

GUANGDONG SUNRISE HOLDINGS CO., LTD.

ANNUAL REPORT 2005

28 March 2006

Important Statement

The Board of Directors of Guangdong Sunrise Holdings Co., Ltd. (hereinafter referred to as the Company) and the directors individually and collectively accept responsibility for the correctness, accuracy and completeness of the contents of this report and confirm that there are not material omissions nor errors which would render any statement misleading.

Shenzhen Dahua Tiancheng Certified Public Accountants issued an auditors' report that unable to express opinion. The Board of Directors issued the special explanation on relevant events, and the Supervisory Committee expressed the clear opinion for the special explanation issued by the Board of Directors. Investors are requested to pay attention on it.

No director, supervisor or senior executive stated that he/she couldn't ensure the correctness, accuracy and completeness of the contents of the Annual Report or had any objection for this report.

All directors attended the Board meeting.

Chairman of the Board of the Company Mr. Yang Fenbo, Person in charge of Accounting Affairs Mr. Wang Jianyu, Person in charge of Accounting Organization Yu Deshan hereby confirm that the Financial Report of the Annual Report is true and complete.

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Section I. Company Profile

1. Legal name of the Company in Chinese: 广东盛润集团股份有限公司

Legal name of the Company in English: Guangdong Sunrise Holdings Co., Ltd.
(Abbreviation: SUNRISE)

2. Legal Representative: Yang Fenbo

3. Secretary of the Board of Directors: Ao Yingchun

Contact Tel: (0755)83877511

Securities Affairs Representative: Chen Liantan

Contact Tel: (0755) 83875531

Contact Address: Secretariat, on 4th Floor East, Block 203, Tairan Industrial Zone, Chegongmiao, Shenzhen

Fax: (0755)83875212

E-mail: lionda@mailcenter.com.cn

4. Registered Address: Tairan Industrial Zone, Chegongmiao, Shenzhen, Guangdong, P. R. China

Office Address: 4th Floor East, Block 203, Tairan Industrial Zone, Chegongmiao, Shenzhen
Post Code: 518040

5. Newspapers Chosen for Disclosing the Information of the Company:

Securities Times and Ta Kung Pao

Internet Website Designated by CSRC for Publishing the Annual Report:
<http://www.cninfo.com.cn/default.htm>

The Place Where the Annual Report is Prepared and Placed: Secretariat of the Company

6. Stock Exchange Listed with: Shenzhen Stock Exchange

Short Form of the Stock: ST Sunrise A, ST Sunrise B

Stock Code: 000030, 200030

7. Other Relevant Information of the Company

The initial registration of the Company: Date: Sep. 1993

Place: Jiahua Bldg., Huaqiang North Road, Shenzhen

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

Registered code of tax: Shen National Revenue 440301190325278

Shen Local Tax 440304190325278

Name of Certified Public Accountants engaged by the Company:

Shenzhen Dahua Tiancheng Certified Public Accountants
Office Address: 11th Floor, Tower B, Union Plaza, Bin He Road, Shenzhen

Section II Summary of Financial Highlights and Accounting highlights

I. Major profit indices as of the year 2005 (in RMB Yuan)

Total profit	-52,275,527.36
Net profit	-57,181,772.54
Net profit after deducting non-recurring gains and losses	-65,950,923.81
Profit from main operations	11,202,132.89
Other operating profit	6,785,669.20
Operating profit	-39,753,080.67
Investment income	-21,291,597.96
Subsidy income	0
Net non-operating income/expenses	8,769,151.27
Net cash flow arising from operating activities	27,499,312.61
Net increase in cash and cash equivalents	-17,141,159.44

Note 1: The net profit accounted under IAS was RMB -57,023,000 and the earnings per share was RMB-0.1977 the diversity was described by the table bellow:

Items	Loss due to shareholders (RMB'000)
Financial Report audited by Chinese CPA	-57,181.77
Adjusted: write back of deferred expenses	159.00
Under International Accounting Standard	-57,023.00

Note 2: Items of non-recurring gains and losses and the relevant amount:

(Unit: RMB Yuan)

Net non-operating income/expenses	8,769,151.27
Total non-recurring gains and losses	8,769,151.27

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

Items	2005	2004	2003
Income from main operations	81,842,030.77	142,606,802.22	77,267,774.95
Net profit	-57,181,772.54	-47,938,995.60	11,391,186.93
Total assets	39,195,650.78	298,458,668.64	378,293,188.86
Shareholders' equity (excluding minority interests)	-1,649,171,767.47	-1,591,989,994.93	-1,544,474,179.38
Earnings per share	-0.1983	-0.1662	0.0395
Earnings per share after deducting	-0.2287	-0.2026	-0.1534

non-recurring gains and losses			
Net assets per share	-5.7180	-5.5197	-5.3549
Net assets per share after adjustment	-5.7180	-5.7801	-5.6173
Net cash flow per share arising from operating activities	0.0953	0.0475	-0.0372
Return on equity (%)	-----	-----	-----
Return on equity after deducting non-recurring gains and losses (%)	-----	-----	-----

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

(Unit: RMB Yuan)

Items	Share capital	Capital reserves	Surplus reserves	Statutory public welfare	Retained profit	Shareholders' equity
Amount at the period-begin	288,420,000.00	366,865,874.73	138,304,806.89	18,789,906.22	-2,385,580,676.55	-1,591,989,994.93
Increased in this period	0	0	0	0		0
Decreased in this period	0	0	0	0	57,181,772.54	57,181,772.54
Amount at the period-end	288,420,000.00	366,865,874.73	138,304,806.89	18,789,906.22	-2,442,762,449.09	-1,649,171,767.47
Reason on change					Loss	Loss

Section III. Changing in Share Capital and Shareholders

I. Change in share capital

(I) Statement of change in shares

	Before the change		Change of this term (+,-)	After the changed	
	Number	Proportion		Number	Proportion
I. Nontradable shares	208,560,000	72.31%	0	208,560,000	72.31%
1. Sponsor shares	191,400,000	66.36%	0	191,400,000	66.36%
Including:					
Shares held by the State	191,400,000	66.36%	0	191,400,000	66.36%
Shares held by domestic legal person	0	0.00%	0	0	0.00%
Shares held by overseas legal person	0	0.00%	0	0	0.00%
Others	0	0.00%	0	0	0.00%
2. Raised legal persons shares	17,160,000	5.95%	0	17,160,000	5.95%
3. Inner employee shares	0	0.00%	0	0	0.00%
4. Preference shares or others	0	0.00%	0	0	0.00%
II. Tradable shares	79,860,000	27.69%	0	79,860,000	27.69%
1. Ordinary RMB shares	40,260,000	13.96%	0	40,260,000	13.96%
2. Domestically listed foreign shares	39,600,000	13.73%	0	39,600,000	13.73%
3. Overseas listed foreign shares	0	0.00%	0	0	0.00%
4. Others	0	0.00%	0	0	0.00%
III. Total of capital shares	288,420,000	100.00%	0	288,420,000	100.00%

(II) Share placing and listing

1. Till the end of the report period, the Company issued neither new shares nor derived securities over the previous three years.
2. The total shares and structure of shares remained unchanged in the report period. The company has no inner employee shares.

II. Particulars about the Shareholders

1. At the end of the report period, the Company had totally 15164 shareholders, including 6 ones of nontradable shares, 10202 ones of tradable A shares, and 4956 ones of tradable B

shares.

2. The top ten shareholders (Ended Dec. 31, 2005)

Name of the shareholder	Shares held at the end of period	Share proportion %	Pledged or frozen	Class of shareholding
Shenzhen Lionda Group Co., Ltd.	191400000	66.36%	0	Sponsor corporate shares
Shenzhen Coloured Metal Financial Co. Ltd.	5280000	1.83%	Unknown	Domestic oriented corporate shares
Shenzhen International Trust & Investment Co.	5280000	1.83%	Unknown	Domestic oriented corporate shares
Shenzhen Huachengda Investment Holding Co., Ltd.	3960000	1.37%	Unknown	Domestic oriented corporate shares
CHINA EVERBRIGHT HOLDINGS CO. LTD	2908735	1.02%	Unknown	B shares
Shenzhen Guoyin Investment Development Co., Ltd.	2640000	0.92%	26400000	Domestic oriented corporate shares
CHEN JIA ZHAO	1063248	0.37%	Unknown	A shares
WANG XIAO LONG	951100	0.33%	Unknown	B shares
QIAN SHI BING	659551	0.23%	Unknown	A shares
WU CHING	610322	0.21%	Unknown	B shares

Note (1): Shenzhen Lionda Group Co., Ltd. is the controlling shareholder of the Company, and the shares held were sponsor shares, which were not listed for trade. There exists no associated relationship among top ten shareholders each other, and there isn't any "action in concert" as described by the Administrative Measures of Information Disclosure on Change of Shareholding for Listed Companies. The Company is unknown whether there exists associated relationship among other shareholders with tradable shares, or whether they are applicable under "action in concert" by the Administrative Measures of Information Disclosure on Change of Shareholding for Listed Companies.

(2) Among the top ten shareholders, Shenzhen Lionda Group Co., Ltd. was holding state-owned corporate shares. For Shenzhen Lionda Group Co., Ltd. performed restructuring process at the beginning of year 2004, the procedures of changing the category of the shares it's holding into public shares is not able to be completed.

(3) For Shenzhen Guoyin Investment Development Co., Ltd. has been involved in the lawsuit with China Communication Bank Shenzhen Nanshan Branch, the Bank requested property protection procedure to the court. The 2.64 million corporate shares were frozen by Shenzhen Intermediate People's Court on August 3 2000. On November 7 2000, the court issued a civil judgement according to laws. In the judgement, the court stated that China Communication Bank Shenzhen Nanshan Branch has the right to auction or sell the 2.64 million corporate shares pledged. But it is showed in the List of Shareholding of Corporate Shares by the Top Ten Shareholders in China Securities Registration and Clearing Co., Ltd. Shenzhen Branch,

26.4 million corporate shares held by Shenzhen Guoyin Investment Development Co., Ltd. were not pledged, which showed the relevant freezing procedure did not be completed.

3. The Company has no other corporate shareholders holding 10% of the Company's shares.

4. Particulars about the controlling shareholder and practical controller

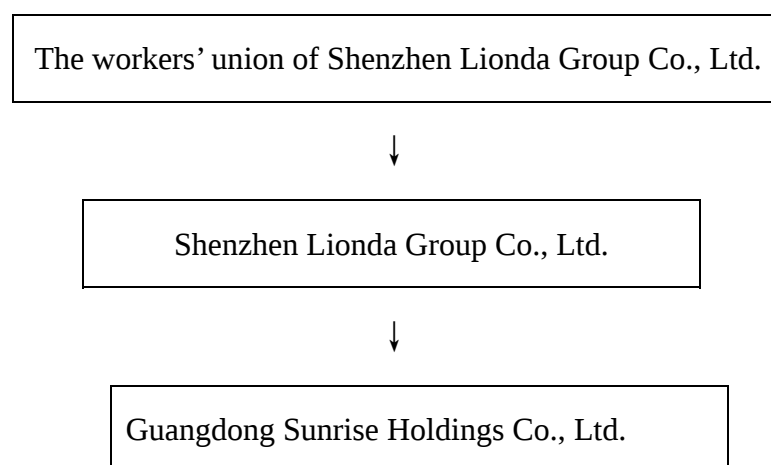
(1) The Controlling shareholders

Shenzhen Lionda Group Co., Ltd., the controlling shareholder of the Company, was incorporated in June 1997 with registered capital of RMB 586.49 million. Mr. Ge Weimin is the legal representative. The company is involved in investing and starting of industrial (subject to report individually), domestic commerce, goods supplying (special and monopolized goods not included), international trading (as set by the qualification certification), and developing of land No. T306-0013.

(2) The practical controller

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

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



4. Particulars about the top 10 shareholders of tradable shares

No.	Name of shareholders	Shares held at the end of period	Share categories (A, B, H or others)	Statement about related parties
1	CHINA EVERBRIGHT HOLDINGS CO. LTD	2908735	B shares	Company is unknown whether there exists associated relationship among shareholders of tradable shares.
2	CHEN JIA ZHAO	1063248	A shares	
3	WANG XIAO LONG	951100	B shares	
4	QIAN SHI BING	659551	A shares	
5	WU CHING	610322	B shares	
6	WU WEN	426700	B shares	
7	GENG XIAN HUA	417900	A shares	
8	XU HUI	363827	A shares	
9	GAO SHAO HUA	348300	B shares	
10	YI BING	330000	A shares	

Section IV. Particulars about the Directors, Supervisors, Senior Executives and Employees

I. Directors, Supervisors and Senior Executives

1. Profiles of the current directors, supervisors and senior executives and their shareholding status

Name	Sex	Position	Age	Job term	Shares held		Reason on change
					At beginning of term	At the end of term	
Yang Fenbo	M	Chairman	48	May 24, 2005-May 24, 2008	0	0	
Wang Jianyu	M	Director, GM	40	May 24, 2005-May 24, 2008	0	0	
Ao Yingchun	M	Director, Deputy GM, Secretary of Board	37	May 24, 2005-May 24, 2008	0	0	
Xie Heng	M	Director	34	May 24, 2005-May 24, 2008	0	0	
Guo Shiping	M	Independent Director	48	May 24, 2005-May 24, 2008	0	0	
Ma Hong	M	Independent Director	38	May 24, 2005-May 24, 2008	0	0	
Ban Wu	M	Independent Director	60	May 24, 2005-May 24, 2008	0	0	
Gong Yida	F	Chairwoman of the Supervisory Committee	33	May 24, 2005-May 24, 2008	0	0	
Niu Suyan	F	Supervisor	49	May 24, 2005-May 24, 2008	0	6000	Buying in this period
Chen Hong	F	Supervisor	35	May 24, 2005-May 24, 2008	0	0	

Notes:

(1) In the report period, other directors, supervisors and senior executives did not hold shares of the Company except that Supervisor Niu Suyan held 6000 A shares of the Company.

(2) Office title of existing directors and supervisors taking in shareholding companies

Director Mr. Xie Heng is taking the post of Deputy Head of Investment & Development Dept. in Shenzhen Lionda Group Co., Ltd. with the office term from Jan. 2005 up to now.

Chairman of the Supervisor Committee Ms. Gong Yida is taking the post of Deputy Head of Auditing and Inspection Dept. in Shenzhen Lionda Group Co., Ltd. with the office term from Jan. 2005 up to now.

2. Main work experience of directors, supervisors and senior executives and office title taken in other companies other than shareholding companies

(1) Directors

Mr. Yang Fenbo, Chairman of the Board, CPC member. He was born in Chaozhou, Guangdong, in Sep. 1957. He graduated from South China Science & Technology University majored light chemistry engineering, MBA, on-the-job graduating student, senior economic manager.

1974 to 1978, tax officer, Anbu Tax Office, Chaozhou, Guangdong;

1978 to 1982, study in South China Science & Technology University;

1982 to 1985, engineer, vice director of workshop, director of technical renovation office in Shenzhen Paper Company;

1985 to Mar. 2002, Deputy head of development division, director of development division and concurrently technical division, assistant GM, assistant to the Chairman of the Board, deputy chief engineer, chief engineer in Shenzhen Lionda Group Co., Ltd.

Mar. 2002 to Mar. 2003, Chairman of the Board and concurrently GM of Guangdong Sunrise Holdings Co., Ltd.

Mar. 2003 to now, Chairman of the Board in Guangdong Sunrise Holdings Co., Ltd.

Mr. Wang Jianyu, Han nationality, born in August 1965, from Shenyang Liaoning, CPC member, graduated from economy-managing Dept. of the Party School of Correspondence University of CPC, bachelor degree, economic manager.

1981 to 1985, he served in the certain army of China People's Liberation Army;

December 1985 to September 1987, promotion officer in the party committee of Shenyang Computer Factory;

September 1987 to July 1989, off-job studying in the Party School of Shenyang of CPC;

July 1989 to November 1991, director of enterprise administrative office in Shenyang Computer Factory;

November 1991 to September 1998, he successively took the posts of secretary to President, deputy director of president office, director of party committee office in Changbai Computer Group Corporation, and secretary of the Board in Changbai Computer Co., Ltd.;

September 1998 to September 2004, he successively took the posts of director of president

office, assistant to Chairman of the Board in Shenyang Dawncom Group Co., Ltd., and assistant to Chairman of the Board and director of president office in Shenzhen dawncom business technology and service Co.,Ltd.;

September 2004 to December 2004, he acted as deputy GM of Shenzhen Angel Drinking Water Equipment Co., Ltd.;

13 January 2005 to 19 April 2005, he took the post of standing deputy GM in Guangdong Sunrise Holdings Co., Ltd.; he now acts as GM of Guangdong Sunrise Holdings Co., Ltd..

Mr. Ao Yingchun, Director, born in February 1968, Han nationality, from Xin'gan Jianxi, CPC member, graduated from Mid-south University of Industry with major of automatic engineering of automatic control engineering department, Master of engineering, qualified engineer.

April 1993 to May 1996, assistant manager of engineering dept. in Shenzhen China Bicycle Company (Holdings) Limited

June 1996 to May 1997, deputy director of personnel dept. in Shenzhen Teketai Ceramic Co., Ltd. ;

June 1997 to October 2002, director and concurrently secretary of the Board, assistant GM, director of GM office in Shenzhen Goodyear Industrial Holdings Co., Ltd.

October 2002 to February 2005, director of the executive office in Guangdong Sunrise Holdings Co., Ltd.

March 2003 to now, Secretary of the Board in Guangdong Sunrise Holdings Co., Ltd.

Mr. Xie Heng, Han nationality, born in April 1971, from Shenzhen, Shenzhen, CPC member, graduated from Shenzhen University with major of economic forecast and statistics, statistical manager.

June 1994 to now, he successively worked in investment & development dept., human resource dept. and enterprise development dept. of Shenzhen Lionda Group Co., Ltd.. Now, he acts as deputy head of investment & development dept in Shenzhen Lionda Group Co., Ltd.

Mr. Guo Shiping, independent director, born in March 1957, from Yinan County, Shandong, Han nationality, CPC member, graduated from economic dept. of Wuhan University, doctor of economics, tutor of doctoral programme, professor.

February 1985 to August 1988, lecturer, vice professor, economics department of Xiangtan University;

September 1988 to November 1993 teaching in economics department of Wuhan University, standing vice director and professor of Hong Kong Macau Taiwan Economics Research Centre of Wuhan University.

December 1993 – July 1995, he successively took the posts of deputy division chief and

division chief of macro adjustment division in Political Reformation Committee of Shenzhen Municipal Government.

1995 till present, he is working in financial department of Shenzhen University, director of the dept., tutor of doctoral programme, professor, chief of International Financial Institute.

Mr. Ma Hong, independent director, born in August 1967, Han nationality, from Taishan, Guangdong, graduated from college of Shenzhen University with a major of business management, college diploma, accountant, CPA, certified tax accountant.

January 1989 to February 1993, he was engaged in auditing in Shenzhen Jinpeng Certified Public Accountants;

March 1993 to November 1999, partner in Shenzhen Huangjia Certified Public Accountants;

December 1999 to July 2004, partner, Shenzhen Licheng Certified Public Accountants;

July 2004 to now, he works in Mahong Certified Public Accountants.

Mr. Ban Wu, independent director, born in September 1946, from Dashiqiao, Liaoning, Han nationality, CPC member, college graduated, member of International Legal Association, member of China Legal Association, certified senior judge, director of Shenzhen Association of Judges.

1966 to February 1968, public relationship staff in county government and CPC commission.

Mar.1968 to Jan.1982, group leader, company commander, instructor, tutor, and section chief of independent division No.2 Shenyang Military Section, guarding division No.6 and Jilin Military Section.

February 1982 to July 1988, worked in Jilin Higher People's Court

August 1988 to January 1990, transferred temporarily to Hainan Province Qiongnan Intermediate Court and take the position of president judge of economical court.

February 1990 to July 2003, work in Shenzhen Intermediate Court, and successively took the posts of presiding judge of No.1 and No.2 court, also takes the job of commissioner of justice commission and member of Leading Group for the Unjust Cases.

(2) Supervisors

Ms. Gong Yida, Han nationality, born in July 1972, from Ruanjiang, Hunan, graduated from Changsha University of Hunan with major of accounting, MBA of American Columbia University, accountant.

July 1994 to June 1995, she took instructor in Hunan Education University;

June 1995 to December 1995, she worked in Changsha Talent development Center of Hunan;

December 1995 to August 1999, she worked in auditing dept. of Shenzhen Lionda Group Co., Ltd.;

August 1999 to November 2000, she took the post of Financial Head of Shenzhen Dongxing Industrial Co., Ltd.;

November 2000 to August 2002, she took the post of financial head of Shenzhen Light Industry Import & Export Co., Ltd.;

2002 to January 2005, she took the post of financial head of Shenzhen Health Industrial Co., Ltd.;

January 2005 till now, she took the post of deputy head of auditing and supervision dept. in Shenzhen Lionda Group Co., Ltd.

Ms. Chen Hong, Han nationality, born in April 1970, from Huizhou, Guangdong. She graduated from foreign language department of Shenzhen University, undergraduate course of economics management major of the Party School of Guangdong Province of CPC, accountant.

July 1990 to September 1994, she worked in financial dept. of Shenzhen Mineral Water Plant;

September 1994 to December 2000, deputy head of financial dept. in Shenzhen Health Mineral Water Co., Ltd.;

January 2001 to February 2005, deputy head of financial dept. in Shenzhen Health Industrial Co., Ltd.;

February 2005 till now, head of auditing dept. in Guangdong Sunrise Holdings Co., Ltd.

Ms. Niu Suyan, born in December 1956, Han nationality, from Kaifeng, Henan, graduated from Hubei Inspection Correspondence School, college education, CPC member, political worker.

January 1974 to February 1982, officer of Political Department of the 11th division commander of tank of China People's Liberation Army;

March 1982 to August 1992, inspector of Hubei Province Wuhan Municipal Wuchang District People's Procuratorate;

September 1992 to December 1999, she worked in law dept. of Shenzhen Lionda Group Co., Ltd.;

January 2000 to April 2002, deputy director of birth-planning committee and women trade union in Shenzhen Lionda Group Co., Ltd.;

April 2002 to November 2002, director of general office in Guangdong Sunrise Holdings Co., Ltd.;

November 2002 to September 2004, deputy head of party-masses relationship work dept. in Shenzhen Lionda Group Co., Ltd.;

Oct. 2005 to now, she acts as director of general office in Guangdong Sunrise Holdings Co., Ltd.

(3) The senior executives

Resumes of Mr. Wang Jianyu, General Manager, and Mr. Ao Yingchun, Deputy GM and

concurrently Secretary of the Board, are available in the list of directors shown above.

II. Particulars about the annual remuneration

1. Decision-making procedure of annual remuneration of the directors, supervisors, and senior executives and determination basis

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

2. Details of the annual remuneration

The Company had totally 10 directors, supervisors and senior executives in office at present. Among them, 5 persons draw the annual remuneration from the Company, and the total annual remuneration (including basis wage, various premium, welfare, subsidy, housing allowance and others) received from the Company was RMB 683,000. Of them, one enjoyed the annual remuneration over RMB 150,000; two enjoyed between RMB 120,000 and RMB 150,000 respectively; two enjoyed between RMB 100,000 and RMB 120,000 respectively. The total amount of annual remuneration of the top three directors drawing the highest payment was RMB 469,000; the total amount of annual remuneration of the top three senior executives drawing the highest payment was RMB 469,000.

Among the directors, supervisors and senior executives not drawing remuneration from the Company, Director Xie Heng and Supervisor Gong Yida drew remuneration from the shareholding companies.

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

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

(1) On Apr. 19, 2005, the Company held the 15th meeting of the 4th Board of Directors, in which examined and approved the proposal on reelection of management team: owing to the office term of management team has expired, the Board of Directors of the Company engaged Mr. Wang Jianyu and Mr. Ao Yingchun as General Manager and Deputy General Manager of the Company respectively; Mr. Pan Shiming no longer takes the post of General Manager of the Company, and Mr. Fan Song no longer takes the post of Deputy General Manager of the Company.

(2) On May 24, 2005, the Company held the Annual Shareholders' General Meeting 2004, in which examined and approved the proposal on reelection of the Board of Directors: Mr. Yang Fenbo, Mr. Wang Jianyu and Mr. Ao Yingchun were elected as Director of the Company

respectively; Mr. Guo Shiping, Mr. Ma Hong and Mr. Ban Wu were elected as Independent Director of the Company respectively. Mr. Pan Shiming, Mr. Fan Song, Mr. Yang Yi, Mr. Liu Boyang and Mr. Chen Zhitao no longer took the post of Director of the Company, Mr. Wu Zhaolin no longer took the post of Independent Director of the Company. The proposal on reelection of the Supervisory Committee also was examined and approved in the Annual Shareholders' General Meeting 2004: Ms. Gong Yida, Ms and Chen Hong were elected as Supervisor of the Company, while Mr. Li Xin and Mr. Yu Zuquan no longer took the post of Supervisor of the Company; the proposal on Ms. Niu Suyan taking employee supervisor of the Company has passed by the workers' conference.

(3) On May 24, 2005, the Company held the 1st meeting of the 5th Board of Directors, in which Mr. Yang Fenbo was elected as Chairman of the 5th Board of Directors. On the same day, the Company held the 1st meeting of the 5th Supervisory Committee, in which Ms. Gong Yida was elected as Chairman of the 5th Supervisory Committee.

IV. Particulars about the employees

As of December 31 2005, the Company possessed of 683 employees, no retired employees, the followings are the formulating of the employees:

Category	Number of employees	Proportion (percent)
Production	537	78.62
Sales	63	9.23
Technical	55	8.05
Financing	12	1.76
Administration	11	1.61
Others	5	0.73
Total	683	100

Among them, there was 1 doctor degree holder, 10 master degrees, 69 bachelor degrees, 74 college diplomas, and 529 others.

Section V. Corporate Governance

I. Corporated governance of the Company

In the report period, the Company continually perfected the corporate governance and standardized the Company's operation based on the requirements of the Company Law, Securities Law and Administrative Rules for Listed Companies. The Company revised the Articles of Association of the Company according to the relevant laws and regulations promulgated by CSRC and actual situation of the Company. There is not obvious different between the actual situation of the Company and the regulations issued by CSRC about the administration of listed companies.

II. Performance of the independent directors

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

1. Independent directors' presenting of board meetings

Name of Independent Director	Times of board meetings to present	Attended personally	Presented by proxy	Absented	Remarks
Ma Hong	6	6	0	0	Including board meetings by means of communication voting
Guo Shiping	6	6	0	0	
Ban Wu	6	5	0	1	
Wu Zhaolin	3	2	0	1	

2. Objection upon relative events raised by the independent directors

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

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

1. In respect of business: The Company is completely independent from its controlling shareholder in term of business operation. The Company is engaged in packaging materials printing and operation and management of property, most of the business are operated by the subsidiaries consolidated in the financial statements. All of these businesses have their own

business controlling system and independent purchasing and sales system. All of the purchasing and sales are under the operation of the purchasing and marketing department. The chain of researching, production, supplying and sales are completely separated with those of the controlling shareholder.

2. In respect of personnel: The Company is absolutely independent in the management of labor, personnel and salaries. Office address and production sites are different from the controlling shareholder. The Company's senior executives including chairman of the Board, general manager, deputy general manager, person in charge of financing and secretary of the Board are full time employees in the Company without taking any concurrent position in the shareholding companies, they receive remunerations from the Company. The decisions on engaging and dismissing of personnel as made in the board meeting and shareholders' general meeting were performed efficiently. The controlling shareholder was by no means controlling the decision on personnel management.

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

4. In respect of financing: The Company has established its own finance and accounting department as well as a complete accounting system and management system. The Company can make financial decision-making independently, and the controlling shareholder does not interfere capital use of the Company. The Company undertook its own tax responsibilities.

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

Section VI. The Shareholders' Meeting

In the report period, the Company held the shareholders' general meeting once. The following are the details.

On May 24, 2005, the Company held the Shareholders' General Meeting 2004, and the public notices concerning the resolutions of the meeting were published in Securities Times and Hong Kong Ta Kung Pao on May 25, 2005.

Section VII. Report of the Board of Directors

I. Discussion and analyses on the overall operation in the report period

In the report period, the main business of the Company was printing and packing, and the Company continued to take paying off debts, restricting expenses and tap the assets, etc as the main work, incessantly strengthen the internal management, and tighten financial budget, so as to keep the production and operation activities going.

Since the Company had failed to perform its statutory duty of paying the principal and the interest totaling RMB 16,579,232 owed to Shenzhen Investment Company (now named as Shenzhen Investment Holdings Co., Ltd), Shenzhen Intermediate People's Court sequestered the 26.54 percent equity of Shenzhen Goodyear Enterprise Co., Ltd held by the Company and auctioned it off. Due to this lawsuit, Shenzhen Goodyear Enterprise Co., Ltd had stopped being included in the consolidation scope of the Company since September 2005, and the Company had lost its main business.

In 2005, the income from the main business of the Company totaled RMB 81,842,030.77 and the business profit totaled RMB 11,202,132.89. Compared with those of the last year, the income and the profit from the main business had decreased by 42.61 percent and 31.66 percent respectively. The main reasons were that Shenzhen Goodyear Enterprise had stopped being included in the consolidation scope of the Company since September 2005 and the main business of Shenzhen Goodyear Enterprise Co., Ltd had suffered some downslide in the year 2005. What's more, the short-term loans of the Company reached as high as RMB 519 million, resulting in the Company's high financial expenses totaling RMB 24,562,553.07, and the management expenses of the Company still remained high. All these factors had led to the losses during the whole year of 2005 and a net profit of RMB -57,181,772.54.

While share merger reforms were being carried out in the whole country, the Company had tried the mode of combining the share merger reform and the restructuring together, and spent hard efforts in the debt restructuring and assets restructuring as well. However, the creditors and credit amounts were scattered and most of the creditors were State-owned banks, so it was hard to get the debt restructuring policy. Apart from these, the Company also had great

guarantee risks, which made it even more difficult to reach agreements with the creditors on the debt restructuring problem. Therefore little progress had been made in the debt restructuring work, and it was also hard for the Company to introduce any restructuring partner of good faith and strength.

II. Operation of the Company in the report period

The main business of the Company was printing and packing, and the enterprise consolidated in the statements of the Company was Shenzhen Goodyear Enterprise Co., Ltd. Although the printing and packing business had suffered some impact from the competition within the same industry, the production and operation status remained relatively stable.

1. Breakdown of the main business of the Company in the report period:

Unit: RMB'0000

Industry or product	Income from main business	Cost of main business	Profit ratio of main business (%)	Increase or decrease of the income from main business compared with last year (%)	Increase or decrease of the cost of main business compared with last year (%)	Increase or decrease of the profit ratio of main business compared with last year (%)
Printing	8,184	7,060	13.73 %	-42.61 %	-43.99 %	18.26 %

2. Compared with that of the previous report period, the main business, and the structure and profitability of the main business had remained unchanged.

3. Main business in different regions

Unit: RMB'0000

Regions	Income from main business	Increase or decrease of the income from main business compared with last year (%)
Northeast	1,033	-10.41 %
Guangdong	6,333	-44.52 %

Others	818	-51.54%
Total	8,184	-42.61%

4. Operations and achievements of the main controlling company and shareholding company

Unit: RMB'0000

Name of company	Registered capital	Equity proportion	Main product or service	Business nature	Assets scale	Net profit
Shenzhen Goodyear Enterprise Co., Ltd	7,270	26.54%	Printing and packing	Productive business	21,891.08	769.41

5. Main suppliers and customers

Unit: RMB'0000

Total amount of purchases from the top five suppliers	3,189	Proportion taking up the total purchase amount	56.90%
Total amount of sales to the top five customers	4,110	Proportion taking up the total sales amount	50.22%

6. Problems arising out of operation and solutions

Problems confronted the Company in the report period are as follows:

(1) Since the 26.54 percent equity of Shenzhen Goodyear Enterprise held by the Company had been auctioned off, Shenzhen Goodyear Enterprise had stopped being included in the consolidation scope of the Company from September 2005 and the Company had lost its main business.

(2) The creditors and credit amounts of the Company were scattered and there were great liability and guarantee risks, which made it hard to get any progress in debt restructuring and difficult for the Company to find any restructuring partner of sound strength, good faith and operation capability.

Under such harsh circumstances, the Company had attempted to seize the opportunity of nationwide share merger reforms being carried out, and tried the mode of combining the share merger reform with restructuring. And the Company had spent lots of efforts in the debt restructuring aspect especially, trying to make some breakthroughs in that. In the mean time, the Company had also endeavored further to find some restructuring partner of operation strength.

III. Investments

The Company had not raised any proceeds in the report period, nor had it used any proceeds raised before the report period. The Company had no important projects invested with non-raised proceeds or other uses of the non-raised proceeds. The Company had no investment programs in the report period.

IV. Financial status and operation achievements of the Company in the report period

In the report period, Shenzhen Dahua Tiancheng Certified Public Accountants had furnished the Company with an Auditors' Report, but they had been unable to give any auditing opinions, with detailed analyses as follows:

Detailed financial status and the analyses:

Unit: RMB

Financial indicator	2005	2004	Increase or decrease (%)	Reasons for the changes
Total assets	39,195,650.78	298,458,668.64	-86.47	Goodyear Company was not included in the consolidation scope in the 4 th quarter of 2005.
Shareholders' equity (excluding minority interests)	-1,649,171,767.47	-1,591,989,995.93	-----	There were losses made in 2005.
Long-term liability				

Profit from main business	11,202,132.89	16,392,673.09	-31.66	Goodyear Company was not included in the consolidation scope in the 4 th quarter of 2005.
Net profit	-57,181,772.54	-47,938,995.60	-----	Financial expenses and management expenses were still huge in 2005.
Net increase of cash and cash equivalents	-17,141,159.44	-10,186,540.53	-----	This was due to the decrease of the cash received from sales of commodity.

V. Possible influences from lawsuits on the financial status of the Company

Right now, the court has suspended the executions of most of the lawsuit cases on the Company, and almost all the creditors showed enough understanding on the Company's current situation. Therefore, these lawsuits would not exert any significant influence on the financial conditions of the Company for the time being. As to those execution cases that have sequestered the Company's assets, if the creditors should appeal to the court for realizing the sequestered assets, thereby the assets of the Company would decrease. But if the assets realization price should be larger than the original value, some benefit would be obtained, which would have a positive influence on the profit of the Company; if otherwise, negative influence would be exerted upon the profit of the Company.

VI. In the report period, the Company had no significant changes in production or operation environment, macro-policy or regulations that have, are or would exert any great influences upon the financial status or operation achievements of the Company.

VII. Routine work of the Board of Directors

(I) In the report period, the Company had held 6 Board meetings, with details as follows:

1. On Jan. 11, 2005, the Company held the 14th meeting of the 4th Board, and public notices on the resolutions of this meeting were published in Securities Times and Hong Kong Ta Kung Pao on Jan. 13, 2005.
2. On Apr. 19, 2005, the Company held the 15th meeting of the 4th Board, and public notices on the resolutions of this meeting were published in Securities Times and Hong Kong Ta Kung Pao on Apr. 22, 2005.
3. On Apr. 28, 2005, the Company held the 16th meeting of the 4th Board, and public notices on the resolutions of this meeting were published in Securities Times and Hong Kong Ta Kung Pao on Apr. 29, 2005.

4. On May 24, 2005, the Company held the 1st meeting of the 5th Board, and public notices on the resolutions of this meeting were published in Securities Times and Hong Kong Ta Kung Pao on May 25, 2005.

5. On Aug. 11, 2005, the Company held the 2nd meeting of the 5th Board, and public notices on the resolutions of this meeting were published in Securities Times and Hong Kong Ta Kung Pao on Aug. 12, 2005.

6. On Oct. 25, 2005, the Company held the 3rd meeting of the 5th Board, and public notices on the resolutions of this meeting were published in Securities Times and Hong Kong Ta Kung Pao on Oct. 27, 2005.

(II) Implementation of the resolutions made at the Shareholders' General Meeting

In the report period, the Board of the Company had strictly executed their duties in accordance with the requirements stipulated in relevant laws and regulations including the Company Law, Securities Law and the Articles of Association, etc, and, according to the resolutions and authorization of the Shareholders' General Meeting, had accomplished the various work stipulated in the resolutions made at the Shareholders' General Meeting.

VII. Profit distribution preplan

As audited by Shenzhen Dahua Tiancheng Certified Public Accountants, the net profit realized by the Company in 2005 totaled RMB -57,181,772.54 and the retained profit totaled RMB -2,442,762,449.09. The Company would not distribute any profit, nor would it transfer any capital reserves into share capital. This preplan still needs to be submitted to the Shareholders' General Meeting for examination.

VIII. Explanation by the Board of the Company on the Auditors' Report without any opinions expressed by the Certified Public Accountants

1. Issues mentioned in the Auditors' Report and the basic opinions of the CPAs on these issues:

As indicated by Notes 5, 12 and 17 to the Accounting Statements, the repayment pressure of short-term liabilities of Guangdong Sunrise Holdings Co., Ltd is huge. And there are lots of guarantee liabilities being sued, which would directly influence the operation continuity of Guangdong Sunrise Holdings Co., Ltd if they could not be eliminated in the short run. Financing and debt restructuring are being carried out by Guangdong Sunrise Holdings Co., Ltd, and the management team believes that future operation needs could be handled after the financing and debt restructuring. Therefore, the aforesaid statements were prepared according to the standards of continuous operation.

Because of the influences of the great uncertainty of continuous operation on the financial statements, we cannot express any opinions on whether or not the aforesaid accounting statements of Guangdong Sunrise Holdings Co., Ltd are in conformity with the Business Accounting Standards and the Business Accounting System issued by the State.

2. Explanation on this issue by the Board of Directors:

The Board of the Company believed that, even though the Company confronted with great short-term repayment pressure and lots of guarantee lawsuits, the Company had made some progress in debt paying and assets tapping, and that it could get the operation capital needed to maintain the normal production and operation. In the mean time, in the background of nationwide share merger reforms being promoted, the Company had made some attempts on the mode of combining the share merger reform with restructuring, and it had also spent great efforts in the aspects of debt restructuring and assets restructuring. The debt restructuring of Shenzhen China Bicycle Company (Holdings) Limited (hereinafter referred to as SCB) continued within the Framework Agreement of SCB Restructuring, and this would free the Company from the guarantee responsibility for the principal and the relevant interests totaling RMB 917 million owed by SBC to Huarong Company and reduce the contingent liabilities of the Company. Based upon the SBC debt restructuring, the Company would also continue to promote the debt restructuring work, actively communicate and negotiate with the creditors and endeavor to make some breakthroughs in the aspect of debt restructuring, so as to lighten the burden on the Company and cut financial expenses. The Company would also adopt the share merger reform mode of combining the reform with restructuring, try to win supports from the principal shareholder and relevant government institutions, endeavor to recover the capital occupied by related parties and actively search for a restructuring partner of real strength, good faith and operation capability, so as to improve the Company's capacity of continuous operation.

IX. Other events for report

(I) Special explanation by the CPAs on the capital occupations by the controlling shareholder and other related parties of the Company:

According to the Notice on the Problems of the Standardization of the Capital Current between Listed Companies and Related Parties as Well as the External Guarantees of Listed Companies (ZJF [2003] No. 56, hereinafter referred to as the Notice) issued by CSRC, the Company had engaged Shenzhen Dahua Tiancheng Certified Public Accountants to examine the capital occupation issues of the Company by the controlling shareholder and other related parties, and the Certified Public Accountants had furnished the SH (2006) ZSZ No. the

Special Explanation on the Capital of the Company Occupied by the Controlling Shareholder and Other Related Parties, with details as follows:

As the Certified Public Accountants engaged by Guangdong Sunrise Holdings Co., Ltd (hereinafter referred to as GSH) for the auditing of the accounting statements for the year 2005, we, Shenzhen Dahua Tiancheng Certified Public Accountants, hereby furnish this special explanation on the relevant events including the capital occupations by the controlling shareholder and other related parties of GSH, etc according to the Notice on the Problems of the Standardization of the Capital Current between Listed Companies and Related Parties as Well as the External Guarantees of Listed Companies (ZJF [2003] No. 56) issued by CSRC. Attachment One of this special explanation has been given under the requirements of the Information Disclosure Work Memorandum - 2006 No. 2: Requirements on the Disclosure and Report of the Capital Occupation by Controlling Shareholder and Other Related Parties as Well as the Clearing Plan issued by the Shenzhen Stock Exchange.

We have noticed that the overall capital occupation situation of the listed company by the related parties of GSH is as follows:

1. By Dec. 31, 2005, the balance of the capital of the listed company occupied by the related parties totaled RMB 407,003,500.

2. Irregular capital occupation by the related parties:

(1) By Dec. 31, 2005, the balance of the irregular capital occupation of the listed company by the related parties totaled RMB 407,003,500, down by RMB 18,143,000 compared with that at the beginning of the period, i.e. down by 4.27 percent.

(2) Irregular capital occupation of the listed company by the principal shareholder and the enterprises controlled by the principal shareholder:

The balance of the capital irregularly occupied totaled RMB 59,864,800 at the beginning of the period, and that at the end of the period totaled RMB 57,364,800; the capital irregularly occupied totaled RMB 59,864,800 in the report period, mainly because of loans. The amount for the capital occupation repayment with current funds totaled RMB 2.5 million.

This special opinion has been given according to the requirements of the CSRC and its agencies, and it cannot be applied for other usage. Outcomes of inappropriate uses would have nothing to do with the CPAs that have done this business and the Certified Public Accountants.

Statement on the overall capital occupations of the listed company

by the controlling shareholder and other related parties during 2005

Unit: RMB'0000

Type of capital occupation	Capital occupier	Relationship between the occupier and the listed company	Accounting item calculated by the listed company	Balance of occupied capital at the beginning of 2005	Accumulated amount of occupied capital in 2005	Accumulated amount repaid in 2005	Balance of capital occupied at the end of 2005	Reasons for the occupation	Nature of the occupation
Controlling shareholder, actual controller and their affiliated enterprises	Beijing Sun Pipeline Co., Ltd	Legal person controlled by the controlling shareholder	Other accounts receivable	1,798.85	0.00	100.00	1,698.85	Borrowed funds	Non-operating occupation
	Shenzhen Ke'enda Technology Co., Ltd	Legal person controlled by the controlling shareholder	Other accounts receivable	1.32	0.00	0.00	1.32	Borrowed funds	Non-operating occupation
	Shenzhen Guangyingda Industry Co., Ltd	Legal person controlled by the controlling shareholder	Other accounts receivable	1,418.00	0.00	0.00	1,418.00	Guarantee funds	Non-operating occupation
	Shenzhen Oriental Enterprise Group Co., Ltd	Legal person controlled by the controlling shareholder	Other accounts receivable	2,768.31	0.00	150.00	2,618.31	Borrowed funds	Non-operating occupation
Subtotal	-	-	-	5,986.48	0.00	250.00	5,736.48	-	-
Related natural persons and the legal persons controlled by them	None	None	Other accounts receivable	0.00	0.00	0.00	0.00	0	Non-operating occupation
Subtotal	-	-	-	0.00	0.00	0.00	0.00	-	-
Other related parties and their affiliated	Shenzhen Keruite New Materials Co., Ltd	Affiliated company	Other accounts receivable	21.40	0.00	0.00	21.40	Borrowed funds	Non-operating occupation

enterprises	Shenzhen Sun Piping Co., Ltd	Affiliated company	Other accounts receivable	2,568.67	0.00	0.00	2,568.67	Borrowed funds	Non-operating occupation
	Shenzhen Jiadeng Trading Co., Ltd	Subsidiary of the affiliated company	Other accounts receivable	100.85	0.00	0.00	100.85	Borrowed funds	Non-operating occupation
	Shenzhen Fuguanghao Industrial Co., Ltd	Subsidiary of the affiliated company	Other accounts receivable	0.00	2,460.37	2,460.37	0.00	Collection and payment on behalf	Non-operating occupation
	Shenzhen Yingte Enterprise Co., Ltd	Affiliated company	Other accounts receivable	47.75	0.00	0.00	47.75	Borrowed funds	Non-operating occupation
	Shenzhen China Bicycle Company (Holdings) Limited*	Affiliated company	Other accounts receivable	24,578.97	0.00	1,298.80	23,280.17	Borrowed funds and guarantee funds	Non-operating occupation
Subtotal	-	-	-	27,317.64	2,460.37	3,759.17	26,018.84	-	-
Subsidiaries of the listed company and its affiliated enterprises	Shenzhen Lionda Food Industry Co., Ltd	Controlling subsidiary and its controlled legal person	Other accounts receivable	499.87	0.00	0.00	499.87	Settlement allowance	Non-operating occupation
	Shenzhen Lionda Development Co., Ltd	Controlling subsidiary and its controlled legal person	Other accounts receivable	5,917.13	0.00	265.50	5,651.63	Borrowed funds and payment on behalf	Non-operating occupation
	Shenzhen Lionda Good Imp. & Exp. Co., Ltd	Controlling subsidiary and its controlled legal person	Other accounts receivable	2,793.53	0.00	0.00	2,793.53	Borrowed funds	Non-operating occupation
Subtotal	-	-	-	9,210.53	0.00	265.50	8,945.03	-	-

Total	-	-	-	42,514.65	2,460.37	4,274.67	40,700.35	-	-
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(II) Capital occupations and clearing plans

The credits and liabilities between the Company and related parties were problems left by transactions in previous years, while the capital occupations by related parties were mainly caused by loans, guarantee funds or payment on behalf, etc.

By Dec. 31, 2005, the balance of the capital of the listed company occupied irregularly by related parties totaled RMB 407,003,500, down by RMB 18,143,000 compared with that at the beginning of the period, i.e. down by 4.27 percent. In the report period, the capital amount provided by the listed company to the controlling shareholder or its subsidiaries totaled RMB 0.00, and the balance was RMB 57,364,800.

Since most of the related parties that occupied the capital of the Company had stopped operation, or had their business licenses withdrawn, or gone bankruptcy due to bad operation, it was hard for the Company to recover those capitals. As to the three related parties still in operation, i.e. Beijing Sun Pipeline Co., Ltd and Shenzhen Oriental Enterprise Co., Ltd, Shenzhen Guangyingda Industrial Co., Ltd, the Company had the following the clearing plan: The Company would make the present principal shareholder Shenzhen Lionda Group Co., Ltd purchase all the equity of the Company held by the former principal shareholder Shenzhen Investment Management Company, so as to write off the capital of the listed company occupied by the principal shareholder and related parties.

Timetable for the implementation of the clearing plan:

Planned time for repayment	Clearing mode	Amount of clearing (RMB'0000)	Note
At the end of January 2006		0.00	
At the end of February 2006		0.00	
At the end of March 2006		0.00	

At the end of April 2006		0.00	
At the end of May 2006		0.00	
At the end of June 2006		0.00	
At the end of July 2006		0.00	
At the end of August 2006		0.00	
At the end of September 2006		5,736.48	For details, please refer to the part of the capital occupations and the explanations on clearing plan.
At the end of October 2006		0.00	
At the end of November 2006		0.00	
At the end of December 2006		0.00	
Total		5,736.48	-

(II) Special explanations and independent opinions given by the independent directors on the accumulated external guarantees and the external guarantees of the period of the Company

According to the regulations of the Notice on the Problems of the Standardization of the Capital Current between Listed Companies and Related Parties as Well as the External Guarantees of Listed Companies (ZJF [2003] No. 56, hereinafter referred to as the Notice) issued by CSRC and the Articles of Association of the Company, we, as independent directors of the Company and taking a careful and responsible attitude, have conducted necessary inspection into the external guarantees of the Company, and hereby express our independent opinions as follows:

By Dec. 31, 2005, the Company had provided no guarantees for the controlling shareholder or its affiliated enterprises as the cases described in the Notice of the CSRC. The Company had provided guarantees for the controlling shareholder and its affiliated enterprises before, but those were historically left issues. And since most of the guaranteed parties had no repayment power, the Company had done the predicted liability arrangements for most of the guarantees in previous years.

(III) The newspapers for information disclosure designated by the Company were the Securities Times and Hong Kong Ta Kung Pao in the report period.

Section VIII. Report of the Supervisory Committee

I. Work of the Supervisory Committee in the report period

In the report period, the Supervisory Committee held 2 meetings in total, with details as follows:

1. On Apr. 19, 2005, the Company held a meeting of the Supervisory Committee, and public notices concerning the resolutions of the meeting were published in Securities Times and Hong Kong Ta Kung Pao on Apr. 22, 2005.

2. On May 24, 2005, the Company held the 1st meeting of the 5th Supervisory Committee, and public notices on the resolutions of the meeting were published in Securities Times and Hong Kong Ta Kung Pao on May 25, 2005.

II. Independent opinions of the Supervisory Committee on relevant issues of the Company in 2005

In the report period, the Supervisory Committee had conducted effective supervision over the finance of the Company, directors, managers and senior executives strictly in accordance with the regulations and requirements of the Company Law, Securities Law, Listing Rules and the Articles of Association, and had expressed its independent opinions on the following issues:

1. Operation

In the report period, the Company had continued to improve its internal control system and had modified the Articles of Association. The Supervisory Committee believed that the Board and senior executives of the Company had dutifully performed their responsibilities and obligations endowed by the Company Law and the Articles of Association; the decision-making procedures of the operation had been legal; while executing their duties, the directors and managers had no behavior that had gone against the laws, regulations, or the Articles of Association, or done harm to the interests of the Company or the interests of the shareholders.

2. Financial inspection

The Supervisory Committee had conducted strict and careful inspection into the financial system and financial status of the Company, and it believed that the Financial Report 2005 prepared by the Company had truly reflected the financial status and operation achievements of the Company, and that the comments made by Shenzhen Dahua Tiancheng Certified Public Accountants and Hong Kong K.C.OH & Company Certified Public Accountants had been fair and objective.

3. In the report period, the Company had no purchases or sales of assets, nor did it have any inside dealings or any cases that had done harm to the interests of part of the shareholders or had led to the loss of the Company's assets.

4. In the report period, the Company had no significant related transactions, nor did it use any raised proceeds.

5. Implementation of the resolutions of the Shareholders' General Meeting by the Board

Members of the Supervisory Committee had attended the Board meetings and the Shareholders' General Meeting, and it also had conducted supervision over the implementation of the resolutions of the Shareholders' General Meeting. It believed that the Board had strictly executed the various resolutions made at the Shareholders' General Meeting.

III. Opinions of the Supervisory Committee on the explanation given by the Board of the Company on the Auditors' Report without any opinions expressed by the Certified Public Accountants

Shenzhen Dahua Tiancheng Certified Public Accountants had furnished an Auditors' Report but had been unable to express any opinions for the year 2005, and the Board of the Company had given special explanations on those issues mentioned in this Report. The Supervisory Committee believed that the Auditors' Report furnished by Shenzhen Dahua Tiancheng Certified Public Accountants had truly reflected the financial status and operation

achievements of the Company, and that the explanations given by the Board on the issues mentioned in the Auditors' Report had fit the actual conditions of the Company. The Supervisory Committee would actively cooperate with the Board in various works, urge the Board to strengthen the debt restructuring work and seek for a restructuring partner of real operation strength together with the Board, so as to try to improve the continuous operation capacity of the Company.

Section IX. Important Events

I. Important lawsuits and arbitrations in the reported period:

1. On security dispute by Shenzhen office of China Great Wall Asset Management Corporation, Shenzhen intermediate People's court's civil judgments are as follows: we as the defendant reimburse the plaintiff Shenzhen office of China Great Wall Asset Management Corporation in 10 days after enforcement of the judgments principal RMB 16,792,914.75 plus its correspondent interest, and lawsuit fee RMB 63,871.94 as well. The total fee of this case will not influence the profit over the period for it has been budgeted.

2. On contract dispute among Shangbu Branch of China Merchants Bank, our guarantor Jin Tian Industrial Co., Ltd (Group) and us. The civil judgments (2002) Shenzhen Futian NO.1773 by Shenzhen Futian Court has been in force. We as identity should reimburse the applications holder Shangbu Branch of China Merchants Bank principal RMB 4,000,000 and relevant interest. Also the identity, Jin Tian Industrial Co., Ltd (Group), shares the responsibility to urge the debt mentioned above. During the process of enforcement by Shenzhen Futian Court, RMB 332,644.28 has been reimbursed to Shangbu Branch of China Merchants Bank, while not enough to pay off the debt yet. Survey shows that we, and our guarantor Jin Tian Industrial Co., Ltd (Group) don't have any other asset that can offset the debt. Therefore Shenzhen Futian Court's judgments are: Suspending the civil judgments (2002) Shenzhen Futian NO. 1773 until the identity has enough asset to pay off the debt, subjected to further application. The total fee of this case will not influence the profit over the period for it has been budgeted.

3. On Futian Branch of China Merchants Bank's application according to enforcement of reimbursement judgments of Shenzhen Futian Court NO. 68 (1999), Shenzhen Futian Court issued the civil judgments (2000) NO. 138 on November 29, 1999, attaching 618-4, A618-5, A618-3 plots including the buildings on these areas belonging to Shenzhen Sun Pipeline Co.

Limited because Shenzhen Pipeline Co. Limited had not have the title cards. Meanwhile, after the judgments being sent, Shenzhen Sun Pipeline Co. Limited had the real estate certificate already but didn't declare to courts, it collateralized real estate certificate to our stockholder instead. Considering there maybe disputation about the property ownership, Shenzhen Futian Court announced (2001) SFFZZ NO.1661 civil judgments on Sep. 6, 2002, suspending the enforcement of civil judgments of Shenzhen Futian Court (1999), NO.68. Futian Branch of China Merchants Bank then litigated to Shenzhen Intermediate People's Court. Shenzhen Intermediate People's Court gave the following judgments through trial: claiming the mortgage contracts signed on October 8, 2001 and all other relevant activities between Shenzhen Sun Pipeline Co. Limited and us void without legally binding. The lawsuit fee of this case RMB 246,110 is by Shenzhen Sun Pipeline Company. We counter this sum of money in this case default thus has no effect on the profit over the period.

4. Guaranteed by Shenzhen China Bicycle Company (holdings) Limited, we loaned USD 1,000,000 from Renmin Bridge Branch of Shenzhen Development Bank on September 30, 1997. Till January 10, 2005, we have paid the principal USD 1,000,000 back, still the interest USD 41,997.6 and compound USD 35,614.12 to be paid. Failed to collect the interest and compound back through some efforts, Renmin Bridge Branch of Shenzhen Development Bank then litigated to Shenzhen Luohu Court. On hearing the case and through trial on March 25, 2005, Shenzhen Luohu courts' civil judgments are as follows: we should reimburse all the interest of USD 41,997.6 and compound to Renmin Bridge Branch of Shenzhen Development Bank ten days after the judgments enforcement. Shenzhen China Bicycle Company (holdings) Limited has the legal relevant responsibility. We would pay the lawsuit fee of this case RMB 11,607. We had budgeted for this sum of money thus no effects on the profit over the period.

For more details of the four events mentioned above please refer to Securities Times (April 9, 2005) or Hong Kong Ta Kung Pao lawsuits notices 2005-007.

5. On China Merchants Bank Co., Ltd. Shenzhen Luohu Branch law suing Shenzhen China Bicycles Company (holdings) Limited for both its loans and disputation on guarantees. Through both parties efforts, reconciliation gained as following: on basis of assessment Shenzhen China bicycles Company (holdings), Limited sells its land estate of 4th building (Shenzhen Real estate certificate NO.4200052), hereby mentioned as "the building", which had been mortgaged to China Merchants Bank Shenzhen Luohu Branch but attached by Railway court later, on Buxin Rd Luohu Shenzhen for RMB 21,455,535, in which USD 1,350,000 reimbursed Shenzhen China bicycles (Group) Co. , to Shenzhen Investment Limited consisting China. Through the trial of Guangzhou Railway Intermediate Court, the judgments approved reconciliation agreement, and cancelled the attachment when the building was handed over. We had budgeted for this case in advance but spared RMB 4,482,000. Therefore increased our profit over the period.

For more details on the fifth event please refer to Securities Times (August 19, 2005) or Hong Kong Ta Kung Pao lawsuit notice 2005-027.

6. On disputation among Shenzhen Branch of China Merchants Bank Luohu, the sincerity of Shenzhen China Bicycles Company (Holdings) Limited and us, Guangzhou Railway Intermediate Court declared to place the three cases on file and implement. During the process the identity, Shenzhen China bicycles Company (holdings) Limited, was under assessment and attachment. Now the application holder and the identity has reached reconciliation and all the duties have been discharged. So Guangzhou Railway Intermediate Court made the following judgments: ending the enforcement mediation of Shenzhen Intermediate Court (1998) NO. 367, NO. 368, NO. 369. This civil arbitration offered a surplus of RMB 15,217,000 from the three cases thus increased the profit by RMB 6,089,200 over this period.

7. On loan contract disputation, Shenzhen Investment Management Company prosecuted us to Shenzhen Intermediate Court. Because we, as the identity, failed to reimburse Shenzhen Investment Management Company the principal of RMB 16,579,232 and the relevant interest, Shenzhen Intermediate Court assessed the property of our Shenzhen Goodyear Enterprise Co., Ltd Co., Ltd. and auction 26.54% shares which was owned by Shenyang Yi Jie electronic machinery Limited for RMB 11,841,200. Therefore Shenzhen Intermediate Court made the following arbitration: 1. ending the attachment of 26.54% of our Shenzhen Goodyear Enterprise Co., Ltd; 2. handing over this part of property to Shenyang Yi Jie electronic machinery Limited. Meanwhile Shenzhen Intermediate Court sent an assisting notice to Shenzhen Administration of Industry and Commerce; Shenzhen Trade & Industry Bureau issued "on the change of share and share holder name of foreign invest share company of Shenzhen Goodyear Enterprise Co., Ltd Co., Ltd. Until December 1, 2005, the above mentioned procedures had been finished. This arbitration made Shenzhen Goodyear Enterprise Co., Ltd out of our list in the 4th quarter of 2005. We lost main business and the financial influence is RMB 26,335,301.11 long-term investment decrease and RMB 11,841,200 debts resisting- fund decrease, thus lead to RMB 14,494,101.11 profit decrease.

For more details of 6-7 events please refer to Securities Times (December 7, 2005) or Hong Kong Ta Kung Pao lawsuits notices 2005-039.

II. Purchase, sale and brief procedure introduction of merger in reported period

No capital purchase or sale takes place or took place before lasting to this period nor any merger events.

III. Important business items:

i No merchandise purchasing or sale, nor relevant labor source offer or acceptance in reported period.

ii No capital flows, share changes or relevant relation changes in reported period.

iii No investment business between relevant party and us in reported period.

iv Credit and debt or guarantee with related parties (including the would- be subsidiaries)

1. Credit and debt flow:

Unit: RMB'0000

Related party	Fund from us to the related party		Fund from related party to listed company	
	Amount	Surplus	Amount	Surplus
Shenzhen Lionda Food Industry Co., Ltd.	0	499.87	0.00	0.00
Shenzhen Lionda Development Co., Ltd	-265.50	5,651.63	0.00	0.00
Shenzhen Lionda Resources Import & Export Co., Ltd.	0.00	2,793.53	0.00	0.00
Shenzhen China Bicycle Company (Holdings) Limited	-1,298.80	23,280.17	0.00	0.00
Shenzhen Keruite New Materials Co.,	0.00	21.40	0.00	0.00

Ltd				
Shenzhen Sun Pipeline Co., Ltd	0.00	2,568.67	0.00	0.00
Shenzhen Jiadeng Trade Co., Ltd	0.00	100.85	0.00	0.00
Shenzhen Yingte Enterprise Co., Ltd	0.00	47.75	0.00	0.00
Beijing Sun Pipeline Co., Ltd	-100.00	1,689.85	0.00	0.00
Shenzhen Ke'enda Technology Co., Ltd	0.00	1.32	0.00	0.00
Shenzhen Guangyingda Industrial Co., Ltd	0.00	1,418.00	0.00	0.00
Shenzhen Oriental Enterprise Co., Ltd	-150.00	2,618.31	0.00	0.00
Total	-1,814.30	40,700.35	0.00	0.00

Notice: (1) The debt and credit flows showed above between related parties and us are historical issues. The main reasons of the fund flows to related parties are loans or guarantees, or generated payment.

(2) Listed companies offer a total sum of RMB 0.00 to controlling shareholders and the subsidiaries. The surplus is RMB 57,364,800 in reported period.

(3) Until December 31, 2005, related parties occupied RMB 407,003,500 which is against the law. Compared to initial stage, RMB 18,143,000 has decreased that is 4.27%. Solutions to liquidate the debt please refer to the report of the Board of Directors.

2. No guarantees with the related parties occur in the reported period.

v No other important transactions in this reported period.

IV. Important contracts and the performance we should disclose

i There is no other trusteeship lease contracts in reported period or any such cases lasting up to this period except that Shenzhen Investment Management Company (now Shenzhen Investment Holdings Limited), which controls 19.03% share of Shenzhen Goodyear Enterprise Co., Ltd Co., Ltd. commissioned us to continue managing on Shenzhen Goodyear Enterprise Co., Ltd Co., Ltd. from January to August this year. Because Shenzhen Intermediate Court legislatively auctioned 26.54% share of Shenzhen Goodyear Enterprise Co., Ltd Co., Ltd. held by us before, making Shenzhen Goodyear Enterprise Co., Ltd Co., Ltd. out of our list from September 2005. Therefore we didn't continue the trusteeship of Shenzhen Goodyear Enterprise Co., Ltd Co., Ltd. in the 4th quarter 2005.

ii Important guarantee events

No guarantee events occurred in reported period. The following chart shows the historical issues on guarantee:

Unit: RMB'0000

111111						
Company guaranteed	Date (agreement signing date)	Amount	Guarantee type	Time Lasting	Finished or not	Guarantee for related party or not
Shenzhen Lionda Bonded Trading Co., Ltd	May 30, 2000	850.00	Joint - responsibility guarantee	May 30, 2000- May 30, 2001	No	Yes
Shenzhen Sun Pipeline Co., Ltd	Dec. 30, 1993	4,335.00	Joint - responsibility guarantee	Dec. 30, 1993- Dec. 30, 1998	No	Yes

Shenzhen Gaokeda Electronics Co., Ltd	Mar. 10, 1994	50.00	Joint - responsibility guarantee	Mar.10, 1994 - Mar. 10, 1995	No	Yes
Shenzhen Yuda Import & Export Co., Ltd	Jul. 8, 1998	480.00	Joint - responsibility guarantee	Jul. 8, 1998 - Jan. 25, 2000	No	Yes
Shenzhen China Bicycle Company (Holdings) Limited	Dec. 19, 1995	29,116.00	Joint - responsibility guarantee	Dec. 19, 1995 - Nov. 25, 1998	No	Yes
Yue-Shen Light Industry & Trading Company	Dec. 30, 1993	900.00	Joint - responsibility guarantee	Dec. 30, 1993 - Jun. 22, 1996	No	Yes
Guangzhou Xufeng Enterprise Group Co., Ltd	May 2, 1995	1,500.00	Joint - responsibility guarantee	May 2, 1995 - May 2, 1996	No	No
Shenzhen Jinbeisheng Investment Co., Ltd	Jun. 22, 1995	7,760.00	Joint - responsibility guarantee	Jun. 22, 1995 - Jun. 22, 1996	No	No
Shenzhen Guoyin Investment Group Co., Ltd	Dec.13, 1995	4,030.00	Joint - responsibility guarantee	Dec.13, 1995 - Jan. 28, 2001	No	Yes
Shenzhen Paina Garment Co., Ltd	Apr. 30, 1998	130.00	Joint - responsibility guarantee	Apr. 30, 1998 - Jan. 30, 1999	No	No
Shenzhen Jintian Industrial Group Co., Ltd	Jun. 30, 1997	2,675.00	Joint - responsibility guarantee	Jun. 30, 1997 - Dec. 31, 1999	No	No
Shenzhen Zhongwu Resources Import & Export Co., Ltd	Apr. 30, 1997	1,679.00	Joint - responsibility guarantee	Apr. 30, 1997 - Apr. 30, 1999	No	No
Shenzhen Guangyingda Industrial Development Corporation	Sep. 25, 1995	8,623.01	Joint - responsibility guarantee	Sep. 25, 1995 - Jan. 31, 1999	No	Yes
Shenzhen Ligang Industrial Company	Aug. 15, 1996	723.38	Joint - responsibility guarantee	Aug. 15, 1996 - Aug. 15, 1997	No	No
Shenzhen Maoyuan Investment Development	Jan. 30, 1995	856.00	Joint - responsibility guarantee	Jan. 30, 1995 -	No	No

Co., Ltd				Jan. 30, 1996		
Shenzhen Xingda Industry & Trade Co., Ltd	May 1, 1996	40.00	Joint - responsibility guarantee	May 1, 1996 - May 1, 1998	No	No
Shenzhen Huasu Co., Ltd	Mar. 5, 1997	1,500.00	Joint - responsibility guarantee	Mar. 5, 1997- Mar. 5, 1998	No	No
Shenzhen Jinhai Electronics Co., Ltd	Apr. 7, 1996	350.00	Joint - responsibility guarantee	Apr. 7, 1996 - Apr. 7, 1997	No	No
Shenzhen Guanghualin Investment Co., Ltd	May 23, 1996	1,220.00	Joint - responsibility guarantee	May 23, 1996 - May 23, 1997	No	No
Shenzhen Tiantai Petrochemical Co., Ltd	Jun. 20, 1995	166.00	Joint - responsibility guarantee	Jun. 20, 1995 - Jun. 20, 1996	No	No
Shenzhen Building Materials Group	Mar. 1, 1998	80.00	Joint - responsibility guarantee	Mar.1, 1998 - Mar. 1, 1999	No	No
Shenzhen Jingyuan Industry & Trade Company	Apr. 30, 1997	80.00	Joint - responsibility guarantee	Apr. 30, 1997- Apr. 30, 1998	No	
Hainan Wanda Industry & Trade Co., Ltd	Aug. 16, 1996	3,093.86	Joint - responsibility guarantee	Aug. 16, 1996 - Aug. 16, 1997	No	No
Shenzhen Xuena Co., Ltd	Jun. 10, 1995	112.91	Joint - responsibility guarantee	Jun. 10, 1995 - Dec. 10, 1996	No	No
Shenzhen Light Industry Import and Export Corporation	Jul. 31, 1997	273.00	Joint - responsibility guarantee	Jul. 31, 1997 - Dec. 31, 1999	No	Yes
Jilin Lionda Company	Jun. 30, 1996	350.00	Joint - responsibility guarantee	Jun. 30, 1996 - Dec. 30, 1997	No	Yes
Shenzhen Big World Shopping Center	Mar.1, 1996	1,402.70	Joint - responsibility guarantee	Mar. 1, 1996 - Mar. 1, 1997	No	No

Shenzhen Lionda Development Co., Ltd	Apr. 25, 1996	781.50	Joint - responsibility guarantee	Apr. 25, 1996 - Apr. 25, 1999	No	Yes
Shenzhen Lionda Electric Appliance Co., Ltd	Nov. 3, 1996	985.00	Joint - responsibility guarantee	Nov. 3, 1996- Nov. 3, 1999	No	Yes
Shenzhen Paper Manufacturing Company	Mar. 15, 1997	1,790.00	Joint - responsibility guarantee	Mar. 15, 1997 - Mar. 15, 2000	No	Yes
Shenzhen Lionda Food Staff Co., Ltd	Sep.1, 1996	2,940.00	Joint - responsibility guarantee	Sep. 1, 1996 - Mar. 1, 2000	No	Yes
Shenzhen Lionda Material Import & Export Co., Ltd	Aug.13, 1995	6,566.04	Joint - responsibility guarantee	Aug. 13, 1995 - Aug. 13, 2000	No	Yes
Hunan Lionda Company	Oct. 25, 1997	325.00	Joint - responsibility guarantee	Oct. 25, 1997 - Oct. 25, 1998	No	Yes
Shenzhen Lionda Leke Box Co., Ltd	Jul. 4, 1996	12,850.00	Joint - responsibility guarantee	Jul. 4, 1996 - Jul. 4, 1998	No	Yes
Shenzhen Haima Electric Appliance Co., Ltd	Apr. 1, 1995	1,750.00	Joint - responsibility guarantee	Apr. 1, 1995 - Apr. 1, 2000	No	Yes
Total guarantee amount occurred in the report period			0.00			
Total guarantee balance at the end of the report period			87,373.21			
Guarantees for shareholding subsidiaries by the Company						
Total guarantee amount occurred in the report period for shareholding subsidiaries			0.00			
Total guarantee balance at the end of the report period for shareholding subsidiaries			14,697.54			
Total guarantee amount of the Company (including guarantees for shareholding subsidiaries)						

Total guarantee amount	87,373.21
Proportion of the Company's net assets taken by the total guarantee amount	-52.98%
Including:	
Guarantee amount for shareholders, the actual controller or its related parties	49,209.23
Guarantee amount for the debts of the guaranteed companies with an asset-liability ratio of over 70%, directly or indirectly	64,044.86
The amount by which the total guarantee amount exceeded 50 percent of the net assets	87,373.21
Total amount of the above three guarantees	87,373.21

iii No important commissioned capital management or commissioned loan happened in or up to the reported period.

iv No other important contracts signed in the reported period.

V. Promised missions or responsibilities performance by company or shareholders holding 5% or above

No such important promised missions or responsibilities that failed to perform impacted company management or company's financial status.

Time of share merger reform

Company has tried to grasp chance to keep up with the nationwide share merger reform, worked out kinds of steps to reorganize, striving to make a breakthrough in debt restructuring, and actively tried to find restructuring partners of real operation strength. However, the creditors and credit amounts were scattered and most of the creditors were State-owned banks, so it was hard to get the debt restructuring policy. Apart from these, the Company also had great guarantee risks, which made it even more difficult to reach agreements with the creditors on the debt restructuring problem. Therefore little progress had been made in the debt restructuring work, and it was also hard for the Company to introduce any

restructuring partner of real strength, good faith and operation capacity. The Company would enter into the procedures of the share merger reform before the end of Jun. 30, 2006 and hand in all documents to the Shenzhen Stock Exchange.

VI. On engaging and dismissing Certified Public Accountants:

Company continued to engage Shenzhen Dahua Tiancheng Certified Public Accountants and audit institutions of Hong Kong K.C.OH & Company Certified Public Accountants as the auditing agencies in this reported period. Salary paid to the above Certified Public Accountants added up to RMB 450,000.

According to The Stipulations on Registered Accountants Periodic Rotation of Audit Requirements in the Securities and Futures Business (ZJKJZ [2003 NO.13]), we arranged different accountants to rotate and not a single accountant served us overtime.

7. Company and the board were not inspected by China Securities Regulatory Commission and there are no administrative penalties, informed criticism, or public condemnation in Stock Exchange in the reported period.

Section X. Financial statements

Guangdong Sunrise Holdings Company Limited

**(a joint stock limited company incorporated
in the People's Republic of China)**

Auditors' report and financial statements

for the year ended December 31, 2005

Guangdong Sunrise Holdings Company Limited

**(a joint stock limited company incorporated
in the People's Republic of China)**

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Report of the auditors to the members of

Guangdong Sunrise Holdings Company Limited

(A joint stock limited company incorporated in the People's Republic of China)

We have audited the accompanying balance sheet of Guangdong Sunrise Holdings Company Limited as of December 31, 2005 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In forming our opinion, we have considered the disclosures made in note 2 to the financial statements concerning the adequacy of the going concern basis as adopted in the financial statements. The Group has significant financial burdens on short-term repayment obligations (note 19) and there are large amounts of potential liabilities from court action in relation to the guarantees given by the Group (note 28). As explained in note 2 to the financial statements, the validity of the going concern basis depends upon the external funding being made available to meet the Group's financial obligations that have been due and overdue. The management believes that after the funding the Group will be able to meet its future working capital requirements. Accordingly the financial statements have been prepared on a going concern basis and do not include any adjustments that would result from the failure to obtain such funding. We consider that disclosures have been made. However, in view of the significant impact on the financial statements in relation to the possibility to raise sufficient working capital funds, there will be probable impact on the going concern basis.

Because of the probable impact on the going concern basis, we are unable to form an opinion as to whether the financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2005 and the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

K. C. Oh & Company

Certified Public Accountants

Hong Kong : March 30, 2006

Guangdong Sunrise Holdings Company Limited

Consolidated income statement for the year ended December 31, 2005

		2005	2004
	Note	RMB'000	RMB'000
Turnover	5	81,842	142,607
Cost of sales		(70,640)	(126,214)
Gross profit		11,202	16,393
Other incomes		6,963	7,879
Distribution costs		(2,904)	(6,487)
Administrative costs		(30,115)	(40,710)
Operating loss		(14,854)	(22,925)
Finance costs		(24,563)	(32,545)
Other non-operating items	6	(12,767)	7,829

Share of results from associates		136	59
Loss before taxation	7	(52,048)	(47,582)
INCOME TAX			
	8	(1,079)	536
Loss for the year		(53,127)	(47,046)
Attributable to :			
Equity holders of the parent		(57,023)	(47,923)
Share of loss for minority interests		3,896	877
		(53,127)	(47,046)
Loss per share to equity holders of the parent - basic		RMB(0.198)	RMB(0.166)

The calculation of the basic loss per share is based on the current year's loss of RMB57,023,000

(2004 - RMB47,923,000)

attributable to the shareholders and on the existing number of 288,420,000 shares in issue during the year.

Guangdong Sunrise Holdings Company Limited

Consolidated balance sheet as at December 31, 2005

		2005
	Note	RMB'000
Non-current assets		
Property, plant and equipment	9	9,443
Land use rights – non-current portion	10	-
Construction in progress	11	-
Interests in unconsolidated subsidiaries	12	(1,019)
Interests in associates	13	4,385
Long-term investments	14	11,112
		23,921
Current assets		
Land use rights – current portion	10	-

Inventories	15	2,000
Account receivables	16	-
Other receivables and prepayments	17	13,553
Tax recoverable		-
Note receivables		-
Short-term investments		-
Cash and bank balances		86
		15,639
Total assets		<u><u>39,560</u></u>
Capital and reserves		
Share capital	18	288,420
Reserves		(1,937,399)
Equity attributable to equity holders of the parent		(1,648,979)
Minority interests	24	-

TOTAL EQUITY		<u>(1,648,979)</u>
Current liabilities		
Bank and other loans	19,24	519,800
Account payables		-
Other payables and accrued charges	20	<u>1,168,739</u>
		<u>1,688,539</u>
Total equity and liabilities		<u><u>39,560</u></u>

The financial statements on pages 2 to 30 were approved and authorised for issue by the board of directors on March 30, 2006 and are signed on its behalf by :

Director

Director

Guangdong Sunrise Holdings Company Limited

Consolidated statement of changes in equity for the year ended December 31, 2005

			Reserves						Share capital and total reserves RMB'000
	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare fund RMB'000	Discretionary surplus reserve RMB'000	Accumulated loss RMB'000	Total reserves RMB'000		
As at January 1, 2004	288,420	298,744	78,894	18,366	40,621	(2,269,501)	(1,832,876)	(	1,544,456)
Loss for the year of 2004	-	-	-	-	-	(47,923)	(47,923)	(	47,923)
Difference from renovation work on staff housing	-	-	-	423	-	-	423		423

As at December 31, 2004	288,420	298,744	78,894	18,789	40,621	(2,317,424)	(1,880,376)	(1,591,956)
Loss for the year of 2005	-	-	-	-	-	(57,023)	(57,023)	(57,023)
As at December 31, 2005	288,420	298,744	78,894	18,789	40,621	(2,374,447)	(1,937,399)	(1,648,979)

Pursuant to the relevant laws and regulations of the PRC, a joint stock limited company is required to make certain appropriations to Reserves from its net profit after taxation determined in accordance with the PRC accounting standards. The profit distributable to shareholders is calculated based on the lower of the aggregate of the current year's net profit after taxation (after transfers to statutory surplus reserve and statutory public welfare fund) and the retained profit brought forward, prepared under the PRC accounting standards or International Financial Reporting Standards.

According to the Company's Articles of Association and the PRC's relevant laws and policies, the Company is required to make a transfer a the rate of 10% from the profit after taxation, determined in accordance with the PRC accounting standards, of the Company to the statutory surplus reserve until the reserve balance has reached 50% of the registered capital of the Company. The Company is also required to transfer 5% to 10% from the profit after taxation to the statutory public welfare fund.

The statutory surplus reserve and the capital reserve may be applied only for the following purposes :

i the statutory surplus reserve may be used to make up loss; and

ii a reserve may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, but when the statutory surplus reserve is converted into share capital, the amount remaining in the reserve shall not be less than 25% of the increased registered capital.

The statutory public welfare fund shall only be applied for the collective welfare of the Company's employees; and upon utilisation, an amount equal to expenditure spent on the collective staff welfare shall be transferred from the statutory public welfare fund to discretionary surplus reserve.

Prior to making up the Company's loss and the relevant appropriations to the statutory surplus reserve and the statutory public welfare fund, no dividend may be payable.

Guangdong Sunrise Holdings Company Limited

Consolidated cash flow statement for the year ended December 31, 2005

	2005	2004
	RMB'000	RMB'000
Cash flow from operating activities		
Loss before taxation	(52,048)	(47,582)
Adjustment items :		
Interest income	(39)	(78)
Dividend income	-	(2)
Interest expense	30,774	32,357
Depreciation of property, plant and equipment	6,436	11,856
Amortisation of land use rights	377	589
Impairment loss provision on property, plant and equipment	-	961
(Profit)/loss on disposal of property, plant and equipment	330	(2,636)
Impairment loss provision on unconsolidated subsidiaries	1,130	-
Loss on disposal of a nominated subsidiary	14,257	-
Impairment loss provision on interests in associates	3,181	2,690
Share of results from associates	(136)	(59)
Profit on disposal of long-term investments	-	(2,061)
Impairment loss provision on long-term investments	2,690	-

Reversal for inventory obsolescence	-	(3,469)
Reversal for doubtful debts on account receivables	-	(3,755)
Provision for doubtful debts on other receivables	-	22,365
Bad debts written off for other receivables	-	8,695
Reversal for loss on guarantees	(8,821)	(6,781)
Net operating cash inflow/(outflow)		
before movements in working capital	(1,869)	13,090
Decrease in amounts due to unconsolidated subsidiaries	-	(4,150)
Decrease in amounts due to associates	-	(373)
Decrease in inventories	5,114	5,432
(Increase)/decrease in account receivables	3,203	(7,961)
Decrease in other receivables and prepayments	37,635	34,806
Decrease in note receivables	189	441
Decrease in account payables	(607)	(2,656)
Increase/(decrease) in other payables and accrued charges	(16,380)	6,731
Increase/(decrease) in note payables	10,225	(2,880)
Cash inflow from operating activities before		
interest and tax payments	37,510	42,480

(to be cont'd)

Guangdong Sunrise Holdings Company Limited

Consolidated cash flow statement for the year ended December 31, 2005

(cont'd)

		2005	2004
	Note	RMB'000	RMB'000
Cash inflow from operating activities before			
interest and tax payments		37,510	42,480
Interest paid		(690)	(724)
Corporate and profits tax refunded/(paid)		(735)	719
Net cash inflow from operating activities		36,085	42,475
Investing activities			
Interest received		39	78
Dividend received		-	2
Purchases of property, plant and equipment		(85)	(5,860)
Proceeds from disposal of property, plant and equipment		306	10,971
(Increase)/decrease in construction in progress		172	(5,112)
Net cash outflow from disposal of a nominated subsidiary	21	(7,932)	-
Net cash outflow from de-consolidation of a subsidiary	22	(76)	-
Net cash outflow from de-consolidation of a nominated subsidiary	23	(56)	-
Proceeds from disposal of long-term investments		-	2,061

Net cash inflow/(outflow) from investing activities		(7,632)	2,140
Financing activities			
Bank and other loans repaid	24	(41,811)	(54,078)
Dividend paid to minority shareholders	24	(3,783)	(724)
Net cash outflow from financing activities		(45,594)	(54,802)
Decrease in cash and cash equivalents		(17,141)	(10,187)
Cash and cash equivalents as at beginning of the year		17,227	27,414
Cash and cash equivalents as at end of the year		86	17,227

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2005

1. Corporate information

Guangdong Sunrise Holdings Company Limited (the “Company”) is established in the People’s Republic of China (the “PRC”) as a joint stock limited company. On June 13, 2002, the name of the Company has been changed from “Shenzhen Lionda Holdings Company Limited” to “Guangdong Sunrise Holdings Company Limited”. The principal activity of the Company is investment holding and the principal activities of the subsidiaries and associates (which together with the Company comprise the “Group”) are set out in note 3.

2. Basis of preparation of the financial statements

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Federation of Accountants. These accounting standards differ from those used in the preparation of the PRC statutory financial statements, which are prepared in accordance with the PRC Accounting Standards. To conform to IFRS, adjustments have been made to the PRC statutory financial statements. Details of the impact of such adjustments on the net asset value as at December 31, 2005 and on the operating results for the year then ended are included in note 30 to the financial statements. In addition, the financial statements have been prepared under the historical cost convention except for certain property, plant and equipment that are stated at valuation less accumulated depreciation.

During the year, the Group had critically reviewed the fair value with respect to diminution in value of inventories, aged receivables with recoverability problem and contingent liabilities arising from corporate guarantees. Adequate provisions had been made in this respect. As at December 31, 2005, the Group’s accumulated loss amounted to RMB2,374,447,000. Moreover, the Group had outstanding liabilities on bank and other loans, account payables and other payables, etc. totalling RMB1,688,539,000. The Group is now seeking external financing and the management believes that new funding can be raised in need of future working capital requirements. In view of this, the financial statements are prepared on a going concern basis.

3. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2005

(cont'd)

3. Basis of consolidation (cont'd)

The consolidated financial statements incorporate the financial statements of the Company and of its subsidiaries (the “Group”) made up to December 31 each year. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group’s equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority’s share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority’s interest in the subsidiary’s equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(a) Subsidiaries

A subsidiary is a company in which the Company holds, directly or indirectly, more than 50% of the equity interest as a long-term investment and/or has the power to cast the majority of votes at meetings of the board of directors/management committee. As at December 31, 2005, the Company held the following subsidiaries, all of which are incorporated in the PRC :

The details of the principal subsidiaries are as follows :

Name	Place of establishment/ operation	Attributable equity interest	Principal activities
Shanghai Lionda Industrial Co. Ltd.	PRC	100% *	Trading in light industrial products
Shenzhen Lionda Property Management Co. Limited	PRC	100% *	Property management, trading of foods and motor car spare parts
Shenzhen Lionda	PRC	100% *	Property development and

Development Co. Limited			management
Shenzhen Lionda Light Textile Chemical Industrial Co. Limited	PRC	100% *	Trading, import and export
Shenzhen Paper Making Co.	PRC	100% *	Manufacturing paper products and printing machinery
Shenzhen Lionda Food Industrial Co. Limited	PRC	100% *	Production of fruit jelly, jelly sweets and high strength agar
Shenzhen Lionda Materials Import & Export Co., Limited	PRC	100% *	Import and export of printing material, machinery, chemical products, clothing, silks and shoes
Shenzhen Lionda Lucky C&B Industrial Co. Limited	PRC	100% *	Design and production of luggage cases
Shenzhen Lionda Electrical Equipment Co. Limited	PRC	100% *	Production of vacuum flasks and home electrical fans

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2005

(cont'd)

3. Basis of consolidation (cont'd)

(a) Subsidiaries (cont'd)

The details of the principal subsidiaries are as follows :

Name	Place of establishment/ operation	Attributable equity interest	Principal activities
Shenzhen Paper Manufacturing & Processing Factory	PRC	100% *	Paper processing
Shenzhen Lionda Electrical Manufacturing Factory	PRC	100% *	Production of electric oven and metal products
Shenzhen Lionda Hunan Branch	PRC	100% *	Import and export trading
Shenzhen Xin Qi Beverage Co. Ltd.	PRC	75% *	Production of fruit juice products and pudding
Shenzhen Lionda Junk Trading Market Co. Limited	PRC	51% *	Trading of junk and wireless communication products

* *These subsidiaries are not required to be consolidated as they have ceased the business, are under liquidation or are unable to transfer funds to the parent because of their long-term restricted operations.*

(b) Associates

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

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

The details of the principal associates are as follows :

Name	Place of establishment/ operation	Attributable equity interest	Principal activities
Yueshen Light Industry Trading Co.	PRC	50%	Import and export of food and textiles
Hunan Shenli Special Alloy Co. Ltd.	PRC	45%	Production of hard alloy ware
Shenzhen Golden Bell Batteries Co. Ltd.	PRC	40%	Production of dry batteries and electronic products
Shenzhen Yinzhezuo Club	PRC	40%	Provision of law consultant service and restaurant

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2005

(cont'd)

3. Basis of consolidation (cont'd)

(b) Associates (cont'd)

Name	Place of establishment/ operation	Attributable equity interest	Principal activities
Shenzhen Taiyang TCCP Co. Ltd.	PRC	34%	Production, transportation and installation of steel, concrete tube
Shenzhen Lionda Industrial Trading Co. Ltd.	PRC	32% *	Import and export trading and property management
Shenzhen Lionda Bao Shui Trading Co. Ltd.	PRC	30%	Trading
Shenzhen Anmiz Watch & Clock Co. Ltd.	PRC	30%	Production of watches, clock parts, counters and meters
Shenzhen Gaokeda Electronic Co. Ltd.	PRC	30%	Production of HDSL transmission lines
Shanghai Qingpu Yinda Property Development Co.	PRC	30%	Property development
Shenzhen Enamelware Enterprise Co. Ltd.	PRC	20.33%	Production of enamelware
Shenzhen Jianda Machinery Co. Ltd.	PRC	20%	Production of plastic injection machinery, etc.
Shenzhen Dong Xiang Electronic Enterprise Co. Ltd.	PRC	11% **	Trading of electronic equipment and parts
Baltic Sea Commercial Centre	Latvia	51% ***	Hotel operation and commercial service

* *Nominated subsidiary included for consolidation last year but ceased business during this year*

** *Significant influence*

*** *No controlling interest*

(c) Related companies

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

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2005

(cont'd)

4. Principal accounting policies

(a) Turnover

Turnover represents the proceeds from the sales of goods, net of returns, discounts and sales tax, supplied to customers outside the Group. Turnover and profit of the Group are from the manufacture and takings of catering services, both derived within the PRC territory.

(b) Property, plant, equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation. Depreciation of property, plant and equipment is provided using the straight-line method over the estimated useful lives, taking into account the estimated residual value of 5% of the cost or revalued amount, as follows :

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

(c) Land use rights

The cost of land use rights is amortised on a straight-line basis over the lease term.

(d) Construction in progress

Construction in progress represents the factory and office buildings under construction and is stated at cost. This includes costs of construction, machinery and furniture as well as interest charges and exchange differences arising from borrowings that are used to finance the construction during the construction period. No depreciation is provided on construction in progress prior to its completion. However, for construction in progress that are pending for further process and are functionally or technologically obsolete, their carrying amounts are reduced to their recoverable amounts by reference to the impairment loss.

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2005

(cont'd)

4. Principal accounting policies (cont'd)

(e) Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(f) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the

restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2005

(cont'd)

4. Principal accounting policies (cont'd)

(f) Investments (cont'd)

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Other unlisted long-term investments with no reference to fair value are stated at cost less provision for diminution in value that is other than temporary.

(g) Inventories

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

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

(h) Revenue recognition

Revenue is recognised when it is probable that the benefits will flow to the Group and when the revenue can be measured reliably.

Sales of goods

- . Sales of goods are recognised when the goods are delivered and the title has passed.

- . Sales of properties under development are recognised when the properties developed for sale are sold in advance of completion and the outcome of projects can be ascertained with reasonable certainty by reference to the construction progress. Profit is recognised over the course of the development after taking into account of allowance for contingencies.

- . Sales of properties are recognised when all the conditions of sale have been met and the risks and rewards of ownership have been transferred to the buyer.

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2005

(cont'd)

4. Principal accounting policies (cont'd)

(h) Revenue recognition (cont'd)

Interest income is accrued on a time proportion basis on the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

(i) Account receivables

Account receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(j) Account payables

Account payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

(k) Cash and cash equivalents

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(l) Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

(m) Capitalisation of borrowing costs

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

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2005

(cont'd)

4. Principal accounting policies (cont'd)

(n) Foreign currency transactions

The financial statements are expressed in Renminbi. Transactions in foreign currencies are translated at the rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated at the rates prevailing at the balance sheet date. Exchange differences that are attributable to the translation of foreign currency borrowings for the purpose of financing the construction of factory and office buildings, plant and machinery and other major fixed assets for periods prior to their being in a condition to enter into services are included in the cost of the fixed assets concerned. Other exchange differences are dealt with in the consolidated income statement.

(o) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

i) The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

ii) The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the

remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Notes to the financial statements for the year ended December 31, 2005

(cont'd)

4. Principal accounting policies (cont'd)

(p) Impairment loss

As at each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Any impairment loss arising is recognised as an expense immediately.

A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment loss are credited to the income statement in the year in which the reversals are recognised.

(q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation subsequent to a past event, which will result in a probable outflow of economic benefits that can be reasonably estimated.

(r) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense

that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2005

(cont'd)

4. Principal accounting policies (cont'd)

(r) Taxation (cont'd)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed as at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Tax asset can be offset against tax liability only if the Group has a legally enforceable right to make or receive a single net payment and the Group intends to make or receive such a net payment or to recover the asset and settle the liability simultaneously.

5. Turnover

	2005	2004
	RMB'000	RMB'000
Sale of merchandises	81,842	140,247
Takings from catering services	-	2,360

81,842

142,607

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2005

(cont'd)

6. Other non-operating items

	2005	2004
	RMB'000	RMB'000
Impairment loss provision on property, plant and equipment	-	(961)
Profit/(loss) on disposal of property, plant and equipment	(330)	2,636
Impairment loss provision on unconsolidated subsidiaries	(1,130)	-
Loss on disposal of a nominated subsidiary	(14,257)	-
Impairment loss provision on interests in associates	(3,181)	(2,690)
Impairment loss provision on long-term investments	(2,690)	-
Profit on disposal of long-term investments	-	2,061
Dividend income	-	2
Reversal for loss on guarantees	8,821	6,781
	(12,767)	7,829

7. Loss before taxation

2005	2004
RMB'000	RMB'000

The Group's loss before taxation

is arrived at after charging :

Auditors' remuneration	500	600
Directors' emoluments	-	-
Depreciation of property, plant and equipment	6,436	11,856
Amortisation of land use rights	377	589
Interest expense	30,774	32,357
Provision for doubtful debts on other receivables	-	22,365
Bad debts written off for other receivables	-	8,695
Staff costs	4,919	4,942

And after crediting :

Interest income	39	78
Rental income	6,786	7,995
Reversal for inventory obsolescence	-	3,469
Reversal for doubtful debts on account receivables	-	3,755

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2005

(cont'd)

8. Taxation

	2005	2004
	RMB'000	RMB'000
Income tax		
- Company and subsidiaries	1,010	(579)
- Associates	69	43
	<u>1,079</u>	<u>(536)</u>

The amount of taxation in the consolidated balance sheet represents PRC income tax provision less tax paid during the year.

The reconciliation between tax expense and accounting loss at applicable tax rates is as follows :

	2005	2004
	RMB'000	RMB'000
Loss before taxation	<u>(52,048)</u>	<u>(47,582)</u>
Tax at the applicable income tax rate		
of 15% (2004 – 15%)	(7,807)	(7,137)
Tax effect of :		

- disallowable expenses	63	-
- utilisation of tax losses previously unrecognised	(24)	-
- unrecognised tax losses	8,847	6,601
Actual tax expense/(income)	1,079	(536)

No deferred tax asset is recognised as it is uncertain whether taxable profit will be available against which deductible temporary differences can be utilised in the near future. As at December 31, 2005, the net unprovided deferred tax asset was RMB249,567,000 (2004 - RMB240,778,000).

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2005

(cont'd)

9. Property, plant and equipment

	Buildings RMB'000	Plant and machiner y RMB'000	Office equipmen t RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost/carrying amount					
As at January 1, 2004	117,440	125,624	9,672	15,090	267,826
Additions/transfer from constru in progress	4,302	5,257	225	1,297	11,081
Disposals	(30,254)	(324)	(114)	(1,168)	(31,860)
As at December 31, 2004	91,488	130,557	9,783	15,219	247,047
Disposal of a nominated subsidiar	(75,137)	(130,557)	(5,658)	(6,745)	(218,097)

Decrease from de-consolidation of a nominated subsidiary	-	-	(188)	(305)	(493)
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Additions	-	-	85	-	85
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Disposals	(1,757)	-	-	-	(1,757)
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As at December 31, 2005	14,594	-	4,022	8,169	26,785
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Accumulated depreciation

As at January 1, 2004	(44,427)	(81,588)	(8,163)	(12,413)	(146,591)
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Additions	(4,714)	(6,491)	(196)	(455)	(11,856)
-----------	-----------	-----------	---------	---------	------------

Disposals	22,557	245	89	634	23,525
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As at December 31, 2004	(26,584)	(87,834)	(8,270)	(12,234)	(134,922)
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Disposal of a nominated subsidiar	21,472	91,968	4,603	4,462	122,505
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Decrease from de-consolidation of a nominated subsidiary	-	-	148	242	390
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Additions	(1,912)	(4,134)	(157)	(233)	(6,436)
Disposals	1,121	-	-	-	1,121
As at December 31, 2005	(5,903)	-	(3,676)	(7,763)	(17,342)
Net book value					
As at December 31, 2005	8,691	-	346	406	9,443
As at December 31, 2004	64,904	42,723	1,513	2,985	112,125

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2005

(cont'd)

10. Land use rights

	2005	2004
	RMB'000	RMB'000
Cost		
Balance as at January 1, 2005	11,607	12,568
Impairment loss provision	-	(961)
Disposal of a nominated subsidiary	(11,319)	-
Decrease from de-consolidation of a nominated subsidiary	(288)	-
Balance as at December 31, 2005	-	11,607
Accumulated amortisation		
Balance as at January 1, 2005	(3,655)	(3,066)
Additions	(377)	(589)
Disposal of a nominated subsidiary	3,744	-
Decrease from de-consolidation of a nominated subsidiary	288	-
Balance as at December 31, 2005	-	(3,655)
Net book value	-	7,952
Current portion	-	(589)

Non-current portion

-

7,363

11. Construction in progress

2005
RMB'000

2004
RMB'000

Balance as at January 1, 2005

1,702

1,811

Additions

248

5,592

Disposals

(420)

(480)

Disposal of a nominated subsidiary

(1,530)

-

Transfer to property, plant and equipment

-

(5,221)

Balance as at December 31, 2005

-

1,702

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2005

(cont'd)

12. Interests in unconsolidated subsidiaries

	2005	2004
	RMB'000	RMB'000
Cost of unconsolidated subsidiaries (*)	33,218	32,088
Impairment loss provision	(33,218)	(32,088)
	-	-
Amounts due to unconsolidated subsidiaries (*)	(1,019)	(1,019)
	(1,019)	(1,019)

(*) *These subsidiaries are excluded from consolidation as they are controlled by the same directors, their exclusion from consolidation will not have a material impact on the overall presentation of the financial statements of the Group as a whole.*

13. Interests in associates

	2005	2004
	RMB'000	RMB'000
Share of net assets of associates	15,898	18,130
Impairment loss provision	(11,513)	(11,022)
	4,385	7,108

14. Long-term investments

	2005 RMB'000	2004 RMB'000
“A” shares of companies listed in the PRC, at cost (*)	10,000	10,000
Other unlisted equity investments, at cost	<u>34,434</u>	<u>29,055</u>
	44,434	39,055
Impairment loss provision	<u>(33,322)</u>	<u>(27,943)</u>
	<u>11,112</u>	<u>11,112</u>

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

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2005

(cont'd)

15. Inventories

	2005	2004
	RMB'000	RMB'000
Raw materials	-	13,523
Work in progress	-	3,522
Finished goods	-	13,282
Properties held for sale	22,913	22,913
	22,913	53,240
Provision for inventory obsolescence	(20,913)	(24,035)
	2,000	29,205

16. Account receivables

	2005	2004
	RMB'000	RMB'000
Amount receivables	-	52,760
Provision for doubtful debts	-	(3,753)
	-	49,007

As at December 31, 2005, the aging of amount

receivables is analysed as follows :

	2005	2004
	RMB'000	RMB'000
Within one year	-	51,032
Over one year but within two years	-	339
Over two years but within three years	-	325
Over three years	-	1,064
	-	52,760

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2005

(cont'd)

17. Other receivables and prepayments

	2005	2004
	RMB'000	RMB'000
Prepayments	-	1,129
Other receivables	339,510	391,008
	339,510	392,137
Provision for doubtful debts	(325,957)	(329,316)
	13,553	62,821

As at December 31, 2005, the aging of other
receivables and prepayments is analysed as follows :

	2005	2004
	RMB'000	RMB'000
Within one year	6,578	28,502
Over one year but within two years	2,947	31,230
Over two years but within three years	27,323	94,009
Over three years	302,662	238,396
	339,510	392,137

18. Share capital

	2005	2004
	RMB'000	RMB'000
Registered, issued and fully paid, at par value of RMB1 each		
208,560,000 (2004 - 208,560,000) domestic shares	208,560	208,560
40,260,000 (2004 - 40,260,000) "A" shares	40,260	40,260
39,600,000 (2004 - 39,600,000) "B" shares	39,600	39,600
	288,420	288,420

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2005

(cont'd)

19. Bank and other loans

	2005	2004
	RMB'000	RMB'000
Bank loans - unsecured	200,255	412,019
Bank loans - secured	-	19,900
Other loans	319,545	143,692
	519,800	575,611

As at December 31, 2005, the aging of bank
and other loans is analysed as follows :

	2005	2004
	RMB'000	RMB'000
Overdue amounts	519,800	539,141
Premature amounts	-	36,470
	519,800	575,611

20. Other payables and accrued charges

	2005	2004
	RMB'000	RMB'000
Amounts received in advance	-	2,341

Accrued expenses	286,296	258,969
Anticipated commitments and liabilities	700,492	696,463
Accrued staff welfare	319	714
Others	181,632	250,546
	1,168,739	1,209,033

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2005

(cont'd)

21. Disposal of a nominated subsidiary

	2005	2004
	RMB'000	RMB'000
Property, plant and equipment	95,592	-
Land use rights	1,530	-
Construction in progress	7,575	-
Inventories	22,091	-
Account receivables	45,804	-
Other receivables and prepayments	3,190	-
Cash and bank balances	21,506	-
Short-term bank loans	(14,000)	-
Account payables	(26,556)	-
Other payables and accrued charges	(47,472)	-
Note payables	(10,225)	-
	99,035	-
Interests in associates	(71,204)	-
Minority interests	(14,257)	-
Cash received from disposal of a nominated subsidiary	13,574	-

Net cash outflow from disposal of a nominated subsidiary	(7,932)	-
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22. De-consolidation of a subsidiary

	2005 RMB'000	2004 RMB'000
Other receivables and prepayments	1,325	-
Other payables and accrued charges	(271)	-
	1,054	-
Cost of subsidiary not consolidated	(1,130)	-
Net cash outflow from subsidiary not consolidated	(76)	-

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2005

(cont'd)

23. De-consolidation of a nominated subsidiary

	2005	2004
	RMB'000	RMB'000
Property, plant and equipment	103	-
Short-term investments	44	-
Other receivables and prepayments	15,939	-
Account payables	(46)	-
Other payables and accrued charges	(6,155)	-
	<u>9,885</u>	<u>-</u>
Minority interests	(6,760)	-
Cost of a nominated subsidiary not consolidated	(3,181)	-
	<u>(56)</u>	<u>-</u>
Net cash outflow from a nominated subsidiary not consolidated	(56)	-

24.

Cash flows from financing

	Bank and other loans	Minority interests
	RMB'000	RMB'000
Balance as at beginning of the year	575,611	77,851
Cash outflow from financing	(41,811)	-

Disposal of a nominated subsidiary	(14,000)	(71,204)
Decrease from de-consolidation of a nominated subsidiary	-	(6,760)
Dividend paid to minority shareholders	-	(3,783)
Minority interests' share of results	-	3,896
Balance as at end of the year	519,800	-

25.

Lease commitments

The Group earned rental income of RMB6,786,000 (2004 - RMB7,995,000) during the year. As at December 31, 2005, the total future minimum lease receipts under non-cancellable operating leases are receivable as follows :

	2005 RMB'000	2004 RMB'000
Within one year	-	703
In the second to fifth years inclusive	-	2,613
	-	3,316

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2005

(cont'd)

26. Related party transactions

As at December 31, 2005, the Group had balances with related companies that arose from the normal course of the business operations :

	2005	2004
	RMB'000	RMB'000
Account receivables before provision :		
Other related companies	293,057	308,859
Account payables :		
Holding company	7,907	67,988
Other related companies	4,523	6,039
	12,430	74,027

Guarantees

As at December 31, 2005, the Group had guarantees on banking facilities granted to related companies amounting to RMB1,404,714,000 (2004 - RMB1,416,716,000).

27. Pledge of assets

As at December 31, 2005, the Group did not have any pledge (2004 - buildings with a net book value of RMB41,267,000 pledged to banks to secure general banking facilities).

28. Contingent liabilities

As at December 31, 2005, the Group had the following contingent liabilities :

	2005	2004
	RMB'000	RMB'000
Potential liabilities from court action in relation		
to the guarantees given by the Group	144,837	99,358
Guarantees to financial institutions in respect of		
the Group's facilities	837,179	992,560
	982,016	1,091,918

29. Ultimate holding company

Shenzhen Lionda Group Co., Ltd. holds 66.36% equity interest in the Company and is considered as the Company's ultimate holding company.

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2005

(cont'd)

30. Impact on results attributable to shareholders and net asset value

as reported by the PRC Certified Public Accountants

Loss attributable	Net
to shareholders	asset value
RMB'000	RMB'000

As reported by PRC Certified Public Accountants	(57,182)	(1,649,171)
Adjustments to conform to IFRS		
Prepayments amortised	159	-
Housing welfare fund transfer	-	192
As restated in conformity with IFRS	(57,023)	(1,648,979)

31. Financial instruments

Financial assets of the Group include cash and bank balances and other receivables and prepayments. Financial liabilities include bank and other loans and other payables and accrued charges.

(a) Credit risk

Cash and bank balances : As at December 31, 2005, the Group's cash and bank balances were represented by cash.

Other receivables and prepayments : The Group does not have a significant exposure to any individual customer or counterpart. The major concentrations of credit risk arise from exposures to a substantial number of account receivables that are mainly located in the PRC.

(b) Fair value

The fair value of the financial assets and financial liabilities is not materially different from their carrying amount.

The carrying value of short-term loans is estimated to approximate its fair value based on the borrowing terms and rates of similar loans.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties on matters of significant judgement, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Guangdong Sunrise Holdings Company Limited

Notes to the financial statements for the year ended December 31, 2005

(cont'd)

32. Critical judgements in applying the accounting policies

In the process of applying the accounting policies, management has made the judgements that may have significant effect on the amounts recognised in the financial statements.

Apart from the risk factors relating to the financial instruments as mentioned in note 31, there is no other key source of estimation or uncertainty that may have a significant effect on the financial statements.

33. Language

The translated English version of financial statements is for reference only. Should any disagreement arise, the Chinese version shall prevail.

Section XI. Documents for Reference

A complete memorandum documents catalogues were prepared at secretary of our Board of Directors, for China Securities Regulatory Commission, the Shenzhen Stock Exchange and shareholders to inquire, the documents including:

1. Accountants' statements with company legal representative and competent persons responsible for accounting, signed by the accountants and stamped by the company.
2. Originals of the Auditors' Report stamped by Accountant's Office and signed by the competent persons responsible for accounting.
3. All the original papers and notices disclosed in Securities Times and Hong Kong Ta Kung Pao in the reported period.
4. Text of Annual Report 2005 with the signature of the Chairman of the Board.

Guangdong Sunrise Holdings Co., Ltd
Chairman of the Board: Yang Fenbo
March 30, 2006