# Guangdong Sunrise Holdings Co., Ltd.
# The Third Quarterly Report for 2005

## § 1. Important Notice

1.1 The Board of Directors of Guangdong Sunrise Holdings Co., Ltd. (hereinafter referred to as the Company) and its directors individually and collectively accept responsibility for the correctness, accuracy and completeness of the contents of this report and confirm that there are no material omissions nor errors which would render any statement misleading.
1.2 No director stated that he (she) could not ensure the correctness, accuracy and completeness of the contents of the quarterly report or had objection for this report.
1.3 All directors attended the Board meeting.
1.4 The quarterly financial report has not been audited.
1.5 Chairman of the Board of the Company Mr. Yang Fenbo, Person in charge of Accounting Work Mr. Wang Jianyu, Person in charge of Accounting Organ Yu Deshan hereby confirm that the Financial Report of the Quarterly Report is true and complete.

## § 2. Company Profile

2.1 Basic information

| Short form of the stock | ST Sunrise-A, ST Sunrise-B | Short form before change (if have) | ST Lionda A, ST Lionda B |
|---|---|---|---|
| Stock code | 000030, 200030 | | |
| | **Secretary of the Board of Directors** | **Securities Affairs Representative** | |
| Name | Ao Yingchun | Chen Liantan | |
| Contact address | Secretariat, 4th Floor East, Block 203, Tairan Industrial Zone, Chegongmiao, Shenzhen | Secretariat, 4th Floor East, Block 203, Tairan Industrial Zone, Chegongmiao, Shenzhen | |
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2.2 Financial Information
2.2.1 Major accounting data and financial indexes

Unit: RMB Yuan

| | At the end of the report period | At the end of the last year | Increase/decrease compared with the end of the last year (%) |
|---|---|---|---|
| Total assets | 264,707,312.41 | 298,458,668.64 | -11.31% |
| Shareholders' equity (excluding minority equity) | -1,611,752,724.47 | -1,591,989,994.93 | - |
| Net assets per share | -5.5882 | -5.5197 | - |
| Net assets per share after adjustment | -5.8435 | -5.7801 | - |
| | The report period | From the year-begin to the end of report period | Increase/decrease of the report period than the corresponding period of last year (%) |
| Net cash flow arising from operating activities | 31,284,628.76 | 48,830,372.28 | 272.04% |
| Earnings per share | -0.0101 | -0.0685 | |
| Earnings per share (Note) | -0.0101 | - | - |
| Return on equity (%) | - | - | - |
| Return on equity after deducting non-recurring gains and losses | - | - | - |

| Items of non-recurring gains and losses | Amount |
|---|---|
| Net income/expenditure of non-operating | 4,511,053.22 |
| Total | 4,511,053.22 |

2.2.2 Financial Statement

2.2.2.1 Balance Sheet

Unit: RMB Yuan

Domestic Statement

| Items | Amount at the period-end | | Amount at the end of the last year | |
|---|---|---|---|---|
| | Consolidation | Parent company | Consolidation | Parent company |
| Current assets: | | | | |
| Monetary funds | 28,488,570.85 | 106,542.64 | 17,227,156.73 | 29,939.62 |
| Short-term investment | | | 44,400.00 | |
| Notes receivable | 476,884.90 | | 188,497.94 | |
| Dividends receivable | | 1,851,203.38 | | 1,851,203.38 |
| Interests receivable | | | | |
| Accounts receivable | 35,331,203.38 | | 49,007,129.99 | |
| Other receivable | 35,324,281.95 | 34,124,183.23 | 61,499,090.64 | 57,372,900.90 |
| Accounts in advance | 483,842.55 | | 214,023.19 | |
| Subsidy receivable | | | | |
| Inventories | 28,375,073.07 | 2,000,000.00 | 29,205,498.49 | 2,000,000.00 |
| Expenses to be apportioned | 258,105.48 | | 159,116.12 | |
| Long-term credit investment due within 1 year | | | | |
| Other current assets | | | | |
| Total current assets | 128,737,962.18 | 38,081,929.25 | 157,544,913.10 | 61,254,043.90 |
| Long-term investment: | | | | |
| Long-term equity investment | 21,133,200.20 | 47,736,332.38 | 18,219,856.62 | 47,221,906.72 |
| Long-term credit investment | | | | |
| Total long-term investment | 21,133,200.20 | 47,736,332.38 | 18,219,856.62 | 47,221,906.72 |
| Consolidated price difference | | | | |
| Fixed assets: | | | | |
| Original price of fixed assets | 255,456,416.15 | 27,442,071.15 | 256,092,508.87 | 27,658,666.15 |
| Less: Accumulated depreciation | 140,700,373.37 | 17,487,875.48 | 134,209,808.55 | 17,008,575.30 |
| Net value of fixed assets | 114,756,042.78 | 9,954,195.67 | 121,882,700.32 | 10,650,090.85 |
| Less: Provision for devaluation of fixed assets | 9,757,792.39 | | 9,757,792.39 | |
| Net amounts of fixed assets | 104,998,250.39 | 9,954,195.67 | 112,124,907.93 | 10,650,090.85 |
| Engineering material | | | | |
| Construction in progress | 1,647,434.64 | | 1,701,771.17 | |
| Disposal of fixed assets | | | | |
| Total fixed assets | 106,645,685.03 | 9,954,195.67 | 113,826,679.10 | 10,650,090.85 |
| Intangible and other assets: | | | | |
| Intangible assets | 7,527,388.50 | | 7,951,851.18 | |
| Long-term expenses to | 663,076.50 | | 915,368.64 | |

| | | | | |
|---|---|---|---|---|
| be apportioned | | | | |
| Other long-term assets | | | | |
| Total intangible and other assets | 8,190,465.00 | | 8,867,219.82 | |
| Deferred tax: | | | | |
| Deferred tax-borrowing item | | | | |
| Total assets | 264,707,312.41 | 95,772,457.30 | 298,458,668.64 | 119,126,041.47 |
| Current liabilities: | | | | |
| Short-term loans | 539,140,782.55 | 539,140,782.55 | 575,610,782.55 | 539,140,782.55 |
| Notes payable | 12,255,793.76 | | | |
| Accounts payable | 24,635,732.35 | | 27,209,418.40 | |
| Accounts prepay | 2,588,182.17 | | 2,341,200.00 | |
| Wages payable | | | | |
| Welfare funds payable | 730,606.38 | 301,462.95 | 713,873.67 | 237,998.29 |
| Dividends payable | 2,735,929.18 | | 2,750,643.89 | |
| Taxes payable | -150,654.63 | -777.18 | 287,713.97 | 4,191.06 |
| Other duties payable | | | | |
| Other accounts payable | 247,962,211.46 | 197,331,932.55 | 251,002,765.47 | 219,062,322.36 |
| Accrued expenses | 280,945,602.70 | 278,770,673.33 | 258,968,511.72 | 256,207,634.57 |
| Projected liabilities | 691,981,107.57 | 691,981,107.57 | 696,463,107.57 | 696,463,107.57 |
| Long-term liabilities due within 1 year | | | | |
| Other current liabilities | | | | |
| Total current liabilities | 1,802,825,293.49 | 1,707,525,181.77 | 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 | 1,802,825,293.49 | 1,707,525,181.77 | 1,815,348,017.24 | 1,711,116,036.40 |
| Minority interests | 73,634,743.39 | | 75,100,646.33 | |
| Owner’s equity (or Shareholders’ equity): | | | | |
| Paid-in capital (or share capital) | 288,420,000.00 | 288,420,000.00 | 288,420,000.00 | 288,420,000.00 |
| Less: investment paid back | | | | |
| Net amount of aid-in capital (or share capital) | 288,420,000.00 | 288,420,000.00 | 288,420,000.00 | 288,420,000.00 |
| Capital reserve | 366,865,874.73 | 366,865,874.73 | 366,865,874.73 | 366,865,874.73 |
| Surplus reserve | 138,304,806.89 | 138,304,806.89 | 138,304,806.89 | 138,304,806.89 |
| Including: public welfare funds | 1,409,693.00 | 1,409,693.00 | 18,789,906.22 | 18,789,906.22 |
| Retained profit | -2,405,343,406.09 | -2,405,343,406.09 | -2,385,580,676.55 | -2,385,580,676.55 |
| Including: cash dividend | | | | |
| Unconfirmed investment losses | | | | |
| Foreign currency | | | | |

| | | | | |
|---|---|---|---|---|
| exchange difference | | | | |
| Total owner's equity (shareholders' equity) | -1,611,752,724.47 | -1,611,752,724.47 | -1,591,989,994.93 | -1,591,989,994.93 |
| Total liabilities and owner's equity (or shareholders' equity) | 264,707,312.41 | 95,772,457.30 | 298,458,668.64 | 119,126,041.47 |

2.2.2.2 Profit Statement and Statement of Profit Distribution in this report period

Unit: RMB Yuan

Domestic Statement

| Items | This period | | The same period of the last year | |
|---|---|---|---|---|
| | Consolidation | Parent company | Consolidation | Parent company |
| I. Income from main operations | 31,114,394.82 | | 35,035,622.16 | |
| Less: Cost of main operations | 26,142,829.79 | | 30,703,435.65 | |
| Taxes and extras of main operations | 10,586.05 | | 12,754.75 | |
| Ⅱ. Profit from main operations (losses was listed with "-") | 4,960,978.98 | | 4,319,431.76 | |
| Add: Other operating profit (losses was listed with "-") | 1,704,208.90 | 258,643.83 | 1,994,175.57 | 434,106.93 |
| Less: Operating expenses | 1,117,312.57 | | 1,703,798.13 | |
| Administrative expenses | 3,594,005.96 | 650,304.19 | 2,834,947.12 | 704,610.47 |
| Financial expenses | 7,841,825.02 | 7,521,309.92 | 8,622,648.76 | 7,838,357.56 |
| Ⅲ. Operating profit (losses was listed with "-") | -5,887,955.67 | -7,912,970.28 | -6,847,786.68 | -8,108,861.10 |
| Add: Investment income (losses was listed with "-") | 0.00 | 449,627.04 | 1,701,895.71 | 1,974,263.37 |
| Subsidy income | | | | |
| Non-operating income | 4,546,719.20 | 4,546,719.20 | 58,728.71 | 2,635.00 |
| Less: Non-operating expenses | 38,365.98 | | 40,512.98 | 0.00 |
| Ⅳ.Total profit (losses was listed with "-") | -1,379,602.45 | -2,916,624.04 | -5,127,675.24 | -6,131,962.73 |
| Less: Income tax | 292,500.00 | 0.00 | 214,468.18 | |
| Gains and losses of minority shareholders | 1,244,521.59 | | 789,819.31 | |
| Add: Occurrence amount of unconfirmed investment losses in this period | | | | |
| V. Net profit (losses was listed with "-") | -2,916,624.04 | -2,916,624.04 | -6,131,962.73 | -6,131,962.73 |
| Add: Retained earnings at the year-begin | -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 | -2,388,497,300.59 | -2,388,497,300.59 | -2,343,773,643.68 | -2,343,773,643.68 |
| Less: appropriating statutory surplus reserve | | | | |
| Appropriating statutory public welfare reserve | | | | |
| Appropriating employees' bonus and welfare funds | | | | |

| | | | | |
|---|---|---|---|---|
| Appropriating reserve funds | | | | |
| Appropriating enterprise's development funds | | | | |
| Investment returned from profit | | | | |
| VII. Profit available for distribution to investors | -2,388,497,300.59 | -2,388,497,300.59 | -2,343,773,643.68 | -2,343,773,643.68 |
| Less: Dividend for preferred shares payable | | | | |
| Appropriating discretionary reserve | | | | |
| Dividend for ordinary shares | | | | |
| Dividend for ordinary shares converted to capital (share capital) | | | | |
| VIII. Retained earnings | -2,388,497,300.59 | -2,388,497,300.59 | -2,343,773,643.68 | -2,343,773,643.68 |
| Profit statement (Supplemental information) | | | | |
| 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 | | | | |

2.2.2.3 Profit Statement and Statement of Profit Distribution from the year-begin to the end of the report period

Unit: RMB Yuan

Domestic Statement

| Items | From the year-begin to the end of the report period | | The same period of the last year | |
|---|---|---|---|---|
| | Consolidation | Parent company | Consolidation | Parent company |
| I. Income from main operations | 91,448,298.36 | | 102,664,818.54 | |
| Less: Cost of main operations | 78,556,507.80 | | 91,222,148.96 | |
| Taxes and extras of main operations | 33,923.77 | | 150,715.15 | |
| Ⅱ. Profit from main operations (losses was listed with "-") | 12,857,866.79 | | 11,291,954.43 | |
| Add: Other operating profit (losses was listed with "-") | 7,369,121.27 | 1,141,732.99 | 5,390,487.56 | 915,406.89 |
| Less: Operating expenses | 3,530,265.92 | | 4,846,639.36 | |
| Administrative expenses | 10,558,447.91 | 3,412,056.27 | 9,150,470.83 | 2,877,371.71 |
| Financial expenses | 23,561,498.53 | 22,553,751.12 | 25,312,001.05 | 23,141,455.33 |
| Ⅲ. Operating profit (losses was listed with "-") | -17,423,224.30 | -24,824,074.40 | -22,626,669.25 | -25,103,420.15 |

| | | | | |
|---|---|---|---|---|
| Add: Investment income (losses was listed with "-") | -1,130,420.02 | 514,425.66 | 2,004,670.88 | 2,616,052.12 |
| Subsidy income | | | | |
| Non-operating income | 4,549,419.20 | 4,546,919.20 | 417,708.89 | 307,143.68 |
| Less: Non-operating expenses | 38,365.98 | | 63,202.98 | 350.00 |
| Ⅳ.Total profit (losses was listed with "-") | -14,042,591.10 | -19,762,729.54 | -20,267,492.46 | -22,180,574.35 |
| Less: Income tax | 1,167,374.17 | | 310,249.84 | |
| Gains and losses of minority shareholders | 4,552,764.27 | | 1,602,832.05 | |
| Add: Occurrence amount of unconfirmed investment losses in this period | | | | |
| V. Net profit (losses was listed with "-") | -19,762,729.54 | -19,762,729.54 | -22,180,574.35 | -22,180,574.35 |
| Add: Retained earnings at the year-begin | -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 | -2,405,343,406.09 | -2,405,343,406.09 | -2,359,822,255.30 | -2,359,822,255.30 |
| Less: appropriating statutory surplus reserve | | | | |
| Appropriating statutory public welfare reserve | | | | |
| Appropriating employees' bonus and welfare funds | | | | |
| Appropriating reserve funds | | | | |
| Appropriating enterprise's development funds | | | | |
| Investment returned from profit | | | | |
| VII. Profit available for distribution to investors | -2,405,343,406.09 | -2,405,343,406.09 | -2,359,822,255.30 | -2,359,822,255.30 |
| Less: Dividend for preferred shares payable | | | | |
| Appropriating discretionary reserve | | | | |
| Dividend for ordinary shares | | | | |
| Dividend for ordinary shares converted to capital (share capital) | | | | |
| VIII. Retained earnings | -2,405,343,406.09 | -2,405,343,406.09 | -2,359,822,255.30 | -2,359,822,255.30 |
| Profit statement (Supplemental information) | | | | |
| 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 | | | | |

2.2.2.4 Cash Flow Statement from the year-begin to the end of the report period

Unit: RMB Yuan

Domestic Statement

| Items | From the year-begin to the end of the report period | |
|---|---|---|
| | Consolidation | Parent company |
| Ⅰ. Cash flows arising from operating activities: | | |
| Cash received from selling commodities and providing labor services | 124,093,639.10 | |
| Write-back of tax received | | |
| Other cash received concerning operating activities | 20,709,812.74 | 620,216.14 |
| Subtotal of cash inflows: | 144,803,451.84 | 620,216.14 |
| Cash paid for purchasing commodities and receiving labor service | 69,095,857.93 | |
| Cash paid to/for staff and workers | 10,317,015.71 | 239,052.54 |
| Taxes paid | 5,918,967.98 | |
| Other cash paid concerning operating activities | 10,641,237.94 | 304,560.58 |
| Subtotal of cash outflows: | 95,973,079.56 | 543,613.12 |
| *Net cash flows arising from operating activities* | 48,830,372.28 | 76,603.02 |
| II. Cash flows arising from investing activities: | | |
| Cash received from recovering investment | | |
| Cash received from investment income | | |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | | |
| Other cash received concerning investing activities | | |
| Subtotal of cash inflows: | | |
| Cash paid for purchasing fixed assets, intangible assets and other long-term assets | 241,698.78 | |
| Cash paid for investment | | |
| Other cash paid concerning investing activities | | |
| Subtotal of cash outflows: | 241,698.78 | |
| *Net cash flows arising from investing activities* | -241,698.78 | |
| III. Cash flows arising from financing activities | | |
| Cash received from absorbing investment | | |
| Cash received from loans | | |
| Other cash received concerning financing activities | | |
| Subtotal of cash inflows: | | |
| Cash paid for repaying debts | 36,470,000.00 | |
| Cash paid for dividend and profit distributing or interest paying | 725,842.82 | |
| Other cash paid concerning financing activities | | |
| Subtotal of cash outflows: | 37,195,842.82 | |
| *Net cash flows arising from financing activities* | -37,195,842.82 | |
| IV. Influence on cash due to fluctuation in exchange rate | | |
| V. Net increase of cash and cash equivalents | 11,392,830.68 | 76,603.02 |
| Supplemental information of cash flow statement | | |
| **I. Adjusting net profit to cash flows for operating activities** | | |
| Net profit | -19,762,729.54 | -19,762,729.54 |
| Add: Appropriating provisions for devaluation of assets | | |
| Depreciation of fixed assets | 6,880,738.86 | 479,300.18 |
| Amortization of intangible assets | 424,462.68 | |
| Amortization of long-term expenses to be apportioned | 331,072.14 | |
| Decrease of expenses to be apportioned (Less: increase) | 98,989.36 | |
| Increase of accrued expenses (Less: decrease) | 22,577,090.98 | 22,563,038.76 |
| Loss on disposal of fixed assets, intangible assets and other long-term assets (Less: income) | | |

| | | |
|---|---|---|
| Loss on rejection of fixed assets | | |
| Financial expenses | 998,459.77 | -9,287.64 |
| Loss of investment (Less: income) | 1,130,420.02 | -514,425.66 |
| Deferred taxes- credit item (Less: borrowing ites) | | |
| Decrease of inventories (Less: increase) | 830,425.42 | |
| Decrease of receivables in operating (Less: increase) | 22,409,866.21 | 8,265,374.06 |
| Increase of payables in operating (Less: decrease) | 7,985,559.46 | -10,944,667.14 |
| Other | 373,252.65 | |
| Gains and losses of minority shareholders | 4,552,764.27 | |
| Net cash flows arising from operating activities | 48,830,372.28 | 76,603.02 |
| **II. 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 | | |
| **III. Net increase of cash and cash equivalents:** | | |
| Balance of cash at the end of the period | 28,488,570.85 | 106,542.64 |
| Less: Balance of cash at the begin of the period | 17,095,740.17 | 29,939.62 |
| 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 | 11,392,830.68 | 76,603.02 |

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

| Total number of shareholders at the end of report period | | 15,220 |
|---|---|---|
| Particulars about shares held by the top ten shareholders of circulation shares | | |
| Shareholders' name (full name) | The number of circulation shares held at the period-end | Type (A-share, B-share, H-share and other) |
| CHINA EVERBRIGHT HOLDINGS CO.LTD | 2,944,556.00 | B-share |
| CHEN JIA ZHAO | 1,070,183.00 | A-share |
| WANG XIAO LONG | 950,900.00 | B-share |
| WU CHING | 610,322.00 | B-share |
| ZHANG YUAN HONG | 455,000.00 | A-share |
| PAN MING QIN | 416,800.00 | A-share |
| XIAO HAI DONG | 397,200.00 | A-share |
| LIUZHOU JIALI REAL ESTATE DEVELOPMENT CO., LTD. | 389,500.00 | A-share |
| XU HUI | 363,827.00 | A-share |
| GAO SHAO HUA | 348,300.00 | B-share |

## §3. Discussion and analysis of the Management

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

In the report period, the Company's main operation was the productions and sales of presswork. Now, only one enterprise, namely Shenzhen Goodyear Industrial Co., Ltd. was consolidated into the Company's consolidation statement. From Jan. to Sep. 2005, the Company realized the income from main operations of RMB 91,448,300 and achieved the profit from main operation of RMB 12,857,900. But the Company's short-term loan still reached to RMB 539 million, resulting in the Company's financial expenses still reached to RMB 23,561,500. Adding the Company's administrative expenses of RMB 10,558,400 and operating expenses of RMB 3,530,300, the Company continued losses in the third quarter of 2005 and net profit was RMB –14,042,600.

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

√ Applicable □Inapplicable

Unit: RMB'0000

| Main operations classified according to industries | | | |
|---|---|---|---|
| | Income from main operations | Cost of main operations | Gross profit ratio (%) |
| Printing | 9,144.83 | 7,855.65 | 14.10% |
| Including: related transactions | 0.00 | 0.00 | 0.00% |
| Main operations classified according to products | | | |
| Production and sale of presswork | 9,144.83 | 7,855.65 | 14.10% |
| Including: related transactions | 0.00 | 0.00 | 0.00% |

3.1.2 Seasonal and periodicity characteristics of the operation

□Applicable √ Inapplicable

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

□Applicable √ Inapplicable

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

□Applicable √ Inapplicable

3.1.5 Explanation of reason and material change of profitability capability of main operations (gross profit ratio) compared with the previous report period

□Applicable √ Inapplicable

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

√ Applicable □Inapplicable

The Company received a civil judgement from Guangzhou Railway Intermediate Court, the relevant contents were as follows:

A dispute cases concerning the agreement of line of credit that China Merchants Bank Co., Ltd. Shenzhen Luohu Subbranch (hereinafter referred to as China Merchants Bank, namely proposer and executor of this case) proceeded against Shenzhen China Bicycle Company (Holdings) Co., Ltd. (hereinafter referred to as China Bicycle Company) as the borrower and the Company as the guarantor, through compromise between China Merchants Bank and China Bicycle Company in the course of executing of this case, the both sides came to a compromise agreement: under the base of evaluation result, the two parties together sold off the whole house property of Block 4 of comprehensive building located in Buxin Road, Luohu District, Shenzhen held by the China Bicycle Company to Shenzhen Mingtairun Investment Co., Ltd. with RMB 21,455,535; the partial payments obtained through selling off were used to repay a debts of USD 1,350,000 owed by China Bicycle Company. By judeged by Guangzhou Railway Intermediate Court, the Court agreed to execute the said compromise agreement, and released from the seal of the said house property at the same time of handling transfer procedure of house property. Because the Company ever appropriated the partial projected liabilities for this lawsuit case, however, the projected liabilities appropriated of the Company will be switched back due to this judgement, thus, non-operating income of the Company has increase by RMB 448,200 in

this year.
For the aforesaid lawsuit event, please refer to the Public Notice on Lawsuit Event (Public No. 2005-027) of the Company published on Securities Times and Hong Kong Ta Kung Pao dated Aug. 19, 2005.

3.3 Particulars about accounting policy, accounting estimation, change of consolidated scope and significant accounting errors and explanation of reasons
□Applicable √ Inapplicable

3.4 Relevant explanation of the Board of Directors and the Supervisory Committee under the situation of being audited and issued "Qualified opinion"
□Applicable √ Inapplicable

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

Because the Company's short-term loan was still higher, resulting in the higher financial expenses, and the debt reorganization could not been made progress, so as to estimate the operation achievement for 2005 of the Company occurred losses unceasingly.

3.6 Rolling adjustment of annual business plan or budget ever disclosed
□Applicable √ Inapplicable

3.7 Special commitment made by original shareholders of non-circulation share in course of equity division reform and its implementation
□Applicable √ Inapplicable

**Board of Directors of**
**Guangdong Sunrise Holdings Co., Ltd.**
Chairman of the Board: Yang Fenbo
Oct. 27, 2005