GUANGONG SUNRISE HOLDINGS CO., LTD.
SUMMARY OF ANNUAL REPORT 2005

§1. Important Notes

1.1 The Board of Directors, the Supervisor Committee, directors, supervisors and senior executives of Guangdong Sunrise Holdings Co., Ltd. (hereinafter referred to as the Company) individually and collectively accept responsibility for the correctness, accuracy and completeness of the contents of this report and confirm that there are no material omissions nor errors which would render any statement misleading. The summary of annual report 2005 is abstracted from the full text of annual report; the investors are suggested to read the full text of annual report to understand more details.
1.2 No directors stated that he/she couldn't ensure the correctness, accuracy and completeness of the contents of the Annual Report or have objection for this report.
1.3 All directors attended the Board meeting.
1.4 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.
1.5 Chairman of the Board of the Company Mr. Yang Fenbo, Person in charge of Accounting Affairs and concurrently General Manager 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.

§2. Company Profile

2.1 Basic information

Short form of the stock	ST Sunrise A, ST Sunrise B
Stock code	000030, 200030
Listed stock exchange	Shenzhen Stock Exchange
Registered address and office address	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	Post code of registered address: 518040 Post code of office address: 518040
Internet website	http://www.cninfo.com.cn/default.htm
E-mail	lionda@mailcenter.com.cn

2.2 Contact person and method

	Secretary of the Board of Directors	Securities Affairs Representative
Name	Ao Yingchun	Chen Liantan
Contract address	Secretariat of the Board, 4th Floor East, Block 203, Tairan Industrial Zone, Chegongmiao, Shenzhen	Secretariat of the Board, 4th Floor East, Block 203, Tairan Industrial Zone, Chegongmiao, Shenzhen
Tel.	(0755)83877511	(0755)83875531
Fax	(0755)83875212	(0755)83875212
E-mail	lionda@mailcenter.com.cn	lionda@mailcenter.com.cn

§3. Summary of Accounting Data and Financial Indexes

3.1 Major accounting data

Unit: RMB Yuan

	2005	2004	Increase/decrease over the previous year（%）	2003
Income from main operations	81,842,030.77	142,606,802.22	-42.61%	77,267,774.95
Total profit	-52,275,527.36	-47,598,307.34	-	11,952,274.35
Net profit	-57,181,772.54	-47,938,995.60	-	11,391,186.93
Net profit after deducting non-recurring gains and losses	-65,950,923.81	-58,441,733.94	-	-44,254,649.78
Net cash flow arising from operating activities	27,499,312.61	13,695,335.45	100.79%	-10,742,755.13
	At the end of 2005	**At the end of 2004**	**Increase/decrease over the end of previous year（%）**	**At the end of 2003**
Total assets	39,195,650.78	298,458,668.64	-86.87%	378,293,188.86
Shareholder’s equity (excluding minority interests)	-1,649,171,767.47	-1,591,989,994.93	-	-1,544,474,179.38

3.2 Major financial indexes

Unit: RMB Yuan

	2005	2004	Increase/decrease from the previous year（%）	2003
Earnings per share	-0.1983	-0.1662	-	0.0395
Earnings per share (Note)	-0.1983	-	-	-
Return on equity	-	-	-	-
Return on equity as calculated based on net	-	-	-	-

profit after deducting non-recurring gains and losses				
Net cash flow per share arising from operating activities	0.0953	0.0475	100.63%	-0.0372
	At the end of 2005	**At the end of 2004**	**Increase/decrease from the end of previous year（%）**	**At the end of 2003**
Net assets per share	-5.7180	-5.5197	-	-5.3549
Net assets per share after adjustment	-5.7180	-5.7801	-	-5.6173

Note: Earnings per share was calculated based on new share capital if share capital was changed from the end of the report period to disclosure date of the report.

Items of non-recurring gains and losses
√ Applicable ☐Inapplicable

Unit: RMB Yuan

Item of non-recurring gains and losses	**Amount**
Net non-operating income expenses	8,769,151.27
Total	8,769,151.27

3.3 Difference between Chinese Accounting Standard (CAS) and International Accounting Standard (IAS)
√ Applicable ☐Inapplicable

Unit: RMB

	CAS	**IAS**
Net profit	-57,181,772.54	-57,023,000.00
Explanation on the difference	Reason for difference in net profit accounted under CAS and IAS 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	

§4. Changes in Share Capital and Particulars about Shareholders

4.1 Statement of change in shares

Unit: share

	Before the change		Change of this term (+,-)	After the changed	
	Number	Proportion	Subtotal	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%

4.2 Statement of shares held by the top ten shareholders and the top ten shareholders of tradable share

Total number of shareholders at the end of report period					15,164
Particulars about shares held by the top ten shareholders					
Full name of Shareholder	**Type of shareholders**	**Proportion**	**Total number of shares held**	**Number of nontradable shares held**	**Share pledged or frozen**
Shenzhen Lionda Group Co., Ltd.	Other	66.36%	191,400,000	191,400,000	0
Shenzhen Coloured Metal Financial Co. Ltd.	Other	1.83%	5,280,000	5,280,000	0
Shenzhen International Trust & Investment Co.	Other	1.83%	5,280,000	5,280,000	0
Shenzhen Huachengda Investment Holding Co., Ltd.	Other	1.37%	3,960,000	3,960,000	0
CHINA EVERBRIGHT HOLDINGS CO. LTD	Other	1.02%	2,908,735	0	0
Shenzhen Guoyin Investment Development Co., Ltd.	Other	0.92%	2,640,000	2,640,000	2,640,000
CHEN JIA ZHAO	Other	0.37%	1,063,248	0	0
WANG XIAO LONG	Other	0.33%	951,100	0	0
QIAN SHI BING	Other	0.23%	659,551	0	0
WU CHING	Other	0.21%	610,322	0	0
Particulars about shares held by the top ten shareholders of tradable share					

Name of shareholders	Numbers of tradable shares held	Type of shares
CHINA EVERBRIGHT HOLDINGS CO. LTD	2,908,735	Domestically listed foreign shares
CHEN JIA ZHAO	1,063,248	Ordinary RMB shares
WANG XIAO LONG	951,100	Domestically listed foreign shares
QIAN SHI BING	659,551	Ordinary RMB shares
WU CHING	610,322	Domestically listed foreign shares
WU WEN	426,700	Domestically listed foreign shares
GENG XIAN HUA	417,900	Ordinary RMB shares
XU HUI	363,827	Ordinary RMB shares
GAO SHAO HUA	348,300	Domestically listed foreign shares
YI BING	330,000	Ordinary RMB shares
Explanation on associated relationship among the above shareholders or acting-in-concert	The Company is unknown whether there exists associated relationship among the shareholders of tradable shares.	

4.3 Particulars about controlling shareholders and actual controller of the Company

4.3.1 Particulars about change in controlling shareholders and actual controller of the Company

☐Applicable √ Inapplicable

4.3.2 Introduction of especial situation for holding shareholder and other actual 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.

4.3.3 Property right and controlling relationship between the actual controller of the Company and the Company is as follows:

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

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Shenzhen Lionda Group Co., Ltd.

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Guangdong Sunrise Holdings Co., Ltd.

§5. Particulars about Director, Supervisor and Senior Executive

Name	Title	Sex	Age	Office term	Number of holding shares at the year-begin	Number of holding shares at the year-end	Reasons on change	Total payment drawn from the Company in the report period (RMB'0000)	Drawing payment from the shareholding companies or other related parties or not (Yes / No)
Yang Fenbo	Chairman	Male	48	Apr. 24, 2005- Apr. 24, 2008	0	0		18.30	No
Wang Jianyu	General Manager	Male	40	Apr. 24, 2005- Apr. 24, 2008	0	0		15.10	No
Ao Yingchun	Director	Male	37	Apr. 24, 2005- Apr. 24, 2008	0	0		13.50	No
Xie Heng	Director	Male	34	Apr. 24, 2005- Apr. 24, 2008	0	0		0.50	Yes
Guo Shiping	Independent Director	Male	48	Apr. 24, 2005- Apr. 24, 2008	0	0		3.00	No
Ma Hong	Independent	Male	38	Apr. 24,	0	0		3.00	No

	Director			2005-Apr. 24, 2008					
Ban Wu	Independent Director	Male	60	Apr. 24, 2005-Apr. 24, 2008	0	0		3.00	No
Gong Yida	Supervisor	Female	33	Apr. 24, 2005-Apr. 24, 2008	0	0		0.30	Yes
Niu Suyan	Supervisor	Female	49	Apr. 24, 2005-Apr. 24, 2008	0	6,000	Buying in this period	10.80	No
Chen Hong	Supervisor	Female	35	Apr. 24, 2005-Apr. 24, 2008	0	0		10.60	No
Total	—	—	—	—	—	—	—	78.10	—

§6 Report of the Board of Directors

6.1 Discussion and analyses of the management team

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 sequestrated 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.

6.2 Main business classified according to industry and product

Unit: RMB'0000

Main business classified according to industry						
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 industry	8,184.00	7,060.00	13.73％	-42.61％	-43.99％	18.26％
Main business classified according to product						
Printing product	8,184.00	7,060.00	13.73％	-42.61％	-43.99％	18.26％

6.3 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	1,033.00	-10.41％
Guangdong	6,333.00	-44.52％
Others	818.00	-51.54％
Total	8,184.00	-42.61％

6.4 Use of raised proceeds

□Applicable √ Inapplicable

Projects changed

☐Applicable √Inapplicable

6.5 Projects invested with non-raised proceeds

☐Applicable √Inapplicable

6.6 Explanation given by the Board on the “qualified opinions” of the Certified Public Accountants

√Applicable ☐Inapplicable

Since it was believed that the repayment pressure of short-term liabilities of the Company was huge. And there were 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. Because of the influences of the great uncertainty of continuous operation on the financial statements, Shenzhen Dahua Tiancheng Certified Public Accountants could not express any opinions on whether or not the accounting statements of the Company had been in conformity with the Business Accounting Standards and the Business Accounting System issued by the State. As to this, 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.

6.7 Preplan of profit distribution or capitalization of public reserves made by the Board

√Applicable ☐Inapplicable

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.

There was profit made by the Company in the report period, but no cash profit distribution preplan had been proposed:

□Applicable √Inapplicable

§7 Significant Events

7.1 Purchase of assets

□Applicable √Inapplicable

7.2 Sales of assets

□Applicable √Inapplicable

7.3 Important guarantees

√Applicable □Inapplicable

Unit: RMB'0000

External guarantees of the Company (excluding guarantees for shareholding subsidiaries)						
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	1.	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 Co., Ltd	Jan. 30, 1995	856.00	Joint - responsibility guarantee	Jan. 30, 1995 - Jan. 30, 1996	No	No
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	Aug.13, 1995	6,566.04	Joint - responsibility guarantee	Aug. 13, 1995 -	No	Yes

Import & Export Co., Ltd				Aug. 13, 2000		
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

7.4 Significant related transactions

7.4.1 Related transactions concerning routine operation

☐Applicable √ Inapplicable

7.4.2 Related credits and liabilities current

√ Applicable ☐Inapplicable

Unit: RMB'0000

Related parties	Capital provided to related parties		Capital provided to the Listed Company by related parties	
	Amount	**Balance**	**Amount**	**Balance**
Shenzhen Lionda Food Industry Co., Ltd	0.00	499.87	0.00	0.00
Shenzhen Lionda Development Co., Ltd	-265.50	5,651.63	0.00	0.00
Shenzhen Lionda Material 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., Ltd	0.00	21.40	0.00	0.00
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 Pipeline Co., Ltd	-100.00	1,698.85	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

In the report period, the Listed Company had provided RMB 0.00 to the controlling shareholder and its subsidiaries, and the balance was RMB 57,364,800.

Capital occupation and plan for clearing:

√ Applicable ☐Inapplicable

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. 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.

Could the clearing plan guarantee the ultimate solving of the capital occupation problem before the end of 2006 or not:

☐Yes √ No ☐Inapplicable

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	-

7.5 Financing entrustment
☐Applicable √ Inapplicable

7.6 Implementation of commitments
7.6.1 Timetable of the share merger reform

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. 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.

7.6.2 Other commitments
☐Applicable √ Inapplicable

7.7 Significant lawsuits and arbitrations
√ Applicable ☐Inapplicable

1. On security disputation 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 disputation 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 Count 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: claming 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 suiting 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 4^{th} 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.

§8 Report of the Supervisory Committee

√ Applicable ☐Inapplicable

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.

6. 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.

§9 Financial Report

9.1 Auditing opinions

Auditing opinions: unable to express any opinions

9.2 Financial statements

9.2.1 Balance Sheet

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

9.2.2 Profit and Profit Distribution Statement

	Note	2005 RMB'000	2004 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)

9.2.3 Cash Flow Statement

Reserves

	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Statutory public welfare fund RMB'000	Discretionary surplus reserve RMB'000	Accumulated loss RMB'000	Total reserves RMB'000	Share capital and total reserves RMB'000
As at January 1, 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)

	2005 RMB'000	2004 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

	Note	2005 RMB'000	2004 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

9.3 Detailed explanation on the changes in the accounting policies, accounting estimation or accounting methods compared with the latest Annual Report

□Applicable √Inapplicable

9.4 Content of significant accounting errors, amounts changed, reasons and influences

□Applicable √Inapplicable

9.5 Detailed explanation on the changes in the consolidation scope compared with the latest Annual Report

√Applicable □Inapplicable

1. Due to bad operation, Shenzhen Lionda Industry & Trade Co., Ltd had gone into liquidation. Starting from Jan. 1, 2005, this company was not and would not be included in the consolidation scope of the Company any more.

2. 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 sequestrated 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.

Guangdong Sunrise Holdings Co., Ltd

Board of Directors: Yang Fenbo

Mar. 30, 2006