31st 2004.

Supervisor Yu Zuquan was the director of Auditing and Inspection Dept. of Shenzhen Lionda Group Co., Ltd., his job term started March 15th 2003 and ended December 31st 2004.

2. Major background of the directors, supervisors, senior executives and jobs taken in parties other than shareholding parties

(1) The directors

Mr. Yang Fenbo, Chairman of the Board, Male, born in Sept. 1957, at Chaozhou Guangdong, CCP member. Graduated from South China Science & Technology University majored light chemistry engineering. Bachelor degree, taking postgraduate course, senior economical qulification.
1974-1978 Tax officer, Anbu Tax Office, Chaozhou, Guangdong;
1978-1982 Study in South China Science & Technology University;
1982-1985 Engineer, vice chief of workshop, director of technical reforming office, Shenzhen Paper Company;
1985-March 2002, Vice director of development division, director of development division and technical

division, assistant to the GM, assistant to the Chairman, vice chief engineer, chief engineer, Shenzhen Lionda Group Co., Ltd.
March 2002 – March 2003, Chairman & GM of Guangdong Sunrise Holdings Co., Ltd.
March 2003 – present, Chairman of Guangdong Sunrise Holdings Co., Ltd.

Mr. Pan Shiming, General manager, male, born in May 1971, Jiangyan Jiangsu, CCP member, graduated from International business school of Nanjing University, master of economics, qualified economist.
1992-1994, technical developer, assistant engineer, Nanjing Chenguang Machinery Factory (National No.307 Factory);
1994-1997 Study in Nanjing University
1997-2000 Credit manager, Shenzhen Development Bank;
2000 – March 2002, vice director of financial department, secretary of the Board, and director of property and development division, Shenzhen Lionda Group Co., Ltd.;
March 2002 – March 2003, Director, Vice GM, secretary of the Board of Guangdong Sunrise Holdings Co., Ltd.
March 2003 – present, director, GM of Guangdong Sunrise Holdings Co., Ltd.

Mr. Ao Yingchun, Director, Male, born in February 1968, Han nationality, from Xin'gan Jianxi, CCP member, graduated from Mid-south University of Industry, automatic engineering major of automatic control engineering department, Master of engineering, qualified engineer.
April 1993 – May 1996, assistant manager of engineering dept., Shenzhen Zhonghua Bicycle (Group) Holdings Co., Ltd.
June 1996 to May 1997, vice director of personnel dept., Shenzhen Teketai Ceramic Co., Ltd. ;
June 1997 to October 2002, director and secretary of the Board, assistant of GM, director of GM office, Shenzhen Jianan Industrial Holdings Co., Ltd.
October 2002 to February 2005, director of the executive office, Guangdong Sunrise Holdings Co., Ltd.
March 2003 – present, secretary of the Board, Guangdong Sunrise Holdings Co., Ltd.

Mr. Chen Zhitao, director, male, born in 1967, Guangdong, Han nationality, bachelor degree, qualified engineer. Graduated from Jinan University, Computing major, in 1990.
1990-1998, sales, vice chief, chief of division, assistant manger, Shenzhen International Trust & Investment Co., Ltd.
1998-2001, Assistant manager and vice manager of financing dept., Shenzhen International Trust & Investment Co., Ltd.;
March 2001 – December 2003, Vice manager of property management, Shenzhen International Trust & Investment Co., Ltd.;
January 2004 till present, General manager of Shenzhen Sheguotou Real-estate Development Co., Ltd.

Mr. Yang Yi, director, male, born in May 1972, Han nationality, from Yunmeng Hubei, CCP member, graduated from Xia'men University, economics major. Bachelor of economics, qualified accountant.
July 1993 – March 1999, work in auditing department, Shenzhen Lionda Group Co., Ltd.
March 1999 – April 2001, director of financial dept., Shenzhen Jianian Industry Holdings Co., Ltd.;
April 2001 till present, vice director of financial department, Shenzhen Lionda Group Co., Ltd.

Mr. Fan Song, director, male, born in November 1963, Huangshan Anhui, Han nationality, CCP member, taking part-time doctorial degree course in Xi'an Communication University, qualified senior economist.
July 1984 – August 1986, technician, Anhui Ma'anshan Metallurgy Industry Co. Tube Factory;
Sept. 1986 – May 1989, master of system engineering course in North-China College of Engineering;
June 1989 – August 1990, assistant engineer, Suzhou Xunda Elevator Co., Ltd. Engineering Dept.
Sept 1990 to Jan 1998, worked in the municipal government of Ma'anshan, Anhui, and took the positions of vice chief of section, director of Shenzhen Office, vice GM of Shenzhen Juxin Economic & Trading Co., Ltd.
Feb 1998 – June 1999, director of property & development dept., Shenzhen Lionda Group Co., Ltd.
July 1999 to June 2001, chairman, GM, secretary of the CCP commission, Shenzhen Lionda Industrial and Trading Co., Ltd.
July 2001 – June 2003, Director, GM, secretary of the CCP commission, executive president of Shenzhen New Century Water Technologies Co., Ltd.
July 2002 – December 2004, vice GM, Guangdong Sunrise Holdings Co., Ltd.

Mr. Liu Boyang, director, Male, born in August 1957, Han nationality, from Xiantao Hubei, CCP member, graduated from the Guangdong Provincial Parties College, economics & management undergraduate programme, journalist, qualified political profession.
December 1975 – August 1985, military service, secretary and public relationship clerk;
September 1985 – December 1996, worked in Congyang County Hubei, use to be in the positions of secretary of the government executive office, researcher of policy researching office, vice governor, vice secretary of CCP commission, secretary of CCP commission of Huancheng County and Daqiao County; office director of statistics bureau and chief of statistics center of Xianning.
January 1997 – October 2001, vice general manager of Shenzhen Jianjia Industrial and Trading Co, Ltd., manager of auditing & inspection dept. of Construction Material Group, chairman and GM of Shenjian Yueyang Industrial Development Co., Ltd., chairman, GM and vice secretary of CCP commission of Shenjian Stone Material Co., Ltd.
October 2001 – June 2002, temporary job in Shenzhen Investment Administrative Co., Ltd.
July 2002 – February 2004, vice director of financial department, vice director of strategic development division, Shenzhen Lionda Group Co., Ltd.
March 2003 – present, director of operation & administrative dept., Guangdong Sunrise Holdings Co., Ltd.

Mr. Guo Shiping, independent director, male, born in March 1957, from Yinan Shandong, Han nationality, CCP member, graduated from economic dept. of Wuhan University, doctor of economics, tutor of doctorial programme, professor.
February 1985 – August 1988, lecturer, vice professor, Xiangtan University, dept. of economics.
Sept. 1988 – Nov. 1993 teaching in economics dept. of Wuhan University, standing vice director and professor of Hong Kong Macau Taiwan Economics Research Centre of Wuhan University.
December 1997 – July 1995, vice director and director of division, Shenzhen City Government, political reforming committee, macro adjustment division.
1995 till present, working in Financial Dept. of Shenzhen University, director of the dept., tutor of doctorial programme, professor, chief of International Finance Institute.

Mr. Wu Zhaolin, independent director, male, born in Jan. 1942, Han nationality, from Dong'er County Shandong, CCP member, graduated from No.9 School of Air Force. College diploma.
August 1959 – January 1981, student pilot, stuff officer of Guangzhou Air-force Headquarter, chief of secretary office of Air-force Division 18, vice political commissioner.
February 1981 to August 1991, division chief, vice director of economical inspection, director of suing division, Guangdong Provincial People's Court; commissioner of inspection committee, Guangdong Provincial Prosecution Department, vice chief of Guangdong Provincial Anti-corruption Bureau.
September 1991 April 1999, director of No.2 inspection office, standing commissioner, inspector (senior bureau level), Shenzhen Discipline Inspection Commission.
May 1999 – April 2000, intercessor, Shenzhen Intercessory Committee.
May 2000 till present, Lawyer of Guangdong Zhenggang Law Firm.

Mr. Ma Hong, independent director, male, born in August 1967, Han nationality, from Taishan Guangdong, graduated from college of Shenzhen University, business management major, college diploma, accountant, certified accountant, certified tax accountant.
January 1989 – February 1993, auditor, Shenzhen Jinpeng CPA;
March 1993 – November 1999, partner, Shenzhen Huangjia Accountants;
December 1999 till present, partner, Shenzhen Licheng Accountants;

Mr. Ban Wu, independent director, male, born in September 1946, from Dashiqiao Liaoning, Han nationality, CCP member, college graduated, member of International Legal Association, member of China Legal Association, certified senior judger, director of Shenzhen Association of Judgers.
1966 – Feb. 1968 public relationship staff in county government and CCP commission.
Mar.1968 – Jan.1982, group leader, company commander, instructor, tutor, and section chief of independent division No.2 Shenyang Military Section, guarding division No.6 and Jilin Military Section.
Feb. 1982 – July 1988, High Court, Jilin Province
Aug. 1988 – January 1990, transferred temporarily to Hainan Province Qiongnan Intermediate Court and take the position of president judger of economical court.
Feb. 1990 to July 2003, work in Shenzhen Intermediate Court. President judger of No.1 and No.2 court, also takes the job of commissioner of justice commission.

(2) The supervisors

Mr. Li Xin, Chairman of the Supervisory Committee, Male, Han nationality, born in Oct. 1961, member of CCP, from Wenshang Shandong, postgraduate diploma, graduated from business & economics major of China Social Science Institute.
March 1979 – Oct. 1998, court police, assistant prosecutor, vice chief, chief, vice director of bureau, inspectional commissioner of Shandong Zibo Ziliu People's Court.
Oct. 1998 to Dec. 1998 director of administrative dept., Shenzhen Zhongqing Packaging & Printing Co., Ltd.
Dec. 1998 to July 2003, vice director, director of discipline inspection dept., inspector, director of legal dept., director of auditing dept., Shenzhen Lionda Group Co., Ltd.
2003 – Dec. 2004, Chairman of Shenzhen Oriental Enterprise Co., Ltd., GM of property division of

Shenzhen Lionda Group Co., Ltd.

Mr. Chen Laiyun, Supervisor, Male, Han nationality, born in Nov. 1968, CCP member, from Nanyang Henan, living in Futian Shenzhen at present.
Jun. 1993, graduated from economic law dept. North Industrial University Economics & Management School, bachelor of law, certified lawyer, certified intermediate economist specialized in real-estate and certified enterprise legal counsellor.
July 1993 – August 1994 Shenzhen Huixing United Technologies & Trade Company.
Aug. 1994 – Feb. 1997 Lawyer of Shenzhen Pacific-Asia Law Firm.
Feb. 1997 – Nov. 1999, worked in Shenzhen Zhonghua Bicycle (Group) Co., Ltd. and took the positions of legal counsellor, vice manager of business management, and director of president's office.
Nov. 1999 till present, worked in Shenzhen Lionda Group Holdings Co., LTd. (now Guangdong Sunrise Holdings Co., Ltd.), use to take the positions of vice director of legal office, vice director of disciplinary inspection office, assistant of the GM and director of legal office.

Mr. Yu Zuquan, Supervisor, Male, born in Aug. 1962, Han nationality, from Anhui, graduated from Jiangxi College of Finance & Economics, undergraduate diploma, qualified accountant.
July 1985 – Feb. 1992, worked in Anhui Bureau of Auditing
Mar. 1992 – Mar. 2000, worked in auditing dept. and international trade dept. of Shenzhen Nanyou Group.
April 2000 – Dec. 2002, assistant of GM and financial manager of Shenzhen Tongnuo Co., Ltd.
Jan. 2003 – Feb. 2004, financial manager of Taiping Insurance Guangdong Branch.
Mar. 2004 – Dec. 2004, director of Auditing & Inspection Dept., Shenzhen Lionda Group Co., Ltd.

(3) The senior executives

Profiles of GM Pan Shiming, vice GM Fan Song, and secretary of the Board Ao Yingchun are available in the list of directors shown above.

II. Particulars about the annual remuneration

1. Policies of annual remuneration of the Directors, Supervisors, and Senior Executives

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.

2. Details of the annual remuneration

The Company had totally 11 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 67,400. 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 438,000; the total amount of annual remuneration of the top three senior executives drawing the highest payment was RMB 438,000.

Among the directors, supervisors and senior executives not drawing remuneration from the Company, Director Chen Zhitao, Liu Chuan, Yang Yi, and Supervisor Li Xin, and Yu Zuquan drew remuneration from the shareholding parties.

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.

III. Dismissing and engaging of directors, supervisors and senior executives of the Company in the report period

(1) On Jan 14th 2004, the 1st Provisional Shareholders' Meeting of 2004 was held. The resigning request of Mr. Rao Jiangshan and Mr. Tang Jianxi was approved, where Mr. Fan Song and Mr. Ban Wu were elected the director and independent director respectively. The meeting also approved the resigning of Mr. Wang Hangjun and Ms. Ji Tielan from the positions of supervisor and Mr. Chen Laiyun was engaged the new supervisor.

(2) On the Shareholders' Meeting 2003 held on May 21st 2004, Mr. Liu Chuan and Mr. Zang Weidong were approved to resign from the positions of director, where Mr. Yang Yi and Liu Boyang were engaged the new directors. In the meantime, Mr. Yang Yi was approved to resign from the position of supervisor, where Mr. Yu Zuquan was engaged the supervisor of the Company.

IV. Particulars about the employees

As of December 31st 2004, the Company posses 751 of employees, 2 retired employees, the followings are the formulating of the employees:

Category	Number of employees	Proportion %
Production	574	76.43
Sales	73	9.72
Technical	65	8.66
Finance	12	1.60
Executive	13	1.73
Others	14	1.86
Total	751	100

Among them, there was 1 doctorial degree holder, 10 master degrees, 79 bachelor degrees, 77 college diplomas, and 584 others.

Chapter V. Administrative Structure

I. Management of the Company

Under the requirement of the Company Law, Security Law and Public Company Management Regulations, the company kept optimizing the management structure and operate the company in a standardized mean to ensure its healthy development. During the report term, the "Article of Association" was revised. There is not obvious different between the practical situation of the Company and the regulatory documents issued by the Regulatory Council about the management of listed companies.

II. Performance of the independent directors

In the report term, all of the 4 independent directors are performing their duties faithfully and presented the meetings of the Board and shareholders as required by the relative laws, regulations and the Article of Association of the Company. They also provided their opinions from their professional view on the decision-making and personnel alternation of the Company. They paid close attention on the operation of the Company against relative laws, promoted the improving of decision-making procedures towards scientific and standard in viewing of protecting the legal benefit of the entire shareholders.

1. Independent directors' presenting of board meetings

Name of Independent Director	Times of board meetings to present	Attended personally	Presented by proxy	Absented	Remarks
Ma Hong	5	5	-	-	Including board meetings by means of remote voting
Guo Shiping	5	3	-	2	
Wu Zhaolin	5	4	-	1	
Ban Wu	5	5	-	-	

2. Objection upon relative events raised by the independent directors

None of the 4 independent directors raised any objection upon any proposals of the board meeting or proposals beyond the board meeting.

III. Particulars about the separation of business, personnel, assets, organization, and accounting with the controlling shareholder

1. In respect of business operation: The Company is completely independent from its controlling shareholder in term of business operation. The Company is engaged in packaging materials printing and operation and management of property, most of the business are operated by the subsidiaries consolidated in the financial statements. All of these businesses have their own business controlling system and independent purchasing and sales system. All of the purchasing and sales are under the operation of the purchasing and marketing department. The chain of researching, production, supplying and sales are completely separated with those of the controlling shareholder.

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 general manager, deputy general manager, person in charge of finance and secretary of the Board are full time employees in the Company without taking any concurrent position in the shareholding parties, they receive remunerations from the Company. The decisions on engaging and dismissing of personnel as made in the board meeting and shareholders' meeting were performed efficiently. The controlling shareholder was by no means controlling the decision on personnel management.

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 term, the controlling shareholder was neither occupied or controlled the Company's assets nor interferes operation and management of the Company.

4. In respect of finance: The Company has established its own finance and accounting department as well as a complete accounting system. The controlling shareholder was by no means controlling the capital operation of the Company. The Company has its own independent bank account, no fund was saving in the shareholders' account or financial bodies controlled by any other related parties. The Company undertook its own tax responsibilities.

IV. Assessment and motivation system

In the report term, the Company has set up an assessment and motivation system for executives. Managers were required to provide annual report on their performing of duties at the end of each year. Assessment processes were undertaken on the performances of the senior executives and people at the bottom of list will be eliminated.

Chapter VI. The Shareholders' Meeting

The Company held two shareholder's meeting in the report term. The followings are the details.

I. The Shareholders' Special Meeting 2004

The Board of Directors of the Company issued the notification of holding the 1st Shareholders' Special Meeting 2004 on the December 12th 2004 issues of Securities Times and Ta Kung Pao. The meeting was held on January 14th 2004 in the meeting room of the Company located at the 6th floor of Jiahua Building, Huaqiangbei Rd., Shenzhen.

4 shareholders (or proxies) presented the meeting, representing 202,088,700 shares, account for 70.07% of the total capital shares of the Company. As of them, 202,088,700 were A-stocks, takes 70.07% of the total capital shares, whereas 0 was B-stocks. The calling and holding of the meeting was complying with the "Company Law" and the Article of Association of the Company. The meeting was presided by Chairman Yang Fenbo, the following 4 proposals was examined and adopted by the meeting:

1. Proposal on revising the Articles of Association;

2. The proposal on altering of directors
   1) The resigning of Rao Jiangshan from the position of director;
   2) The resigning of Tang Jianxi from the position of director;
   3) Engaging Mr. Fan Song as the new director of the Board, accumulated voting system was adopted in the electing process.

3. The proposal on electing new independent directors: Mr. Ban Wu was elected the independent director of the Company, accumulated voting system as adopted in the electing process.

4. The proposal on altering of supervisors
   1) The resigning of Mr. Wang Hangjun from the position of supervisor;
   2) The resigning of Ms. Ji Tielan from the position of supervisor;
   3) Approved the nominating of Mr. Chen Laiyun as the new supervisor;

The resolutions of the shareholders' special meeting were announced by the January 15th 2004 issues of Securities Times and Ta Kung Pao.

II. The Shareholders' General Meeting 2003

The Board of Directors of the Company issued the notification of holding the Shareholders' Meeting 2003 on the April 13th 2004 issues of Securities Times and Ta Kung Pao. The meeting was held on May 21st 2004 in the meeting room of the Company located at the 3rd floor of Dongxing Building,Lixin Rd., Luohu, Shenzhen.

3 shareholders (or proxies) presented the meeting, representing 201.96 million shares, account for 70.02% of the total capital shares of the Company. As of them, 201.96 million were A-stocks, takes 70.02% of the total capital shares, whereas 0 was B-stocks. The calling and holding of the meeting was complying with the "Company Law" and the Article of Association of the Company. The meeting was presided by Chairman Yang Fenbo, the following 10 proposals was examined and adopted by the meeting:

1. The Board of Directors' working report for year 2003.
2. The Supervisory Committee work report for year 2003.
3. The Annual Report 2003 of the Company and the summary;
4. The Financial Report 2003 of the Company;
5. Dividend distribution proposal for year 2003.
6. Dividend distribution policy of year 2004;
7. The proposal of extending the engagement with the auditors;
8. The modification proposal of Articles of Association;
9. The proposal on altering of directors;

Regarding the resigning of Mr. Liu Chuan and Zang Weidong from the positions of directors.

Engaging Mr. Yang Yi and Mr. Liu Boyang as the new director of the Board, accumulated voting system was adopted in electing of the director.

10. The proposal on altering of supervisors;

Regarding the resigning of Mr. Yang Yi from the position of supervisor and Mr. Yu Zuquan to take the place thereof.

The resolutions of the shareholders' meeting were announced by the May 22nd 2004 issues of Securities Times and Ta Kung Pao.

Chapter VII. Report of The Board of Directors

I. Overall business situation in the report term

In the report term, the major business of the Company was package material printing and property management and operation. The Company kept concentrating on the works regarding clearing of debts, and recovering of capital operation. Internal management was enhanced and the financial budget was restricted. The Company was basically in normal operation. As of year 2004, the Company has realized the major turnover of RMB142,606,802.22 and business profit of RMB16,392,673.09. Comparing with the previous year, the major turnover and business profit has increased by 84.56% and 24.75% respectively. It was mainly because of the entering of Shenzhen Jianian Industrial Holdings Co., Ltd. into the consolidation range since July 1st 2003. The major business of Jianian Co., is package material printing, and it was in a steady business operation.

Tough Jianian Co. contributed a lot to the major business turnover and major business profit, the short-term borrowings was still as much as RMB576 million. Which makes the financial expenses reached up to RMB32,545,506.39. The consolidation also brought increasing of management expenses (RMB40,727,277.91 in the report term). All of these caused the loss in year 2004, the net profit was RMB-47,938,995.60. In the meantime, the Company did great effort in trying to perform restructuring. But the creditors and debt amount were dispersed and caused great difficulties to reach a mutual opinion. This effort remains unfruitful.

II. Business Situation of the Report Term

The major business of the Company are printing of packaging materials and property management & operation, the major consolidated enterprise is Shenzhen Jianian Industrial Holdings Co., Ltd. and Shenzhen Lionda Industrial and Trading Co., Ltd. Jianian Company is mainly involved in printing of packaging materials, and was in normal operation though it was obviously shocked by market competition. The Industrial and Trading Company is mainly involved in operation and managing of properties.

1. The following is the distribution of major business in the report term:

In RMB0'000

On industry or product	Major business income	Major business cost	Gross profit ratio %	Increase/decrease of major business turnover (%)	Major business cost increased/decreased over corresponding term	Gross profit ration increased/decreased
Printing	14260	12605	11.61	100.33	101.06	2.01
Property management and operation	958	191	80.06	57.56	70.53	-1.98
Incl. Related transaction	0	0	0	-----	-----	-----
Principle of pricing the related transactions		Entrusted share equity management				

Note: 1. For Shenzhen Jianian Industrial Holdings Co., Ltd. was consolidated since July 1st 2003, the share equity entrusting agreement (related transaction) has setout the income (proxy commission) is 80% of the dividend practically distributed upon this part of equity. But this income has not been distributed as adopted by the board meeting and shareholders' meeting of Jiannian Company. Therefore the income in year 2004 was zero.

2. Comparing with the previous report term, the major business construction and profitability were not changed.

3. Geographical distribution of major business

In RMB0'000

Regions	Major business income	Increase/decrease of major business turnover (%)
North-east	1153	84.48
Guangdong	11415	181.99
Others	1688	-44.69
Total	14260	84.56

4. Business operation and performance of major controlled subsidiaries and share held subsidiaries

In RMB0'000

Name of companies	Registered capital	Share portion	Major product or service	Business nature	Capital scale	Net profit
Shenzhen Jianian Industrial Holdings Co., Ltd.	7270	26.54%	Printing of packaging materials and property management	production business	21,891.08	443.60
Shenzhen Lionda Indistry & Trade Co., Ltd.	2000	32%	Property management and operation	Service business	2576.94	-350.24

5. Major vendors and clients

In RMB0’000

Total of top 5 vendors	3496	Account for total purchasing	36.98%
Total of top 5 clients	7700	Account for total sales	54.01%

6. Problems and difficulties encountered and solutions

Problems and difficulties encountered were reflected in the following aspects:

(1) Jianian Company was under great pressure of decreasing in gross profit ratio for it is a traditional business and was facing a severe market competition.

(2) The lawsuits due to debts and securities provided was increasing rather than decreasing during the report term. Lots of the cases were under greater pressure of execution. The Company was still in a severe situation.

(3) The risks regarding debts and external guarantees were still high. The debt reconstruction process was in great difficulty, it was hard to find a proper co-operator with good faith and power.

Under the pressure of severe situation, the Company will keep doing its best to keep normal operation as well as trying to find a proper way of debt reconstruction.

III. Investment

The Company didn’t implement any financing process during the report term. No fund raised previously carried over to the report term. The Company didn’t conducted any major investment by non-raising fund during the report term. The Company made no investment in the report term.

IV. Financial status and business results

As of the report term, Shenzhen Dahua Tiancheng CPA issued the Auditor’s Report with qualified opinions. The followings are the details.

Details of financial situation: In RMB

Financial indices	Year 2004	Year 2003	Increase / decrease %	Cause of change
Gross Assets	298,458,668.64	378,293,188.86	-21.10	Other receivables and decreasing of fixed assets
Shareholders' Equity (Exclude Minority Shareholders' Equity)	-1,591,989,995.93	-1,544,474,179.38	-----	Loss of 2004
Major business profit	16,392,673.09	13,140,761.41	24.75	Change due to consolidated entity
Net profit	-47,938,995.60	11,391,186.93	-----	Financial expenses of 2004 and managerial expenses was significant, but there were asset disposal income for year 2003
Net increasing of cash and cash equivalents	-10,186,540.53	25,555,488.57	-----	increasing of borrowings and other investment income

V. Contingent impact of lawsuit events on the financial situation of the Company

At present, the court has suspended most of the lawsuits on the Company. Most of the creditors showed their understanding on the situation of the Company. Therefore these events will temporarily not produce significant impact on the financial situation of the Company. But for the execution has already been implemented to freeze the assets of the Company, whenever the creditor apply to the court to dispose the assets for cash, it will be a decreasing of the Company's asset. But if the disposal is upon a price higher than its original value, it will bring the Company some income, which will influence the profit of the Company in a positive way.

VI. Significant changes in business environment, national policies and regulations impacting the financial situation and business performance in the past, present or future

VII. Daily operation of the Board of Directors

(I) The details about the board meetings in the report term are as the followings:

1. The Board of Directors held a meeting by means of telecommunication on February 27th 2004. "The

statement on the accounting errors and measurements on this error" was adopted as resolutions of the meeting.

Liabilities should have been booked:

In March 1998, the formal chairman Fan Huiming signed an agreement about issuing L/C on behalf of Xingangao Co., Ltd. in the name of the Company. Xingangao Company made all payment of USD3,324,819.40 in July 1998. But no goods actually arrived in the port. The whole thing was a bilk. Fan Huiming didn't proceed any accounting process and covered this fact from relative people. This was regarded as accounting error to be corrected. It was decreasing the net asset of the Company by USD3,763,649.40 including interests, and increasing the other payables by USD3,763,649.40.

The above resolutions were published on the February 28th 2004 issues of Securities Times and Ta Kung Pao.

2. The Company held its board meeting on April 8th 2004 in the meeting room of the 6th floor of the Company's formal location. The following proposals were examined and adopted in the meeting:

(1) The Board of Directors' working report for year 2003.

(2) Annual Report 2003 and the summary;

(3) Annual Report 2003 and the summary;

(4) Dividend distribution plan for year 2003;

(5) Dividend distribution policy for year 2004;

(6) The proposal of extending the engagement of Shenzhen Dahua Tiancheng CPA as the auditing agent;

(7) The proposal of revising the Articles of Association of the Company.

(8) The proposal of altering directors

  a. The resigning of Mr. Liu Chuan from the position of director;

  b. The resigning of Mr. Zang Weidong from the position of director;

  c. The nomination of Mr. Yang Yi as the new director;

  d. The nomination of Mr. Liu Boyang the new director;

(9) The proposal of dismissing Mr. Zang Weidong from the position of vice general magager;

The above resolution (1) to (8) are subject to the approval of the next Shareholders' Meeting.

(10) The proposal on canceling of the "retrieving risk treatment" on the Company's stock;

(11) The proposal of holding the Shareholders' General Meeting 2003;

The above resolutions were published on the April 13th 2004 issues of Securities Times and Ta Kung Pao.

3. The Board of Directors held a meeting by means of telecommunication on April 22nd 2004. The following proposals were adopted as resolutions of the meeting.

(1) The 1st quarterly report of year 2004;

(2) The 1st quarterly financial report of year 2004;

The above resolutions were published on the April 23rd 2004 issues of Securities Times and Ta Kung Pao.

4. The Company held its board meeting on August 12th 2004 in the meeting room of 3rd floor of the Company's current location. The following proposals were examined and adopted in the meeting:

(1) The Semi-Annual Report 2004 and the summary;

(2) The Semi-Annual Financial Report 2004;

The above resolutions were published on the August 14th 2004 issues of Securities Times and Ta Kung Pao.

5. The Board of Directors held a meeting by means of telecommunication on October 20th 2004. The following proposals were adopted as resolutions of the meeting.

(1) The 3rd Quarterly Report of year 2004;

(2) The 3rd Quarterly Financial Report of year 2004;

The above resolutions were published on the October 22nd 2004 issues of Securities Times and Ta Kung Pao.

(II) Execution of the resolutions of shareholders' general meeting by the Board

During the report term, the Board of Directors kept performing its duties under the Company Law, Securities Law, and the Article of Association of the company. It has been executing the resolutions and authorizations of the shareholders' meeting and fulfilling its missions.

VII. Profit distribution plan

As audited by Shenzhen Dahua Tiancheng CPA, the Company has realized the net profit of RMB-47,938,995.60 for year 2004, the not distributed net profit of RMB-2,385,580,676.55. Neither profit distribution nor capitalizing of common reserves will be implemented for the year 2004. This proposal is subject to the examination of the Shareholders' General Meeting.

VIII. Statement of the Board on the auditors' report with qualified opinions

In viewing of the great pressure of short-term debts over the Company, as well as the significant amount of lawsuit events on the Company, it will influence the consistence of the Company's business if they are not eliminated in a short period of time. Therefore Shenzhen Dahua Tiancheng CPA issued qualifiedAuditors' Report of clean audit opinion with emphatic events

Whereas the Board of Directors considers that, although the Company is facing a great pressure from the short-term debts, the short-term borrowings has been decreased from RMB629 million of 2003 down to RMB576 million in 2004. Progress has been made in clearing of debts and operating of capital. The Company can still get necessary fund to keep normal business operation. On the other hand, the Company will push forward the debt reconstruction in term of widely accepted commercial principle. Especially the debt reconstruction regarding Shen Zhonghua is still implementing under the Agreement of Framework for Debt Reconstruction of Shen Zhonghua. That will soon relieve the Company's obligation of guarantee for the debt of Shen Zhonghua amounted to RMB917 million due to Huarong Co. When that happens, the contingent liabilities of the Company will be decreased significantly.

Besides, the Company is holding 26.54% of the capital share of Shenzhen Jianian Industry Holdings Co., Ltd. as the fist shareholder of the company. Since July 1st 2003, the 2nd shareholder of Jiannian Company entrusted the Company to manage the 19.03% of shares it is holding in Jiannian Company. As the matter of fact, the Company became the practical controller of Jianian Company. Jianian Company is involving in printing of packaging materials and management of properties. It has certain profitability. With considering of the above, the Company has the ability to carry forward its business operation.

IX. Misc. issues

(I) Special statement of the CPA on the occupation of capital by the controlling shareholder or related parties

According to "The notification to the listed companies about regulating of capital interchanging and providing of external guarantee" (Zheng-jian-fa [2003] No.56, referred to as "the Notification") issued by China Securities Regulatory Commission, the Company employs Shenzhen Dahua Tiancheng CPA to perform auditing on the situation of capital occupation by the controlling shareholder and related parties. The CPA issued "The special statement on the occupation of capital by the controlling shareholder or related parties" (Shen-hua (2005) Zhuan-Shen-Zi**). The followings are the details:

As the Certified Public Accountant invited by Guangdong Sunrise Holdings Co., Ltd., (referred to as "the Company" hereinafter) as its auditor of financial statements for year 2004, under the rules of the Notification, we issue the following special statements with regarding of the Company's capital occupied by the controlling shareholders and related parties.

1. As we noticed, the related parties of the Company's capital are occupied as the followings:

(1) As of December 31st 2004, the total capital occupied by related parties are amounted to RMB425.1465 million.

(2) Illegal occupying of capital:

a. As of December 31st 2004, the Company's capital illegally occupied by the related parties was amounted to RMB425.1465 million. It has decreased by RMB2.1965 million (accounted for 0.51%) from the balance at the beginning of report term.

b. Particulars about the capital occupied by the 1st shareholder and the entities under its control:

The illegal occupation was amounted to RMB60.9648 million at the beginning of term, whereas RMB59.8648 million at the end of term. The amount in the report term was RMB60.9648 million of which formed by borrowings. The capital returned in the report term was RMB1.1 million in cash.

This special statement was issued with complying to the requirement of China Securities Regulatory Commission and its representative organizations and shall not be used for any other purpose. The certified accountant and the CPA will take no obligation on improper using of this statement.

2. Table of capital occupied by the related parties

In RMB0'000

Name of the parties	relationship with the Company	Subject of the financial statement	Balance at the beginning of term	Debit	Credit	Balance at the end of term	Bad debt provision drawn	Way of occupation and reason	Way of payback	Illegal occupation as set by Doc. 56 or not	Note
A	B	C	D	E	F	G	H	I	J	K	L
Shenzhen Paper Co.	Subsidiary of the Company	Other account receivable	8.39		8.39	-			Cash		
Shenzhen Lionda Food Industry Co., Ltd.	Subsidiary of the Company	Other account receivable	546.34		46.47	499.87	499.87	nestle fee	Cash	Yes	
Shenzhen Lionda Development Co., Ltd.	Subsidiary of the Company	Other account receivable	5,901.75	215.72	200.34	5,917.13	5,717.13	Borrowing and payment on behalf	Cash	Yes	
Shenzhen Lionda Good Imp. & Exp. Co., Ltd.	Subsidiary of the Company	Other account receivable	2,793.53		-	2,793.53	2,793.53	Borrowing		Yes	
Shenzhen China Bicycle (Group) Holdings Co., Ltd.	Affiliation	Other account receivable	24,649.14	40.70	110.87	24,578.97	24,578.97	Borrowing	Transferred Interchange	Yes	
Shenzhen Keruite New Materials Co., Ltd.	Affiliation	Other account receivable	21.40		-	21.40	21.40	Borrowing		Yes	
Shenzhen Sun Piping Co., Ltd.	Affiliation	Other account receivable	2,568.67		-	2,568.67	2,568.67	Borrowing		Yes	
Shenzhen Jiadeng Trading Co., Ltd.	Subsidiary of the affiliation company	Other account receivable	100.85		-	100.85	100.85	Borrowing		Yes	

Shenzhen Yingte Enterprise Co., Ltd.	Affiliation	Other account receivable	47.75		-	47.75	47.75	Borrowing		Yes	
Beijing Lionda Investment	Subsidiary of the controlling shareholder	Other account receivable	1,848.85		50.00	1,798.85	539.66	Borrowing	Cash	Yes	
Shenzhen Ke'engda Technologies Co., Ltd.	Subsidiary of the controlling shareholder	Other account receivable	1.32		-	1.32	1.32	Borrowing		Yes	
Shenzhen Guangyingda Industry Co., Ltd.	Subsidiary of the controlling shareholder	Other account receivable	1,418.00		-	1,418.00	1,418.00	Borrowing		Yes	
Shenzhen Oriental Enterprise Co., LTd.	Subsidiary of the controlling shareholder	Other account receivable	2,828.31		60.00	2,768.31	830.49	Borrowing	Cash	Yes	
Total			42,734.30	256.42	476.07	42,514.65	39,117.64	-	-	-	-

(II) Independent opinions of the independent directors on the external guarantees occurred in this term and accumulated:

In accordance with the provisions of the Notification, as the independent directors of the Company, under the principle of responsible, we performed necessary inspection on the external guarantees provided by the Company. The followings are the opinions we issued independently:

As of the year ended December 31st 2004, the Company didn’t provide any guarantee to the controlling shareholder or its subsidiaries as set out by the Notification. There used to be some external guarantee provided to the controlling shareholder and its subsidiaries, which were remained from previous years. For most objects of the guarantees are not able to recover their debt, most of them have been treated as predicted liabilities in previous years.

(III) In the report term, Securities Times and Ta Kung Pao were two of the official media assigned by the Company.

Chapter VIII. Report of the Supervisory Committee

I. Daily work of the Supervisory Committee in the report term

Following are the details about the meetings held by the Supervisory Committee:

1. The Supervisory Committee held a meeting by means of telecommunication on February 27th 2004. "The statement on the accounting errors and measurements on this error" was adopted as resolutions of the meeting.

Liabilities should have been booked:

In March 1998, the formal chairman Fan Huiming signed an agreement about issuing L/C on behalf of Xingangao Co., Ltd. in the name of the Company. Xingangao Company made all payment of USD3,324,819.40 in July 1998. But no goods actually arrived in the port. The whole thing was a bilk. Fan Huiming didn't proceed any accounting process and covered this fact from relative people. This was regarded as accounting error to be corrected. It was decreasing the net asset of the Company by USD3,763,649.40 including interests, and increasing the other payables by USD3,763,649.40.

The above resolutions were published on the February 28th 2004 issues of Securities Times and Ta Kung Pao.

2. The Supervisory Committee held the meeting on April 8th 2004 in the meeting room of the 6th floor of the Company's formal location. The following proposals were examined and adopted in the meeting:

(1) The Supervisory Committee's working report for year 2003.

(2) Annual Report 2003 and the summary;

(3) Annual Report 2003 and the summary;

(4) Dividend distribution plan for year 2003;

(5) Dividend distribution policy for year 2004;

(6) The proposal of extending the engagement of Shenzhen Dahua Tiancheng CPA as the auditing agent;

(7) The proposal of revising the Articles of Association of the Company.

(8) The proposal of altering supervisors

A. Accepted the resigning of Mr. Yang Yi from the position of supervisor;

B. Accepted the nomination of Mr. Yu Zuquan as the new supervisor;

This above resolution (1) to (8) are subject to the approval of the next Shareholders' Meeting.

(9) The proposal of holding the Shareholders' General Meeting 2003;

The above resolutions were published on the April 13th 2004 issues of Securities Times and Ta Kung Pao.

3. The Supervisory Committee held its meeting on August 12th 2004 in the meeting room of 3rd floor of the Company's current location. The following proposals were examined and adopted in the meeting:

(1) The Semi-Annual Report 2004 and the summary;

(2) The Semi-Annual Financial Report 2004;

The above resolutions were published on the August 14th 2004 issues of Securities Times and Ta Kung Pao.

II. Supervisory Committee’s independent opinion on the relative issues of year 2004

1. Operation According to the Law

In the report term, basing on the relevant national laws and legislations, the Supervisory Committee, carried out superintendence on the holding procedures of shareholders’ general meeting and board meetings, resolution events, implementation of resolutions of shareholders’ general meetings by the Board of Directors, performance of duties of senior executives as well as the Company’s administration system etc.. It believed that in 2004, the Board of Directors strictly complied with the Company Law, Securities Law, Rules for Stock Listing, Article of Association and other relevant systems, operated in a standardized manner, worked conscientiously, conducted business and made decisions in a scientific and reasonable way, and further improved internal administrative and controlling system; The directors and managers haven’t violated any of the law, legislation, the Articles of Association nor harmed the interests of the Company as well as the shareholders when performing duties.

2. Financial Inspection

The Supervisory Committee carried out serious and careful inspection on the Company’s financial status, and believed that the Financial Report 2004 frankly reflected its financial status and business performance. The auditors’ opinion issued by Shenzhen Dahua Tiancheng CPA and Hong Kong K.C.Oh & Company CPA and their assessment on relevant events are objective and fair.

3. In the report term, the Company didn’t involved in any of acquisition or selling of assets, no inside trading or behaviors harming the interests of the shareholders or causing losing of assets occurred.

4. There was no material related transactions or utilizing of raised capital in the report term.

5. Execution of the resolutions of shareholders’ general meeting by the Board

The supervisors observed the board meetings and the shareholders’ general meetings. The Supervisory Committee monitored the execution of the resolutions of the shareholders’ meeting, and acknowledges that the Board has executed the resolutions adopted by the Shareholders’ General Meeting properly.

III. Statement of the supervisors on the auditors' report with qualified opinions

In viewing of the great pressure of short-term debts over the Company, as well as the significant amount of lawsuit events on the Company, it will influence the consistence of the Company's business if they are not eliminated in a short period of time. Therefore Shenzhen Dahua Tiancheng CPA issued qualifiedAuditors' Report of clean audit opinion with emphatic events

The Board of Directors has made their statement on the consistency of the Company's business operation.

The Supervisory Committee acknowledges that the statement of the Board of Directors on qualifiedAuditors' Report of clean audit opinion with emphatic events is correct and reasonable.

Chapter IX. Significant Events

I. Material lawsuit and arbitrative issues in the report term

1. China Orient Asset Management Company Shenzhen Office, the prosecutor, (Bank of China Shenzhen Branch has transferred the creditors' rights to the prosecutor on May 11th 2000) has provided the principal of USD3.15 million as loan to Shenzhen Sun Piping Co., Ltd. on May 10th 1993. The Company undertook the joint liability for guarantee of the loan. For Shenzhen Sun Piping Co., Ltd. and the Company has not fulfilled the responsibility of returning the principal on time, Shenzhen Sun Piping Co., Ltd., Bank of China Shenzhen Branch and China International Finance Company entered a supplementary contract on December 12th 1996 to extend the expiring date of the loan to May 10th 1999.Shenzhen Sun Piping Co., Ltd. failed to return the loan on time again. The Company didn't paid the loan either. Therefore China Orient Asset Management Company Shenzhen Office sued to Shenzhen Intermediate Court against Shenzhen Sun Piping Co., Ltd. and the Company for:

   1) Shenzhen Sun Piping Co., Ltd. shall return the principal of USD3.15 million and the interest of USD1,558,579.81;
   2) The Company shall take joint liabilities over the above debts;

3) Shenzhen Sun Piping Co., Ltd. and the Company shall take all of the suing expenses. The trial was scheduled on February 9th 2004. Predicted liabilities has been drawn upon this event, therefore the gain/loss account is away from influence.

(For details about this please go to Announcement 2004-002 published on January 7th 2004 issues of Securities Times and Ta Kung Pao.)

2. (1) With regarding the lawsuit raised by Shenzhen Development Bank Futian Branch to Shenzhen Futian Court against Shenzhen Guoyin Investment (Group) Co., Ltd. and the Company (as the guarantor). This case is under inquisition. As the result of intercession by the court, both of the parties accept the conditions as: 1. Shenzhen Guoyin Investment (Group) Co., Ltd. shall repay the principal of RMB4 million and relative interest before June 30th 2004. 2. The Company shall take related liabilities over the commitment. Predicted liabilities has been drawn upon the above responsibilities, and will not influence the current gain/loss account.

(2) Bank of China Shenzhen Branch (the prosecutor) has provided a loan of USD380 thousand to the Company on June 27th 1996. Shenzhen Lionda Development Co., Ltd. provided guarantee with related liabilities for this loan. For the Company has failed to payback the principal and interest upon expiration, whereas Shenzhen Lionda Development Co., Ltd. was failed to undertake the related liability, Bank of China sued to Shenzhen Luohu People's Court against the Company and Shenzhen Lionda Development Co., Ltd. The trial was scheduled on February 26th 2004. The sentences were reached: 1. The defendant is responsible to return the principal of USD380 thousand and corresponding interests. 2. Shenzhen Lionda Development Co., Ltd. shall take the related liability for the guarantee of the debt. When Shenzhen Lionda Development Co., Ltd. repaid the debt on behalf of the Company, it is empowered to collect the debt from the Company. Financial expenses has been drawn upon this loan and no other influence will happen to the current gain/loss account.

(3) With regarding the lawsuit raised by China Orient Asset Management Company Shenzhen Office against Shenzhen Sun Piping Co., Ltd. and the Company, Shenzhen Intermediate Court opened the trial on February 9th 2004 and the followings are the civil sentences:

1. The defendant Sun Piping Company is responsible to return the principal of USD3.15 million and corresponding interests to China Orient Asset Management Co., Ltd. Shenzhen Office within 10 days upon the effective of the sentence.
2. The Company shall take the related liability for the guarantee of the debt. When the Company repaid the debt on behalf of Sun Piping Company, it is empowered to collect the debt from Sun Piping Company. Predicted liabilities have been drawn upon this event and no other influence will happen to the current gain/loss account.

(4) As of the lawsuit raised by Shenzhen Investment Management Co. to Shenzhen Intermediate

Court against the Company about the loan contract. Under the coordinating of the court, amicable settlement was accepted by both of the parties and the settlement agreement was signed as the followings:

1. The Company recognizes the debt of RMB16579232 due to Shenzhen Investment Management Co., Ltd.;
2. If the Company failed to return the fund on time, Shenzhen Investment Management Co., Ltd. is empowered to dispose the share equity the Company holds in Shenzhen Jianian Printing & Packaging Holdings Co., Ltd. through justice procedure.
3. If the income from disposing of the said equity exceeded RMB16579232, the balance will be returned to the Company. If it is not enough, the Company shall recognize the balance and return as soon as possible.
4. The suing expenses is shared equally by both of the parties.

The privies request the Court to recognize the above agreement in term of intercession document. The intercession document was issued on February 11th 2004. This event was just changed the creditor of the Company, but make any influence on the Company's financial situation. The said agreement has not yet been put into practical action, therefore no influence will be made on the accounting temporarily. Relative accounting treatment will be performed when it has practically happened.

(5) As for the lawsuit raised by Bank of China Shenzhen Branch to Shenzhen Intermediate Court against the Company and the guarantor – Shenzhen Petrochemical Industry Group Co., Ltd. The trial was held on February 16th 2004 and the following sentences were drawn:

1. The defendant is responsible to return the principal of HKD24 million and relevant interest to Bank of China Shenzhen Branch within 10 days since the sentences were effective.
2. Shenzhen Petrochemical Industry Group Co., Ltd shall take the related liability for the guarantee of the debt. When the Company repaid the debt on behalf of the Company, it is empowered to collect the debt from the Company. Financial expenses have been drawn upon this event and no further influence will happen to the current gain/loss account.

(6) As of the lawsuit raised by China Agriculture Bank Shenzhen Branch to Shenzhen Intermediate Court against Shenzhen Changping Imp. & Exp. Co., Ltd. and the Company (as the guarantor) about the accepted draft amounted to RMB19582170.53 and RMB9855700.67 (as two objects of two petitions), and also the lawsuit raised by China Agriculture Bank Shenzhen Branch against the Company and Shenzhen Petrochemical Industry Group Co., Ltd. of import deposit loan amounted to HKD12109722 and USD989262.70 (as the objects of one petition). The court merged the three petitions into one trial. And drawn civil sentences as the followings:

1. Shenzhen Changping Imp. & Exp. Co., Ltd. is responsible to return the principal of RMB19582170.53 and RMB9855700.67, as well as relevant interests within 15 days upon the effective of the sentences.

2. The Company shall take the related liability for the repaying of debt.

The sentences of the 2nd petition:

1. The Company is responsible to return the principal of HKD12109722 and USD989262.70, as well as relevant interests to China Agriculture Bank Shenzhen Branch within 15 days upon the effective of the sentences.
2. Shenzhen Petrochemical Industry Group Co., Ltd. shall take the related liability over the repaying of debt by the Company. The Company has already drawn predicted liabilities over the above two events, therefore no influence will occur to the current gain/loss account.

The Company has already drawn financial expenses upon the above three lawsuit events, no further influence will occur on the current gain/loss account.

(7) Because the plaintiff China Merchants Bank Shenzhen Chinese Overseas Town Sub-branch offered loan RMB 2.4 million to Shenzhen Lionda Electric Apparatus Co., Ltd. on January 14, 2000, the Company, the defendant, bears joint suretyship responsibility for the above loan. After it was due, the plaintiff sent dunning notifications to the two defendants, but no resolution. So the plaintiff has litigated to Shenzhen Nanshan District Court. The claims are as follows:

1. The defendant Shenzhen Lionda Electric Apparatus Co., Ltd. repays the principal sum of RMB 2.4 million and correspondent interests;
2. The defendant our Company bears joint responsibility for the repayment;
3. The defendant bears all expense in litigation of this case. This case is scheduled to be heard on April 26, 2004. The suited items have been regarded as predicted indebtedness, and it will not influence current profit and loss..

(8) As for the lawsuit about loan contract dissension between China Everbright Bank Shenzhen Branch and Shenzhen Guanghualin Investment Co., Ltd. and the Company, No. 282 civil award by Shenzhen Intermediate Court has taken legal effect. According to the regulation, Shenzhen Guanghualin Investment Co., Ltd. and the Company should repay the loan principal of RMB 12796807.80 and interest to China Everbright Bank Shenzhen Branch.

During the operation of the case, Shenzhen Intermediate Court froze the Company’s holding right of 5 million shares of Beijing Wantong Industrial Holdings, Co., Ltd. Because Shenzhen Guanghualin Investment Co., Ltd. and the Company didn’t fulfill the law writ, Shenzhen Intermediate Court made the following adjudication on March 15, 2004: auctioning the Company’s holding right of 5 million shares of Beijing Wantong Industrial Holdings, Co., Ltd. The Company’s investment income decreased because of the lawsuit. Up to now, the auction procedure has not been finished yet. So, it is unable to estimate temporarily the influence of the financial affairs. The financial affairs will be dealt with according to the knock-down price after auctioning finishes.

(9) On September 9, 1999, Industrial and Commercial Bank of China Shenzhen Branch Dongmen Sub-branch offered loan of RMB 4 million to Shenzhen Cangping Import & Export Co., Ltd. and the Company was warrantor of the loan. The loan was not repaid when it was due and the Bank had dunned several times, but failed. So the Bank suited to Shenzhen Luohu District Court. The case was heard on June 2, 2004, and the Court made the following adjudication:

1. The defendant Shenzhen Cangping Import & Export Co., Ltd. repays the principal sum of RMB 4 million and correspondent interests with 10 days after the award take legal effect.
2. The defendant the Company bears joint responsibility of repayment. After subrogation, the Company has the right to ask Shenzhen Cangping Import & Export Co., Ltd. for repayment. The lawsuit item has been regarded as accrued liabilities, and it will not influence current profit and loss.

(10) As for the lawsuit of bank acceptance bill case of Hainan Wanda Trade Group Co., Ltd. and the Company by China Construction Bank Haikou Branch Longhua Sub-branch, Hainan Supreme Court sent execution notification to Hainan Wanda Trade Group Co., Ltd. and the Company. During execution, Hainan Supreme Court auctioned the Company's 7 million domestic corporate shares of "ST Zhonghua" initiator registered in China Security Registration and Balance Co., Ltd. Shenzhen Branch and 432,000 "ST Shanchanglin" directional domestic corporate shares. The above-mentioned shares were bargained on respectively to Shanghai Buxin Trade Co., Ltd., Shanghai Gaorong Investment Consulting Co., Ltd., Huabao Trust Investment Co., Ltd. and Guangzhou Hengyong Ruanfeng Development Co., Ltd. Hainan Supreme Court made the following adjudication on March 4, 2004: release close-down and freezing of the Company's 7 million domestic corporate shares of "ST Zhonghua" initiator registered in China Security Registration and Balance Co., Ltd. Shenzhen Branch and 432,000 "ST Shanchanglin" directional domestic corporate shares. The above-mentioned shares were sold respectively at the price of RMB 0.2916 yuan per share and RMB 0.32 yuan per share. After deduction of the expense of evaluation, auction and owner transfer borne by the Company, the rest sum of RMB 2061441.92 yuan had been transferred to application executants. Since the executed company didn't have assets to execute, Hainan Supreme Court made the following civil adjudication on April 1, 2004: terminate execution of No. 1 【1999】琼经重字 civil adjudication of Hainan Supreme Court; with 10 years after termination of the execution, the application executants can apply for execution again if he finds any executable assets of the executed company. The surety has been predicted indebtedness. The auction price is higher than its accounting price, so it brings investment income of RMB 2061441.92 yuan.

(11) On June 30, 2001, ICBC Shenzhen Branch offered loan of RMB 17.9 million yuan to Shenzhen Lionda Paper Co., Ltd., and the Company and Shenzhen Guoyin Investment (Group) Co., Ltd. offered surety to the loan. The loan was not repaid when it was due and ICBC Shenzhen Branch had dunned for several times, but failed. Therefore, the Bank suited to intermediate court for the following requests:

1. The defendant Shenzhen Lionda Paper Co., Ltd. repays the principal sum of RMB 16.41 million and correspondent interests;

2. The defendants, our Company and Shenzhen Guoyin Investment (Group) Co., Ltd., bear joint responsibility;
3. The 3 defendants bear the legal cost of the case. The case was scheduled to be heard on July 26, 2004. The suited items have been regarded as predicted indebtedness, and it will not influence current profit and loss.

(12) On acceptance of appointment of 【2003】Yue-Gao-Fa-Zhi-Zhi-Zi No. 148 appointed executive determinant letter of Guangdong Intermediate Court, according to adjudication writ which had taken legal effect, Guangzhou Railway Transportation Center Intermediate Court docketed a case on December 11, 2003 and executed 18 cases among application executants, namely, Office of ICBC Shenzhen Branch, China Merchants Bank Shenzhen Luohu Branch, Fuji Bank Shenzhen Branch, Bank of Communications Shenzhen Branch, Bank of China Shenzhen Branch, Societe Generale Shenzhen Branch, Agricultural Bank of China Shenzhen Branch Buji Sub-branch Tianbei Office, Agricultural Bank of China Shenzhen Branch Tianbei Sub-branch, Bank of China Shenzhen Branch Longhua Sub-Branch, Shenzhen Nonferrous Metals Finance Co., Ltd., Beijing Craftwork Import & Export Co., Ltd. and merchants Bureau Shekou Holding Co., Ltd., and the executed company, the Company. Because the Company didn’t implement the obligation in the legal writ, Guangzhou Railway Transportation Center Intermediate Court made the following civil adjudication: freeze, close down and detain the Company’s assets valued totally RMB 600 million. The court also sent notification to the Company on January 4, 2004, saying that Guangzhou Railway Transportation Center Intermediate Court had closed down and frozen the following assets of the Company:

1. 11968590 domestic corporate shares of “ST Zhonghua” initiator, bonus shares and Allotments held by the Company;
2. 95% of shares in Shenzhen Lionda Development Co., Ltd., 70% of Shenzhen Lionda Timing Industrial Co., Ltd., 95% of Shenzhen Lionda Food Industrial Co., Ltd., 95% of Shenzhen Cangping Import & Export Co., Ltd., 80% of Shenzhen Yinkun Light Textile and Chemistry Co., Ltd., 95% of Shenzhen Lionda Electric Apparatus Co., Ltd. and 30% of Shenzhen Guangyingda Industrial Development Co., Ltd. Currently the share right is not in actual dealing process, so it is not influencing the Company’s finance temporarily. When it actually happens, the Company will do correspondent financial treatment.

(13) On acceptance of appointment of Guangdong Supreme Court, Guangzhou Railway Transportation Center Intermediate Court docketed a case and executed L/C contract dissension cases among China Huarong Assets Management Co., Ltd. Shenzhen Office and Shenzhen Zhonghua Bicycle (Group) Co., Ltd., and the Company. During the execution process, the application executants requested to terminate the execution for reasons that they had received USD 7.6 million during the execution of Shenzhen Intermediate Court, which is totally RMB 152425737.95 yuan, and the principal sum of money listed in the application had been reclaimed. Therefore, Guangzhou Railway Transportation Center Intermediate Court made the following civil adjudication: the execution of 【1998】Shen-Zhong-Fa-Jing-Yi-Chu-Zi No. 163, 164, 155, 156, 157, 158, 159, 160, 161, 162 and 163 civil adjudications terminated. All the items above have been done financial treatment in correspondent year and it will not influence the profit and loss of this year.

(14) On acceptance of appointment of 【2003】Yue-Gao-Fa-Zhi-Zhi-Zi No. 148 appointed executive determinant letter of Guangdong Intermediate Court, according to adjudication writ which had taken legal effect, Guangzhou Railway Transportation Center Intermediate Court docketed a case on December 11, 2003 and executed the cases among application executants, namely, China Huarong Assets Management Co., Ltd. Shenzhen Office, China Merchants Bank Shenzhen Luohu Branch, Fuji Bank Shenzhen Branch, Bank of Communications Shenzhen Branch, China Orient Assets Management Co., Ltd. Shenzhen Office, Angles Bank, Societe Generale Shenzhen Branch, Eat Asia Bank Co., Ltd. Shenzhen Branch, China Great Wall Assets Management Co., Ltd., Bank of China Shenzhen Branch Longhua Sub-Branch, Shenzhen Huali Packing Trade Co., Ltd., Shenzhen Nonferrous Metals Finance Co., Ltd., Shenzhen Guimeng Chains Co., Ltd., Shenzhen Hongguang VP Components Co., Ltd., Shenzhen Xinlong VP Components Co., Ltd., Shenzhen Jiantai Latex Co., Ltd., Guangzhou Yizheng VP Components Co., Ltd. and Dongguan Longyi Bicycle Fittings Co., Ltd., and the executed company, namely, Shenzhen Zhonghua Bicycle (Group) Holding Co., Ltd. During the execution, Guangzhou Railway Transportation Center Intermediate Court closed down and froze the executed companies' house property and shares. According to notification of Guangdong Supreme Court and law and regulations concerned, Guangzhou Railway Transportation Center Intermediate Court made the adjudication of reprieval execution:

【2004】Guang-Tie-Zhong-Fa-Zhi-Zi No. 13, 15-17, 19-22, 24, 25 and 30-43 cases would be reprieved for 6 months, which was from April 14, 2004 to October 13, 2004. Currently the share right is not in actual dealing process, so it is not influencing the Company's finance temporarily. When it actually happens, the Company will do correspondent financial treatment.

Please read details of the above-mentioned cases in Security Times of August 27, 2004 and No. 2004-021 announcement in Hong Kong Takungpao.

3. (1) As for the case of ICBC Shenzhen Branch suiting to Shenzhen Intermediate Court about the loan contract dissension with Shenzhen Lionda Paper Co., Ltd. and the surety companies, Shenzhen Guoyin Investment (Group) Co., Ltd. and the Company, Shenzhen Intermediate Court made the following civil award:

1. The defendant Shenzhen Lionda Paper Co., Ltd. repays the principal sum of 16.41 million and the interest of RMB 1829613.44 to ICBC Shenzhen Branch
2. The defendants, our Company and Shenzhen Guoyin Investment (Group) Co., Ltd., bear compulsory joint responsibility of repayment. The suited items have been regarded as predicted indebtedness, and it will not influence current profit and loss.

(2) On acceptance of appointment of Guangdong Supreme Court, Guangzhou Railway Transportation Center Intermediate Court docketed a case and executed the loan contract case among Societe Generale Shenzhen Branch and the executed companies, Shenzhen Zhonghua Bicycle (Group) Holding Co., Ltd. and the Company. During execution, after investigation and verification, the executants, Societe Generale Shenzhen Branch had been canceled at a registry of administrative department for industry and commerce on April 1, 2002, and Bank of China had authorized it to close on November 15, 2002. Being unable to confirm who the grantee of the rights and obligations was, Guangzhou Railway Transportation Center Intermediate Court made the following civil award: (1999) Shen-Zhong-Fa-Jing-Er-Chu-Zi No. 36 civil adjudication writs terminated. The suited items have been regarded as predicted indebtedness, and it will not influence current profit and loss.

(3) In November 1999, Shenzhen Zhongwu Resources Import & Export Co., Ltd. (hereinafter short as "Zhongwu Resources") applied to Agricultural Bank of China Shenzhen Futian Branch for the highest credit loan of RMB 21 million and the Company signed *Credit Agreement of Highest Sum Guarantee* for this loan. Till May 20, 2000, Zhongwu Resources owed Agricultural Bank of China Shenzhen Futian Branch the principal sum of RMB 16792914.75. After dunned for several times, Zhongwu Resources didn't fulfill the obligation of repayment and the Company didn't fulfill the responsibility of guarantee, either. The creditor's rights were transferred from Agricultural Bank of China Shenzhen Futian Branch to China Great Wall Assets Management Co., Ltd. Shenzhen Branch. On October 16, 2002, Zhongwu Resources was declared bankruptcy by Shenzhen Intermediate Court according to law. Through liquidation, the compensation which China Great Wall Assets Management Co., Ltd. Shenzhen Branch got is 0. Therefore, China Great Wall Assets Management Co., Ltd. Shenzhen Branch brought the civil action to the Company to Shenzhen Intermediate Court, and the case was schedule to be heard on November 3, 2004. The suited items have been regarded as predicted indebtedness, and it will not influence current profit and loss.

Please read details of 3 cases mentioned above in Security Times of December 29, 2004 and No. 2004-028 announcement in Hong Kong Takungpao.

II. Introduction to the purchasing and selling of assets, takeover and merger events and their progress

No material purchasing and selling of assets, takeover or merger events happened in or carried down to the report term.

III. Important related transactions in the report period

(I) No related transactions occurred regarding merchandises or service in the report term.

(II) No related transactions occurred regarding assets and equity transferring during the report term.

(III) No related transactions occurred regarding joint investment with related parties during the report term.

(IV) Debt and credit transactions and providing of guarantees between the Company (including subsidiaries included in the consolidation range).

1. Transaction of credit and debt with related parties

In RMB 10 thousand Yuan

Related parties	Provide money to the related parties		Accept money from the related parties	
	Amount occurred	Balance	Amount occurred	Balance
Shenzhen Paper Co.	-8.39	0.00	0.00	0.00
Shenzhen Lionda Food Industry Co., Ltd.	-46.47	499.87	0.00	0.00
Shenzhen Lionda Development Co., Ltd.	15.38	5,917.13	0.00	0.00
Shenzhen Lionda Good Imp. & Exp. Co., Ltd.	0.00	2,793.53	0.00	0.00
Shenzhen China Bicycle (Group) Co., Ltd.	-70.17	24,578.97	0.00	0.00
Shenzhen Keruite New Materials Co., Ltd.	0.00	21.40	0.00	0.00
Shenzhen Sun Piping Co., Ltd.	0.00	2,568.67	0.00	0.00
Shenzhen Jiadeng Trading Co., Ltd.	0.00	100.85	0.00	0.00
Shenzhen Yingte Enterprise Co., Ltd.	0.00	47.75	0.00	0.00
Beijing Lionda Investment	-50.00	1,798.85	0.00	0.00
Shenzhen Ke’engda Technologies Co., Ltd.	0.00	1.32	0.00	0.00
Shenzhen Guangyingda Industry Co., Ltd.	0.00	1,418.00	0.00	0.00

Shenzhen Oriental Enterprise Co., Ltd.	-60.00	2,768.31	0.00	0.00
Total	-219.65	42,514.65	0.00	0.00

Note: (1) Above transaction of credit and debt were occurred in the previous years as historical problems.

(2) In the report term, the amount of capital provided to the controlling shareholder and its subsidiaries is of RMB0.00

2. There was no guarantee provided to the related parties during the report term

(V) There was no further material related transactions occurred in the report term.

IV. Material contracts and implementation

(I) There was no material contract regarding entrusting, leasing or contracting of assets to or from the other companies occurred in or carried over to the report term other than the contracts regarding the 19.03% equity of Shenzhen Jianian Industry Holdings Co., Ltd. and 20% of the equity of Shenzhen Lionda Industry and Trading Co., Ltd.

(II) Material guarantee issues

There was no new guarantee issues occurred in the report term. The followings are the historical problems regarding guarantee carried down from previous years:

In RMB 10 thousand Yuan

Guarantee provided to	Date of contract	Amount guaranteed	Type of guarantee	Term	Completed or not	Related party or not
Shenzhen Lionda Free Trade Co., Ltd.	May 30th, 2000	850.00	joint liability	2000.5.30--2001.5.30	No	Yes
Shenzhen Sun Piping Co., Ltd.	1993.12.30	4,335.00	joint liability	1993.12.30--1998.12.30	No	Yes

Shenzhen Gaokeda Electronics Co., Ltd.	1994.03.10	50.00	joint liability	1994.3.10--1995.3.10	No	Yes
Shenzhen Yuda Imp. & Exp. Co., Ltd.	1998.07.08	480.00	joint liability	1998.7.8--2000.1.25	No	Yes
Shenzhen China Bicycle Holdings Co., Ltd.	1995.12.19	31,758.22	joint liability	1995.12.19--1998.11.25	No	Yes
Yueshen Light Industry and Trading Co., Ltd.	1993.12.30	900.00	joint liability	1993.12.30--1996.6.22	No	Yes
Guangzhou Xufeng Enterprise	1995.05.02	1,500.00	joint liability	1995.5.2--1996.5.2	No	No
Shenzhen Jinbeishen Investment Co., Ltd.	1995.06.22	7,760.00	joint liability	1995.6.22--1996.6.22	No	No
Shenzhen Guoyin Investment Group Ltd.	1995.12.13	4,030.00	joint liability	1995.12.13--2001.1.28	No	Yes
Shenzhen Paina Garment Co., Ltd.	1998.04.30	130.00	joint liability	1998.4.30--1999.1.30	No	No
Shenzhen Jintian Industrial Holdings Co., Ltd.	1997.06.30	2,675.00	joint liability	1997.6.30--1999.12.31	No	No
Shenzhen Zhongwu Imp. & Exp. Co., Ltd.	1997.04.30	1,679.00	joint liability	1997.4.30--1999.4.30	No	No
Shenzhen Guangyingda Industry Co., Ltd.	1995.09.25	8,623.01	joint liability	1995.9.25--1999.1.31	No	Yes
Shenzhen Ligang Industrial Co.	1996.08.15	723.38	joint liability	1996.8.15--1997.8.15	No	No
Shenzhen Maoyuan Investment Development Co., Ltd.	1995.01.30	856.00	joint liability	1995.1.30--1996.1.30	No	No
Shenzhen Xingda Trading Co., Ltd.	1996.05.01	40.00	joint liability	1996.5.1--1998.5.1	No	No
Shenzhen Huashu Ltd.	1997.03.05	1,500.00	joint liability	1997.3.5--1998.3.5	No	No

Shenzhen Jinhai Electronics Ltd.	1996.04.07	350.00	joint liability	1996.4.7--1997.4.7	No	No
Shenzhen Guanghualin Investment Ltd.	1996.05.23	1,220.00	joint liability	1996.5.23--1997.5.23	No	No
Shenzhen Tiantai Chemistry Ltd.	1995.06.20	166.00	joint liability	1995.6.20--1996.6.20	No	No
Shenzhen Construction Material Group	1998.03.01	80.00	joint liability	1998.3.1--1999.3.1	No	No
Shenzhen Jingyuan Trading Ltd.	1997.04.30	80.00	joint liability	1997.4.30--1998.4.30	No	No
Hainan Wanda Trading Ltd.	1996.08.16	3,093.86	joint liability	1996.8.16--1997.8.16	No	No
Shenzhen Xuena Ltd.	1995.06.10	112.91	joint liability	1995.6.10--1996.12.10	No	No
Shenzhen Light Industry International Trading Co., Ltd.	1997.07.31	273.00	joint liability	1997.7.31--1999.12.31	No	Yes
Jilin Lionda Co.	1996.06.30	350.00	joint liability	1996.6.30--1997.12.30	No	Yes
Shenzhen Great World Shopping Mall	1996.03.01	1,402.70	joint liability	1996.3.1--1997.3.1	No	No
Shenzhen Lionda Development Co., Ltd.	1996.04.25	781.50	joint liability	1996.4.25--1999.4.25	No	Yes
Shenzhen Lionda Electronics Ltd.	1996.11.03	985.00	joint liability	1996.11.3--1999.11.3	No	Yes
Shenzhen Paper Co.	1997.03.15	1,790.00	joint liability	1997.3.15--2000.3.15	No	Yes
Shenzhen Lionda Food Co., Ltd.	1996.09.01	2,940.00	joint liability	1996.9.1--2000.3.1	No	Yes
Shenzhen Lionda Good Imp. & Exp. Co., Ltd.	1995.08.13	6,566.04	joint liability	1995.8.13--2000.8.13	No	Yes

Hunan Lionda Co.	1997.10.25	325.00	joint liability	1997.10.25--1998.10.25	No	Yes
Total of guarantee occurred in the report term			0.00			
Total of balance in the report term			88,555.44			
Guarantee provided to the controlled subsidiaries						
Total of guarantee provided to the controlled subsidiaries in the report term			0.00			
Total of balance of guarantee provided to the controlled subsidiaries in the report term			13,237.54			
Total of the guarantee provided (including controlled subsidiaries)						
Total of guarantees			181,455.44			
Proportion of the total guarantee in the net asset of the Company						
Illegal guarantees						
Total of guarantee provided to the controlling shareholder and other related parties holding 50% or lower of the capital shares			64,484.93			
Total of guarantees provided to the objects with liability/asset ratio higher than 70%, directly or indirectly			64,484.93			
Is the total of guarantee proceeded 50% of the net asset (yes or no)			Yes			
Total of illegal guarantee			64,484.93			

(III) No material events regarding entrusting of cash assets management happened in or carried down to the report term.

(IV) There wasn't any other material contract in the report term.

V. Commitment event of the Company or shareholder holding 5% or above of share capital occurred in or carried down to the report term.

There wasn't any commitment event of the Company or shareholder holding 5% or above of share capital occurred in or carried down to the report term, which will influence the financial situation and business performance of the Company.

VI. Engaging and dismissing of CPAs

The Company extended the contract with Shenzhen Dahua Tiancheng CPA and Hong Kong K.C.OH CPA as the auditors of the Company for the report term.

VII. In the report period, the Company, the Board of Directors or any director had never been inspected, experienced administrative penalty or been criticized by circulating a notice of criticism by China Securities Regulatory Commission, or condemned in public by Shenzhen Stock Exchange.

VIII. Highlight of other material events

1. The 1st Shareholders' Special Meeting of 2004 was held on January 14th 2004, the proposal of revising the Article of Association and other 3 proposals were examined and passed by the meeting.
For details please go to the Resolutions of the 1st Shareholders' Special Meeting 2004 pulbished on January 15th 2004 issues of Securities Times and Ta Kung Pao.

2. The 9th meeting of the 4th term of board was held in term of telecommunication on February 27th 2004. The report on correcting and treatment of accounting errors was examined and passed by the meeting.
(For details about this please go to Announcement 2004-006 published on February 28th 2004 issues of Securities Times and Ta Kung Pao.)

3. On April 19th 2004, the Company announced to be cancelled the title of "Risk of retrieving from the market". The stock ID were restored from "*ST Shengrun A, *ST Shengrun B" to "ST Shengrun A, ST Shenrun B". The stock code remain unchanged.
(For details about this please go to Announcement 2004-011 published on April 19th 2004 issues of Securities Times and Ta Kung Pao.)

4. Since April 20th 2004, the company moved its office to the new place: 3rd floor, Dongxing Building, No. 76 Lixin Rd., Luohu, Shenzhen, Post Code: 518025, Fax: 0755-82222300, information liaison 0755-一82237967, 82179136.
(For details about this please go to Announcement 2004-012 published on April 20th 2004 issues of Securities Times and Ta Kung Pao.)

5. On June 30th 2004, the Company published the announcement on the repaying plan of the capital occupied by the related parties.
(For details about this please go to Announcement 2004-016 published on June 30th 2004 issues of Securities Times and Ta Kung Pao.)

6. On June 30th 2004, the Company issued the prediction announcement of the losing situation for the 1st half of year.
(For details about this please go to Announcement 2004-017 published on June 30th 2004 issues of Securities Times and Ta Kung Pao.)

7. On December 18th 2004, the Company released the notification announcement on the movement of the shareholder of the first shareholder of the Company.
(For details about this please go to Announcement 2004-027 published on December 18th 2004 issues of Securities Times and Ta Kung Pao.)

8. On December 19th 2004, the Company issued the prediction announcement of the losing situation for the whole year of 2004.
(For details about this please go to Announcement 2004-028 published on December 29th 2004 issues of Securities Times and Ta Kung Pao.)

Chapter X. Financial Report

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, 2004 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 26). 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 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, 2004 and the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

K. C. Oh & Company

Certified Public Accountants

Hong Kong : April 19, 2005

Consolidated income statement for the year ended December 31, 2004

	Note	2004 RMB'000	2003 RMB'000
Turnover	5	142,607	77,268
Cost of sales		(126,214)	(64,127)
Gross profit		16,393	13,141
Other incomes		7,879	3,206
Distribution costs		(6,487)	(3,677)
Administrative costs		(40,710)	(26,802)
Operating loss		(22,925)	(14,132)
Finance costs		(32,545)	(32,192)
Exceptional items	6	7,829	57,616
Share of results from associates		59	1,265
Profit/(loss) before taxation	7	(47,582)	12,557
Taxation	8	536	(59)
Profit/(loss) after taxation		(47,046)	12,498
Minority interests		(877)	(554)

Profit/(loss) for the year	(47,923)	11,944
Earnings/(loss) per share	RMB(0.166)	RMB0.041

The calculation of the basic earnings/(loss) per share is based on the current year's loss of RMB47,923,000 (2003 - profit of RMB11,944,000) 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, 2004

	Note	2004 RMB'000	2003 RMB'000
Non-current assets			
Property, plant and equipment	9	120,077	130,737
Construction in progress	10	1,702	1,811
Interests in unconsolidated subsidiaries	11	(1,019)	(5,169)
Interests in associates	12	7,108	9,466
Long-term investments	13	11,112	11,112
		138,980	147,957
Current assets			
Inventories	14	29,205	31,168
Account receivables	15	49,007	37,291
Other receivables and prepayments	16	62,821	128,264
Tax recoverable		275	458
Note receivables		189	630
Short-term investments		44	44
Cash and bank balances		17,227	27,414
		158,768	225,269
Total assets		297,748	373,226
Capital and reserves			
Share capital	17	288,420	288,420
Reserves		(1,880,376)	(1,832,876)
		(1,591,956)	(1,544,456)
Minority interests		77,851	77,698

Current liabilities			
Bank and other loans	18	575,611	629,689
Account payables		27,209	29,865
Other payables and accrued charges	19	1,209,033	1,177,550
Note payables		-	2,880
		1,811,853	1,839,984
Total equity and liabilities		297,748	373,226

The financial statements on pages 2 to 26 were approved and authorised for issue by the board of directors on April 19, 2005 and are signed on its behalf by :

Director **Director**

Consolidated statement of changes in equity for the year ended December 31, 2004

		Reserves						
	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare fund RMB'000	Discretionary surplus reserve RMB'000	Accumulated loss RMB'000	Total reserves RMB'000	Share capital and total reserves RMB'000
As at January 1, 2003	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	288,420	298,744	78,894	18,366	40,621	(2,269,501)	(1,832,876)	(1,544,456)

As at January 1, 2004	288,420	298,744	78,894	18,366	40,621	(2,269,501)	(1,832,876)	(1,544,456)
Loss for the year of 2004	-	-	-	-	-	(47,923)	(47,923)	(47,923)
Difference from renovation work on								
staff housing	-	-	-	423	-	-	423	423
As at December 31, 2004	288,420	298,744	78,894	18,789	40,621	(2,317,424)	(1,880,376)	(1,591,956)

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, 2004

	Note	2004 RMB'000	2003 RMB'000
Cash flow from operating activities			
Profit/(loss) before taxation		(47,582)	12,557
Adjustment items :			
Interest income		(78)	(65)
Dividend income		(2)	(2,932)
Interest expense		32,357	32,266
Depreciation		12,445	7,824
Impairment loss provision/(reversal) on property, plant and equipment		961	(1,130)
Profit on disposal of property, plant and equipment		(2,636)	(10,923)
Impairment loss provision on unconsolidated subsidiaries		-	1,595
Profit on disposal of an unconsolidated subsidiary		-	(20,000)
Impairment loss provision on interests in associates		2,690	-
Loss on disposal of associates		-	3,082
Share of results from associates		(59)	(1,265)

Profit on disposal of long-term investments	(2,061)	(18,637)
Reversal for inventory obsolescence	(3,469)	-
Provision/(reversal) for doubtful debts on account receivables	(3,755)	3,645
Provision for doubtful debts on other receivables	22,365	-
Bad debts written off for other receivables	8,695	-
Reversal for loss on guarantees	(6,781)	(8,671)
Net operating cash inflow/(outflow) before movements in working capital	13,090	(2,654)
Increase/(decrease) in amounts due to unconsolidated subsidiaries	(4,150)	1,263
Increase/(decrease) in amounts due to associates	(373)	373
(Increase)/decrease in inventories	5,432	(13,387)
(Increase)/decrease in account receivables	(7,961)	2,651
(Increase)/decrease in other receivables and prepayments	34,806	(104,481)
(Increase)/decrease in note receivables	441	(630)
Increase/(decrease) in account payables	(2,656)	9,798
Increase in other payables and accrued charges	6,731	70,474
Decrease in note payables	(2,880)	(120)

Cash inflow/(outflow) from operating activities		
before interest and tax payments	42,480	(36,713)

(to be cont'd)

Consolidated cash flow statement for the year ended December 31, 2004

(cont'd)

	Note	2004 RMB'000	2003 RMB'000
Cash inflow/(outflow) from operating activities			
before interest and tax payments		42,480	(36,713)
Interest paid		(724)	(751)
Corporate and profits tax refunded/(paid)		719	(467)
Net cash inflow/(outflow) from operating activities		42,475	(37,931)
Investing activities			
Interest received		78	65
Dividend received		2	2,932
Purchases of property, plant and equipment		(5,860)	(2,614)
Proceeds from disposal of property, plant and equipment		10,971	27,581
Increase in construction in progress		(5,112)	(4,607)
Net cash inflow from consolidating nominated companies	20	-	24,669
Proceeds from disposal of an unconsolidated subsidiary		-	20,000
Net cash outflow from subsidiaries not consolidated	21	-	(1,269)

Proceeds from disposal of investments in associates		-	5,507
Proceeds from disposal of long-term investments		2,061	54,639
Net cash inflow from investing activities		2,140	126,903
Financing activities			
Dividend paid to minority shareholders	22	(724)	(902)
Bank and other loans repaid	22	(54,078)	(62,514)
Net cash outflow from financing activities		(54,802)	(63,416)
Increase/(decrease) in cash and cash equivalents		(10,187)	25,556
Cash and cash equivalents as at beginning of the year		27,414	1,858
Cash and cash equivalents as at end of the year		17,227	27,414

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 preparation of the financial statements

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, 2004 and on the operating results for the year then ended are included in note 28 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, 2004, the Group's accumulated loss amounted to RMB2,317,424,000. Moreover, the Group had outstanding liabilities on bank and other loans, account payables and other payables, etc. totalling RMB1,811,853,000. 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.

3. Basis of consolidation (cont'd)

(a) Subsidiaries

A subsidiary is a company in which the Company holds, directly or indirectly, more than 50% of the equity interest as a long-term investment and/or has the power to cast the majority of votes at meetings of the board of directors/management committee.

The details of the principal subsidiaries are as follows :

Name	Place of establishment/ operation	Attributable equity interest	Principal activities
Shanghai Lionda Industrial Co. Ltd.	PRC	100%	Trading in light industrial products
Shenzhen Lionda Industrial Trading Co. Ltd.	PRC	32% *	Import and export trading and property management
Shenzhen Goodyear Enterprise Holdings Co. Ltd.	PRC	26.54% **	Packaging

Shenzhen Lionda Property Management Co. Limited	PRC	100% ***	Property management, trading of foods and motor car spare parts
Shenzhen Lionda Development Co. Limited	PRC	100% ***	Property development and management
Shenzhen Lionda Light Textile Chemical Industrial Co. Limited	PRC	100% ***	Trading, import and export
Shenzhen Paper Making Co.	PRC	100% ***	Manufacturing paper products and printing machinery
Shenzhen Lionda Food Industrial Co. Limited	PRC	100% ***	Production of fruit jelly, jelly sweets and high strength agar
Shenzhen Lionda Materials Import & Export Co., Limited	PRC	100% ***	Import and export of printing material, machinery, chemical products, clothing, silks and shoes

Shenzhen Lionda Lucky C&B Industrial Co. Limited	PRC	100% ***	Design and production of luggage cases
Shenzhen Lionda Electrical Equipment Co. Limited	PRC	100% ***	Production of vacuum flasks and home electrical fans

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.*

3. Basis of consolidation (cont'd)

(b) Associates

An associate is a company in which the Company holds, directly or indirectly, not less than 20% or not more than 50% equity interest as a long-term investment and is able to exercise significant influence on this company.

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

The details of the principal associates are as follows :

Name	Place of establishment/ operation	Attributable equity interest	Principal activities
Yueshen Light Industry Trading Co.	PRC	50%	Import and export of food and textiles

Hunan Shenli Special Alloy Co. Ltd.	PRC	45%	Production of hard alloy ware
Shenzhen Golden Bell Batteries Co. Ltd.	PRC	40%	Production of dry batteries and electronic products
Shenzhen Yinzhizuo Club	PRC	40%	Provision of law consultant service and restaurant
Shenzhen Taiyang TCCP Co. Ltd.	PRC	34%	Production, transportation and installation of steel, concrete tube
Shenzhen Lionda Bao Shui Trading Co. Ltd.	PRC	30%	Trading
Shenzhen Anmiz Watch & Clock Co. Ltd.	PRC	30%	Production of watches, clock parts, counters and meters
Shenzhen Gaokeda Electronic Co. Ltd.	PRC	30%	Production of HDSL transmission lines
Shanghai Qingpu Yinda Property Development Co.	PRC	30%	Property development
Shenzhen Enamelware Enterprise Co. Ltd.	PRC	20.33%	Production of enamelware
Shenzhen Jianda Machinery Co. Ltd.	PRC	20%	Production of plastic injection machinery, etc.

3. Basis of consolidation (cont'd)

(b) Associates (cont'd)

The details of the principal associates are as follows :

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

* *Significant influence*
** *No controlling interest*

(c) Related companies

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

4. Principal accounting policies

(a) Property, plant, equipment and depreciation

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

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

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	20-50 years
Plant and machinery	5-10 years
Office equipment	5 years
Motor vehicles	5 years

(b) Construction in progress

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

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

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

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

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) Capitalisation of borrowing costs

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

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 recognised in prior years. Reversals of impairment loss are credited to the income statement in the year in which the reversals are recognised.

(j) Provisions

Provisions are recognised 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.

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 recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised 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 recognised 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 realised. 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

	2004	**2003**
	RMB'000	**RMB'000**
Sale of merchandises	140,247	72,112
Takings from catering services	2,360	5,156
	142,607	77,268

6. Exceptional items

	2004 RMB'000	2003 RMB'000
Impairment loss (provision)/reversal on property, plant and equipment	(961)	1,130
Profit on disposal of property, plant and equipment	2,636	10,923
Impairment loss provision on unconsolidated subsidiaries	-	(1,595)
Profit on disposal of an unconsolidated subsidiary	-	20,000
Impairment loss provision on interests in associates	(2,690)	-
Loss on disposal of associates	-	(3,082)
Profit on disposal of long-term investments	2,061	18,637
Dividend income	2	2,932
Reversal for loss on guarantees	6,781	8,671

	7,829	57,616

7. Profit/loss before taxation

	2004	2003
	RMB'000	**RMB'000**
The Group's profit/loss before taxation is arrived at after charging :		
Auditors' remuneration	600	600
Directors' emoluments	-	527
Depreciation	12,445	7,824
Interest expense	32,357	32,266
Provision for doubtful debts on account receivables	-	3,645
Provision for doubtful debts on other receivables	22,365	-
Bad debts written off for other receivables	8,695	-
Staff costs	4,942	12,124
Contributions to retirement scheme	-	251

And after crediting :

Interest income	78	65
Rental income	7,995	4,823
Reversal for inventory obsolescence	3,469	-
Reversal for doubtful debts on account		
Receivables	3,755	-

8. Taxation

	2004	**2003**
	RMB'000	**RMB'000**
Income tax		
- Company and subsidiaries	(579)	7
- Associates	43	52
	(536)	59

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 :

	2004	2003
	RMB'000	RMB'000
Profit/(loss) before taxation	(47,582)	12,557
Tax at the applicable income tax rate		
of 15% (2003 – 15%)	(7,137)	1,883
Tax effect of :		
- disallowable expenses	-	9
- non-taxable revenue	-	(160)
- recognised tax losses	-	(1,673)
- unrecognised tax losses	6,601	-
Actual tax expense	(536)	59

No deferred tax asset is recognised as it is uncertain whether taxable profit will be available against which deductible temporary differences can be utilised in the near future. As at December 31, 2004, the net unprovided deferred tax asset was RMB240,778,000 (2003 - RMB233,587,000).

(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, 2004	12,568	117,440	125,624	9,672	15,090	280,394
Additions/transfer construction in progress	-	4,302	5,257	225	1,297	11,081
Provision of impairment loss	(961)	-	-	-	-	(961)
Disposals	-	(30,254)	(324)	(114)	(1,168)	(31,860)

As at December 31, 2004	11,607	91,488	130,557	9,783	15,219	258,654
Accumulated depreciation						
As at January 1, 2004	(3,066)	(44,427)	(81,588)	(8,163)	(12,413)	(149,657)
Additions	(589)	(4,714)	(6,491)	(196)	(455)	(12,445)
Disposals	-	22,557	245	89	634	23,525
As at December 31, 2004	(3,655)	(26,584)	(87,834)	(8,270)	(12,234)	(138,577)
Net book value						
As at December 31, 2004	7,952	64,904	42,723	1,513	2,985	120,077

As at December 31, 2003	9,502	73,013	44,036	1,509	2,677	130,737

10. Construction in progress

	2004	2003
	RMB'000	RMB'000
Balance as at January 1, 2004	1,811	18
Additions	5,592	4,607
Disposals	(480)	-
Transfer to property, plant and equipment	(5,221)	(2,814)
Balance as at December 31, 2004	1,702	1,811

11. Interests in unconsolidated subsidiaries

	2004	2003
	RMB'000	RMB'000
Cost of unconsolidated subsidiaries (*)	32,088	32,088
Impairment loss provision	(32,088)	(32,088)
	-	-
Amounts due to unconsolidated subsidiaries (*)	(1,019)	(5,169)

	(1,019)	(5,169)

(*) *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

	2004	**2003**
	RMB'000	**RMB'000**
Share of net assets of associates	18,130	18,171
Impairment loss provision	(11,022)	(8,332)
	7,108	9,839
Amounts due to associates	-	(373)
	7,108	9,466

13. Long-term investments

		2004	2003
		RMB'000	RMB'000
"A" shares of companies listed in the PRC, at cost	(*)	10,000	10,000
Other unlisted equity investments, at cost		29,055	34,055
		39,055	44,055
Impairment loss provision		(27,943)	(32,943)
		11,112	11,112

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

14. Inventories

	2004	2003
	RMB'000	RMB'000
Raw materials	13,523	21,516
Work in progress	3,522	1,082
Finished goods	13,282	13,161

Properties held for sale	22,913	22,913
	53,240	58,672
Provision for inventory obsolescence	(24,035)	(27,504)
	29,205	31,168

15. Account receivables

	2004	**2003**
	RMB'000	**RMB'000**
Amount receivables	52,760	44,799
Provision for doubtful debts	(3,753)	(7,508)
	49,007	37,291

As at December 31, 2004, the aging of amount receivables is analysed as follows :

	2004	**2003**
	RMB'000	**RMB'000**
Within one year	51,032	38,455
Over one year but within two years	339	3,172
Over two years but within three years	325	323
Over three years	1,064	2,849
	52,760	44,799

16. Other receivables and prepayments

	2004	2003
	RMB'000	RMB'000
Prepayments	1,129	9,454
Other receivables	391,008	425,761
	392,137	435,215
Provision for doubtful debts	(329,316)	(306,951)
	62,821	128,264

As at December 31, 2004, the aging of other receivables and prepayments is analysed as follows :

	2004	2003
	RMB'000	RMB'000
Within one year	28,502	10,780
Over one year but within two years	31,230	70,018
Over two years but within three years	94,009	27,935
Over three years	238,396	326,482
	392,137	435,215

17. Share capital

	2004	2003
	RMB'000	**RMB'000**
Registered, issued and fully paid,		
at par value of RMB1 each		
208,560,000 (2003 - 208,560,000) domestic shares	208,560	208,560
40,260,000 (2003 - 40,260,000) "A" shares	40,260	40,260
39,600,000 (2003 - 39,600,000) "B" shares	39,600	39,600
	288,420	288,420

18. Bank and other loans

	2004	2003
	RMB'000	**RMB'000**
Bank loans - unsecured	412,019	448,149
Bank loans - secured	19,900	25,398
Other loans	143,692	156,142
	575,611	629,689

As at December 31, 2004, the aging of bank and other loans is analysed as follows :

	2004	2003
	RMB'000	RMB'000
Overdue amounts	539,141	564,046
Premature amounts	36,470	65,643
	575,611	629,689

19. Other payables and accrued charges

	2004	2003
	RMB'000	RMB'000
Amounts received in advance	2,341	705
Accrued expenses	258,969	231,537
Anticipated commitments and liabilities	696,463	707,900
Accrued staff welfare	714	343
Others	250,546	237,065
	1,209,033	1,177,550

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2004

(cont'd)

20. Nominated companies transferred from associates to subsidiaries

	2004	**2003**
	RMB'000	**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)
	-	107,465
Satisfied by		
Interests in associates	-	29,419
Minority interests	-	78,046
	-	107,465

Net cash inflow from consolidating nominated companies	-	24,669

21. Subsidiaries not consolidated

	2004	2003
	RMB'000	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)

Notes to the financial statements for the year ended December 31, 2004

(cont'd)

22. Cash flows from financing

	Bank and other loans	Minority interests
	RMB'000	RMB'000
Balance as at beginning of the year	629,689	77,698
Cash outflow from financing	(54,078)	-
Dividend paid to minority shareholders	-	(724)
Minority interests' share of results	-	877
Balance as at end of the year	575,611	77,851

23. Lease commitments

The Group earned rental income of RMB7,995,000 (2003 - RMB4,823,000) during the year. As at December 31, 2004, the total future minimum lease receipts under non-cancellable operating leases are receivable as follows :

	2004	2003
	RMB'000	RMB'000
Within one year	703	8,309
In the second to fifth years inclusive	2,613	3,262

	3,316	11,571

24. Related party transactions

As at December 31, 2004, the Group had balances with related companies that arose from the normal course of the business operations :

	2004	**2003**
	RMB'000	**RMB'000**
Account receivables before provision :		
Other related companies	308,859	356,629
Account payables :		
Holding company	67,988	27,579
Other related companies	6,039	53,783
	74,027	81,362

Guarantees

As at December 31, 2004, the Group had guarantees on banking facilities granted to related companies amounting to RMB1,416,716,000 (2003 - RMB1,526,355,000).

25. Pledge of assets

As at December 31, 2004, the Group had pledged its buildings with a net book value of RMB41,267,000 to banks to secure general banking facilities.

26. Contingent liabilities

As at December 31, 2004, the Group had the following contingent liabilities :

	2004	**2003**
	RMB'000	**RMB'000**
Potential liabilities from court action in relation to the guarantees given by the Group	99,358	66,175
Guarantees to financial institutions in respect of the Group's facilities	992,560	1,035,377
	1,091,918	1,101,552

27. Ultimate holding company

On 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.

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

	Loss attributable to shareholders RMB'000	Net asset value RMB'000
As reported by PRC Certified Public Accountants	(47,939)	(1,591,989)
Adjustments to conform to IFRS		
Prepayments amortised	16	(159)
Housing welfare fund transfer	-	192
As restated in conformity with IFRS	(47,923)	(1,591,956)

29. 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.

30. Language

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

Chapter 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:

1. Accounting Statements with signatures and seals of the legal representative, Chief Financial Officer and Manager of the Accounting Department;

2. Original of Auditor's Report with seal of Certified Public Accountants as well as personal signatures and seal of and the certified public accountants;

3. All the originals of the Company's documents and public notices disclosed in the Securities Times and Ta Kung Pao;

4. Original 2004 Annual Report of the Company with the personal signature of Chairman of the Board.

Guangdong Sunrise Holdings Co., Ltd.

Chairman of the Board: Yang Fenbo

April 19th 2004