

GUANGDONG SUNRISE HOLDINGS CO., LTD.

SEMI-ANNUAL FINANCIAL REPORT 2005

(The semi- annual financial report of the Company has not been audited.)

I. Accounting Statement

(I) Balance Sheet

Guangdong Sunrise Holdings Co., Ltd.

Balance Sheet

Jun. 30, 2005

Unit: RMB

Assets	Note	Amount at the end of the report period		Amount at the beginning of the report period	
		Consolidation	Company	Consolidation	Company
Current assets:					
Monetary funds	1	11,620,252.87	53,880.32	17,227,156.73	29,939.62
Short-term investment	2	-	-	44,400.00	-
Notes receivable		-	-	188,497.94	-
Dividends receivable		-	1,851,203.38	-	1,851,203.38
Interests receivable		-	-	-	-
Accounts receivable	3	43,427,351.29	-	49,007,129.99	-
Other receivable	4	36,562,031.61	35,365,754.59	61,499,090.64	57,372,900.90
Accounts in advance	5	1,018,906.75	-	214,023.19	-
Subsidy receivable		-	-	-	-
Inventories	6	22,701,060.28	2,000,000.00	29,205,498.49	2,000,000.00
Expenses to be apportioned	7	402,886.80	-	159,116.12	-
Long-term credit investment due within 1 year		-	-	-	-
Other current assets		-	-	-	-
Total current assets		115,732,489.60	39,270,838.29	157,544,913.10	61,254,043.90
Long-term investment:					
Long-term equity investment	8				

		21,401,031.27	47,286,705.34	18,219,856.62	47,221,906.72
Long-term credit investment		-	-	-	-
Total long-term investment		21,401,031.27	47,286,705.34	18,219,856.62	47,221,906.72
Including: consolidated price difference		-	-	-	-
Including: balance of equity investment		-	-	-	-
Fixed assets:					
Original price of fixed assets	9	255,606,065.87	27,658,666.15	256,092,508.87	27,658,666.15
Less: Accumulated depreciation	9	138,523,908.84	17,392,649.22	134,209,808.55	17,008,575.30
Net value of fixed assets	9	117,082,157.03	10,266,016.93	121,882,700.32	10,650,090.85
Less: Provision for devaluation of fixed assets	9	9,757,792.39	-	9,757,792.39	-
Net amounts of fixed assets	9	107,324,364.64	10,266,016.93	112,124,907.93	10,650,090.85
Engineering material		-	-	-	-
Construction in progress	10	1,316,898.57	-	1,701,771.17	-
Disposal of fixed assets		-	-	-	-
Total fixed assets		108,641,263.21	10,266,016.93	113,826,679.10	10,650,090.85
Intangible and other assets:					
Intangible assets	11	7,668,876.06	-	7,951,851.18	-
Long-term expenses to be apportioned	12	770,656.08	-	915,368.64	-
Other long-term assets		-	-	-	-
Total intangible and other assets		8,439,532.14	-	8,867,219.82	-
Deferred tax:					
Deferred tax-borrowing item		-	-	-	-

Total assets		254,214,316.22	96,823,560.56	298,458,668.64	119,126,041.47
Liabilities and shareholders' equity					
Current liabilities:					
Short-term loans	13	553,140,782.55	539,140,782.55	575,610,782.55	539,140,782.55
Notes payable		2,676,970.40	-	-	-
Accounts payable	14	25,095,198.97	-	27,209,418.40	-
Accounts prepay	15	2,339,295.00	-	2,341,200.00	-
Wages payable		-	-	-	-
Welfare funds payable		744,230.69	281,939.81	713,873.67	237,998.29
Dividends payable	16	2,736,770.38	-	2,750,643.89	-
Taxes payable	17	1,360,002.89	369,274.79	287,713.97	4,191.06
Other duties payable		-	-	-	-
Other accounts payable	18	235,134,309.04	198,154,895.86	251,002,765.47	219,062,322.36
Accrued expenses	19	271,710,856.29	271,249,660.41	258,968,511.72	256,207,634.57
Projected liabilities	20	696,463,107.57	696,463,107.57	696,463,107.57	696,463,107.57
Deferred earnings		-	-	-	-
Long-term liabilities due within 1 year		-	-	-	-
Other current liabilities		-	-	-	-
Total current liabilities		1,791,401,523.78	1,705,659,660.99	1,815,348,017.24	1,711,116,036.40
Long-term liabilities:					
Long-term loans		-	-	-	-
Bonds payable		-	-	-	-

Long-term accounts payable		-	-	-	-
Special accounts payable		-	-	-	-
Other long-term liabilities		-	-	-	-
Total long-term liabilities		-	-	-	-
Deferred tax:					
Deferred tax-credit item		-	-	-	-
Total liabilities		1,791,401,523.78	1,705,659,660.99	1,815,348,017.24	1,711,116,036.40
Minority interests					
Minority interests		71,648,892.87	-	75,100,646.33	-
Shareholders' equity:					
Share capital	21	288,420,000.00	288,420,000.00	288,420,000.00	288,420,000.00
Capital reserve	22	366,865,874.73	366,865,874.73	366,865,874.73	366,865,874.73
Surplus reserve	23	138,304,806.89	138,304,806.89	138,304,806.89	138,304,806.89
Including: public welfare funds	23	18,789,906.22	18,789,906.22	18,789,906.22	18,789,906.22
Retained profit	24	(2,402,426,782.05)	(2,402,426,782.05)	(2,385,580,676.55)	(2,385,580,676.55)
Foreign currency exchange difference		-	-	-	-
Cash dividend declared		-	-	-	-
Cumulative unoffsetting losses of subsidiaries		-	-	-	-
Total shareholders' equity		(1,608,836,100.43)	(1,608,836,100.43)	(1,591,989,994.93)	(1,591,989,994.93)
Total liabilities and shareholders' equity		254,214,316.22	96,823,560.56	298,458,668.64	119,126,041.47

(II) Statement of Profit Distribution

Guangdong Sunrise Holdings Co., Ltd.
Income Statement and Statement of Profit Distribution
Interim of year 2005

Unit: RMB

Items	Note	Jan.-Jun. 2005		Jan.-Jun. 2004	
		Consolidation	Company	Consolidation	Company
I. Income from main operations	25	60,333,903.54	-	67,629,196.38	-
Less: Cost of main operations	25	52,413,678.01	-	60,518,713.31	-
Taxes and extras of main operations	26	23,337.72	-	137,960.40	-
. Profit from main operations		7,896,887.81	-	6,972,522.67	-
Add: Other operating profit	27	5,664,912.37	883,089.16	3,396,311.99	481,299.96
Less: Operating expenses		2,412,953.35	-	3,142,841.23	-
Administrative expenses		6,964,441.95	2,761,752.08	6,315,523.71	2,172,761.24
Financial expenses	28	15,719,673.51	15,032,441.20	16,689,352.29	15,303,097.77
. Operating profit		(11,535,268.63)	(16,911,104.12)	(15,778,882.57)	(16,994,559.05)
Add: Investment income	29	(1,130,420.02)	64,798.62	302,775.17	641,788.75
Subsidy income		-	-	-	-
Non-operating income	30	2,700.00	200.00	358,980.18	304,508.68
Less: Non-operating expenses	30	-	-	22,690.00	350.00
. Total profit		(12,662,988.65)	(16,846,105.50)	(15,139,817.22)	(16,048,611.62)
Less: Income tax		874,874.17	-	95,781.66	-
Less: Minority interests		3,308,242.68	-	813,012.74	-
Unoffsetting losses of subsidiaries		-	-	-	-
V. Net profit		(16,846,105.50)	(16,846,105.50)	(16,048,611.62)	(16,048,611.62)
Add: Retained earnings at the year-beginning		(2,385,580,676.55)	(2,385,580,676.55)	(2,337,641,680.95)	(2,337,641,680.95)
Other transfer-ins					

	-	-	-	-
VI. Profit available for distribution	(2,402,426,782.05)	(2,402,426,782.05)	(2,353,690,292.57)	(2,353,690,292.57)
Less: appropriating statutory surplus reserve	-	-	-	-
Appropriating statutory public welfare reserve	-	-	-	-
Appropriating bonus and welfare funds	-	-	-	-
VII. Profit available for distribution to shareholders	(2,402,426,782.05)	(2,402,426,782.05)	(2,353,690,292.57)	(2,353,690,292.57)
Less: Dividend for preferred shares payable	-	-	-	-
Appropriating discretionary reserve	-	-	-	-
Dividend for ordinary shares	-	-	-	-
Dividend for ordinary shares converted to share capital	-	-	-	-
VIII. Retained earnings	(2,402,426,782.05)	(2,402,426,782.05)	(2,353,690,292.57)	(2,353,690,292.57)

Supplemental information:

Items	Jan.-Jun. 2005	Jan. -Jun. 2004
1. Profit from selling or disposing branch or investee	-	-
2. Losses from natural disaster	-	-
3. Increase (or decrease) in total profit due to the changes of accounting policies	-	-
4. Increase (or decrease) in total profit due to the changes of accounting estimation	-	-
5. Loss on debts restructure	-	-
6. Others	-	-

(III) Cash Flow Statement

Guangdong Sunrise Holdings Co., Ltd. Cash Flow Statement

Unit: RMB

Items	Note	Interim period of 2005	Interim period of 2004
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		Consolidation	Company	Consolidation	Company
Cash flows arising from operating activities:					
Cash received from selling commodities and providing labor services		78,483,646.63		61,802,343.98	-
Write-back of tax received		-		6,467,592.60	-
Other cash received concerning operating activities	31	7,577,158.60	487,562.00	3,223,324.85	528,279.33
Subtotal of cash inflows:		86,060,805.23	487,562.00	71,493,261.43	528,279.33
Cash paid for purchasing commodities and receiving labor service		41,872,518.25		52,609,927.44	-
Cash paid to/for staff and workers		6,677,789.60	197,386.00	7,484,045.73	242,268.00
Taxes paid		3,258,648.57	-	2,853,994.19	-
Other cash paid concerning operating activities	32	16,706,105.29	266,235.30	10,711,604.39	333,329.26
Subtotal of cash outflows:		68,515,061.71	463,621.30	73,659,571.75	575,597.26
<i>Net cash flows arising from operating activities</i>		<u>17,545,743.52</u>	<u>23,940.70</u>	<u>(2,166,310.32)</u>	<u>(47,317.93)</u>
II. Cash flows arising from investing activities:					
Cash received from recovering investment		-	-	2,775.17	2,775.17
Including: cash received from selling subsidiaries		-	-	-	-
Cash received from investment income		-		-	-
Net cash received from disposal of fixed, intangible and other long-term assets		-		1,703,632.39	16,632.39
Other cash received concerning investing activities				1.00	-
Subtotal of cash inflows:		-	-	1,706,408.56	19,407.56
Cash paid for purchasing fixed, intangible and other long-term assets		6,800.00		3,182,711.50	-
Cash paid for investment					

	-	-	-	-
Including: cash paid for purchasing subsidiaries	-	-	-	-
Other cash paid concerning investing activities	131,416.56	-	-	-
Subtotal of cash outflows:	138,216.56	-	3,182,711.50	-
<i>Net cash flows arising from investing activities</i>	<u>(138,216.56)</u>	<u>-</u>	<u>(1,476,302.94)</u>	<u>19,407.56</u>
. Cash flows arising from financing activities				
Cash received from absorbing investment	-	-	-	-
Including: cash received from absorbing equity investment of minority shareholders	-	-	-	-
Cash received from loans	-	-	30,100,000.00	-
Other cash received concerning financing activities	-	-	-	-
Subtotal of cash inflows:	-	-	30,100,000.00	-
Cash paid for repaying debts	22,470,000.00	-	29,270,000.00	-
Cash paid for dividend and profit distributing or interest paying	544,430.82	-	2,170,305.63	-
Including: dividends to minority shareholders paid by subsidiaries	-	-	-	-
Cash paid due to reducing registered capital	-	-	-	-
Including: cash paid to minority shareholders by subsidiaries for reducing capital according to laws	-	-	-	-
Other cash paid concerning financing activities	-	-	-	-
Subtotal of cash outflows:	23,014,430.82	-	31,440,305.63	-
<i>Net cash flows arising from financing activities</i>	<u>(23,014,430.82)</u>	<u>-</u>	<u>(1,340,305.63)</u>	<u>-</u>
IV. Influence on cash due to fluctuation in exchange rate	-	-	-	-
V. Net increase of cash and cash equivalents	<u>(5,606,903.86)</u>	<u>23,940.70</u>	<u>(4,982,918.89)</u>	<u>(27,910.37)</u>

Cash Flow Statement (Con.)

Items	Interim period of 2005		Interim period of 2004	
	Consolidation	Company	Consolidation	Company
I. Investing and financing activities with no cash incomings/outgoings involved				
Capital transferred from debts	-	-	-	-
Convertible company bonds due within one year	-	-	-	-
Fixed assets leasing from financing	-	-	-	-
II. Adjusting net profit to cash flows for operating activities				
Net profit	(16,846,105.50)	(16,846,105.50)	(16,048,611.62)	(16,048,611.62)
Add: Minority interests	3,308,242.68	-	813,012.74	-
Appropriating provisions for devaluation assets	130,420.02	130,420.02	(312,000.00)	(312,000.00)
Depreciation of fixed assets	4,704,274.33	384,073.92	5,784,767.06	542,285.86
Amortization of intangible assets	282,975.12	-	409,163.04	-
Amortization of long-term expenses to be apportioned	223,492.56	-	110,651.64	-
Decrease of expenses to be apportioned	243,770.68	-	110,393.72	-
Increase of accrued expenses	13,342,344.57	15,042,025.84	16,056,821.07	15,308,485.86
Loss on disposal of fixed, intangible and other long-term assets	(200.00)	(200.00)	(279,385.98)	(304,158.68)
Loss on rejection of fixed assets	-	-	-	-
Financial expenses	15,678,762.62	15,032,441.20	16,696,249.12	15,303,097.77
Loss of investment	-	(1,195,218.64)	(641,789.75)	(641,788.75)
Guarantee loss	-	-	-	-
Deferred taxes-borrowing				

	-	-	-	-
Decrease of inventories	6,504,438.21	-	(5,426,650.88)	-
Decrease of receivables in operating	9,255,083.78	2,726,032.94	(8,444,800.07)	(4,192,025.49)
Increase of payables in operating	(19,281,755.55)	(15,249,529.08)	(10,994,130.41)	(9,702,602.88)
Other	-	-	-	-
Net cash flows arising from operating activities	17,545,743.52	23,940.70	(2,166,310.32)	(47,317.93)

III. Net increase of cash and cash equivalents:

Balance of cash at the end of the period	11,620,252.87	53,880.32	22,372,353.50	420,930.70
Less: Balance of cash at the begin of the period	17,227,156.73	29,939.62	27,355,272.39	448,841.07
Add: Balance of cash equivalents at the end of the period	-	-	-	-
Less: Balance of cash equivalents at the begin of the period	-	-	-	-
Net increase of cash and cash equivalents	(5,606,903.86)	23,940.70	(4,982,918.89)	(27,910.37)

(II) Notes to accounting statement

The financial data and amount in this report are expressed in RMB except for otherwise stated.

Note 1: Company Profiles

As approved by Shenzhen People's Government with SFBF [1993] No. 720 document, Guangdong Sunrise Holdings Co., Ltd. (hereinafter referred to as the Company) is established as a joint stock limited company by means of raise on June 7, 1993 with Shenzhen Lionda Group as main body. Approved by China Securities Regulatory Commission, the Company's A-shares and B-share were listed in Shenzhen Stock Exchange on Sep. 29, 1993. The Company drew enterprise legal person's business license No. 19038195-8. Now the Company's registered capital is RMB 288.42 million. The Company's original name is "Shenzehn Lionda Holdings Company Limited", on June 13, 2002, the Company changed its name into Guangdong Sunrise Holdings Co., Ltd..

The Company was engaged in the import and export business of the second and third commodities by means of self-operation and agency within Guangdong Province (the special commodity was performed according to YJMJZ [1990] No. 320), domestic sales of commodities originally produced for exports and domestic sales of import commodities, sales of timber and its goods (excluding hub), production material for the use of industry (excluding gold, silver, automobile and chemical dangerous goods),

pin, textile, computer and fittings, rubber goods, consultation service and industrial investment.

Note 2. Major accounting policies, accounting estimate and the preparation of the consolidated financial statement

(1) The Company performs Accounting Standards for Business Enterprise and Accounting System for Business Enterprise.

(2) Fiscal year

The Company adopts the Gregorian calendar, namely from Jan.1 to Dec. 31 of every year.

(3) Reporting currency

The Company uses Rmb as the reporting currency.

(4) Basis of accounting and pricing principle

The Company adopts the accrual basis as basis of account. The pricing principle for assets is based on the historical cost.

(5) Accounting method of foreign currency business

The foreign currency operating business involved by the Company, its exchange rate of account and book exchanged rate adopt the fixed exchange rate, the monetary items are adjusted as per the market exchange rate at the transaction day in the period-end, and the accrued gains and losses of the exchange belonging to the course of constructing are listed into long-term expenses to be apportioned, while the accrued gains and losses of the exchange from the relevant loans related with purchasing fixed assets are disposed based on the principle of capitalization loan expenses, others are listed into gains and losses.

(6) Determination standard of cash and cash equivalents

The Company's cash refers to all cash in hand and call deposits; cash equivalents refers to short-term and high circulating investments held by the Company, which are easily convertible into known amount of cash and whose risks in charge of value are minimal.

(7) Short-term investment

Short-term investment is priced based on the payment paid in fact deducting cash dividends or interests paid declared, and offsets and reduces the investment cost based on cash dividends and interests received.

At the end of the year, short-term investment is accounted as per the lower amount between the investment cost and the market price, and the provision for falling price of short-term is appropriated as per the balance between the market price and the cost.

(8) Accounting method of bad debts

The Company appropriates the general provision for bad debts and special provision for bad debts, the general provision for bad debts are appropriated as per 3% of amount that the sum of balance of accounts receivable deducting the accounts receivable appropriated of special provision for bad debts at the end of the middle period or the year-end; the special provision for bad debts are appropriated based on an analysis of the recoverability accounts items existing the bigger indefiniteness in items of accounts receivable and other receivables an items by items at the end of the middle period or the year-end. The provision for bad debts appropriated is calculated into the management expense in the current period.

Determination standard of bad debts:

a. The accounts are still unable to be drawn back after the debtors discharge the

aforesaid accounts with the bankruptcy properties if they are bell-up or with the legacies when they are dead.

b. The debtors implement no redemption obligation exceeding the time limit and it exists authentic evidence to indicate the accounts receivable are certainly unable to be drawn back.

(9) Inventories

The Company's inventories includes raw materials, commission processing materials, work-in-progress goods, finished goods, commodities send by instalment, commodities purchased from outside, development product and development cost and etc..

The purchase and store of each kind of inventory is priced as per the actual cost basis and the issue is priced as per the weighted average method. Inventories adopt perpetual inventory system. The drawing of the low-value consumption is amortized based on the single amortization method.

At the end of the year, the inventory is priced based on the lower amount between the individual inventory cost and net realizable value. The provision for falling price of inventory is appropriated based on the balance that the cost of inventory is more than its net realizable value due to the reasons of mutilation, out of season for all or partial and sales price lowering than the cost etc..

(10) Long-term investment

The long-term equity investment is recorded into the accounts as per the original investment cost upon receipt. For the shareholding subsidiaries that the Company holds its over 50% equity and non-shareholding associated companies or joint venture companies that the Company holds over 20% equity (including 20%), the Company counts the long-term equity investment based on the equity method. For the associated companies or joint venture companies that the Company holds below 20% equity, the Company counts the long-term equity investment based on cost method. The balance of equity investment is amortized as per ten years.

The long-term credit investment is recorded into the accounts as per the amount paid actually or the value determined upon purchasing, and is accounted based on principle of taking the lower amount between the cost and the market price at the end of period. The investment income is determined as per the cost method, and the premium or discount are amortized based on the straight-line method during the investment period.

At the end o the year, the Company examined the long-term investment item by item. If the continuous falling of market price of investees or exasperate operating status of investees result that the recoverable amounts are lower that the book values of investment, then the provision for impairment losses of long-term investments are appropriated as per the balance that the recoverable amounts are lower that book value.

(11) Fixed assts and accumulative depreciation

a. The Company puts buildings, constructions, machinery and equipments, transport vehicles and other equipment, appliances and tools related with operations, which using period is over one year, and main equipment, which do not belong to the articles of operations, but assets which unit value is over RMB 2,000 and the using period over two years.

- b. The fixed assets is accounted as per the actual cost.
- c. The depreciation of fixed assets is calculated based on the straight-line method, and the depreciation rate is confirmed on the basis of the original value of all kinds of fixed assets and the estimated service life after deducting the residual value (10% of the original value) with the classified depreciation rate as follows:

Type of assets	Service life	Annual depreciation rate
Houses & building	20-35 years	2.5%-4.5%
Machinery equipment	10-15 years	9.0%-6.0%
Transport equipment	5 years	18.0%
Electronic equipment or others	5years	18.0%

At the end of the year, if the reasons such as the continuous falling of market price, out-of-date technology, obsolescence, dilapidate and leave unused for a long time etc. result that the recoverable amounts of fixed assets are lower than the book values, then the recoverable amounts are estimated as per the single and the provision for impairment losses of fixed assets are appropriated as per the balance that the recoverable amounts are lower than book value.

(12) Constructions in progress

Constructions in progress are recorded into the accounts as per the engineering cost reflected by direct construction, installation cost and the actual interests expenditure related with loan borrowed and exchange gains and losses in the periods of construction. Constructions in progress is transferred to the fixed assets commences when the fixed assets purchased and constructed are ready for their intended use.

At the end of the year, due to the following reasons that the project is suspended in construction for long time and it is estimated not to be constructed again in the future three years, whether the out-of-date capability and technology, the recoverable amounts are calculated as per the single, and the provision for impairment losses of constructions in progress are appropriated as per the balance that the recoverable amounts are lower than book value.

(13) Loan expenses

Loan expenses start the capitalization with meeting the following conditions at the same time, namely assets expenditure has already happened, loan expenses have already happened and the construction activities necessary for assets to reach the estimated usable status have already started. The capitalized amount is equal to the weighted average amount of accumulated expenditure from fixed assets constructed ended the end of the current period multiply the capitalization rate without exceeding the actual interests occurred.

(14) Intangible assets is recorded into the accounts as per the amount paid actually or the value determined, and is amortized based on straight-line method. The term limit of amortization is as follows:

- a. Land use right is amortized as per 50 years from the next month of purchasing.
- b. Other intangible assets is amortized as per no less than 10 years.

At the end of middle period or the year-end, for those intangible assets such as they have been taken place by other new technology and the capability of creating economic benefit for the Company is badly influenced or the market price dropped by

a large margin and they are estimated they will not resume in the left amortization period, the Company estimated the recoverable amount as per the single and appropriated the impairment losses of intangible assets as per the balance that the recoverable amounts are lower than book value.

(15) Long-term expenses to be apportioned

Long-term expenses to be apportioned is amortized based on the straight-line method in line with the beneficiary period.

(16) Income confirming principle

Sale income of commodity: the Company and its subsidiaries confirm the realization of sale income of commodity based on the following conditions: the main risk and reward of the commodity's property has been transferred to the purchaser; neither keep the right of continuous management in contact with property normally nor execute control and sold commodity; the economic benefit related with transactions can flow into enterprise; and the relevant income and cost can be measured reliably.

Sale of labour service: the incomes from sale of labour service are confirmed based on the precondition of the incomes from labour service and completed degree of labour service can be determined reliably, the payments related with transaction can flow into enterprise; and the relevant cost can be measured reliably.

Incomes received from others using the Company's assets are calculated and confirmed according to the toll time and method regulated in the contract and agreement.

(17) Projected liabilities

The Company confirmed the obligation related with the contingency as the projected liabilities with meeting the following conditions at the same time: the obligations are the current duties with the calculation reliably undertaken by the Company, which the Company's implementation shall probably decrease its economic benefits.

(18) Accounting transaction method of income tax

The Company's income tax is 15%. The Company adopts method of tax payable to transact income tax.

(19) Preparation basis of the consolidated accounting statement

The Company takes the investment, internal current and internal transaction among the shareholding subsidiaries and affiliated companies having the actual control right to consolidate item by item based on offsetting non-realized gains and losses and calculate the minority shareholders' equity. Minority shareholders' equity refer to a rights and interests in the Company's net value of assets held the third party except for the Company and its subsidiaries; minority shareholders' gains and losses refer to a profit should be distributed to the aforesaid third party (or the loss burdened) from the Company or subsidiaries. For the joint venture companies under the Company, the Company adopts the proportion consolidation method.

a. The subsidiaries are brought into the consolidation scope of the Company includes Shenzhen Goodyear Industrial Co., Ltd.

According to the Agreement on Equity Custody signed by between the Company and Shenzhen Lionda Holdings Company Limited, the another shareholder of Shenzhen Goodyear Industrial Co., Ltd. (hereinafter referred to as "Goodyear Company"),

Shenzhen Lionda Holdings Company Limited entrusted the Company to management its 19.03% equity of Goodyear Company with trusteeship period from Jul. 1, 2003 to Dec. 31, 2005. After custody, the Company held and trusted 45.57% equity of Goodyear Company in total. Because the proportion of directors appointed by the Company taking the members of the Board of Goodyear Company reached over 1/2 of total directors, the Company has had the actual control right to Goodyear Company, thus the Company brought Goodyear Company into the consolidated statement from Jan. 1, 2005 to Jun. 30, 2005.

Shanghai Lionda Industrial Co., Ltd. was brought into the consolidated statement in the previous year, however, this company has went into liquidation many years ago in fact, and no assets could be liquidated. In the report period, the Company did not consolidated it into the accounting statement according to the resolutions of the Board, and appropriated the reserve for devaluation of long-term investment by full amount to the said long-term investment.

Shenzhen Lionda Industry and Trade Co., Ltd. was brought into the consolidated statement in the previous year, but in the report period, it no longer was brought into consolidated statement of the Company due to the expiration of custody.

b. Subsidiaries without bring into the consolidation scope and reasons

Name of subsidiaries	Reasons without bringing into the consolidation scope	Particulars about accounting transaction
Shenzhen Paper Making Co.	Continual losses, closing down for many year	Appropriating impairment loss for investment by all amount, and appropriating reserve for bad debts of current payment by all amount
Paper Product Processing Factory of Shenzhen Paper Making Co.	Subsidiary of Shenzhen Paper Making Co.	It is not brought into the consolidation with the parent company
Shenzhen Lionda Foods Industrial Co., Ltd.	Continual losses, closing down and serious insolvent	Impairment loss for long-term investment is zero, and appropriating reserve for bad debts of current payment by all amount
Shenzhen Xinqi Beverage Co., Ltd.	Subsidiary of Shenzhen Lionda Foods Industrial Co., Ltd.	It is not brought into the consolidation with the parent company
Shenzhen Lionda Material Import& Export Co., Ltd.	Continual losses, closing down and serious insolvent	Impairment loss for long-term investment is zero, and appropriating reserve for bad debts of current payment by all amount
Shenzhen Lionda Lucky C&B Industrial Co. Limited	Continual losses and serious insolvent	Impairment loss for long-term investment is zero
Shenzhen Lionda Electrical Equipment Co. Limited	Continual losses, closing down and serious insolvent	Impairment loss for long-term investment is zero, cancels its current payment
Shenzhen Lionda Electrical Manufacturing Factory	Subsidiary of Lionda Electronic Co.	It is disposed jointly with the parent company
Shenzhen Lionda Hunan Branch	Closing down for many year, no assets could be liquidated	Appropriating impairment loss for investment by all amount, cancels its current payment
Shenzhen Lionda Light Textile Chemical Industrial Co. Limited	Closing down	Appropriating impairment loss for investment by all amount

Shenzhen Lionda Development Co. Limited	Closing down	Impairment loss for long-term investment is zero
Shenzhen Lionda Property Management Co. Limited	Closing down	Appropriating impairment loss for investment by all amount
Shenzhen Lionda Junk Trading Market Co. Limited	Subsidiary of Shenzhen Lionda Property Management Co.	It is not brought into the consolidation with the parent company
Shanghai Lionda Industrial Co., Limited	Closing down for many year, no assets could be liquidated	Appropriating impairment loss for investment by all amount

(20) Profit distribution

The Company's profits are distributed by the Shareholders' General Meeting based on the following proportion according to Company Law and the Articles of Association (after making up the losses over the past years):

Appropriating statutory surplus reserve	10%
Appropriating public welfare fund	5%

Note 3. Taxes

The main taxes applied by the Company are as follows: VAT, business tax, urban maintenance and construction tax, additional education fees enterprise income tax.

Tax rate of turnover taxes: VAT	17%
Business tax	5%
Urban maintenance and construction tax	1%
Additional education fees	3%
Enterprise income tax	15%

Note 4. Shareholding subsidiaries and associated companies and joint venture companies

1. Shareholding subsidiaries

Name of shareholding subsidiaries	Registration place	Registered capital	Main operations	Amount of investment	Proportion of holding share
Shenzhen Paper Making Co.	Shenzhen	RMB 10400000	Manufacturing and operating paper products and printing machinery	RMB 10400000	100%
Shenzhen Lionda Foods Industrial Co., Ltd.	Shenzhen	RMB 6640000	Operating food additive and fruit jelly	RMB 6640000	100%
Shenzhen Xinqi Beverage Co., Ltd.	Shenzhen	RMB 1000000	Production and operation of fruit juice and products and pudding	RMB 750000	75%
Shenzhen Lionda Material Import& Export Co., Ltd.	Shenzhen	RMB 7000000	Import and export of light industrial materials such as printing, machinery	RMB 7000000	100%
Shenzhen Lionda Development Co. Limited	Shenzhen	RMB 30000000	Property development and management	RMB 30000000	100%

Shenzhen Lionda Lucky C&B Industrial Co. Limited	Shenzhen	USD 1400000	Production and sales of luggage cases with brand of “ABS” and other leatheroid products	USD 1400000	100%
Shenzhen Lionda Electrical Equipment Co. Limited	Shenzhen	RMB 6000000	Production of vacuum flasks and home electrical fans	RMB 6000000	100%
Shenzhen Lionda Light Textile Chemical Industrial Co. Limited	Shenzhen	RMB 10000000	Domestic trading, import and export	RMB 10000000	100%
Paper Product Processing Factory of Shenzhen Paper Making Co.	Shenzhen	RMB 1000000	Paper processing deeply	RMB 1000000	100%
Shenzhen Lionda Electrical Manufacturing Factory	Shenzhen	RMB 600000	Production of vacuum, electric oven and metal products	RMB 600000	100%
Shenzhen Lionda Hunan Branch	Changsha	RMB2878000	Business of import and export	RMB 2878000	100%
Shenzhen Lionda Property Management Co. Limited	Shenzhen	RMB 1600000	Property management, trading of foods and motor vehicle spare parts	RMB 1600000	100%
Shenzhen Lionda Junk Trading Market Co. Limited	Shenzhen	RMB 588000	Trading of junk and wireless communication products	RMB 300000	51%
Shanghai Lionda Industrial Co., Limited	Shanghai	RMB 3000000	Light textile and chemical products and general merchandise and	RMB 3000000	100%
Shenzhen Goodyear Industrial Co., Ltd.	Shenzhen	RMB 72700000	Undertaking packing and upholster of paper, metal and plastic	RMB 19295400	26.54%

For details of the aforesaid companies brought into the scope of consolidated statement, please refer to Note 2 (19).

2. Associated companies

Name of shareholding subsidiaries	Registration place	Registered capital	Main operations	Amount of investment	Proportion of holding share
Shenzhen China Bicycle Company (Holdings) Co., Ltd.	Shenzhen	RMB 479433000	Production and assemble of bicycle and parts	RMB 11970000	2.50%
Shenzhen Jianda Machinery Co. Ltd.	Shenzhen	RMB 6000000	Production of plastic injection machinery, etc.	RMB 1200000	20%
Shenzhen Lionda Free Trading Co., Ltd.	Shenzhen	RMB 6000000	Import free tax of paper packing materials	RMB 1800000	30%

Shenzhen Golden Bell Batteries Co. Ltd.	Shenzhen	RMB 2000000	Production of dry batteries and batteries materials	RMB 800000	40%
Shenzhen Anmiz Watch & Clock Co. Ltd.	Shenzhen	RMB 1500000	Production of watches, clock	RMB 450000	30%
Shenzhen Gaokeda Electronic Co. Ltd.	Shenzhen	RMB 3000000	Production of HDSL transmission lines	RMB 900000	30%
Shenzhen Taiyang PCCP Co. Ltd.	Shenzhen	USD 9000000	Production, transportation and installation of steel, concrete tube	USD 3060000	34%
Shenzhen Dong Xiang Electronic Enterprise Co. Ltd.	Shenzhen	HKD 9720000	Trading of electronic equipment and parts	HKD 1110000	11%
Guangdong Guomin Entrustment Investment Co., Ltd.	Guangzhou	RMB 87000000	Entrustment deposit and investment	RMB9423800	9.9%
Baltic Sea Commercial Center * 1	Latvia	USD 1300000	Hotel operation and commercial service	USD 663000	51%
Shanghai Qingpu Yingda Property Development Co.	Qingpu county	RMB 1500000	Development of real estate	RMB 450000	30%
Shenzhen Zhenhua Group Co., Ltd.	Shenzhen	RMB 30850000	Import & export of products of light industry, foods	RMB 11118000	3.6%
Shenzhen Guoyin Investment Development Co., Ltd.	Shenzhen	RMB 15000000	Setting up industry and industrial, operation of domestic trading	RMB 750000	5%
Shenzhen (Moscow) Co., Ltd.	Shenzhen	USD 1400000	Import & export trading	USD 140000	10%
Chaozhou Port Development Co., Ltd.	Shantou	RMB 300000000	Development of ports and docks	RMB 2225000	12%
China International Barge Club	Dalian	RMB 30000000	Development of real estate	RMB 12892000	10%
Wuxi Taihu Overseas Chinese Town Development Construction Co., Ltd.	Wuxi	RMB 10000000	Integrated development and construction	RMB 1000000	10%
Shenzhen Yinzhezuo Club	Shenzhen	RMB 8000000	Provision of law consultant service and restaurant	RMB 4000000	40%
Yueshen Light Industry Trading Co.	Shenzhen	RMB 4920000	Import and export of food and textiles	RMB 2460000	50%
Yueyang Shengang Hotel Co., Ltd. *2	Yueyang	RMB 4000000	Operation of hotel and retail marketplace	RMB 3420000	75%
Hunan Shenli Special Alloy Co. Ltd.	Yiyang	RMB 5000000	Production of hard alloy ware	RMB 2250000	45%
Shenzhen Lionda Industrial Trading Co., Ltd.	Shenzhen	RMB 20000000	Import & export business, management of self-owned properties	RMB 6400000	32%
Others				RMB 425000	

* 1: The Company calculated the said company based on the cost method due to without actual control right.

* 2: The said company was transferred into the Company by Shenzhen Chemical Plastic Industrial Co. as the commutable payment when it went bankrupt.

Note 5: Notes to principal items of the accounting statement (the following data are the consolidated amount except otherwise explanation)

1. Monetary funds

Sort	Currency type	<u>Amount at the beginning of period</u>			<u>Amount at the end of period</u>		
		<u>Amount of</u>	<u>Conversion</u>	<u>Converting into</u>	<u>Amount of</u>	<u>Conversion</u>	<u>Converting into</u>
		<u>original</u>	<u>exchange</u>	<u>RMB</u>	<u>original</u>	<u>exchange</u>	<u>RMB</u>
		<u>currency</u>	<u>rate</u>		<u>currency</u>	<u>rate</u>	
Cash	RMB	32,389.87	1.00	32,389.87	340,352.10	1.00	340,352.10
	HKD	266,292.63	1.06	283,255.34	162,064.56	1.0637	172,388.05
	USD	2,425.16	8.30	20,071.84	2,425.16	8.2765	20,071.84
Subtotal				335,717.05			532,811.99
Bank deposit	RMB	9,579,124.41	1.00	9,579,124.41	10,019,304.35	-	10,019,304.35
	HKD	6,863,391.84	1.06	7,311,662.30	993,738.37	1.0749	1,068,136.53
	USD	78.67	8.30	652.97			-
Subtotal				16,891,439.68			11,087,440.88
Total				17,227,156.73			11,620,252.87

2. Short-term investment

Items	<u>Amount at the beginning of period</u>		<u>Amount at the end of period</u>	
	<u>Investment amount</u>	<u>Provisions for falling price</u>	<u>Investment amount</u>	<u>Provisions for falling price</u>
Fund investment	44,400.00	---	---	---

3. Accounts receivable

Aging	<u>Amount at the beginning of period</u>			<u>Amount at the end of period</u>		
	<u>Amount</u>	<u>Proportion</u>	<u>Reserve for bad</u>	<u>Amount</u>	<u>Proportion in</u>	<u>Reserve for bad</u>
		<u>in total</u>	<u>debt</u>		<u>total amount</u>	<u>debt</u>
Within 1 year	51,032,036.20	96.73%	2,606,648.96	41,256,109.41	87.44%	3,046,458.35
1-2 years	339,321.50	0.64%	33,932.15			
				5,090,594.24	10.79%	33,932.15
2-3 years	325,121.65	0.62%	48,768.25			
				733,572.33	1.55%	622,614.35
Over 3 years	1,063,735.65	2.01%	1,063,735.65	100,160.32	0.21%	50,080.16
Total	52,760,215.00	100%	3,753,085.01	47,180,436.30	100.00%	3,753,085.01

There is no arrearage of associated companies that holds over 5% shares.

4. Other receivables

Aging	<u>Amount at the beginning of period</u>			<u>Amount at the end of period</u>		
	<u>Amount</u>	<u>Proportion</u>	<u>Reserve for bad</u>	<u>Amount</u>	<u>Proportion</u>	<u>Reserve for bad</u>
		<u>in total</u>	<u>debt</u>		<u>in total</u>	<u>debt</u>
		<u>amount</u>			<u>amount</u>	

Within 1 year	28,305,546.59	5.57%	1,751,260.11	3,368,487.56	0.69%	1,751,260.11
1-2 years	31,226,553.27	6.14%	30,776,296.31	31,226,553.27	6.47%	30,776,296.31
2-3 years	93,993,983.73	18.48%	61,246,879.26	93,993,983.73	19.48%	61,246,879.26
Over 3 years	355,081,063.65	69.81%	353,333,620.92	354,081,063.65	73.36%	352,333,620.92
Total	<u>508,607,147.24</u>	<u>100%</u>	<u>447,108,056.60</u>	<u>482,670,088.21</u>	<u>100%</u>	<u>446,108,056.60</u>

There is no arrearage of associated companies that holds over 5% shares.

The special reserve for bad debts of other receivables accumulated to RMB 436,166,420.27, the items are as follows:

<u>Items</u>	<u>Name of clients</u>	<u>Book amount</u>	<u>Appropriating amount</u>	<u>Reasons</u>
Other receivables	Shenzhen Jijian Investment Co., Ltd.	5,724,962.00	5,724,962.00	The arrearage exceeded over three years, drawing back difficulty
	Shenzhen Postal and Communication Service	3,000.00	3,000.00	Deposit before 90 years
	Zhonghua Chuangye Group Co., Ltd.	4,035,732.00	4,035,732.00	The aging for a long time, this company has changed
	Shenzhen Taiyang PCCP Co., Ltd.	25,686,735.00	25,686,735.00	Bad insolvency, drawing back difficulty
	Shenzhen Xiancheng Building Co., Ltd.	24,876,389.27	24,876,389.27	This company has withdrew, drawing back difficulty
	Shanghai Qingda Real Estate Co., Ltd.	2,137,000.00	2,137,000.00	This company has withdrew, drawing back difficulty
	Shenzhen Lionda Food Industrial Co., Ltd.	4,998,701.51	4,998,701.51	This company has closed down, the balances are allocation fees paid by the Company in instead
	Shenzhen Lionda Development Co., Ltd.	59,171,271.83	57,171,271.83	This company has closed down
	Shenzhen Keruite New Materials Co., Ltd.	214,000.00	214,000.00	This company has withdrew, drawing back difficulty
	Shenzhen Jiadeng Trading Co., Ltd.	1,008,500.00	1,008,500.00	Bad insolvency, drawing back difficulty
	Shenzhen Yingte Enterprises Co., Ltd.	477,539.63	477,539.63	Bad insolvency, drawing back difficulty
	Shenzhen Lida Co., Ltd.	146,286.00	146,286.00	Bad insolvency, drawing back difficulty
	Shenzhen keda' eng Technology Co., Ltd.	13,224.05	13,224.05	Bad insolvency, drawing back difficulty
	Shenzhen Guangyingda Industrial Co., Ltd.	14,180,000.00	14,180,000.00	Bad insolvency, drawing back difficulty
	Shenzhen China Bicycle Company (Holdings) Co., Ltd.	245,789,686.03	245,789,686.03	Bad insolvency, drawing back difficulty
	Shenzhen Lionda Materials Import & Export Co., Ltd.	27,935,288.45	27,935,288.45	Bad insolvency, drawing back difficulty

			Bad insolvency, drawing back
Shenzhen Haima Co.	285,838.32	285,838.32	difficultly
Beijing Lionda Investment	17,988,500.00	5,396,550.00	Arrearage for a long time
Shenzhen Orient Enterprise Group Co., Ltd.	27,683,064.32	8,304,919.30	Arrearage for a long time
			Arrearage for a long time,
Yunfu Real Estate Co.	4,670,073.96	4,670,073.96	drawing back difficultly
			Arrearage for a long time,
Shenzhen Xuena Co.	1,482,792.41	1,482,792.41	drawing back difficultly
			Arrearage for a long time,
Other	1,627,930.51	1,627,930.51	drawing back difficultly
Total	470,136,515.29	436,166,420.27	

List of Company's amount of other receivables:

<u>Aging</u>	<u>Amount at the beginning of period</u>			<u>Amount at the end of period</u>		
	<u>Amount</u>	<u>Proportion</u> <u>in total</u> <u>amount</u>	<u>Reserve for bad</u> <u>debt</u>	<u>Amount</u>	<u>Proportion</u> <u>in total</u> <u>amount</u>	<u>Reserve for bad deb</u>
Within 1 year	25,615,451.91	5.39%	1,255,746.42	3,608,305.60	0.80%	1,255,746.42
1-2 years	27,292,273.74	5.75%	27,271,708.97	27,292,273.74	6.04%	27,271,708.97
2-3 years	77,744,451.72	16.37%	45,011,342.50	77,744,451.72	17.21%	45,011,342.50
Over 3 years	344,310,116.07	72.49%	344,050,594.65	343,310,116.07	75.95%	343,050,594.65
Total	474,962,293.44	100%	417,589,392.54	451,955,147.13	100%	416,589,392.54

There is no arrearage of associated companies that holds over 5% shares.

The special reserve for bad debts of other receivables accumulated to RMB 415,865,594.42, the items are as follows:

<u>Items</u>	<u>Name of clients</u>	<u>Book amount</u>	<u>Appropriating</u> <u>amount</u>	<u>Reasons</u>
Other receivables	Shenzhen Jijian Investment Co., Ltd.	5,724,962.00	5,724,962.00	The arrearage exceeded over three years, drawing back difficultly
	Shenzhen Postal and Communication Service	3,000.00	3,000.00	Deposit before 90 years
	Zhonghua Chuangye Group Co., Ltd.	4,035,732.00	4,035,732.00	The aging for a long time, this company has changed
	Shenzhen Taiyang PCCP Co., Ltd.	25,686,735.00	25,686,735.00	Bad insolvency, drawing back difficultly
	Shenzhen Xiancheng Building Co., Ltd.	24,876,389.27	24,876,389.27	This company has withdrew, drawing back difficultly
	Shanghai Qingda Real Estate Co., Ltd.	2,137,000.00	2,137,000.00	This company has withdrew, drawing back difficultly
	Shenzhen Lionda Food Industrial Co., Ltd.	4,998,701.51	4,998,701.51	This company has closed down, the balances are allocation fees paid by the Company in instead
	Shenzhen Lionda Development	59,171,271.83	57,171,271.83	This company has closed down

Co., Ltd.			
Shenzhen Keruite New Materials Co., Ltd.	214,000.00	214,000.00	This company has withdrew, drawing back difficultly
Shenzhen Jiadeng Trading Co., Ltd.	1,008,500.00	1,008,500.00	Bad insolvency, drawing back difficultly
Shenzhen Yingte Enterprises Co., Ltd.	477,539.63	477,539.63	Bad insolvency, drawing back difficultly
Shenzhen Lida Co., Ltd.	146,286.00	146,286.00	Bad insolvency, drawing back difficultly
Shenzhen keda' eng Technology Co., Ltd.	13,224.05	13,224.05	Bad insolvency, drawing back difficultly
Shenzhen Guangyingda Industrial Co., Ltd.	14,180,000.00	14,180,000.00	Bad insolvency, drawing back difficultly
Shenzhen China Bicycle Company (Holdings) Co., Ltd.	232,801,657.06	232,801,657.06	Bad insolvency, drawing back difficultly
Shenzhen Lionda Materials Import & Export Co., Ltd.	27,935,288.45	27,935,288.45	Bad insolvency, drawing back difficultly
Shenzhen Haima Co.	285,838.32	285,838.32	Bad insolvency, drawing back difficultly
Beijing Lionda Investment	17,988,500.00	5,396,550.00	Arrearage for a long time, drawing back difficultly
Shenzhen Orient Enterprise Group Co., Ltd.	27,683,064.32	8,304,919.30	Arrearage for a long time, drawing back difficultly
Other	468,000.00	468,000.00	Arrearage for a long time, drawing back difficultly
Total	449,835,689.44	415,865,594.42	

5. Inventories and provisions for falling price of inventory

<u>Items</u>	<u>Amount at the beginning of period</u>		<u>Amount at the end of period</u>	
	<u>Book balance</u>	<u>Book value</u>	<u>Book balance</u>	<u>Book value</u>
Raw materials	13,523,325.58	13,137,638.97	11,301,667.37	10,915,980.76
Goods in stock	13,281,897.69	10,544,780.59	9,853,861.28	8,116,744.18
Work in process	3,523,078.93	3,523,078.93	1,668,335.34	1,668,335.34
Development cost	22,912,610.00	2,000,000.00	22,912,610.00	2,000,000.00
Total	53,240,912.20	29,205,498.49	45,736,473.99	22,701,060.28

<u>Provision for falling price of inventory</u>	<u>Amount at the beginning of period</u>		<u>Decrease in this period</u>	<u>Amount at the end of period</u>	<u>Notes</u>
	<u>beginning of period</u>	<u>Increase in this period</u>			
Raw materials	385,686.61	---	---	385,686.61	Monomial comparison method
Goods in stock	2,737,117.10	---	1,000,000.00	1,737,117.10	Monomial

					comparison method Monomial comparison method
Development cost	20,912,610.00	---	---	20,912,610.00	
Total	24,035,413.71	---	1,000,000.00	23,035,413.71	

6. Expenses to be apportioned

<u>Sorts</u>	<u>Amount at the beginning of period</u>	<u>Amount at the end of period</u>
Insurance	100,046.12	---
Road toll	59,070.00	---
Other	---	402,886.80
Total	159,116.12	402,886.80

7. Long-term investment

(1) List of items

		<u>Amount at the beginning of period</u>			<u>Amount at the end of period</u>		
		<u>Provision for</u>			<u>Provision for</u>		
<u>Items</u>		<u>Book balance</u>	<u>devaluation</u>	<u>Book value</u>	<u>Book balance</u>	<u>devaluation</u>	<u>Book value</u>
Long-term equity investment		89,473,138.18	71,253,281.56	18,219,856.62	89,473,138.18	68,072,106.91	21,401,031.27
Including: stock investment		10,000,000.00	---	10,000,000.00	10,000,000.00	---	10,000,000.00
Investing in subsidiaries		28,587,839.35	28,587,839.35	---	25,406,664.70	25,406,664.70	---
Other equity investment		50,583,791.03	42,665,442.21	7,918,348.82	53,764,965.68	42,665,442.21	11,099,523.47
Balance of equity investment		301,507.80	---	301,507.80	301,507.80	---	301,507.80
Long-term credit investment		---	---	---	---	---	---
Total		89,473,138.18	71,253,281.56	18,219,856.62	89,473,138.18	68,072,106.91	21,401,031.27

(2) Long-term equity investment

a. Stock investment

Stock investment is calculated based on cost method

<u>Name of investee</u>	<u>Type of share</u>	<u>Number of shares</u>	<u>Proportion</u>	<u>Original investment cost</u>	<u>Amount at the beginning of period</u>	Increased in this period	decreased in this period	<u>Amount at the end of period</u>
			<u>of registered capital in investee</u>					
Wuhuan (Holding) Ltd.	Legal person's share	5,000,000.00	1.73%	5,000,000.00	5,000,000.00	---	---	5,000,000.00

Beijing Wantong Legal Industrial Co., person's Ltd. share	5,000,000.00	---	5,000,000.00	5,000,000.00	---	---	5,000,000.00
Subtotal			10,000,000.00	10,000,000.00	---	---	10,000,000.00

The aforesaid stock investment has been sealed up by Shenzhen Intermediate People's Court in Sep. 2002.

b. Other equity investment

i. Other equity investment calculated in line with cost method

<u>Name of investee</u>	<u>Term of investment</u>	<u>Proportion of registered capital in investee</u>	<u>Original investment cost</u>	<u>Amount at the beginning of period</u>	<u>Increased in this period</u>	<u>decreased in this period</u>	<u>Amount at the end of period</u>
Shenzhen China Bicycle Company (Holdings) Co., Ltd. *	Perpetuity	2.50%	11,968,590.00	---	---	---	---
Guangdong Guomin Entrustment Investment Co., Ltd.	---	9.9%	9,423,870.00	9,423,870.00	---	---	9,423,870.00
Hainan Weihao Co., Ltd.	---	8.33%	5,000,000.00	---	---	---	---
Shenzhen Zhenhua Group Co., Ltd.	20 years	3.6%	1,111,835.00	1,111,835.00	---	---	1,111,835.00
Shenzhen Guoyin Investment Co., Ltd.	---	5%	650,000.00	650,000.00	---	---	650,000.00
Shenzhen (Moscow) Co., Ltd.	---	10%	607,998.68	607,998.68	---	---	607,998.68
Chaozhou Port Development Co., Ltd.	---	12%	2,225,000.00	2,225,000.00	---	---	2,225,000.00
China International Barge Club	---	10%	12,892,000.00	12,892,000.00	---	---	12,892,000.00
Wu County Taihu Overseas Chinese Town Development Co.	---	10%	2,000,000.00	2,000,000.00	---	---	2,000,000.00
Shenzhen Dong Xiang Electronic Industrial Co. Ltd.	15 years	11%	2,633,167.26	5,379,464.94	---	---	5,379,464.94
Baltic Sea Commercial Center	---	51%	5,632,425.08	3,368,751.65	---	---	3,368,751.65
Pagoda Island	---	---	144,000.00	144,000.00	---	---	144,000.00
Subtotal			54,288,886.02	37,802,920.27	---	---	37,802,920.27

* The Company calculated the investment of Shenzhen China Bicycle Company (Holdings) Co., Ltd. based on the equity method originally, and the book value has

decreased to RMB 0.00. Because the Company sold the partial equity of Shenzhonghua held by the Company in succession, thus the calculation method was changed into cost method from equity method.

ii. Other equity investment based on the equity method

<u>Name of investee</u>		<u>Term</u> <u>of</u> <u>invest</u> <u>ment</u>	<u>Proportion</u> <u>of</u> <u>registered</u> <u>capital in</u> <u>investee</u>	<u>Original</u> <u>investment cost</u>	<u>Amount at the</u> <u>beginning of</u> <u>period</u>	<u>Increase/</u> <u>Decrease of</u> <u>equity in this</u> <u>period</u>	<u>Cash bonus</u> <u>distributed</u>	<u>Accumulated</u> <u>increase/decrease</u> <u>amount</u>	<u>Amount at the</u> <u>end of period</u>
Shenzhen Properties Management Ltd.	Lionda Co.,	---	100%	1,600,000.00	1,594,752.79	---	---	(5,247.21)	1,594,752.79
Shenzhen Making Co., Ltd.	Paper	11 years	100%	35,059,679.80	11,435,601.34	---	---	(23,624,078.46)	11,435,601.34
Shenzhen Foods Co., Ltd.	Lionda Industrial	20 years	100%	15,400,000.00	---	---	---	(15,400,000.00)	---
Shenzhen Material Export Co., Ltd.	Lionda Import&	20 years	100%	7,155,864.39	---	---	---	(7,155,864.39)	---
Shenzhen Lucky Industrial Limited	Lionda C&B Co.	20 years	100%	5,685,355.45	---	---	---	(5,685,355.45)	---
Shenzhen Electrical Equipment Limited	Lionda Co.	30 years	100%	6,000,000.00	---	---	---	(6,000,000.00)	---
Shenzhen Development Limited	Lionda Co.	20 years	100%	54,806,675.03	---	---	---	(54,806,675.03)	---
Shenzhen Light Chemical Co. Limited	Lionda Textile Industrial	20 years	100%	11,026,863.93	13,408,985.22	---	---	2,382,121.29	13,408,985.22
Shenzhen Hunan Branch	Lionda	---	100%	2,148,500.00	2,148,500.00	---	---	---	2,148,500.00
Shenzhen Machinery Co., Ltd.	Jianda	30 years	20%	1,200,000.00	2,767,967.01	---	---	1,567,967.01	2,767,967.01
Shenzhen Free Trading Ltd.	Lionda Co.,	10 years	30%	1,800,000.00	---	---	---	(1,800,000.00)	---
Shenzhen Golden	Lionda	30	40%	800,000.00	1,348,804.34	---	---	548,804.34	1,348,804.34

Bell Batteries Co. years Ltd.								
Shenzhen Anmiz Watch & Clock Co. 30								
Ltd. years 30%	510,735.33	413,358.58	---	---	(97,376.75)	413,358.58		
Shenzhen Gaokeda 10								
Electronic Co. Ltd. years 30%	900,000.00	831,720.00	---	---	(68,280.00)	831,720.00		
Shenzhen Taiyang 20								
PCCP Co. Ltd. years 34%	7,825,944.20	---	---	---	(7,825,944.20)	---		
Shanghai Qingpu Yingda Property Development Co. --- 30%	639,886.25	639,886.25	---	---	---	639,886.25		
Shenzhen Yinzhezuo Club --- 50%	640,000.00	640,000.00	---	---	---	640,000.00		
Yueshen Light Industry Trading Co. --- 50%	188,124.58	188,124.58	---	---	---	188,124.58		
Hunan Shenli Special Alloy Co. Ltd. --- 45%	2,250,000.00	2,250,000.00	---	---	---	2,250,000.00		
Kelin Co. --- 66.67%	201,010.00	201,010.00	---	---	---	201,010.00		
Yueyang Shengang Hotel Co., Ltd. *2 --- 75%	3,420,000.00	3,420,000.00	---	---	---	3,420,000.00		
Hunan Lionda Real Estate Co. --- 100%	80,000.00	80,000.00	---	---	---	80,000.00		
Kaisa King Club of Weihai Economic & Technology Development Zone --- 60%	2,495,609.54	---	---	---	---	---		
Shenzhen Lionda Industrial Trading Co., Ltd. --- 32%	6,400,000.00	---	3,181,174.65	---	(3,218,825.35)	3,181,174.65		
Subtotal	168,234,248.50	41,368,710.11	3,181,174.65	---	(123,684,363.74)	44,549,884.76		

c. Change in provision for devaluation

Name of investee	Balance at the beginning of year	Increase of this year	Decrease of this year		Total	Balance at the end of year
			Switching back due to assets price recovery	Switching out due to other reason		
Shenzhen Lionda Property Management Co. Limited	1,594,752.79	---	---	---	---	1,594,752.79
Shenzhen Paper Making Co.	11,435,601.34	---	---	---	---	11,435,601.34
Shenzhen Lionda Light Textile Chemical Industrial Co.	13,408,985.22	---	---	---	---	13,408,985.22

Limited								
Shenzhen	Lionda	Hunan	2,148,500.00	---	---	---	---	2,148,500.00
Branch								
Shenzhen	Anmiz	Watch &	413,358.58	---	---	---	---	413,358.58
Clock Co. Ltd.								
Shenzhen	Gaokeda	Electronic	831,720.00	---	---	---	---	831,720.00
Co. Ltd.								
Shenzhen	Yinzhi	guangsheng	640,000.00	---	---	---	---	640,000.00
Club								
Shanghai	Qingpu	Yingda	639,886.25	---	---	---	---	639,886.25
Property Development Co.								
Yueshen	Light	Industry	188,124.58	---	---	---	---	188,124.58
Trading Co.								
Hunan	Shenli	Special Alloy	2,250,000.00	---	---	---	---	2,250,000.00
Co. Ltd.								
Kelin Co.			201,000.00	---	---	---	---	201,000.00
Yueyang	Shengang	Hotel Co.,	3,420,000.00	---	---	---	---	3,420,000.00
Ltd.								
Hunan	Lionda	Real Estate Co.,	80,000.00	---	---	---	---	80,000.00
Ltd.								
Guangdong		Guomin	9,423,870.00	---	---	---	---	9,423,870.00
Entrustment	Investment	Co.,						
Ltd.								
Shenzhen	Guoyin	Investment	650,000.00	---	---	---	---	650,000.00
Development Co., Ltd.								
Shenzhen	(Moscow)	Co.,	607,998.68	---	---	---	---	607,998.68
Ltd.								
Chaozhou	Port	Development	2,225,000.00	---	---	---	---	2,225,000.00
Co., Ltd.								
China	International	Barge	12,892,000.00	---	---	---	---	12,892,000.00
Club								
Wu	County	Taihu	2,000,000.00	---	---	---	---	2,000,000.00
Chinese	Town	Overseas						
Construction Co., Ltd.								
Shenzhen	Dong	Xiang	2,689,732.47	---	---	---	---	2,689,732.47
Electronic industrial Co. Ltd.								
Baltic Sea Commercial Center			3,368,751.65	---	---	---	---	3,368,751.65
Pagoda Island			144,000.00	---	---	---	---	144,000.00
Kaisa King Club of Weihai			---	---	---	---	---	---
Economic & Technology								
Development Zone								
Total			71,253,281.56	---	---	---	---	71,253,281.56

d. Balance of equity investment

			<u>Amount at</u>		<u>the</u>	<u>Amortization</u>	<u>Other</u>	<u>Retained</u>
			<u>Initial amount</u>	<u>term</u>	<u>beginning</u>	<u>in this year</u>	<u>decrease</u>	<u>value after</u>
<u>Investees</u>					<u>of year</u>			<u>amortization</u>
Shenzhen Golden Bell								
Batteries Co. Ltd.			634,060.25	10 years	253,624.08	63,406.03	---	190,218.05
Shenzhen Jianda Machinery								
Co., Ltd.			370,965.81	10 years	148,386.33	37,096.58	---	111,289.75
Subtotal			1,005,026.06		402,010.41	100,502.61	---	301,507.80

The Company's amount of long-term investment

(1) List items

	<u>Amount at the beginning of period</u>			<u>Amount at the end of period</u>		
<u>Items</u>	<u>Book balance</u>	<u>Provision for devaluation</u>	<u>Book value</u>	<u>Book balance</u>	<u>Provision for devaluation</u>	<u>Book value</u>
Long-term equity investment	118,475,188.28	71,253,281.56	47,221,906.72	119,001,864.96	71,253,281.56	47,286,705.34
Including: stock investment	10,000,000.00	---	10,000,000.00	10,000,000.00	---	10,000,000.00
Investing in subsidiaries	57,589,889.45	28,587,839.35	29,002,050.10	58,116,566.13	28,587,839.35	29,066,848.72
Other equity investment	50,583,791.03	42,665,442.21	7,918,348.82	50,583,791.03	42,665,442.21	7,918,348.82
Balance of equity investment	301,507.80	---	301,507.80	301,507.80	---	301,507.80
Long-term credit investment	---	---	---	---	---	---
Total	118,475,188.28	71,253,281.56	47,221,906.72	119,001,864.96	71,253,281.56	47,286,705.34

a. Stock investment (Stock investment is calculated based on cost method)

		<u>Proportion</u>		<u>Original</u>	<u>Amount at the</u>	<u>Increased</u>	<u>Decreased</u>	<u>Amount at the</u>
<u>Name of investee</u>	<u>Type of share</u>	<u>Number of shares</u>	<u>of registered capital in investee</u>	<u>investment cost</u>	<u>beginning of period</u>	<u>in this period</u>	<u>in this period</u>	<u>end of period</u>
Wuhuan (Holding) Co., Ltd.	Legal person's share	5,000,000.00	1.73%	5,000,000.00	5,000,000.00	---	---	5,000,000.00
Beijing Wantong Industrial Co., Ltd.	Legal person's share	5,000,000.00	---	5,000,000.00	5,000,000.00	---	---	5,000,000.00
Subtotal				10,000,000.00	10,000,000.00	---	---	10,000,000.00

The aforesaid stock investment has been sealed up by Shenzhen Intermediate People's

Court in Sep. 2002.

b. Other equity investment

i. Other equity investment calculated in line with cost method

<u>Name of investee</u>	<u>Term of investment</u>	<u>Proportion of registered capital in investee</u>	<u>Original investment cost</u>	<u>Amount at the beginning of period</u>	<u>Increased in this period</u>	<u>Decreased in this period</u>	<u>Amount at the end of period</u>
Shenzhen China Bicycle Company (Holdings) Co., Ltd. *	Perpetuity	2.50%	11,968,590.00	---	---	---	---
Guangdong Guomin Entrustment Investment Co., Ltd.	---	9.9%	9,423,870.00	9,423,870.00	---	---	9,423,870.00
Hainan Weihao Co., Ltd.	---	8.33%	5,000,000.00	---	---	---	---
Shenzhen Zhenhua Group Co., Ltd.	20 years	3.6%	1,111,835.00	1,111,835.00	---	---	1,111,835.00
Shenzhen Guoyin Investment Co., Ltd.	---	5%	650,000.00	650,000.00	---	---	650,000.00
Shenzhen (Moscow) Co., Ltd.	---	10%	607,998.68	607,998.68	---	---	607,998.68
Chaozhou Port Development Co., Ltd.	---	12%	2,225,000.00	2,225,000.00	---	---	2,225,000.00
China International Barge Club	---	10%	12,892,000.00	12,892,000.00	---	---	12,892,000.00
Wu County Taihu Overseas Chinese Town Development Co.	---	10%	2,000,000.00	2,000,000.00	---	---	2,000,000.00
Shenzhen Dong Xiang Electronic Industrial Co. Ltd.	15 years	11%	2,633,167.26	5,379,464.94	---	---	5,379,464.94
Baltic Sea Commercial Center	---	51%	5,632,425.08	3,368,751.65	---	---	3,368,751.65
Pagoda Island	---	---	144,000.00	144,000.00	---	---	144,000.00
Subtotal			54,288,886.02	37,802,920.27	---	---	37,802,920.27

* The Company calculated the investment of Shenzhen China Bicycle Company (Holdings) Co., Ltd. based on the equity method originally, and the book value has decreased to RMB 0.00. Because the Company sold the partial equity of Shenzhonghua held by the Company in succession, thus the calculation method was changed into cost method from equity method.

ii. Other equity investment based on the equity method

<u>Name of investee</u>	<u>Term of investment</u>	<u>Proportion of registered capital in investee</u>	<u>Original investment cost</u>	<u>Amount at the beginning of period</u>	<u>Increase/Decrease of equity in this period</u>	<u>Cash bonus distributed</u>	<u>Accumulated increase/decrease amount</u>	<u>Amount at the end of period</u>
Shenzhen Lionda Properties Management Co., Ltd.	---	100%	1,600,000.00	1,594,752.79	---	---	(5,247.21)	1,594,752.79

Shenzhen	Paper	11							
Making Co., Ltd.		years	100%	35,059,679.80	11,435,601.34	---	---	(23,624,078.46)	11,435,601.34
Shenzhen	Lionda								
Foods Industrial Co., Ltd.		20 years	100%	15,400,000.00	---	---	---	(15,400,000.00)	---
Shenzhen	Lionda								
Material Import& Export Co., Ltd.		20 years	100%	7,155,864.39	---	---	---	(7,155,864.39)	---
Shenzhen	Lionda								
Lucky C&B Industrial Co. Limited		20 years	100%	5,685,355.45	---	---	---	(5,685,355.45)	---
Shenzhen	Lionda								
Electrical Equipment Co. Limited		30 years	100%	6,000,000.00	---	---	---	(6,000,000.00)	---
Shenzhen	Lionda								
Development Co. Limited		20 years	100%	54,806,675.03	---	---	---	(54,806,675.03)	---
Shenzhen	Lionda								
Light Textile Chemical Industrial Co. Limited		20 years	100%	11,026,863.93	13,408,985.22	---	---	2,382,121.29	13,408,985.22
Shenzhen	Lionda								
Hunan Branch		---	100%	2,148,500.00	2,148,500.00	---	---	---	2,148,500.00
Shenzhen	Lionda								
Industrial Trading Co., Ltd.		---	32%	6,400,000.00	3,181,174.65	---	---	(3,218,825.35)	3,181,174.65
Shenzhen	Goodyear								
Industrial Co., Ltd.		---	26.54%	19,295,400	24,690,455.43	1,195,218.64	---	6,590,274.07	25,885,674.07
Shanghai	Lionda								
Industrial Co., Ltd.		---	100%	3,000,000.00	1,130,420.02	---	---	(1,869,579.98)	1,130,420.02
Shenzhen	Jianda	30							
Machinery Co., Ltd.		years	20%	1,200,000.00	2,767,967.01	---	---	1,567,967.01	2,767,967.01
Shenzhen	Lionda Free	10							
Trading Co., Ltd.		years	30%	1,800,000.00	---	---	---	(1,800,000.00)	---
Shenzhen	Golden Bell	30							
Batteries Co. Ltd.		years	40%	800,000.00	1,348,804.34	---	---	548,804.34	1,348,804.34
Shenzhen	Anmiz								
Watch & Clock Co. Ltd.		30 years	30%	510,735.33	413,358.58	---	---	(97,376.75)	413,358.58
Shenzhen	Gaokeda	10							
Electronic Co. Ltd.		years	30%	900,000.00	831,720.00	---	---	(68,280.00)	831,720.00
Shenzhen	Taiyang	20							
PCCP Co. Ltd.		years	34%	7,825,944.20	---	---	---	(7,825,944.20)	---
Shanghai	Qingpu	---	30%	639,886.25	639,886.25	---	---	---	639,886.25

Yingda Property Development Co.								
Shenzhen Yinzhezuo Club	---	50%	640,000.00	640,000.00	---	---	---	640,000.00
Yueshen Light Industry Trading Co.	---	50%	188,124.58	188,124.58	---	---	---	188,124.58
Hunan Shenli Special Alloy Co. Ltd.	---	45%	2,250,000.00	2,250,000.00	---	---	---	2,250,000.00
Kelin Co.	---	66.67%	201,010.00	201,010.00	---	---	---	201,010.00
Yueyang Shengang Hotel Co., Ltd. *2	---	75%	3,420,000.00	3,420,000.00	---	---	---	3,420,000.00
Hunan Lionda Real Estate Co.	---	100%	80,000.00	80,000.00	---	---	---	80,000.00
Subtotal			188,034,038.96	70,370,760.21	1,195,218.64	---	(111,073,004.68)	71,565,978.85

c. Change in provision for devaluation

			<u>Decrease of this period</u>					
<u>Name of investee</u>			<u>Balance at the beginning of period</u>	<u>Increase of this period</u>	Switching back due to assets price recovery	Switching out due to other reason	<u>Total</u>	<u>Balance at the end of period</u>
Shenzhen Lionda Property Management Co. Limited			1,594,752.79	---	---	---	---	1,594,752.79
Shenzhen Paper Making Co.			11,435,601.34	---	---	---	---	11,435,601.34
Shenzhen Lionda Light Textile Chemical Industrial Co. Limited			13,408,985.22	---	---	---	---	13,408,985.22
Shenzhen Lionda Hunan Branch			2,148,500.00	---	---	---	---	2,148,500.00
Shenzhen Anmiz Watch & Clock Co. Ltd.			413,358.58	---	---	---	---	413,358.58
Shenzhen Gaokeda Electronic Co. Ltd.			831,720.00	---	---	---	---	831,720.00
Shenzhen Yinzhihuangsheng Club			640,000.00	---	---	---	---	640,000.00
Shanghai Qingpu Yingda Property Development Co.			639,886.25	---	---	---	---	639,886.25
Yueshen Light Industry Trading Co.			188,124.58	---	---	---	---	188,124.58
Hunan Shenli Special Alloy Co. Ltd.			2,250,000.00	---	---	---	---	2,250,000.00
Kelin Co.			201,000.00	---	---	---	---	201,000.00
Yueyang Shengang Hotel Co.,			3,420,000.00	---	---	---	---	3,420,000.00

Ltd.							
Hunan Lionda Real Estate Co., Ltd.	80,000.00	---	---	---	---	80,000.00	
Guangdong Guomin Entrustment Investment Co., Ltd.	9,423,870.00	---	---	---	---	9,423,870.00	
Hainan Weihao Co., Ltd.	---	---	---	---	---	---	
Shenzhen Guoyin Investment Development Co., Ltd.	650,000.00	---	---	---	---	650,000.00	
Shenzhen (Moscow) Co., Ltd.	607,998.68	---	---	---	---	607,998.68	
Chaozhou Port Development Co., Ltd.	2,225,000.00	---	---	---	---	2,225,000.00	
China International Barge Club	12,892,000.00	---	---	---	---	12,892,000.00	
Wu County Taihu Overseas Chinese Town Development Construction Co., Ltd.	2,000,000.00	---	---	---	---	2,000,000.00	
Shenzhen Dong Xiang Electronic industrial Co. Ltd.	2,689,732.47	---	---	---	---	2,689,732.47	
Baltic Sea Commercial Center	3,368,751.65	---	---	---	---	3,368,751.65	
Pagoda Island	144,000.00	---	---	---	---	144,000.00	
Shanghai Lionda Industrial Co., Ltd.	---	1,130,420.02	---	---	---	1,130,420.02	
Total	71,253,281.56	1,130,420.02	---	---	---	72,383,701.58	

d. Balance of equity investment

<u>Investees</u>	<u>Initial amount</u>	<u>Amortization on term</u>	<u>Amount at the beginning of year</u>	<u>Amortization in this year</u>	<u>Other decrease</u>	<u>Retained value after amortization</u>
Shenzhen Golden Bell Batteries Co. Ltd.	634,060.25	10 years	190,218.05	---	---	190,218.05
Shenzhen Jianda Machinery Co., Ltd.	370,965.81	10 years	111,289.75	---	---	111,289.75
Subtotal	1,005,026.06		301,507.80	---	---	301,507.80

8. Fixed assets and accumulative depreciation

<u>Original price of fixed assets</u>	<u>Amount at the beginning of period</u>	<u>Increase in this period</u>	<u>Decrease in this period</u>	<u>Amount at the end of period</u>
Housing and buildings	91,431,828.68	---	---	91,431,828.68
Mechanical equipment	139,660,003.35	---	---	139,660,003.35
Motor vehicles	15,217,531.10	---	304,700.00	14,912,831.10
Electronic equipment or other	9,783,145.74	6,800.00	188,543.00	9,601,402.74
Total	256,092,508.87	6,800.00	493,243.00	255,606,065.87

<u>Accumulative depreciation</u>	<u>Amount at the beginning of period</u>	<u>Increase in this period</u>	<u>Decrease in this period</u>	<u>Amount at the end of period</u>
Housing and buildings	25,873,333.26	1,478,158.11	306,382.40	27,045,108.97
Mechanical equipment	87,834,096.44	3,121,094.05	---	90,955,190.49
Motor vehicles	12,232,511.22	174,332.58	244,920.55	12,161,923.25
Electronic equipment or other	8,269,867.63	155,120.88	63,302.38	8,361,686.13
Total	134,209,808.55	4,928,705.62	614,605.33	138,523,908.84

<u>Provision for devaluation</u>	<u>Amount at the beginning of period</u>	<u>Increase of this period</u>	<u>Switching back of period</u>		<u>Total</u>	<u>Amount at the end of period</u>
			Switching back due to assets price recovery	Switching out due to other reason		
Housing and buildings	654,920.50	---	---	---	---	654,920.50
Mechanical equipment	9,102,871.89	---	---	---	---	9,102,871.89
Motor vehicles	---	---	---	---	---	---
Electronic equipment or other	---	---	---	---	---	---
Total	9,757,792.39	---	---	---	---	9,757,792.39
Net value	112,124,907.93					107,324,364.64

9. Constructions in progress

Name of projects		Amount at the beginning of period	Increase in this period	Converting into fixed assets in this period	Other decrease in this period	Amount at the end of period	Source of capital
Goodyear Printing Equipment Installation Project		1,701,771.17	22,127.40	---	407,000.00	1,316,898.57	Self-raised

There is no the capitalization amount of loan expenses in the constructions in progress.

10. Intangible assets

<u>Sort</u>	<u>Acquisition method</u>	<u>Original amount</u>	<u>Amount at the beginning of period</u>	<u>Increase in this period</u>	<u>Transferring out in this period</u>	<u>Amortization amount in this period</u>	<u>Accumulative amortization amount</u>	<u>Amount at the end of period</u>	<u>Remained amortization on term</u>
Land use right	---	12,567,035.48	8,912,768.83	---	---	282,975.12	3,937,241.77	8,629,793.71	15-20

Impairment losses of intangible assets

<u>Impairment losses</u>	<u>Amount at the beginning of period</u>	<u>Increase in this period</u>	<u>Switching back of period</u>		<u>Total</u>	<u>Amount at the end of period</u>
			Switching back due to assets price recovery	Switching out due to other reason		
Land use right	960,917.65	---	---	---	---	960,917.65

11. Long-term expenses to be apportioned

<u>Sort</u>	<u>Original amount occurred</u>	<u>Balance at the beginning of period</u>	<u>Increase in this period</u>	<u>Amortization amount in this period</u>	<u>Accumulated amortization amount</u>	<u>Other decrease</u>	<u>Balance at the end of period</u>	<u>Remained amortization term</u>
Decoration fees	1,614,349.00	528,035.18	78,780.00	127,159.20	1,213,473.02	---	479,655.98	2 years
Other	540,000.00	387,333.46	---	96,333.36	248,999.90	---	291,000.10	
Total	2,154,349.00	915,368.64	78,780.00		1,238,980.36	---	770,656.08	

12. Short-term loans

<u>Type of loan</u>	<u>Amount at the beginning of period</u>			<u>Amount at the end of period</u>		
	<u>Original currency</u>	<u>Exchange rate</u>	<u>Converting into RMB</u>	<u>Original currency</u>	<u>Exchange rate</u>	<u>Converting into RMB</u>
Bank loan						
Including: Mortgage*						
RMB	4,000,000.00	---	4,000,000.00	4,000,000.00	---	4,000,000.00
HKD	15,000,000.00	1.06	15,900,000.00	---	---	---
Guarantee						
RMB	184,883,500.00	---	184,883,500.00	178,313,500.00	---	178,313,500.00
HKD	75,960,002.00	1.07	81,277,202.14	75,960,002.00	1.07	81,277,202.14
USD	17,573,262.70	8.30	145,858,080.41	17,573,262.70	8.30	145,858,080.41
Credit						
USD						
Subtotal			431,918,782.55			409,448,782.55

<u>Type of loan</u>	<u>Amount at the beginning of period</u>			<u>Amount at the end of period</u>		
	<u>Original currency</u>	<u>Exchange rate</u>	<u>Converting into RMB</u>	<u>Original currency</u>	<u>Exchange rate</u>	<u>Converting into RMB</u>
Loan from others						
RMB	137,550,000.00	---	137,550,000.00	137,550,000.00	---	137,550,000.00
HKD	---	---	---	---	---	---
USD	740,000.00	8.30	6,142,000.00	740,000.00	8.30	6,142,000.00
Subtotal			143,692,000.00			143,692,000.00
Total			575,610,782.55			553,140,782.55

* Shenzhen Goodyear Industrial Co., Ltd., the subsidiary company of the Company, borrowed RMB 4 million from the bank with the housing and building as the guaranty.

Overdue loans:

<u>Loan units</u>		<u>Amount</u>	<u>Converting into</u>	<u>Interest rate</u>	<u>Usage</u>	<u>Overdue reasons</u>
			<u>RMB</u>	<u>of loan</u>		
Bank of China Shenzhen Branch	HKD	32,000,000.00	34,240,000.00	Floating interest rate	Current capital turnover	Financing difficulty
Bank of China Shenzhen Branch	HKD	24,000,000.00	25,680,000.00	Floating interest rate	Current capital turnover	Financing difficulty
Bank of China Shenzhen Branch	USD	380,000.00	3,154,000.00	8.775%	Current capital turnover	Financing difficulty
Bank of China Longhua Branch	RMB	12,850,000.00	12,850,000.00	---	Current capital turnover	Financing difficulty
China Construction Bank Changcheng Subbranch	RMB	2,500,000.00	2,500,000.00	9.828%	Current capital turnover	Financing difficulty
China Construction Bank Chengdong Subbranch	RMB	17,975,500.00	17,975,500.00	8.712%	Current capital turnover	Financing difficulty
China Construction Bank Shangbu Subbranch	RMB	3,000,000.00	3,000,000.00	9.828%	Current capital turnover	Financing difficulty
China Construction Bank Real Estate Subbranch	RMB	18,000,000.00	18,000,000.00	9.504%	Current capital turnover	Financing difficulty
China Construction Bank Branch Office	HKD	3,850,280.00	4,119,799.60	Letter of credit	Current capital turnover	Financing difficulty
China Construction Bank Branch Office	USD	2,059,600.00	17,094,680.00	Letter of credit	Current capital turnover	Financing difficulty
China Construction Bank International Office	USD	2,444,400.00	20,288,520.00	Letter of credit	Current capital turnover	Financing difficulty
Agricultural Bank of China Shatoujiao Subbranch	RMB	2,600,000.00	2,600,000.00	9.504%	Current capital turnover	Financing difficulty
Agricultural Bank of China Renminbei Subbranch	RMB	2,678,000.00	2,678,000.00	7.599%	Current capital turnover	Financing difficulty
Agricultural Bank of China Shenzhen Branch Office	HKD	12,109,722.00	12,957,402.54	---	Current capital turnover	Financing difficulty

Agricultural Bank of China Shenzhen Branch Office	USD	989,262.70	8,210,880.41	---	Current capital turnover	Financing difficulty
Industrial and Commercial Bank of China Futian Subbranch	RMB	5,430,000.00	5,430,000.00	6.732%	Current capital turnover	Financing difficulty
Industrial and Commercial Bank of China Futian Subbranch	RMB	8,000,000.00	8,000,000.00	6.732%	Current capital turnover	Financing difficulty
Industrial and Commercial Bank of China Futian Subbranch	RMB	3,600,000.00	3,600,000.00	6.732%	Current capital turnover	Financing difficulty
Industrial and Commercial Bank of China Futian Subbranch	RMB	8,000,000.00	8,000,000.00	6.732%	Current capital turnover	Financing difficulty
Industrial and Commercial Bank of China Futian Subbranch	RMB	6,000,000.00	6,000,000.00	6.732%	Current capital turnover	Financing difficulty
Industrial and Commercial Bank of China Shendong Subbranch	RMB	19,000,000.00	19,000,000.00	5.58%	Current capital turnover	Financing difficulty
Industrial and Commercial Bank of China Futian Subbranch	USD	2,000,000.00	16,600,000.00	7.25%	Current capital turnover	Financing difficulty
Shenzhen Development Bank Shatoujiao Subbranch	RMB	8,000,000.00	8,000,000.00	7.587%	Current capital turnover	Financing difficulty
Shenzhen Development Bank Nantou Subbranch	HKD	4,000,000.00	4,280,000.00	9.90%	Current capital turnover	Financing difficulty
Shenzhen Development Bank Renminqiao Subbranch	USD	1,000,000.00	8,300,000.00	Floating as per the quarter	Current capital turnover	Financing difficulty
Shenzhen Development Bank Futian Subbranch	USD	1,700,000.00	14,110,000.00	8.775%	Current capital turnover	Financing difficulty
China Everbright Bank Shenzhen Branch	RMB	5,600,000.00	5,600,000.00	5.8575%	Current capital turnover	Financing difficulty
CITIC Industrial Bank Luohu Subbranch	RMB	15,000,000.00	15,000,000.00	7.029%	Current capital turnover	Financing difficulty
CITIC Industrial Bank Luohu Subbranch	RMB	13,000,000.00	13,000,000.00	7.029%	Current capital	Financing difficulty

							turnover	
China Merchants Bank Shangbu Subbranch	RMB	4,000,000.00	4,000,000.00	7.23%	Current capital turnover	Financing difficulty		
China Merchants Bank Shangbu Subbranch	USD	7,000,000.00	58,100,000.00	8.625%	Current capital turnover	Financing difficulty		
Cooperative Office Shekou Subbranch	RMB	4,500,000.00	4,500,000.00	---	Current capital turnover	Financing difficulty		
Guangdong Development Bank Nanyuan Road Office	RMB	8,580,000.00	8,580,000.00	5.841%	Current capital turnover	Financing difficulty		
China Colour Metal (Shenzhen) Financial Co., Ltd.	RMB	28,000,000.00	28,000,000.00	21.6%	Current capital turnover	Financing difficulty		
China Colour Metal (Shenzhen) Financial Co., Ltd.	USD	740,000.00	6,142,000.00	16.19%	Current capital turnover	Financing difficulty		
Orient Assets Management Corporation Shenzhen Office	RMB	38,500,000.00	38,500,000.00	7.029%	Current capital turnover	Financing difficulty		
Orient Assets Management Corporation Shenzhen Office	RMB	40,000,000.00	40,000,000.00	7.029%	Current capital turnover	Financing difficulty		
China CINDA Assets Management Corporation	RMB	25,000,000.00	25,000,000.00	7.587%	Current capital turnover	Financing difficulty		
Planning and Financing Dept. of Shenzhen Trading Development Bureau	RMB	6,050,000.00	6,050,000.00	---	Current capital turnover	Financing difficulty		
Total			539,140,782.55					

The Company's amount of short-term loans:

Type of loan	Amount at the beginning of period			Amount at the end of period		
	Original currency	Exchange rate	Converting into RMB	Original currency	Exchange rate	Converting into RMB
Bank loan						
Including: Guarantee						
RMB	168,313,500.00	---	168,313,500.00	168,313,500.00	---	168,313,500.00
HKD	75,960,002.00	1.07	81,277,202.14	75,960,002.00	1.07	81,277,202.14
USD	17,573,262.70	8.30	145,858,080.41	17,573,262.70	8.30	145,858,080.41
Subtotal			395,448,782.55			395,448,782.55
Loan from others						
RMB	137,550,000.00		137,550,000.00	137,550,000.00		137,550,000.00

HKD						
USD	740,000.00	8.30	6,142,000.00	740,000.00	8.30	6,142,000.00
Subtotal			<u>143,692,000.00</u>			<u>143,692,000.00</u>
Total			<u>539,140,782.55</u>			<u>539,140,782.55</u>

13. Accounts payable

Main items of accounts payable

Name	Jun. 30, 2005	Economic contents
Shantou Qiangyu	2,605,962.40	Payment used in purchasing goods
Zhuhai Special Economic Zone Hongtan Renheng Paper Co., Ltd.	1,827,918.80	Payment used in purchasing goods
Shenzhen Zhenghe Industrial Co., Ltd.	1,533,000.00	Payment used in purchasing goods
Fanyu Lianhua Mountain Paper Plant	1,356,229.12	Payment used in purchasing goods
Shenzhen Jingyuan	1,287,036.10	Payment used in purchasing goods
Jiangyin Yongfengyu	1,018,886.52	Payment used in purchasing goods
Dongguan Huafa Paper	772,883.96	Payment used in purchasing goods
Hongkong Lianda	737,336.74	Payment used in purchasing goods
Zhongshan United Hongxing Paper Making Co., Ltd.	518,697.67	Payment used in purchasing goods
Shandong Bohui Paper Co., Ltd.	486,685.00	Payment used in purchasing goods

The balance of accounts payable was RMB 25,095,198.97 at the end of period, there was no payment owed to the shareholders holding over 5% (including 5%) voting rights of the Company.

14. Accounts in advanced

The balance of accounts in advanced was RMB 2,339,295.00 at the end of period, there was no payment owed to the shareholders holding over 5% (including 5%) voting rights of the Company.

15. Dividend payable

Name of investee	Amount	Reasons owing payment
Shenzhen Lionda Holdings Co., Ltd.	1,327,370.03	The Board of Directors of Shenzhen Goodyear Industrial Co., Ltd. has made the resolution on profit distribution in the year 2002
Hongkong Weiyi Investment Co., Ltd.	335,504.46	
Cinda (Hongkong) Co., Ltd.	65,705.73	
Shenzhen Temeisi Economic and Trading Co., Ltd.	18,999.24	

China Packing Import & Export Guangdong Branch	403,338.20
Hongkong Xinbiaozhi Co., Ltd.	328,132.84
Hong Kong Goodyear Packing Co., Ltd.	33,480.69
Employees holding the internal employee shares in Goodyear Company	224,239.19
Total	2,736,770.38

and 2003, but it did not pay the dividends.

16. Taxes payable

<u>Taxes</u>	<u>Amount at the beginning of period</u>	<u>Amount at the end of period</u>
VAT	524,482.11	752,231.58
Business tax	55,809.80	106,237.30
Urban maintenance and construction tax	5,700.18	3,161.07
Enterprise income tax	(274,959.91)	155,382.17
Other tax	(23,318.21)	342,990.77
Total	287,713.97	1,360,002.89

17. Other payables

The balance of other payable was RMB 235,134,309.04 at the end of period, of which, the Company should pay the arrearage of RMB 11,408,702.19 to the shareholders holding over 5% (including 5%) voting rights of the Company and the current payment of RMB 73,530,435.42 to other associated company. For details, please refer to Note 6 (4).

Of which, the large quota of accounts payable:

<u>Companies</u>	<u>Amount</u>	<u>Contents</u>
Shenzhen Investment Management Corporation	67,988,296.44	Repaying arrearage by instead
New Gang'ao Co.	29,958,573.60	Opening letter of credit by instead
Shenzhen textile (Holdings) Co., Ltd.	24,000,000.00	Repaying arrearage by instead
Shenzhen Lionda Holdings Co., Ltd.	11,408,702.19	Current payment, Repaying arrearage by instead
Singapore Ende Co.	19,090,000.00	Loan
Total	152,445,572.23	

18. Accrued expenses

<u>Items</u>	<u>Amount at the beginning of period</u>	<u>Amount at the end of period</u>	<u>Reason of reserves</u>
Interests	256,433,753.64	271 , 249 , 660.41	Without being paid

Total unlisted shares	208,560,000.00	---	---	---	---	---	---	208,560,000.00
II. Listed shares								
1. Domestic listed RMB ordinary shares	40,260,000.00	---	---	---	---	---	---	40,260,000.00
2.Domestic listed foreign shares	39,600,000.00	---	---	---	---	---	---	39,600,000.00
3.Overseas listed foreign shares	---	---	---	---	---	---	---	---
4. Others	---	---	---	---	---	---	---	---
Total listed shares	79,860,000.00	---	---	---	---	---	---	79,860,000.00
III. Total shares	288,420,000.00	---	---	---	---	---	---	288,420,000.00

The Company's share capital has been validated by Shenzhen Zhixin Certified Public Accountants with SZXYZ [1996] No. 007 document.

21. Capital reserve

Items	Amount at the beginning of period	Increase in this period	Decrease in this period	Amount at the end of period
Share capital premium	234,019,470.63	---	---	234,019,470.63
Increment of assets evaluation	22,698,328.71	---	---	22,698,328.71
Provision for equity investment	42,026,558.79	---	---	42,026,558.79
Income from debts restructuring	54,575,786.69	---	---	54,575,786.69
Difference price of related transaction	485,204.44	---	---	485,204.44
Other capital reserve	13,060,525.47	---	---	13,060,525.47
Total	366,865,874.73	---	---	366,865,874.73

22. Surplus reserve

Items	Amount at the beginning of period	Increase in this period	Decrease in this period	Amount at the end of period
Statutory surplus reserve	97,683,685.99	---	---	97,683,685.99
Including: statutory capital reserve	78,893,779.77	---	---	78,893,779.77
Statutory welfare fund	18,789,906.22	---	---	18,789,906.22
Arbitrary surplus reserve	40,621,120.90	---	---	40,621,120.90
Total	138,304,806.89	---	---	138,304,806.89

23. Retained profit

Items	The first half of year 2005
Net profit	(16,846,105.50)
Add: retained profit at the beginning of year	(2,385,580,676.55)
Other transferring-in	---
Less: appropriating statutory surplus reserve	

Appropriating welfare funds	
Appropriating arbitrary surplus reserve	---
Dividend distribution	
Balance at the end of year	(2,402,426,782.05)

24. Income and cost of main operations

Items of main operation	Accumulative amount from Jan.-Jun. 2004		Accumulative amount from Jan.-Jun. 2005	
	Income from main operation	Cost of main operation	Income from main operation	Cost of main operation
Sales of products	65,269,653.38	59,085,075.85	60,333,903.54	52,413,678.01
Service business	2,359,543.00	1,433,637.46	---	---
Total	67,629,196.38	60,518,713.31	60,333,903.54	52,413,678.01

25. Other operating profit

Items of main operation	Accumulative amount from Jan.-Jun. 2004			Accumulative amount from Jan.-Jun. 2005		
	<u>Income from other operating</u>	<u>Cost of other operating</u>	<u>Profit</u>	<u>Income from other operating</u>	<u>Cost of other operating</u>	<u>Profit</u>
Lease of property	4,237,967.56	847,153.97	3,390,813.59	6,608,071.92	943,159.55	5,664,912.37
Other	5,800.00	301.60	5,498.40	---	---	---
Total	4,243,767.56	847,455.57	3,396,311.99	6,608,071.92	943,159.55	5,664,912.37

26. Financial expenses

<u>Items</u>	Accumulative amount from Jan.-Jun. 2004	Accumulative amount from Jan.-Jun. 2005
Interests expenditure	16,734,516.95	15,586,456.66
Less: interests income	(81,798.18)	(61,727.96)
Net loss of exchange	7,824.58	93,201.96
Handing charge of bank	24,169.73	21,816.75
Other	4,639.21	79,926.10
Total	16,689,352.29	15,719,673.51

27. Investment income

<u>Sort</u>	Accumulative amount from Jan.-Jun. 2004	Accumulative amount from Jan.-Jun. 2005
Income from stock investment	---	---
Bonus received based on cost method	---	---
Net increase or decrease of adjusting investees based on equity method at the end of period	---	---
Amortization of balance of equity investment	---	---
Income form transfer of equity investment	---	---
Appropriating provision for devaluation of investment	---	(1,130,420.02)
Income from liquidation of investees	302,775.17	---

Total	302,775.17	(1,130,420.02)
-------	------------	----------------

The Company's amount of investment income

<u>Sort</u>	Accumulative amount from Jan.-Jun. 2004	Accumulative amount from Jan.-Jun. 2005
Bonus received based on cost method	---	---
Net increase or decrease of adjusting investees based on equity method at the end of period	339,013.58	1,195,218.64
Amortization of balance of equity investment	---	---
Income from transfer of equity investment	---	---
Appropriating provision for devaluation of investment	---	(1,130,420.02)
Income from liquidation of investees	302,775.17	---
Total	641,788.75	64,798.62

28. Non-operating income / expenses

(1) Non-operating income

<u>Sort</u>	Accumulative amount from Jan.-Jun. 2004	Accumulative amount from Jan.-Jun. 2005
Income from disposal of fixed assets	358,980.18	2,000.00
Income from releasing from guarantees	---	---
Other	---	700.00
Total	358,980.18	2,700.00

2. Non-operating expenses

<u>Items</u>	Accumulative amount from Jan.-Jun. 2004	Accumulative amount from Jan.-Jun. 2005
Losses from disposal of fixed assets	---	---
Expenditure of penalty	---	---
Guarantee losses	---	---
Provision for devaluation of intangible assets	---	---
Other	22,690.00	---
Total	22,690.00	---

Note 6. Relationship of related parties and their transactions

(1) Related companies without control relationship

Name of related parties	<u>Relationship with the Company</u>
Shenzhen Investment Holdings Corporation	Original controlling shareholder
Shenzhen China Bicycle Company (Holdings) Co., Ltd.	Affiliated company
Shenzhen Lionda Free Trading Co., Ltd.	Affiliated company
Shenzhen Taiyang PCCP Co., Ltd.	Affiliated company
Shenzhen Light Industry Import & Export Co., Ltd.	Subsidiary

Shenzhen Lionda Hunan Branch	Subsidiary
Shenzhen Lionda Electrical Equipment Co. Limited	Subsidiary
Shenzhen Guangyingda Industrial Co., Ltd.	Subsidiary of the controlling shareholder
New Century Watering Technology Co., Ltd.	Subsidiary of the controlling shareholder
Shenzhen Orient Enterprise Co., Ltd.	Subsidiary of the shareholder
Shenzhen Gaokeda Electronic Co. Ltd.	Affiliated company
Shenzhen Yueshen Light Industry Import & Export Co.	Affiliated company
Shenzhen Paper Making Co.	Subsidiary
Shenzhen Lionda Lucky C&B Industrial Co. Limited	Subsidiary
Beijing Lionda Investment	Subsidiary of the controlling shareholder
Shenzhen Lionda Foods Industrial Co., Ltd.	Subsidiary
Shenzhen Jinxing Printing Factory	Subsidiary
Shenzhen Lionda Real Estate Development Co., Ltd.	Subsidiary
Shenzhen Keruite New Materials Co., Ltd.	Affiliated company
Shenzhen Lionda Materials Import & Export Co., Ltd.	Affiliated company
Shenxing Enterprise Co., Ltd.	Affiliated company
Shenzhen Jiadeng Trading Co., Ltd.	Subsidiary of the Affiliated company
Shenzhen Yingte Enterprise Co., Ltd.	Affiliated company
Shenzhen Yuda Import & Export Co., Ltd.	Subsidiary of the controlling shareholder
Shenzhen Paina Garment Co., Ltd.	Subsidiary of the controlling shareholder
Shenzhen Ke'enda Technology Co., Ltd.	Subsidiary of the controlling shareholder

(2) Related companies existing the control relationship

<u>Name</u>	<u>Type of</u> <u>enterprise</u>	<u>Legal</u> <u>representative</u>	<u>Registered</u> <u>capital</u>	<u>Business</u> <u>scope</u>	<u>Shares or equity</u> <u>held</u>	<u>Relationship</u> <u>with the</u> <u>Company</u>
Shenzhen Lionda Holdings Co., Ltd.	Limited company				66.36%	Controlling shareholder of the Company

(3) Guarantees of loan provided by the Company to related companies

<u>Guarantee amount</u>							<u>Notes</u>
<u>Name</u>			<u>USD</u>	<u>HKD</u>	<u>RMB</u>	<u>Converting into</u>	
						<u>RMB</u>	
Shenzhen China Bicycle Company (Holdings) Co., Ltd.			117,243,400.00	8,000,000.00	144,750,000.00	1,126,430,220.00	Overdue and be prosecute
Shenzhen Lionda Free Tradin Co., Ltd.			---	---	8,500,000.00	8,500,000.00	Overdue and be prosecute
Shenzhen Taiyang PCCP Co. Ltd.			4,500,000.00	---	6,000,000.00	43,350,000.00	Overdue and be prosecute
Shenzhen Gaokeda Electronic Co. Ltd.			---	---	500,000.00	500,000.00	Overdue and be prosecute
Shenzhen Yuda Import & Export Co., Ltd.			---	---	4,800,000.00	4,800,000.00	Overdue and be prosecute

Shenzhen Paina Garment Co., Ltd.	---	---	1,300,000.00	1,300,000.00	Overdue and be prosecute
Shenzhen Light Industry Import & Export Co., Ltd.	100,000.00	---	1,900,000.00	2,730,000.00	Overdue and be prosecute
Shenzhen Yueshen Light Industry Import & Export Co., Ltd.	---	---	9,000,000.00	9,000,000.00	Overdue and be prosecute
Shenzhen Lionda Hunan Branch	---	---	3,250,000.00	3,250,000.00	Overdue and be prosecute
Shenzhen Lionda Foods Industrial Co., Ltd.	---	---	29,400,000.00	29,400,000.00	Overdue and be prosecute
Shenzhen Lionda Material Import & Export Co., Ltd.	---	11,850,000.00	52,980,959.49	65,660,459.49	Overdue and be prosecute
Shenzhen Lionda Electrical Equipment Co. Limited	---	---	9,850,000.00	9,850,000.00	Overdue and be prosecute
Shenzhen Paper Making Co.	---	---	17,900,000.00	17,900,000.00	Overdue and be prosecute
Shenzhen Guangyingda Industrial Co., Ltd.	9,210,860.00	---	9,780,000.00	86,230,138.00	Overdue and be prosecute
Shenzhen Lionda Real Estate Co., Ltd.	---	4,500,000.00	3,000,000.00	7,815,000.00	Overdue and be prosecute
Total	131,054,260.00	24,350,000.00	302,910,959.49	1,416,715,817.49	

(4) Current of related companies

<u>Current items</u>	<u>Name of related companies</u>	<u>Amount at the beginning of period</u>	<u>Amount at the end of period</u>
Other receivables	Shenzhen Lionda Materials Import & Export Co., Ltd.	27,935,288.45	27,935,288.45
	Shenzhen Paper Making Co.	---	---
	Beijing Lionda Investment	17,988,500.00	17,988,500.00
	Shenzhen Lionda Food Industrial Co., Ltd.	4,998,701.51	4,998,701.51
	Shenzhen Lionda Real Estate Development Co., Ltd.	59,171,271.83	57,384,016.48
	Shenzhen China Bicycle Company (Holdings) Co., Ltd.	245,789,686.03	245,789,686.03
	Shenzhen Keruite New Materials Co., Ltd.	214,000.00	214,000.00
	Shenzhen Taiyang PCCP Co., Ltd.	25,686,735.00	25,686,735.00
	Shenzhen Jiadeng Trading Co., Ltd.	1,008,500.00	1,008,500.00
	Shenzhen Orient Enterprise Co., Ltd.	27,683,064.32	27,683,064.32
	Shenzhen Yingte Enterprise Co., Ltd.	477,539.63	477,539.63
	Shenzhen Ke'enda Technology Co., Ltd.	13,224.05	13,224.05
	Shenzhen Guangyingda Industrial Co., Ltd.	14,180,000.00	14,180,000.00
	Total	425,146,510.82	423,359,255.47

<u>Current items</u>	<u>Name of related companies</u>	<u>Amount at the beginning of period</u>	<u>Amount at the end of period</u>
Other payables	Shenzhen Lionda Holdings Co., Ltd.	16,575,705.68	11,408,702.19
	Shenzhen Lionda Lucky C&B Industrial Co. Limited	1,019,569.00	1,019,569.00
	Shenzhen Light Industry Import & Export Co., Ltd.	4,150,000.00	4,150,000.00
	Shenxing Enterprise Co., Ltd.	372,569.98	372,569.98
	Shenzhen Investment Holdings Corporation	67,988,296.44	67,988,296.44
	Shenzhen Xingji Industrial Co., Ltd.	1,516,428.62	---
Total		91,622,569.72	84,939,137.61

Note 7. Contingent events

Items	Amounts involved			Notes
	USD	HKD	RMB	
Foreign guarantees:				
Shenzhen Lionda Free Trading Co., Ltd.	---	---	8,500,000.00	Overdue
Shenzhen Taiyang PCCP Co., Ltd.	4,500,000.00	---	6,000,000.00	Overdue
Shenzhen Gaokeda Electronic Co. Ltd.	---	---	500,000.00	Overdue
Shenzhen Yuda Co.	---	---	4,800,000.00	Overdue
Shenzhen China Bicycle Company (Holdings) Co., Ltd.	21,683,400.00	8,000,000.00	129,050,000.00	Excluding loan guarantee from Huarong Co.
Yueshen Light Industry Trading Co.	---	---	9,000,000.00	Overdue and be prosecute
Guangzhou Xufeng Enterprise Group Co., Ltd.	---	---	15,000,000.00	Overdue and be prosecute
Shenzhen Jinbeisheng Investment Co., Ltd.	---	---	77,600,000.00	Overdue and be prosecute
Shenzhen Guoyin Investment Holdings Co., Ltd.	---	---	40,300,000.00	Overdue and be prosecute
Shenzhen Paina Garment Co., Ltd.	---	---	1,300,000.00	Overdue and be prosecute
Shenzhen Gintian Industrial Group Co., Ltd.	---	25,000,000.00	---	Overdue and be prosecute
Shenzhen Zhongwu Material Import & Export Co., Ltd.	2,022,900.00	---	---	Overdue and be prosecute
Shenzhen Guangyingda Industrial Development Co.	9,210,860.00	---	9,780,000.00	Overdue and be prosecute
Shenzhen Ligang Industrial Co.	660,700.00	---	1,750,000.00	Overdue and be prosecute

Shenzhen Maoyuan Investment Development Co., Ltd.	---	8,000,000.00	---	Overdue and be prosecute
Shenzhen Xingda Industrial Trading Co., Ltd.	---	---	400,000.00	Overdue and be prosecute
Shenzhen Chemical Plastics Co., Ltd.	---	---	15,000,000.00	Overdue and be prosecute
Shenzhen Jinhai Electronic Co., Ltd.	---	---	3,500,000.00	Overdue and be prosecute
Shenzhen Guanghualin Investment Co., Ltd.	---	---	12,200,000.00	Overdue and be prosecute
Items	Amount involved			Notes
	USD	HKD	RMB	
Shenzhen Tiantai Chemical Industrial Co., Ltd.	200,000.00	---	---	Overdue and be prosecute
Shenzhen Construction Material Group	---	---	800,000.00	Overdue and be prosecute
Shenzhen Jingyuan Industrial Trading Co.	---	---	800,000.00	Overdue and be prosecute
Hainan Wanda Industrial Trading Co.	---	---	30,938,600.00	Overdue and be prosecute
Shenzhen Xuena Co., Ltd.	---	1,055,200.00	---	Overdue and be prosecute
Shenzhen Light Industry Import & Export Co., Ltd.	100,000.00	---	1,900,000.00	Overdue and be prosecute
Jilin Lionda Co.	---	---	3,500,000.00	Overdue and be prosecute
Shenzhen Dashijie Shopping Mall	1,690,000.00	---	---	Overdue and be prosecute
Shenzhen Lionda Development Co., Ltd.	---	5,900,000.00	3,000,000.00	Overdue and be prosecute
Shenzhen Lionda Electrical Equipment Co. Limited	---	---	9,850,000.00	Overdue and be prosecute
Shenzhen Paper Making Co.	---	---	17,900,000.00	Overdue and be prosecute
Shenzhen Lionda Foods Industrial Co., Ltd.	---	---	29,400,000.00	Overdue and be prosecute
Shenzhen Lionda Material Import& Export Co., Ltd.	---	11,850,000.00	52,980,959.49	Overdue and be prosecute
Hunan Lionda Co.	---	---	3,250,000.00	Overdue and be prosecute
Total of guarantee	<u>40,067,860.00</u>	<u>59,805,200.00</u>	<u>488,999,559.49</u>	
Lawsuit:				
Shenzhen Light Industry Import &	100,000.00	---	1,900,000.00	Overdue and be

Export Co., Ltd.				prosecute
				Overdue and be
Shenzhen Paina Garment Co., Ltd.	---	---	1,300,000.00	prosecute
				Overdue and be
Hunan Lionda Co.	---	---	3,250,000.00	prosecute
				Overdue and be
Shenzhen Jinhai Electronic Co., Ltd.	---	---	3,500,000.00	prosecute
Shenzhen Guanghualin Investment Co., Ltd.	---	---	12,200,000.00	Overdue and be
				prosecute
Shenzhen Tiantai Chemical Industrial Co., Ltd.	200,000.00	---	---	Overdue and be
				prosecute
Shenzhen Construction Material Group	---	---	800,000.00	Overdue and be
				prosecute
Shenzhen Yueshen Light Industry Import & Export Co., Ltd.	---	---	9,000,000.00	Overdue and be
				prosecute
Guangzhou Xufeng Enterprise Group Co., Ltd.	---	---	15,000,000.00	Overdue and be
				prosecute
Shenzhen Jingyuan Industry Trading Co.	---	---	800,000.00	Overdue and be
				prosecute
Shenzhen Jinbeisheng Investment Co., Ltd.	---	---	77,600,000.00	Overdue and be
				prosecute
				Overdue and be
Shenzhen Xuena Co., Ltd.	---	1,055,200.00	---	prosecute
Shenzhen Development Bank Shatoujiao Subbranch	---	---	8,000,000.00	Loan overdue
Shenzhen Development Bank Nantou Subbranch	---	4,000,000.00	---	Loan overdue
China Everbright Bank Shenzhen Branch	---	---	5,600,000.00	Loan overdue
Shenzhen Colour Metal Financial Co., Ltd.	740,000.00	---	28,000,000.00	Loan overdue
Agricultural Bank of China Shatoujiao Subbranch	---	---	2,600,000.00	Loan overdue
Agricultural Bank of China Renminbei Subbranch	---	---	2,678,000.00	Loan overdue
Shenzhen China Bicycle Company (Holdings) Co., Ltd.	17,310,000.00	8,000,000.00	114,162,000.00	Overdue debts guarantee and be
				prosecute
				Overdue debts guarantee and be
Shenzhen Ligang Industrial Co., Ltd.	660,700.00	---	1,750,000.00	prosecute
				Overdue debts guarantee and be
Maoyuan Investment Development Co., Ltd.	---	8,000,000.00	---	prosecute

Shenzhen Xingda Industry Trading Co., Ltd.	---	---	400,000.00	Overdue debts guarantee and be prosecute
Hainan Wanda Co., Ltd.	---	---	30,938,600.00	Overdue debts guarantee and be prosecute
Shenzhen Guoyin Investment Group Co., Ltd.	---	---	40,300,000.00	Overdue debts guarantee and be prosecute
Shenzhen Gintian Industrial Group Co., Ltd.	---	25,000,000.00	---	Overdue debts guarantee and be prosecute
Shenzhen Zhongwu Materials Import & Export Co., Ltd.	2,022,900.00	---	---	Overdue debts guarantee and be prosecute
Shenzhen Guangyingda Industrial Development Co., Ltd.	8,886,100.00	---	5,280,000.00	Overdue debts guarantee and be prosecute
Shenzhen Xinyu Co.	---	---	3,000,000.00	Overdue debts guarantee and be prosecute
Shenzhen Chemical Plastics Co., Ltd.	---	---	15,000,000.00	Overdue debts guarantee and be prosecute
Agricultural Bank of China Shenzhen Branch	989,262.70	12,109,722.00	---	Loan overdue
ICBC Shenzhen Futian Subbranch	2,000,000.00	---	31,030,000.00	Loan overdue
ICBC Shenzhen Shendong Subbranch	---	---	19,000,000.00	Loan overdue
Shenzhen Lionda Materials Import & Export Co., Ltd.	---	---	12,000,000.00	Overdue debts guarantee and be prosecute
Shenzhen Lionda Foods Co., Ltd.	---	---	3,000,000.00	Overdue debts guarantee and be prosecute
Shenzhen Lionda Development Co., Ltd.	---	1,400,000.00	1,000,000.00	Overdue debts guarantee and be prosecute
Total	<u>32,908,962.70</u>	<u>59,564,922.00</u>	<u>449,088,600.00</u>	

Note 8. Commitment

The Company existed no the significant commitment events from the date of accounting statement to the reporting date of semi-annual report.

Note 9. Other Significant events

1. Debts restructuring

In order to release the guarantee liability of the Company providing for Shenzhen China Bicycle Company (Holdings) Co., Ltd. (hereinafter referred to as “Shen Zhonghua”) due to the loan from Huarong Assets Management Corporation (hereinafter referred to as “Huarong Corporation”), the Company and Huarong Corporation jointly signed the Framework Agreement Framework Agreement on Releasing Guarantee Liability of Lionda and Restructuring of SHENZHONGHUA (hereinafter referred to as the Agreement) and the Supplemental Agreement in 2001. According to the regulations of the Agreement, the Company paid cash of RMB 110 million and 88 million legal person’s shares of Shen Zhonghua to Huarong Corporation, then Huarong Corporation agreed to release the guarantee liability of the Company providing for Shen Zhonghua, which Shen Zhonghua owed Huarong Corporation debts of RMB 917 million and the relevant interests. As the first largest shareholder of Shen Zhonghua, Huarong Corporation was responsible for the restructuring of ST Zhonghua. during debts restructuring of Shen Zhonghua, the Company would equally consider all credits of Shen Zhonghua and rest credits of Huarong Corporation. Ended Jun. 30, 2005, the Company has paid cash amounting to RMB 110 to Huarong Corporation and transferred 60,098,412 shares of Shen Zhonghua.

Note 10. Explanation on persistent operation

The Company had the great repaying pressure on short-term debts and had a large number of prosecuted guarantee debts that would effect the persistent operation of the Company directly. However, due to existing the significant indetermination in the persistent operation, the Company might unable to realize assets and discharge debts in course of the normal operation.

Therefor, the Company will maintain the persistent operation capability through the following measures:

1. The Company will enhance the arrearages clearing and assets liquidization work.
2. The Company will actively continue to push the debts restructuring and strived for implementing debts restructuring according to commercial principles.
3. The Company holds 26.54% equity of Shenzhen Goodyear Industrial Co., Ltd. (hereinafter referred to as Goodyear Company), as the first largest shareholder of Goodyear Company, whose the second largest shareholder entrusted its 19.03% equity to the Company for management. Thus, the Company has actual control right to Goodyear Company. Goodyear Company was engaged in printing, packing and properties operating and management, and had a certain profitability capability. In short, the Company had capability in sustainable operation.

Through the aforesaid measures adopted, the Company believes the Company still has the persistent operation capability in 2005.

Note 11. Impact on results attributable to shareholders and net asset value as reported by the PRC Certified Public Accountants

Items	Net assets (RMB'000)	Net Profit (RMB'000)
I. As per IAS	(1,609,239)	(17,090)
1. Switching back of amortizable expenses	403	244

2. Adjustment of sales of minority interests of affiliated companies
3. Adjustment of declared cash dividend
4. Spread of unrealized trade
5. Correcting former error of equity of associated companies
6. Housing reserve fund

II. As per Accounting System of Business Enterprise	(1,608,836)	(16,846)
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Note 12. Return on equity and earnings per share

Items	<u>Return on equity</u>		<u>Earnings per share</u>	
	<u>Fully</u>	<u>Weighted</u>	<u>Fully</u>	<u>Weighted</u>
	<u>diluted</u>	<u>average</u>	<u>diluted</u>	<u>average</u>
Profit during report period	---	---		
Profit from main operations	---	---	0.0274	0.0274
Operating profit	---	---	-0.0400	-0.0400
Net profit	---	---	-0.0584	-0.0584
Net profit after deducting non-recurring gains and losses	---	---	-0.0584	-0.0584

Guangdong Sunrise Holdings Co., Ltd.
Chairman of the Board: Yang Fenbo
 Aug. 11, 2005

Statement of Provision for Devaluation of Assets

Metaphase of 2005

KQ 01 Supplemental Statement 1

Prepared by Guangdong Sunrise Holdings Co., Ltd.

Unit:

RMB

Items	Balance at the begin of the period	Increase in this period	Decrease in this period			Balance at the end of the period
			Switching back due to assets price recovery	Switching out due to other reason	Total	
. Total reserve for bad debts	450,861,141.61			1,000,000.00		449,861,141.61
Including: Accounts receivable	3,753,085.01					3,753,085.01
Other receivables	447,108,056.60			1,000,000.00		446,108,056.60
. Total provision for falling price of short-term investment						
Including: Stocks investment						
Bonds investment						
. Total provision for falling price of inventories	24,035,413.71			1,000,000.00		23,035,413.71
Including: Merchandise inventories	23,649,727.10			1,000,000.00		22,649,727.10
Raw material	385,686.61					385,686.61
. Total provision for devaluation of long-term investment	71,253,281.56			3,181,174.65		68,072,106.91
Including: Long-term equity investment	71,253,281.56			3,181,174.65		68,072,106.91
Long-term credit investment						
. Total provision for devaluation of fixed assets	9,757,792.39					9,757,792.39
Including: Building	654,920.50					654,920.50
Machinery and equipment	9,102,871.89					9,102,871.89
. Provision for devaluation of intangible assets	---	---	---	---	---	---
Including: Patent right	---	---	---	---	---	---
Trademark right	---	---	---	---	---	---

. Provision for devaluation of construction in progress	---	---	---	---	---	---
. Provision for devaluation of commission loan	---	---	---	---	---	---

Statement of Change in Owner's Equity (or Shareholder's Equity)

Metaphase of 2005

KQ 01Supplemental Statement 2

Prepared by Guangdong Sunrise Holdings Co., Ltd.

Unit:

RMB

Items	Line	Amount in the last year	Amount in this period
I. Paid-up capital (or share capital)			
Balance at the begin of the year	1	288,420,000.00	288,420,000.00
Increase in this year	2	---	---
Including: transferred from capital reserve	3	---	---
Transferred from surplus public reserve	4	---	---
Transferred from profit distribution	5	---	---
New increase of capital (share capital)	6	---	---
Decrease in this year	10	---	---
Balance at the end of the year	15	288,420,000.00	288,420,000.00
II. Capital reserve:			
Balance at the begin of the year	16	366,865,874.73	366,865,874.73
Increase in this year	17	---	---
Including: premium on capital (share capital)	18	---	---
Donation received-provision for assets except for cash	19	---	---
Cash donation received	20	---	---
Provision of equity investment	21	---	---
Transferred from appropriate funds	22	---	---
Converting balance of foreign currency capital	23	---	---
Other capital public reserve	30	---	---
Decrease in this year	40	---	---
Including: transferring into capital (share capital)	41	---	---
Balance at the end of the year	45	366,865,874.73	366,865,874.73

III. Statutory and arbitrary surplus public reserve			
Balance at the begin of the year	46	119,514,900.67	119,514,900.67
Increase in this year	47	---	---
Including: appropriating amount from net profit	48	---	---
Including: statutory surplus public reserve	49	---	---
Arbitrary surplus public reserve	50	---	---
Reserve fund	51	---	---
Development fund of enterprise	52	---	---
Transferring from statutory welfare fund	53	---	---
Decrease in this year	54	---	---
Including: offsetting of loss	55	---	---
Transferred into capital (share capital)	56	---	---
Distribution of cash dividend or profit	57	---	---
Apportionment of share dividend	58	---	---
Balance at the end of the year	62	119,514,900.67	119,514,900.67
Including: statutory surplus public reserve	63	78,893,779.77	78,893,779.77
Reserve fund	64	---	---
Development fund of enterprise	65	---	---
IV. Statutory welfare public fund			
Balance at the begin of the year	66	18,366,726.17	18,789,906.22
Increase in this year	67	423,180.05	
Including: allotment amount from net profit	68	---	---
Decrease in this year	70	---	---
Including: expenditure of collective welfare	71	---	---
Balance at the end of the year	75	18,789,906.22	18,789,906.22
V. Retain profit			
Retain profit at the begin of the year	76	-2,337,641,680.95	-2,385,580,676.55
Net profit in this year (loss “-”)	77	-47,938,995.60	-16,846,105.50
Profit distribution of this year	78	---	---

Retain profit at the end of the year (loss"-")	80	-2,385,580,676.55	-2,402,426,782.05
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