GUANGONG SUNRISE HOLDINGS CO., LTD.
SUMMARY OF ANNUAL REPORT 2007

§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) warrant that this report does not contain any false or misleading statements or omit any material facts and all information set forth herein are true, accurate and complete. The summary of annual report 2007 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 None of the directors, supervisors, senior management demonstrated uncertainty or disagreement about the truthfulness, accuracy, and completeness of this annual report.

1.3 All directors attended the Board meeting.

1.4 Shenzhen Dahua Tiancheng Certified Public Accountants issued an auditors' report with disclaimer of opinion. The Board of Directors issued the special explanation related to the said 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. Wang Jianyu, Person in charge of Accounting Affairs and concurrently General Manager Mr. Ao Yingchun, Person in charge of Accounting Organ Yu Deshan hereby confirm that the Financial Report of the Annual Report is true and complete.

§2. Company Profile

2.1 Basic information

Stock abbreviation	S* ST Sunrise, *ST Sunrise B
Stock code	000030, 200030
Stock Exchange listed on	Shenzhen Stock Exchange
Registered address	Tairan Industrial Zone, Chegongmiao, Shenzhen, Guangdong, PRC
Post code of registered address	518040
Office address	The 4th Floor East, 203 Block, Tairan Industrial Zone, Chegongmiao, Shenzhen, Guangdong
Post code of Office address	518040
Internet website of the Company	http://www.cninfo.com.cn/default.htm
E-mail of the Company	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

	2007	2006		Increase/ decrease year-on-year(%)	2005	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Operating income		0.00			81,842,030.77	81,842,030.77
Total profit	-22,075,217.13	18,660,262.04	18,660,262.04	-218.30%	-52,275,527.36	-52,275,527.36
Net profit attributable to shareholders of listed company	-22,075,217.13	18,660,262.04	18,660,262.04	-218.30%	-57,181,772.54	-57,181,772.54
Net profit after deducting non-recurring gain and loss attributable to shareholders of listed company	-24,381,666.76	-16,238,046.00	-16,238,046.00	-50.15%	-65,950,923.81	-65,950,923.81
Net cash flow arising from operating activities	-3,178,361.53	-84,197.08	-84,197.08	3,764.91%	27,499,312.61	27,499,312.61
	At the end of 2007	At the end of 2006		Increase/ decrease year-on-year(%)	At the end of 2005	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Total assets	27,154,777.79	29,826,870.27	29,826,570.27	-8.96%	39,195,650.77	39,195,650.77
Owners' equity (shareholders' equity)	-1,638,393,498.52	-1,616,318,281.39	-1,616,318,281.39	-1.37%	-1,649,171,767.48	-1,649,171,767.48

3.2 Major financial indexes

Unit: RMB Yuan

	2007	2006		Increase/ decrease year-on-year (%)	2005	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Basic earnings per share	-0.0765	0.0647	0.0647	-218.24%	-0.1983	-0.1983
Diluted earnings per share	-0.0765	0.0647	0.0647	-218.24%	-0.1983	-0.1983
Basis earnings per share after deducting non-recurring gain and loss	-0.0845	-0.0563	-0.0563	58.08%	-0.2287	-0.2287
Fully diluted return on equity						
Weighted average return on equity						
Fully diluted return on equity after deducting non-recurring gain and loss						
Weighted average return on equity after deducting non-recurring gain and loss						
Net cash flow per share arising from operating activities	-0.01	-0.0003	-0.0003	-3,433.33%	0.0953	0.0953
	At the end of 2007	At the end of 2006		Increase/ decrease year-on-year (%)	At the end of 2005	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Net assets per share attributable to shareholders of listed company	-5.68	-5.60	-5.60		-5.7180	-5.7180

Items of non-recurring gains and losses

√ Applicable ☐Inapplicable

Unit: RMB Yuan

Item of non-recurring gains and losses	Amount

Net gains/losses from disposal on long-term investment	1,556,948.91
Switching back reserve for impairment withdrawn and projected liabilities	699,460.72
Net non-operation income and expense	50,040.00
Total	2,306,449.63

Items measured by fair value

☐Applicable √Inapplicable

3.3 Difference in net profit as audited by PRC GAAP and IFRS

√ Applicable ☐Inapplicable

Unit: RMB Yuan

	PRC GAAP	IFRS
Net profit	-22,075,217.13	-22,075,217.13
Net assets	-1,638,393,498.52	-1,638,393,498.52
Explanation for difference	PRC GAAP and IFRS were almost same , which resulted in no difference	

§4. Changes in Share Capital and Particulars about Shareholders

4.1 Statement of change in shares

Unit: share

	Before the change		Increase/decrease in this time (+, -)					After the change	
	Number of shares	Proportion (%)	Issuance of new shares	Bonus shares	Capitalization of public reserve	Other	Subtotal	Number of shares	Proportion (%)
I. Nontradable shares	208,560,000	72.31%						208,560,000	72.31%
1. Sponsor shares	191,400,000	66.36%						191,400,000	66.36%
Including: Shares held by the State	191,400,000	66.36%						191,400,000	66.36%
Shares held by domestic legal person									
Shares held by overseas legal person									
Others									
2. Raised legal persons shares	17,160,000	5.95%						17,160,000	5.95%
3. Inner employee shares									
4. Preference shares or									

others									
II. Tradable shares	79,860,000	27.69%						79,860,000	27.69%
1. Ordinary RMB shares	40,260,000	13.96%						40,260,000	13.96%
2. Domestically listed foreign shares	39,600,000	13.73%						39,600,000	13.73%
3. Overseas listed foreign shares									
4. Others									
III. Total shares	288,420,000	100.00%						288,420,000	100.00%

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

Unit: share

Total number of shareholders						13,729
Particulars about shares held by the top ten shareholders						
Name of shareholders	**Nature of shareholders**	**Proportion (%)**	**Total number of shares held**	**Number of nontradable shares held**	**Number of shares pledged or frozen**	
SHENZHEN LIONDA GROUP CO., LTD.	State-owned legal person	66.36%	191,400,000	191,400,000	191,400,000	
SHENZHEN COLOURED METAL FINANCIAL CO. LTD.	Domestic non-state-owned legal person	1.83%	5,280,000	5,280,000	0	
SHENZHEN INTERNATIONAL TRUST & INVESTMENT CO.	Domestic non-state-owned legal person	1.83%	5,280,000	5,280,000	0	
SHENZHEN HUACHENGDA INVESTMENT HOLDING CO., LTD.	Domestic non-state-owned legal person	1.37%	3,960,000	3,960,000	3,960,000	
SHENZHEN GUOYIN INVESTMENT DEVELOPMENT CO., LTD.	Domestic non-state-owned legal person	0.92%	2,640,000	2,640,000	2,640,000	
LIUZHOU JIALI REAL ESTATE DEVELOPMENT CO., LTD.	Domestic non-state-owned legal person	0.63%	1,810,000	0		
CHINA EVERBRIGHT HOLDINGS CO.LTD	Foreign legal person	0.50%	1,429,798	0		
SU MING	Domestic natural	0.38%	1,110,000	0		

	person				
XIAO DAI LAN	Foreign natural person	0.30%	857,878	0	
DENG ZHI	Foreign natural person	0.19%	559,700	0	

Particulars about shares held by the top tradable ten shareholders		
Name of shareholders	**Numbers of tradable shares held**	**Type of shares**
LIUZHOU JIALI REAL ESTATE DEVELOPMENT CO., LTD.	1,810,000	RMB ordinary shares
CHINA EVERBRIGHT HOLDINGS CO., LTD	1,429,798	Domestically listed foreign shares
SU MING	1,110,000	RMB ordinary shares
XIAO DAI LAN	857,878	Domestically listed foreign shares
DENG ZHI	559,700	Domestically listed foreign shares
WU SHU PING	480,000	RMB ordinary shares
NI MIN	470,000	Domestically listed foreign shares
GAO SHAO HUA	458,100	Domestically listed foreign shares
XU YONG SHAN	425,900	RMB ordinary shares
LI DONG	410,000	Domestically listed foreign shares
CEHN JIAN XIONG	393,300	Domestically listed foreign shares
Explanation on associated relationship among the above shareholders or acting-in-concert	The Company is not aware of whether there is any relationship among the top ten tradable shareholders and between the top ten tradable shareholder and legal person's shareholder, or whether there is any action-in-concert among them as defined in the Administrative Rules on Information Disclosure about Changing of Shareholding Status.	

4.3 Particulars about the controlling shareholders and actual controllers of the Company

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

☐Applicable √ Inapplicable

4.3.2 Introduction to detail situation for the controlling shareholders and the actual controllers

(1) The Controlling shareholders

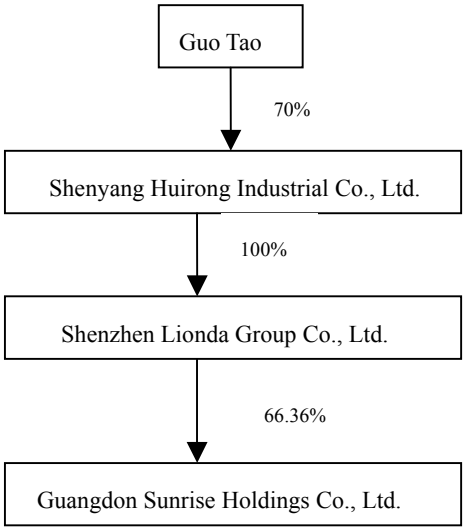
Shenzhen Lionda Group Co., Ltd., the controlling shareholder of the Company, was incorporated in Jun. 1997 with registered capital of RMB 586.49 million. Mr. Yang Fenbo was the legal representative. The company was involved in investing and starting of industrial (subject to report individually), domestic 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 actual controllers

Shenyang Huirong Industrial Co., Ltd. and Mr. Guo Tao were the actual controllers of the Company. Through the self-inspection in the 3rd Quarter 2007 of the Company, 407 employees from the union of Shenzhen Lionda Group Co., Ltd together with the union of Shenzhen Yili Industrial Co., Ltd. held 100.00 million shares of the Shenzhen Lionda Group Co., Ltd. in total. These 100.00 million shares of Shenzhen Lionda Group Co., Ltd. were managed by Shenyang Huirong Industrial Co., Ltd. in trust through signing Share Transferred and Trusted Agreement on Dec. 31, 2004, and would transact the transferred procedure once the conditions in line with the laws and regulations qualified. Subsequently, Shenyang Huirong Industrial Co., Ltd. became the actual controller of Shenzhen Lionda Group Co., Ltd. The investment of Shenyang Ronghui Industrial Co., Ltd. as follows: Zhao Shufan with RMB 30.00 million, Guotao with 70.00 million, Therefore, Shenyang Huirong Industrial Co., Ltd. and Guo Tao become the actual controller of Guangdong Sunrise Holdings Co., Ltd. However, it was attributable to trusting conduct that 100.00 million shares of Shenzhen Lionda Group Co., Ltd. were managed by Shenyang Huirong Industrial Co., Ltd. in trust through Share Transferred and Trusted Agreement on Dec. 31, 2007, what's more, the condition in lines with laws and regulations of transferring was not qualified, so the transferred procedure with industry and commercial organization was finished not yet, Therefore, the Company didn't perform the duty of disclosing information on changing the actual controller. But the Company published the actual situation on public notice (For further information, please refer to Rectification Report on Special Inspection on Corporate Governance of Listed Companies from Shenzhen Securities Bureau on Oct. 30, 2007) with content that: On one side, the Company would perform its duty to disclose information in line with Regulations on Takeover of Listed Companies from CSRC, on the other side, the Company would supervise and urge Shezhen Lionda Group Co., Ltd., actual controller of the Company to perform obligation to disclose related information.

Information of legal actual controller: Shenyang Huirong Industrial Co., Ltd. was founded on Oct. 28, 1999 with registered capital RMB 100.00 million, the legal representative was Zhao Shuyuan. And the scope of business included: enterprise management; production and sale of purified water, mountain spring water, drinks, drinking water equipment, household appliance equipment; hardware and electrical appliance, decoration materials, grocery wholesale industry, retail, manufacture and sale of PC barrel.

4.3.3 Property right and controlling relationship between the actual controller of the Company and the Company



§5. Particulars about Directors, Supervisors and Senior Management

5.1 Particulars about changes in shares held by directors, supervisors and senior management

Name	Title	Sex	Age	Beginning date of office term	Ending date of office term	Number of shares held at the year-begin	Number of shares held at the year-end	Reasons for change	Total payment drawn from the Company in the report period (RMB'0000)	Equity incentive granted during the report period				Drawing payment from the shareholding companies or other related parties or not (Yes / No)
										Number of shares to be exercise	Number of share exercised	Exercise price	Market price of stock at the period-end	
Wang Jianyu	Chairman of the Board	Male	42	24 May 2005	24 May 2008	0	0		16.20	0	0	0.00	0.00	No
Ao Yingchun	General Manager Secretary of the Board	Male	39	24 May 2005	24 May 2008	0	0		13.40	0	0	0.00	0.00	No
Xie Heng	Director	Male	36	24 May 2005	24 May 2008	0	0		0.50	0	0	0.00	0.00	Yes
Yu Deshan	Director	Male	30	24 May 2005	24 May 2008	0	0		10.20	0	0	0.00	0.00	No
Guo Shiping	Independent Director	Male	50	24 May 2005	24 May 2008	0	0		3.00	0	0	0.00	0.00	No
Ma Hong	Independent Director	Male	40	24 May 2005	24 May 2008	0	0		3.00	0	0	0.00	0.00	No
Ban Wu	Independent	Male	62	24 May 2005	24 May 2008	0	0		3.00	0	0	0.00	0.00	No

	Director													
Gong Yiheng	Supervisor	Female	35	24 May 2005	24 May 2008	0	0		0.30	0	0	0.00	0.00	Yes
Niu Suyan	Supervisor	Female	51	24 May 2005	24 May 2008	6,000	6,000		10.60	0	0	0.00	0.00	No
Chen Hong	Supervisor	Female	37	24 May 2005	24 May 2008	0	0		9.90	0	0	0.00	0.00	No
Total	-	-	-	-	-	6,000	6,000	-	70.10	0	0	-	-	-

Numbers of shares futures and restricted shares of the Company entitled to the foresaid members.

□Applicable √Inapplicable

§6 Report of the Board of Directors

6.1 Discussion and analysis by the management team

During the report period, the Company has no main operations. In 2007, the short-term loan of the Company reached RMB 468 million, financial expenses of the Company in the report period reached RMB 22,675,168.75, and the administrative expenses of the Company amounted RMB 3,555,210.04, which cause the loss of the Company, and net profit amounted RMB -22,075,217.13. But the operation result of the Company actualized profit in 2006, because the Company cleaned up non-recurring funds of the Company for RMB 57,364,800 occupied by associated parties in the 3rd quarter 2006, the Company switched reserve for uncollectible accounts for RMB 34,537,200, which helped the Company's operating achievement realize profit in the last year.

During the report period, the Company actively drove share merger reform. Resolution on Share Merger Reform was approved in the Shareholders' Meeting of the Company through voting on 15 Jan. 2007. Owing to the 191,400,000 shares of the Company held by Shenzhen Lionda Holdings Co., Ltd, controlling shareholder of the Company, was judicial froze, the Company cannot applied to implement resolution on share merger reform to China Securities Depository and Clearing Corporation Limited temporarily.

During the report period, the Company would continue to actively communicate and negotiate with the creditors and endeavor to make some breakthroughs in the aspect of debts reorganization. The Company would actively search for a cooperation partner of real strength, good faith and operation capability. The Company signed Agreement to Engage as Financial Consultants with Beijing Integrity Management Consulting Co., Ltd in Jan. 2007, so as to make a breakthrough on recombination, and improve the capacity of continuous operation of the Company.

Nevertheless, the Company spent hard efforts in the debts reorganization and assets reorganization, and also activity search the best share merger reform mode, however, the creditors and credit amounts were scattered and the Company had great guarantee risks. Therefore little progress had been made in the debts reorganization work of the Company in the report period. Meanwhile, the controlling shareholder of the Company

contacted with some restructuring partners of good faith and real strength, however, there were no oral or written agreement reached and little progress had been made in the assets reorganization work of the Company.

6.2 Use of the raised proceeds

☐Applicable √ Inapplicable

Particulars about the changed projects

☐Applicable √ Inapplicable

6.3 Application of the non-raised proceeds

☐Applicable √ Inapplicable

6.4 Explanation of the Board of Directors on the "Non-standard Audit Report" issued by the Certified Public Accountants

√ Applicable ☐Inapplicable

(I) The content and reason analysis of the Auditor's Report with disclaimer of opinion

Shenzhen Dahua Tiancheng Certified Public Accountants believed that, as indicated by Notes 7, 9 and 12 to the Accounting Statements, the repayment pressure of short-term liabilities of the Company is huge. And there are lots of guarantee liabilities being sued, which would directly influence the operation continuity of the Company if they could not be eliminated in the short run. Financing and debt restructuring are being carried out by the Company, and the management team believes that future operation needs could be handled after the financing and debt restructuring. Therefore, the financial statements 2007 were prepared according to the standards of continuous operation, and not included were the adjustments that would be made in case of failing to get the capital needed. But the improving measures of continuous operation of the Company were still at the initial stages, we could not get full and proper audit evidence to prove whether it could improve continuous operation ability of the Company efficiently. So we could not judge whether drawing financial statement 2007 in accordance with continuous operating hypothesis was proper. As the possible influences of foresaid issue were important and comprehensive, Shenzhen Dahua Tiancheng Certified Public Accountants unable to express opinions on the financial statement of the Company.

(II) 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. The Company actively continued to communicate and negotiate with the creditors and endeavored to make some breakthroughs in the aspect of debt restructuring. The Company signed Agreement to Engage as Financial Consultants with Beijing Integrity Management Consulting Co., Ltd in Jan. 2007. The controlling shareholder of the Company contacted with some restructuring partners of good faith and real strength, although there were no oral or written agreement reached, the Company actively

enhanced debt restructuring and assets restructuring work of the Company at all time, so as to make a breakthrough on recombination, and improve the capacity of continuous operation of the Company.

6.5 Preplan of profit distribution or capitalization of common reserves for 2007 made by the Board of Directors

√ Applicable ☐Inapplicable

As audited by Shenzhen Dahua Tiancheng Certified Public Accountants, the net profit realized by the Company in 2007 totaled RMB -22,075,217.13 and the retained profit totaled RMB -2,446,177,404.19. The Company did not distribute any profit, nor did it transfer any capital reserves into share capital in 2007. This resolution would be submitted to the Shareholders' General Meeting for examination.

No cash dividend preplan was raised though the Company is making profit for the report year

☐Applicable √ Inapplicable

§ 7 Significant Events

7.1 Purchase of assets

☐Applicable √ Inapplicable

7.2 Sales of assets

☐Applicable √ Inapplicable

7.3 Significant guarantees

√ Applicable ☐Inapplicable

Unit: RMB'0000

External guarantee of the Company (excluding the guarantee for the shareholding subsidiaries)						
Name of the Company guaranteed	Date of occurrence (date of agreement signed)	Amount of guarantee	Guarantee type	Guarantee term	Accomplished or not	Guarantee for related party (yes or not)
Shenzhen Lionda Bonded Trading Co., Ltd	30 May 2000	850.00	Joint responsibility guarantee	30 May 2000-30 May 2001	No	Yes
Shenzhen Sun Pipeline Co., Ltd	30 Dec. 1993	4,335.00	Joint responsibility guarantee	30 Dec. 1993-30 Dec. 199	No	Yes
Shenzhen Gaokeda Electronics Co., Ltd	10 Mar. 1994	50.00	Joint responsibility guarantee	10 Mar. 1994-10 Mar. 1995	No	Yes
Shenzhen Yuda Import & Export Co.,	8 Jul. 1998	480.00	Joint	8 Jul. 1998-	No	Yes

Ltd			responsibility guarantee	25 Jan. 2000		
Shenzhen China Bicycle Company (Holdings) Limited	19 Dec. 1995	29,116.00	Joint responsibility guarantee	19 Dec. 1995-25 Nov. 1998	No	No
Yue-Shen Light Industry & Trading Company	30 Dec. 1993	818.78	Joint responsibility guarantee	30 Dec. 1993-22 Jun. 1996	No	Yes
Guangzhou Xufeng Enterprise Group Co., Ltd	2 May 1995	1,500.00	Joint responsibility guarantee	2 May 1995-2 May 1996	No	No
Shenzhen Jinbeisheng Investment Co., Ltd	22 Jun. 1995	7,760.00	Joint responsibility guarantee	22 Jun. 1995-22 Jun. 1996	No	No
Shenzhen Guoyin Investment Group Co., Ltd	13 Dec. 1995	4,030.00	Joint responsibility guarantee	13 Dec. 1995-28 Jan. 2001	No	Yes
Shenzhen Paina Garment Co., Ltd	30 Apr. 1998	130.00	Joint responsibility guarantee	30 Apr. 1998-30 Jan. 1999	No	No
Shenzhen Gintian Industrial Group Co., Ltd	30 Jun. 1997	2,675.00	Joint responsibility guarantee	30 Jun. 1997-31 Dec. 1999	No	No
Shenzhen Zhongwu Resources Import & Export Co., Ltd	30 Apr. 1997	1,679.00	Joint responsibility guarantee	30 Apr. 1997-30 Apr. 1999	No	No
Shenzhen Guangyingda Industrial Development Corporation	25 Sep. 1995	7,897.01	Joint responsibility guarantee	25 Sep. 1995-31 Jan. 1999	No	Yes
Shenzhen Ligang Industrial Company	15 Aug. 1996	723.38	Joint responsibility guarantee	15 Aug. 1996-15 Aug. 1997	No	No
Shenzhen Maoyuan Investment Development Co., Ltd	30 Jan. 1995	856.00	Joint responsibility guarantee	30 Jan. 1995-30 Jan. 1996	No	No
Shenzhen Xingda Industry & Trade Co., Ltd	1 May 1996	40.00	Joint responsibility guarantee	1 May 1996-1 May 1998	No	No
Shenzhen Huasu Co., Ltd	5 Mar. 1997	1,371.00	Joint responsibility	5 Mar. 1997-5 Mar. 1998	No	No

			guarantee			
Shenzhen Jinhai Electronics Co., Ltd	7 Apr. 1996	350.00	Joint responsibility guarantee	7 Apr. 1996-7 Apr. 1997	No	No
Shenzhen Guanghualin Investment Co., Ltd	23 May 1996	1,220.00	Joint responsibility guarantee	23 May 1996-23 May 1997	No	No
Shenzhen Tiantai Petrochemical Co., Ltd	20 Jun. 1995	166.00	Joint responsibility guarantee	20 Jun. 1995-20 Jun 1996	No	No
Shenzhen Building Materials Group	1 Mar. 1998	80.00	Joint responsibility guarantee	1 Mar. 1998-1 Mar. 1999	No	No
Shenzhen Jingyuan Industry & Trade Company	30 Apr. 1997	80.00	Joint responsibility guarantee	30 Apr. 1997-30 Apr. 1998	No	No
Hainan Wanda Industry & Trade Co., Ltd	16 Aug. 1996	3,093.86	Joint responsibility guarantee	16 Aug. 1996-16 Aug. 1997	No	No
Shenzhen Xuena Co., Ltd	10 Jun. 1995	112.91	Joint responsibility guarantee	10 Jun. 1995-10 Dec. 1996	No	No
Shenzhen Light Industry Import and Export Corporation	31 Jul. 1997	273.00	Joint responsibility guarantee	31 Jul. 1997-31 Dec. 1999	No	Yes
Jilin Lionda Company	30 Jun. 1996	350.00	Joint responsibility guarantee	30 Jun. 1996-30 Dec. 1997	No	Yes
Shenzhen Big World Shopping Center	1 Mar. 1996	1,402.70	Joint responsibility guarantee	1 Mar. 1996-1 Mar. 1997	No	No
Shenzhen Lionda Development Co., Ltd	25 Apr. 1996	781.50	Joint responsibility guarantee	25 Apr. 1996-25 Apr. 1999	No	Yes
Shenzhen Lionda Electric Appliance Co., Ltd	3 Nov. 1996	985.00	Joint responsibility guarantee	3 Nov. 1996-3 Nov. 1999	No	Yes
Shenzhen Paper Manufacturing Company	15 Mar. 1997	1,790.00	Joint responsibility guarantee	15 Mar. 1997-15 Mar. 2000	No	Yes

Shenzhen Lionda Food Staff Co., Ltd	1 Sep. 1996	2,940.00	Joint responsibility guarantee	1 Sep. 1996-1 Mar. 2000	No	Yes
Shenzhen Lionda Material Import & Export Co., Ltd	13 Aug. 1995	6,566.04	Joint responsibility guarantee	13 Aug. 1995-13 Aug. 2000	No	Yes
Hunan Lionda Company	25 Oct. 1997	325.00	Joint responsibility guarantee	25 Oct. 1997-25 Oct. 1998	No	Yes
Shenzhen Lionda Leke Box Co., Ltd	4 Jul. 1996	12,850.00	Joint responsibility guarantee	4 Jul. 1996-4 Jul. 1998	No	Yes
Shenzhen Haima Electric Appliance Co., Ltd	1 Apr. 1995	1,750.00	Joint responsibility guarantee	1 Apr. 1995-1 Apr. 2000	No	Yes
Total amount of guarantee occurred in the report period						0.00
Total balance of guarantee at the end of the report period						71,739.45
Guarantee of the Company for the shareholding subsidiaries						
Total amount of guarantee occurred for shareholding subsidiaries in the report period						0.00
Total balance of guarantee occurred for shareholding subsidiaries at the end of the report period						14,697.54
Total amount of external guarantee of the Company (Including the guarantee for the shareholding subsidiaries)						
Total amount of guarantee						86,436.99
The proportion of the total amount of guarantee in the net assets of the Company						-52.76%
Of which:						
The amount of guarantee provided for shareholders, actual controller and other related parties						48,483.23
Guarantee amount for the debts of the guaranteed companies with an asset-liability ratio of over 70 percent, directly or indirectly						21,118.54
The amount by which the total guarantee amount exceeded 50 percent of the net assets						16,835.22
Total amount of the above three guarantees						86,436.99

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	Funds provided by the Company to related parties		Funds provide by related parties to the Company	
	Occurred amount	Balance	Occurred amount	Balance
Shenzhen Lionda Food Industry Co., Ltd	0.00	499.87	0.00	0.00
Shenzhen Lionda Development Co., Ltd	-69.95	5,536.22	0.00	0.00
Shenzhen Lionda Material Import & Export Co., Ltd	0.00	2,793.53	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
Shenzhen Fuguanghao Industrial Co., Ltd.	69.24	99.47	0.00	0.00
Shenzhen Lionda Group Co., Ltd.	0.00	0.00	-208.72	395.55
Shenzhen Lionda Leke Box Co., Ltd	0.00	0.00	0.00	101.96
Shenzhen Light Industry Import & Export Company	0.00	0.00	0.00	415.00
Shenxin Enterprise Co., Ltd.	0.00	0.00	0.00	37.26
Total	-0.71	11,667.76	-208.72	949.77

Of which: The funds provided by the Listed Company to controlling shareholder and its subsidiaries during the report period totaled RMB 0.00, as well as the balance of RMB 0.00.

7.4.3 Progress of repayment on the capital occupied as at the end of 2007

☐Applicable √ Inapplicable

New capital occupation in the year 2007

☐Applicable √ Inapplicable

In case of the Company's failure to complete the repayment of the capital occupation of non-operating as at the end of 2007, relevant reason, measures for debt repayment and plan for responsibility ascertainment

☐Applicable √ Inapplicable

7.5 Financing entrustment

☐Applicable √ Inapplicable

7.6 Implementation of commitments

√ Applicable ☐Inapplicable

Name of shareholders	Commitment	Implementation of commitments	Note
Shenzhen Lionda Group Co., Ltd	1. As the non-tradable shareholder, Shenzhen Guoyin Investment Group Co., Ltd did not express explicit opinions for the share merger reform; the consideration it should pay in accordance with share merger reform would be paid by Shenzhen Lionda Group Co., Ltd. 2. As the S*ST Sunrise shares held by non-tradable shareholder, Shenzhen Huashengda Investment Holdings Co., Ltd were frozen, the consideration it should pay in accordance with share merger reform would be paid by Shenzhen Lionda Group Co., Ltd. after the payment, if the shares listed, it should return the consideration, or get the agreement of Shenzhen Lionda Group Co., Ltd. After the share merger reform, when Shenzhen Huashengda Investment Holdings Co., Ltd listed the held non-tradable shares, it should get the agreement of Lionda and let Guangdong Sunrise Group Co., Ltd apply listing and trading of the shares to Stock Exchange. 3. The related expenses of share merger reform would be paid by the first shareholder, Shenzhen Lionda Group Co.,	The share merger reform did not perform yet.	Because the 191.4 million shares of the Company held by the controlling shareholder Shenzhen Lionda Group Co., Ltd were frozen judicially, the Company could not apply for the implementation of the share merger reform to Securities Depository & Clearing Corp. temporarily.

7.7 Significant lawsuits and arbitrations

√ Applicable ☐Inapplicable

1. As for the dissension case on credit line contract between China Great Wall Asset Management Corp. Shenzhen Office and the Company with contract principal fund of RMB 21 million, Guangdong Haifeng People's Court accepted the appointment by Guangdong Higher People's Court to file a case and execute the aforesaid dissension case. Application executor --- China Great Wall Asset Management Corp. Shenzhen Office transferred its creditor's rights to Huizhou Daya Bay Zhuopeng Industrial Co., Ltd. by auction on Oct. 18, 2006, and the auction fund was paid off on Oct. 31, 2006. Executor --- China Great Wall Asset Management Corp. Shenzhen Office applied for Haifeng People's Court, Guangdong to change application executor into Huizhou Daya Bay Zhuopeng Industry Co., Ltd. on Jan.18, 2007. Jan. 26, 2007, Guangdong Haifeng People's Court ruled the following civil judgment: change Huizhou Daya Bay Zhuopeng Industry Co., Ltd. into the executor of this case; right and obligation of China Great Wall Asset Management Corp. Shenzhen Office, the former executor, were succeeded by Huizhou Daya Bay Zhuopeng Industry Co., Ltd. In course of execution, the party subject to enforcement was investigated that it has held equities of 5 companies, and Guangdong Haifeng People's Court, ruled the following civil judgment on Jun. 8, 2007: Frozen 80% equity of Shenzhen Lionda Light & Textile and Chemical Industry Co., Ltd., 95% equity of Shenzhen Lionda Electric Industry Co., Ltd., 95% equity of Shenzhen Lionda Development Co., Ltd., Shenzhen Lionda Material Import

and Export Co., Ltd. and 70% equity of Shenzhen Lionda Time Industry Co., Ltd. held by the company subject to enforcement. The Company withdrawn fully projected liabilities of this lawsuit event, and it brought no effect on current profits and losses.

Please refer to sue event public notice 2007-039 with details of the above lawsuit published in Securities Times and Hong Kong Ta Kung Pao on Jul. 31, 2007 by the Company.

2. As for the dissension case on loan contract between the Company and Bank of China Shenzhen Branch (China Cinda Asset Management Corporation Shenzhen Office)., principal fund of this contract was HKD 32 million, and Shenzhen Shenbao Industrial Co., Ltd. shouldered joint liabilities for this loan. In December 2005, China Cinda Asset Management Corporation Shenzhen Office transferred the aforesaid creditor's right to Glenmore Investment Limited. Shenzhen Intermediate People's Court frozen deposit RMB 9,000,000 of Glenmore Investment Limited in China Construction Bank, Shenzhen Branch, Jingyuan Sub-branch, as well as sealing up and freezing assets of Shenzhen Shenbao Industry Co., Ltd. counted by RMB 9,000,000. Owing to becoming reconciled between accuser of Glenmore Investment Limited and appellee Shenzhen Shenbao Industrial Co., Ltd., Shenzhen Shenbao Industrial Co., Ltd paid RMB 29,000,000 for Glenmore Investment Limited. Shenzhen Intermediate People's Court ruled the following civil judgments in accordance with laws on Jan. 10, 2007: permit Glenmore Investment Limited to repeal the lawsuit for Shenzhen Shenbao Co., Ltd; unseal guarantee asset of Glenmore Investment Limited; unseal the property of Shenzhen Shenbao Co., Ltd. As for the above issues, the Company received the Civil Judgment made from Shenzhen Intermediate People's Court on Jul, 19, 2007 with the following judgment: 1. the Company, the appellee, should pay principal fund of HKD 3,566,248 and the corresponding interest for the accuser Glenmore Investment Limited; 2. the acceptance fee and security fee of RMB 387,968 for the case should be undertaken by the Company. Meanwhile, according to the notice of respondence to action received by the Company from Shenzhen Intermediate People's Court in Jun., 2007, Shenzhen Shenbao Industrial Co., Ltd brought civil lawsuits to Shenzhen Intermediate People's Court because RMB 29,000,000 to be paid substituting for the Company with request as follows: 1. the Company, the appellee, should pay RMB 29,000,000 and the corresponding interest for the accuser, Shenzhen Shenbao Industrial Co., Ltd; 2. the Company should undertake the legal fee. Shenzhen Intermediate People's Court decided to hear the case on Jun. 20, 2007. The Company would fulfill the obligations continuously disclosed based on the progress of lawsuit. This lawsuit involved the changes of creditors and brought no effect on current profits and losses.

Please refer to sue event public notice 2007-039 and sue event public notice 2007-069 with details of the above lawsuit respectively published in Securities Times and Hong Kong Ta Kung Pao on Jul. 31, 2007 and Dec. 27, 2007 by the Company.

3. As for the dissension case on loan contract between the Company and China Everbright Bank Shenzhen Branch., principal fund of this contract was RMB 15 million. The Company received civil judgment of abeyant execution from Shenzhen Intermediate People's Court on Sep. 5, 2002. China Everbright Bank Shenzhen Branch, the executor, applied for Shenzhen Intermediate People's Court to compellingly execute

on June 16, 2005. In course of execution, Shenzhen Intermediate People's Court frozen and evaluated 20% equity of the Company in Shenzhen Machine Joint Venture Co., Ltd., and it held public auction. It was failed to deal for no one purchasing after 3 times auctions. Now, executors required to cancel out part of liabilities with base price of RMB 1,290,000 of the third auction. Shenzhen Intermediate People's Court ruled the following civil judgments: cancel out liabilities of China Everbright Bank Shenzhen Branch with RMB 1,290,000 of 20% equity of Shenzhen Jianda Joint Venture Co., Ltd. held by the company subject to enforcement; release 20% equity of Shenzhen Jianda Joint Venture Co., Ltd. held by the company subject to enforcement from frozen. The Company withdrawn projected liabilities of this guarantee, so long-term equity investment disposal of this item would help projected liabilities decrease by RMB 1.29 million, non-business income increase by RMB 1.29 million. Meanwhile, it would bring investment losses around RMB 1.44 million. Furthermore, Shenzhen Intermediate People's Court legally issued the Notice to Seal up on Nov. 9, 2006 according to the application of China Everbright Bank Shenzhen Branch, with the following details: the workshops of the Company respectively located at F3 and F4 of Huanlianfa Complex Building, Huaqiangbei Road and No. 91, Xuegangnan Road, Xuexiang Community, Buji Street, Longgang District were sealed up in turn on Oct. 24, 2006. The Company had made bad debt provision on schedule for the said lawsuit, which did not bring any influence on the current profits and losses.

Please refer to sue event public notice 2007-039 with details of the above lawsuit published in Securities Times and Hong Kong Ta Kung Pao on Jul. 31, 2007 by the Company.

4. As for the dissension case on loan contract between the Company and Bank of Communication Shenzhen Branch Overseas Chinese Town Sub-branch (China Cinda Asset Management Corporation) and Shenzhen Jinbeisheng Investment Co., Ltd., principal fund of this contract was RMB 2.6 million, and the Company bore joint liabilities. China Cinda Asset Management Corporation Shenzhen Branch transferred creditor's right and interest under this case to Crosstown China Investment III, LLC on Dec. 27, 2005. Public notice on creditor's right transferring was published in Nanfang Daily on July 12, 2006. Therefore, Grosstown China Investment III, LLC submitted written application to Guangdong Shanwei Intermediate Peoples' Court and asked that change itself into executor of this case. Guangdong Shanwei Intermediate Peoples' Court ruled the following civil judgment: Change executor of this case into Crosstown China Investment III, LLC. The Company withdrawn fully projected liabilities of this lawsuit event, and it brought no effect on current profits and losses.

Please refer to sue event public notice 2007-039 with details of the above lawsuit published in Securities Times and Hong Kong Ta Kung Pao on Jul. 31, 2007 by the Company.

5. As for the three dissension cases on loan contract among the Company and Shenzhen Guoyin Investment Group Co., Ltd and Bank of Communication Shenzhen Branch Nanshan Sub-branch, principal funds of the contracts were respectively RMB 2 million, RMB 3 million and RMB 6 million, totaling to RMB 11 million, which were guaranteed by the Company. Shenzhen Intermediate People's Court respectively made civil

judgment (SZFJTC Zi [2000] No. 213, 214, 215) for the three cases in Sep., Oct., Nov., 2000, which were legal in effect. Hereinafter, application executor—Bank of Communication Shenzhen Branch Nanshan Sub-branch transferred the relevant creditor's rights to ADDVALUE HOLDING LIMITED, because Shenzhen Guoyin Investment Group Co., Ltd and the Company didn't perform the obligation confirmed in the judgment, ADDVALUE HOLDING LIMITED applied for Shenzhen Intermediate People's Court to compellingly execute, and Shenzhen Intermediate People' Court accepted the case legally. On Jun. 11, 2007, Guangdong Higher People's Court made Written Decision for Execution designated in [2007] YGZZ Zi No. 377, appointing the case executed by Guangdong Heyuan Intermediate People's Court which would file and execute the case on Jul. 18, 2007. During the course of execution, the applicant required Guangdong Heyuan Intermediate People's Court to legally auction the equity of S*ST Sunrise with 2,640,000 shares (Securities code: 000030, with nature of shares: domestic legal person share) held by Shenzhen Guoyin Investment Group Co., Ltd. In the opinion of Guangdong Heyuan Intermediate Court, the requirement of the applicant was in line with laws, so on Nov. 6, 2007, a civil judgments ([2007] HZFZ Zi No. 100, 101, 102) were made by laws: the equity of S*ST Sunrise with 2,640,000 shares (Securities code: 000030, with nature of shares: domestic legal person share) held by Shenzhen Guoyin Investment Group Co., Ltd should be auctioned. On Nov. 26, 2007, Guangdong Heyuan Intermediate People's Court issued Notice to Auction Property. Given S*ST Sunrise (the Company) had entered the procedure of share merger reform, and Shenzhen Guoyin Investment Co., Ltd was one of the non-tradable shareholders of the Company, according to the requirement mentioned in the plan of share merger reform, the consideration of 254,810 shares paid for tradable shareholders by the non-tradable shareholder Shenzhen Guoyin Investment Group Co., Ltd, should be paid by the large shareholder Shenzhen Lionda Group Co., Ltd. Therefore, the Company submitted the Letter on Reserving Shares for Paying Consideration Owing to Share Reform by Auctioning Equity of Sunrise Company Held by Guoyin Investment to Guangdong Heyuan Intermediate People's Court on Nov. 28, 2007, requesting Guangdong Heyuan Intermediate People's Court to reduce 254,810 shares for payment of the consideration owing to share reform when entrusting to auction according equity. The lawsuit temporarily had no affect on the current profits and losses because of the unknown result.

Please refer to sue event public notice 2007-069 with details of the above lawsuit published in Securities Times and Hong Kong Ta Kung Pao on Dec. 27, 2007 by the Company.

6. As for the dissension case on loan contract between the Company and Shenzhen Development Bank Shenzhen Nantou Sub-branch, principal fund of this contract was HKD 4 million, Shenzhen Shenbao Industrial Co., Ltd offered guarantee for the loan. Shenzhen Shenbao Industrial Co., Ltd had paid off part of the principal fund owing to several urgencies, by Aug. 30, 2007, the Company still owed interest penalties of the loan with KHD 276,100.72, compounding interest of HKD 134,125.82. Given the unpaid result, Shenzhen Development Bank Shenzhen Nantou Sub-branch brought a lawsuit to Shenzhen Nanshan People's Court on Aug. 31, 2007. Shenzhen Nanshan

People's Court heard the case on Nov. 12, 2007, and on Nov. 20, 2007 made civil judgment ([2007] SNFMEC Zi No. 1447): the Company should pay interest penalties of the loan with HKD 276,100.72 and compounded interest of HKD 134,125.82 for Shenzhen Development Bank Shenzhen Nantou Sub-branch, undertaking the acceptant fee of the case of RMB 3,614.5. The Company had withdrawn interest of the short-term borrowing as for the said lawsuit, which had no influence on the current profits and losses.

Please refer to sue event public notice 2007-069 with details of the above lawsuit published in Securities Times and Hong Kong Ta Kung Pao on Dec. 27, 2007 by the Company.

7.8 Other significant events and explanation on analysis to their influences and solutions

7.8.1 Securities investment

☐Applicable √ Inapplicable

7.8.2 Equity of other listed companies held by the Company

☐Applicable √ Inapplicable

7.8.3 Equity of non-listed financial enterprises held by the Company

☐Applicable √ Inapplicable

7.8.4 Trading of shares of other listed companies

☐Applicable √ Inapplicable

§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, by concerning to the operation of the Company, and had expressed its independent opinions on the following issues:

1. Operation of the Company by laws

The Company could timely establish and amend the related internal control system according to the actual situation. The decision-making procedures of the operation of the Company 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. However, the Company still existed some nonstandard position in the corporate governance, such as offering unpublicized information to the large shareholders and actual controller and disclosing information of the actual controller. The Supervisory Committee issued opinion on the Rectification Report on Shenzhen CSRC Conducted Special Inspection for Corporate Governance of the Listed Company

according to the requirement of the supervisory opinion.

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 2007 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 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 raised proceeds.

5. In the report period, the Company had no related transactions.

6. 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.

7. 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 2007, 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 positively, so as to try to improve the continuous operation capacity of the Company.

§9 Financial Report

9.1 Auditing opinion

Auditors' Report	An auditors' report with disclaimer of opinion
Full Text of Auditors' Report	
Auditors' Report All Shareholders of Guangdong Sunrise Holdings Company Limited We have audited the accompanying financial statements of Guangdong Sunrise Holdings Company	

Limited (the "company"), which comprise the consolidated and the Company's balance sheet as of December 31, 2007, the consolidated and the Company's income statement, the consolidated and the Company's statement of changes in equity, the consolidated the Company's cash flow statements with the accompanied notes to the financial statements for the year then ended 2007.

1. RESPONSIBILITY OF COMPANY'S MANAGEMENT

The preparation of the financial statements in accordance with the China Accounting Standards for Enterprises, which issued by the Ministry of Finance of the People's Republic of China, is the responsibility of the Company's management. The responsibility comprises (1) designing, implementing and maintaining the internal control system relevant to the preparation of the financial statements, to ensure that the financial statements are free of material misstatement due to fraud or error; (2) selecting and applying appropriate accounting policies; (3) making accounting estimates that are reasonable in the circumstances.

2. MATTERS CAUSED TO DISCLAIMER OF OPINION

As presented in Note 7 (7) and Note 12, the Company is under significant financial burdens on short-term repayment obligations and large amounts of liabilities caused by guarantee are indicted, which will affect the going concern basis if the management is not able to vanish shortly. The debts and assets restructuring are still in process, the management believes that after the reconstruction the Company will have ability to operate in the future. As such, the financial statements have been prepared on a going concern basis. However, all the improvement measures mentioned above are in the initial course, we are unable to obtain sufficient and reasonable evidences to assure that the Company will succeed in debt and assets restructuring and will have going concern ability for the future operation, therefore, we are unable to conclude whether the preparation of financial statement for the year ended 2007 is appropriate under the going concern basis.

3. AUDITOR'S OPINION

Because the impact on the above matters is material, we are unable to express an opinion as to whether the financial statements present fairly, in all material respects, the financial position of the Company as of December 31 2007 and the results of its operations and its cash flows for the year then ended.

BDO.Shenzhen Dahua Tiancheng CPAs Certified Public Accountants of China

Shenzhen, China Certified Public Accountants of China

April 11, 2008

GUANGDONG SUNRISE HOLDINGS COMPANY LIMITED

NOTES OF FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31 2007

(All amounts in RMB Yuan unless otherwise stated)

[English Translation for Reference Only]

1. Basic situation of the Company

GUANGDONG SUNRISE HOLDINGS COMPANY LIMITED (hereinafter referred to as "the Company") is established in the People's Republic of China as a jointly stock company as approved by Government of Shenzhen City (Shen Fu Ban Fu (1993) No. 720) dated on June 7, 1993, the Company restructured from the original "Shenzhen Lionda Group" by raising capital measure. On September 29 1993, upon approval by the China Securities Regulatory Commission, the Company issued common shares in RMB (A share) and foreign capital shares (B share) listed in Shenzhen Stock Exchange. The number of business license of the Company is 4400001001658 and the present registered capital is RMB 288,420,000. On June 13 2002, the Company renamed from "Shenzhen Lionda Holdings Company Limited" to "Guangdong Sunrise Holdings Company Limited".

The major business scope of the Company includes to sale and agent second and third class merchandise in Guangdong Province (goods list is complies with the document YUE JING MAO (1990) 320); export goods transfer to domestic sales or import goods; to sale woodwork (excluding woods), industrial product materials (excluding gold, silver, card and dangerous chemistry products), textile, computers and fittings, rubber products; provide consult service and investment.

The registered address of the Company is at 4 Floor, Block 203, Tairan Industry Zone, Chegongmiao, Futian District, and Shenzhen China.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements prepared by the Company are in accordance with the requirements of China Accounting Standards for Business Enterprises (2006) issued by the Ministry of Finance of the People's Republic of China (hereinafter referred to as "the Ministry of Finance"). According to China Accounting Standards for Business Enterprise, estimation and assumptions are the requirement when preparing financial statements, which will affect the disclosure of assets, liabilities and the contingent liabilities as of balance sheet date and the profits/losses accounts for the year then ended.

As formulated by "Public offering Enterprise data disclosure question and answer No. 7—comparable financial information preparation and presentation in former and new accounting standards transitional period (Zheng Jianhui Kuai Ji Zi (2007) 10), in preparation of comparable financial statements, on the basis of implementation of new accounting standards from Jan. 1, 2007, the Company recognizes the beginning balance of 2007 for balance sheet, based on this and in accordance with the retrospective adjustment principle, the Company recognizes the adjusted comparable balance sheet and income statements as its financial statements .

As presented in Note 7 (7) and Note 12, the Company is under significant financial burdens on short-term repayment obligations and large amounts of liabilities caused by guarantee are indicted, which will affect the going concern basis if the management is not able to vanish shortly. The debts and assets restructuring are still in process, the management believes that after the reconstruction the Company will have ability to operate in the future. As such, the financial statements have been prepared on a going concern basis.

3. BASIS OF CONSOLIDATION

(1) Accounting policies

The accounting policies adopted by the Company are in accordance with the China Accounting Standards for Business Enterprises (2006) issued by the Ministry of Finance

(2) Accounting period

The accounting year of the Company is from January 1 to December 31.

(3) Recording currency

The recording currency of the Company is the RMB (Yuan), the statutory currency of the People's Republic of China.

(4) Basis of accounting and measurement

The Company follows the accrual basis of accounting. Assets are initially recorded at actual costs.

(5) Accounting method for foreign currency transactions

All transactions denominated in non-recording currency are translated into RMB at the fixed exchange rate. At the year end, the Company adjusted monetary assets denominated in non-recording currency converted into RMB at the market foreign exchange rates of the balance sheet date. The translation differences raised from above transactions should be recorded into the profits and losses accounts for current period. The net exchange losses arising form loans used for purchase fixed assets should be capitalized in accordance with capitalization principle of loan costs.

(6) Cash and cash equivalents

The cash of the Company refers to cash on hand and deposits that are available for payment at any time. The cash equivalents refers to short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(7) Provisions for bad accounts

The Company recognizes general and specific provision for bad debts based on an assessment of the recoverability of receivables. Specific provisions are made for those receivables on the basis of analysis for each individual accounts which are not possibly collectible. A general provision for the remaining receivables, which is net of accounts for specific provision, is recorded 3% of the receivables.

The bad debt is recognized when the bad debt is determined as such when the debtor is bankrupt or dead, and the proceeds from the bankrupt's estates or the decreased property are unable to cover the debt; or the debtor fails to repay the overdue debt for long period with plain evidences to indicate his inability to do so.

(8) Inventories

Inventories include raw materials, consignment materials, work in progress, finished goods, periodic collecting delivered finished goods, developed goods and developed cost.

Inventories are accounted for initial cost when purchased, and using moving weighted average accounting method when issued. Perpetual inventory system is applied to inventories. Low cost consumables are expensed when using.

On the basis of stocktaking at the end of each year, for any inventory is physical damage, part or entire obsolescence or its sales price fall below its cost, which results the cost of the inventory is lower than its net realizable value (the "NRV"), a provision for impairment of inventory should be made. The provision for impairment equals to the difference between cost and NRV for individual item. NRV is the estimated selling price in the ordinary course of business, less the estimated costs to completion and the estimated costs necessary to conclude the sale.

(9) Long-term investment

(a) Investments in subsidiaries

In the individual financial statements of the Company, long-term equity investment in subsidiaries is calculated with cost method, and the cost minus evaluation provision is calculated into the balance sheet at the end of the period. While initial confirmation, the investment costs of long-term equity investment in subsidiaries are measured according to the following principles:

− For long-term equity investment in subsidiaries arising from merger of enterprises under the same control, the Company takes the share of book value of owners' equity of the mergered party acquired on the merger date as the initial investment costs of long-term equity investment. For the difference between the initial investment costs of long-term equity investment and the book value of the paid consideration, premium price of capital stock (or premium price of capital) in capital reserves is modified; if the premium price of capital stock (or premium price of capital) in capital reserves is insufficient to write off, the earning retained is modified.

− For long-term equity investment not under the same control, the Company takes the merger costs confirmed on purchase date as the initial investment costs of long-term equity investment.

− For long-term equity investment in subsidiaries arising from non-corporate merger, while initial confirmation, for long-term equity investment acquired from cash payment, the Company takes the actually paid purchase price as the initial investment costs. For long-term equity investment obtained from issuing equity securities, the Company takes the fair value of stock equity as initial investment costs. For long-term equity investment invested by investors, the Company takes the value regulated in investments contract or agreements as initial investment costs.

(b) Investment on joint enterprises and jointly-run enterprises

Investment on joint enterprises and jointly-run enterprises Joint enterprise refers to the enterprise to which the Company and other investors perform joint control according to arrangement of agreements. Joint control refers to mutual control to economic activities according to contracts, and only exists

when investors that need to share control power to important financial and operation decision relating to economic activities agree unanimously. Jointly-run enterprise refers to the enterprise to which the Company can perform material influence. Material influence refers to, with power of participating in decision to finance and operation policy of the invested entity, but cannot control or jointly control establishment of these policies with other parties.

Long-term equity investment to joint enterprises and jointly-run enterprises is calculated with equity method, except the investment is in accordance with the conditions of holding for sale (namely, the Company has made decision for disposal of this investment, has signed irrevocable transfer agreement with the assignee, and this transfer will be completed within one year). The Company measures the held-for-sale investment to joint enterprises and jointly-run enterprises according to book value and estimated realizable net value which is smaller, and the difference that the book value is higher than the estimated realizable net value is confirmed as devaluation losses of assets. When the investment to joint enterprises and jointly-run enterprises is initially confirmed, for long-term equity investment obtained with cash payment, the Company takes the actually paid purchase price as the initial investment costs. For long-term equity investment obtained from issuing equity securities, the Company takes the fair value of stock equity as initial investment costs. For long-term equity investment invested by investors, the Company takes the value regulated in investments contract or agreements as initial investment costs. The detailed accounting treatments of the Company while calculating with equity method include:

− In case the initial investment costs of long-term equity investment is larger than the share of fair value of recognizable net assets of the invested entity as enjoyable while investment, the former is used as costs of long-term equity investment; In case the initial investment costs of long-term equity investment is less than the share of fair value of recognizable net assets of the invested entity as enjoyable while investment, the latter is used as costs of long-term equity investment, and the difference between the costs long-term equity investment and initial investment costs is calculated into the current profits and losses.

− After obtaining the investment to joint enterprises and jointly-run enterprises, the Company deducts the amount of debit balance of investment on stock equity confirmed according to the previous accounting criteria and systems, amortized on linear amortization method according to the previous ten years of amortization period from the investment to joint enterprises and jointly-run enterprises as held by the Company before firstly executing China Accounting Standards for Business Enterprises (2006), from the enjoyable or sharable share of net profits and losses realized by the invested entity, and then confirms investment profits and losses and modifies the book value of long-term equity investment; the book value of long-term equity investment is correspondingly reduced according to the distributable part calculated according to profits or cash dividend declared for distribution by the invested entity.

While calculating the enjoyable or sharable share of net profits and losses realized by the invested entity, the Company is based on the fair value of recognizable assets of the invested entity when the investment is acquired, if the accounting policies or accounting period of the invested entity are different with the Company, necessary modification has been made to the financial statements of the invested entity according to the accounting policies or accounting period of the Company while calculation with equity

method. The part of the internal transaction occurring between the Company and joint enterprises and jointly-run enterprises, belonging to the Company calculated according to share holding proportion, is set off while calculation with equity method. The unrealized losses occurring in internal transactions are fully confirmed if any evidence shows the losses are devaluation losses of relevant assets.

The net losses occurred by the Company to joint enterprises and jointly-run enterprises are limited to when the book value of long-term equity investment and the long-term equity of other net investments essentially to joint enterprises and jointly-run enterprises are reduced to zero, except the Company bears the obligation of additional losses. If joint enterprises and jointly-run enterprises realize net profits subsequently, the Company recovers confirming income share amount after the income share amount offsets the loss share amount not confirmed.

(c) Other long-term equity investments

Other long-term equity investments refer to long-term equity investments without control, joint control or material influence to the invested entity and without quotation in the active market and which fair value cannot be reliably measured. The Company confirms the initial investment costs of this kind of investment according to the above principles for confirmation and measurement of initial costs of investments to joint enterprises and jointly-run enterprises, and performs subsequent measurement with cost method.

(d) Provision for long-term investment

At each period end, for long-term investment that the market value of investee is continually decreased or the operation condition is worse, which value is considered to be less than the recoverable amount, a provision for impairment should be made. The provision for impairment equals to 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 can not be reversed in subsequent periods.

(10) Fixed assets and accumulated depreciation

Fixed assets refer to the tangible assets that the Company holds for producing goods, providing services, lease or management and which service life is more than a accounting year.

The initial costs of the fixed assets externally purchased include purchase price, relevant taxes and fees and the expenses belonging to the assets as occurred for making the assets to reach the scheduled usable conditions. The initial costs of the fixed assets independently built include materials for the project, direct labor, loan expenses in accordance with capitalized conditions and necessary expenditures occurred before making the assets to reach the scheduled usable conditions.

Fixed assets are depreciated using the straight-line method to write off the cost of the assets to their estimated residual values over their estimated useful lives. The estimated residual value of all fixed assets is 10% of their

original costs. The annual depreciation rate of fixed assets and estimated useful lives are as follows:

Category	Estimated useful lives	Annual depreciation rate
Buildings and plants	20-35 years	2.57%-4.50%
Machinery equipment	10-15 years	6.00%- 9.00%
Motor vehicles	5 years	18.00%
Electronic & other equipments	5 years	18.00%

Impairment of fixed assets

All fixed assets are reviewed at each period end. If at any time the recoverable amount has declined below the carrying amount due to continuous decline of market price, negative change in technology, physical damage and obsolescence, then impairment has occurred. The provision for impairment of individual fixed assets equals to the differences between the recoverable amount and the carrying amount of that fixed assets. Impairment losses can not be reversed in subsequent periods.

(11) Borrowing expenses

The borrowing expenses, which are occurred by the Company and can be directly listed into purchase, construction or production of the assets in accordance with capitalized conditions, are capitalized and calculated into the costs of relevant assets. Except the above borrowing expenses, other borrowing expenses are confirmed as financial expenses at the current period of their occurrence. In the period of capitalization, the Company confirms the amount of interest capitalization in each accounting period according to the following method (including amortization of discounting price or premium price):

− For special loans borrowed for purchase, construction or production of the assets in accordance with capitalized conditions, the Company confirms them with the amount of the interest expenses of special loans calculated according to actual interest rate of the current period, minus the interest incomes from the not used loan capital that is deposited into bank, or minus the investment earnings acquired from temporary investment.

− For the common borrowing occupied for purchasing, constructing or producing the assets in accordance with capitalized conditions, the Company calculates and confirms the interest amount of common borrowings that shall be capitalized, according to the weighted average of capital expenditures of the part that the accumulative asset expenditures exceed the special borrowings, multiplied capitalization rate of the occupied common borrowings. Capitalization rate is confirmed according to the weighted average actual interest rate of common borrowings.

When the Company is confirming the actual interest rate of borrowings, the Company discounts the future cash flow of borrowings in the anticipated existence term or any applicable shorter term, as the interest rate

used for the current book value of the borrowing.

Capitalization term refers to the term from capitalization of borrowing expenses to closing of capitalization, exclusive of the term that the borrowing expenses suspend capitalization. When capital expenditures and borrowing expenses have occurred, and the purchase, construction or production activities necessary for making assets reach the scheduled usable or available-for-sale status have commenced, capitalization of the borrowing expenses starts. When assets purchased, constructed or produced in accordance with capitalized conditions reach the scheduled usable or available-for-sale status, capitalization of borrowing expenses stops. If the assets in accordance with capitalized conditions generate non-normal interruption in the course of purchase, construction or production, and the interruption time exceeds three months, the Company temporarily stops capitalization of borrowing expenses.

(12) Revenue recognition

Revenue is recognized 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 recognized when the goods are delivered and the title has passed.

Sales of properties under development are recognized 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 recognized over the course of the development after taking into account of allowance for contingencies.

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

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

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

(13) Contingent liability

The existence of the potential obligations formed by the past transactions or matters shall be validated by occurrence or non occurrence of uncertain matters in the future; the performance of the current obligations formed by the past transactions or matters may not likely cause economic benefits to flow out the Group or the amount of the obligation cannot be reliably measured, the Group will disclose the potential obligation or current obligation as contingent liability.

(14) Income tax

Confirmation of income tax is involved with judgment to future taxation treatment of some transactions. The Group cautiously evaluates taxation influence of various transactions and calculates corresponding Income taxes. The Group re-evaluates the taxation influence of these transactions on schedule according to the updated taxation regulations and rules. Deferred income tax assets are confirmed according to deductible taxation losses and deductible temporary difference. Deferred income tax assets are only confirmed when the taxable incomes may be likely used for setting off relevant deferred income tax assets, so the management should judge possibility of obtaining future taxable incomes. The Group continually checks the judgment to deferred income taxes, if it is estimated that it may likely obtain realizable future taxable incomes in the future, the corresponding deferred income tax assets will be confirmed.

(15) Basis of financial statements Consolidation

The consolidated scope of the consolidated financial statements includes the Company and the subsidiaries under control of the Company. Control refers to which is entitled to decide the financial and management policies of a company and by which interest can be obtained from the operation activities of the company. The operation results and financial status of the subsidiaries under control are contained in the consolidated financial statements from control starting date to control closing date.

For any subsidiary acquired by the Company through corporate merger under the same control, when the consolidated financial statements for the current period are being prepared, it is deemed that the mergered subsidiaries are entered into the merger scope of the Company when the final control party of the Company starts to perform control to it, and the number at the beginning of the period in the consolidated financial statements and previous comparison statement are made corresponding modification. While the Company is preparing the consolidated financial statements, the assets and liabilities of the mergered subsidiary and their book values are combined into the consolidated balance sheet of the Company and the operation results of the mergered subsidiary are combined into the consolidated profit statement of the Company since the final control party of the Company starts to perform control.

For any subsidiary acquired by the Company through corporate merger not under the same control, when the consolidated financial statements for the current period are being prepared, the financial statements of the subsidiary are modified on the basis of recognizable assets, fair values of liabilities as confirmed on the purchase date, and the assets, liabilities and operation results of the purchased subsidiary are combined into the financial statements of the Company as of the purchase date.

The consolidation scope is not including the following subsidiaries, for the Company can not control them. Details are shown below:

Name	Reason	Accounting treatment
Shenzhen Lionda Paper Manufacturing Co. Limited	It is in loss for years and terminated its business.	Full provision was made for long-term investment and receivables
Shenzhen Lionda Food Industrial Co. Limited	It is in loss for years and terminated its business.	Full provision was made for long-term investment and receivables
Shenzhen Lionda Materials Import & Export Co., Limited *3	It is in loss for years and terminated its business.	It is terminated business.
Shenzhen Lionda Leke Suitcase Co.Limited	It is in loss for years and net asset is negative.	Book value of long-term investment is zero.
Shenzhen Lionda Electrical Equipment Co. Limited *3	It is in loss for years and net asset is negative.	Book value of long-term investment is zero and balances are written-off.
Shenzhen Lionda Hunan Branch	It is in loss for years and net asset is negative.	Full provision was made for long-term investment and balances are written-off.
Shenzhen Lionda Light Textile Chemical Industrial Co. Limited *3	It is terminated its business.	Full provision was made for long-term investment.
Shenzhen Lionda Development Co.Limited *1*3	It is terminated its business.	Book value of long-term investment is zero
Shenzhen Lionda Property Management Co. Limited	It is terminated its business.	Full provision was made for long-term investment.
Shanghai Lionda Industrial Co. Ltd.	It is terminated its business.	Full provision was made for long-term investment.
Shenzhen Lionda Industrial Trading Co. Ltd.*2	It is terminated its business.	Full provision was made for long-term investment.

*1 Shenzhen Lionda Development Co. Limited is passed the annual check by Industrial and commercial office but it is ceased its operation actually. The Company provided loan guarantee, which includes principal of RMB320 million and HKD590, contingent liabilities was made for it amounting to 9.313 million. In addition, the Company just burdens the responsibilities and liabilities as a shareholder under PRC law, no other liabilities or risk.

*2 Shenzhen Lionda Industrial Trading Co. Ltd. is passed the annual check by Industrial and commercial office but it is ceased its operation actually and cannot be contacted. The Company holds 32% equity interest and trusteeship 20% equity interest for Shenzhen Lionda Industrial Trading Co., Ltd Labor Union. It was be consolidated in the Company by 2003 director’s resolution. According to the director’s resolution in 2005, it is not included in the consolidation scope from 1 January 2005, for it is ceased its business.

*3 Above referred other companies are terminated business for years and cannot be contacted. The Company was in lawsuit for guarantee for Zhongwu Materials Import and Export Company. The Company holds 80% equity interest of Shenzhen Lionda Light Textile Chemical Industrial Co. Limited, 95% of Shenzhen Lionda Electrical Equipment Co. Limited, 95% of Shenzhen Lionda Development Co. Limited and 95% of Shenzhen Lionda Materials Import & Export Co., Limited respectively. The referred equity interests have been frozen by Haifeng People Court of Guangdong Province. Details refer to Note 11.

(16) Changes in accounting policies and estimations

The Company adopted China Accounting Standards for Business Enterprises (CAS) (2006) as of January 1, 2007. At the date of first-time adoption, the Company made retrospective adjustments to other items in accordance with the requirements of "CAS 38 –First-time Adoption of CAS" (CAS 38). Effects for shareholder's equity please refer to Note 17. changes are shown as below:

(a) According to CAS 2- Long-term investment, in the Company's separate financial statements, investments in subsidiaries were accounted for using the equity method before January 1 2007. Such investments are now accounted for using the cost method.

(b) According to CAS 8- Assets impairment, impairment for receivables, inventories, long-term investment and fixed assets is recorded as asset impairment loss, not administrative.

(c) According to CAS 9- Staff cost, the Company reclassified accrued payroll, accrued staff benefits and other payables as staff cost payable.

(d) According to CAS 18- Income tax, before January 1, 2007, income tax was previously accounted for using tax payable method. As of January 1, 2007, it is accounted for using the liability method. On January 1, 2007, influence on income tax arising from temporary differences between the carrying amounts and the tax bases of assets and liabilities were retrospectively adjusted. The relevant 2006 comparative items have been adjusted accordingly.

(e) According to CAS 30- Financial statement presentation, the Company presents other revenue and cost as operating revenue and cost.

(f) According to CAS 33- Consolidation financial statement, the Company should use equity method to calculate long-term investment to consolidated subsidiaries before consolidation.

4. CHANGES IN ACCOUNTING PRINCIPLES AND RELATED EFFECTS

Changes in accounting principles	Effects
Adoption CAS from January 1 2007	---

5. TAXATION

The types of taxes applicable to the Company include value added tax (VAT), business tax, city maintenance and construction tax and education surcharge and income tax.

Tax rates are as follow:

VAT rate	17%
Business tax rate	5%
City maintenance and construction tax rate	1% of turnover tax
Education surcharge rate	3% of turnover tax
Income tax rate	15%

6. HOLDING SUBSIDIARIES AND ASSOCIATED COMPANY

(1) Holding subsidiaries

Name of holding subsidiaries	Place of registration	Registered capital	Business nature	Investment amount	Proportion of shares held
Shenzhen Paper Manufacturing & Processing Factory	Shenzhen	RMB 10,400,000	Manufacturing paper products and printing machinery	RMB 10,400,000	100%
Shenzhen Lionda Food Industrial Co., Ltd.	Shenzhen	RMB 6,640,000	Production of fruit jelly, jelly sweets and high strength agar	RMB 6,640,000	100%
Shenzhen Lionda Materials Import & Export Co., Ltd.	Shenzhen	RMB 7,000,000	Import and export of printing material and machinery	RMB 7,000,000	100%
Shenzhen Lionda Leke Suitcase Co., Ltd.	Shenzhen	USD 1,400,000	Production and sale of ABS suitcase and artificial leather	USD 1,400,000	100%
Shenzhen Lionda Electrical Equipment Co., Ltd.	Shenzhen	RMB 6,000,000	Production of vacuum flasks and home electrical fans	RMB 6,000,000	100%
Shenzhen Lionda Light Textile Chemical Industrial Co., Ltd.	Shenzhen	RMB 10,000,000	Trading, import and export	RMB 10,000,000	100%
Shenzhen Lionda Development Co., Ltd.	Shenzhen	RMB 30,000,000	Property development and management	RMB 30,000,000	100%
Shenzhen Lionda Hunan Branch	Changsha	RMB 2,878,000	Import and export trading	RMB	100%

				2,878,000	
Shenzhen Lionda Property Management Co., Ltd.	Shenzhen	RMB 1,600,000	Property management, trading of foods and motor car spare parts	RMB 1,600,000	100%
Shanghai Lionda Industrial Co.,Ltd.	Shanghai	RMB 3,000,000	Trading in light industrial products	RMB 3,000,000	100%
Shenzhen Lionda Industrial Trading Co. Ltd.	Shenzhen	RMB 20,000,000	Import and export trading and property management	RMB 6,400,000	32%

* The Company's consolidation scope is not including the above subsidiaries, details refer to Note 3 (20).

(2) Associated companies

Name of company	Place of registration	Registered capital	Business nature	Investment amount	Proportion of shares held
Shenzhen Lionda Bao Shui Trading Co., Ltd.	Shenzhen	RMB 6,000,000	Trading	RMB 1,800,000	30%
Shenzhen Golden Bell Batteries Co., Ltd.	Shenzhen	RMB 2,000,000	Production of dry batteries and electronic products	RMB 800,000	40%
Shenzhen Anmiz Watch & Clock Co., Ltd	Shenzhen	RMB 1,5 00,000	Production of watches, clock parts, counters and meters	RMB 450,000	30%
Shenzhen Gaokeda Electronic Co. Ltd.	Shenzhen	RMB 3,000,000	Production of HDSL transmission lines	RMB 900,000	30%
Shenzhen Taiyang Tccp Co., Ltd.	Shenzhen	USD 9,000,000	Production, transportation and installation of steel, concrete tube	USD 3,060,000	34%
Shenzhen Dong Xiang Electronic Enterprise Co. Ltd.	Shenzhen	HKD 9,720,000	Trading of electronic equipment and parts	HKD 1,110,000	11%
Guangdong Guomin investment Co., Ltd.	Guangzhou	RMB 87,000,000	Investment trusts	RMB 9,423,800	9.9%
Baltic Sea Commercial Centre	Latvia	USD 1,300,000	Hotel operation and commercial service	USD 663,000	51%
Shanghai Qingpu Yinda Property Development Co.	Qingpu	RMB 1,500,000	Property development	RMB 450,000	30%
Shenzhen Zhenhua Group Co., Ltd.	Shenzhen	RMB 32,280,000	Import and export trade of light industrial products and food	RMB 1,111,800	3.44%
Shenzhen Guoyin Investment Group Co., Ltd.	Shenzhen	RMB 15,000,000	Industry	RMB 750,000	5%
Shenzhen Moscow (Holdings)Co., Ltd.	Shenzhen	USD 1,400,000	Import and export trade	USD 140,000	10%
Chaozhou Port Develop Co.,Ltd.	Shantou	RMB 300,000,000	Development of port	RMB 2,225,000	12%

China International Yacht Club	Dalian	RMB 30,000,000	Property development	RMB 12,892,000	10%
Wuxian Taihu Huaqiaocheng Developmer and Construction Co., Ltd.	Wuxi	RMB 10,000,000	Development and construction of Huaqiaocheng	RMB 1,000,000	10%
Shenzhen Yinzhizuo Club	Shenzhen	RMB 8,000,000	Provision of law consultant service and restaurant	RMB 4,000,000	40%
Yueshen Light Industry Trading Co.	Shenzhen	RMB 4,920,000	Import and export of food and textiles	RMB 2,460,000	50%
Yueyang Shengang Hotel Co., Ltd.*2	Yueyang	RMB 4,000,000	Operation of hotel and nearby retails	RMB 3,420,000	75%
Hunan Shenli Special Alloy Co.,Ltd.	Yiyang	RMB 5,000,000	Production of hard alloy ware	RMB 2,250,000	45%
Others				RMB 425,000	

*1 The Company lost actual control rights on this company and presented as other equity investment calculated with the cost method.

*2 This entity translated to the Company as compensation when Shenzhen Plastics Chemical Industrial Co., Ltd. bankruptcy liquated. The transfer registration of Yueyang Shengang Hotel Co., Ltd. is uncertainty, which lead to a lack of financial information of the company. Provision for long-term investment is made by the Company.

7. Notes to Principal Financial Statement Accounts

As presented in Note 3(15), the Company didn't prepare the consolidated financial statements, therefore following data is both consolidated and the Company's financial data.

(1) Cash and Cash Equivalents

Item	Currency	Closing balance			Opening balance		
		Original amount	Exchange rate	RMB	Original amount	Exchange rate	RMB
Cash	RMB	2,188.68	1.0000	2,188.68	76,550.21	1.0000	76,550.21
Total				2,188.68			76,550.21

(2) Dividends receivable

The closing balance of dividends receivable is RMB 1,931,203.38, in which the receivable from Shenzhen Jianian Industrial Co., Ltd. is RMB 1,852,203.38. Shenzhen Jianian Industrial Co., Ltd was an associated company of the Company and the Company transferred its stock right of Shenzhen Jianian Industrial Co., Ltd in 2005.

(3) Other receivables

a) Closing balance of other receivables analyzed based on risk combination are presented as below:

Item	Closing balance			Opening balance		
	Amount	Rate in total	Bed debt provision	Amount	Rate in total	Bed debt provision
1. Individual accounts with large amount	389,525,923.53	98.87%	389,525,923.53	390,225,384.25	99.07%	390,225,384.25
2. Individual accounts without large amount but with major risk after integrated into credit risk combination	3,248,223.04	0.83%	2,015,656.43	2,866,851.18	0.73%	1,632,829.57
3. Others with small amount	1,194,372.79	0.30%	35,831.18	803,499.84	0.20%	395,490.70
Total	393,968,519.36	100%	391,577,411.14	393,895,735.27	100%	392,253,704.52
Total for top 5 companies	366,662,228.02	93.07%	366,662,228.02	367,361,688.74	93.26%	367,361,688.74
Total for related parties	116,677,580.26	29.62%	115,712,762.55	349,486,333.23	88.73%	349,193,109.39

(i) After assessing of the recoverability of other receivables, specific provisions are applied to the below companies based on the ageing of receivables.

Item	Name of company	Amount	Bed debt provision	Note
Other receivables	Shenzhen Jijian investment Co., Ltd.	5,724,962.00	5,724,962.00	Over 3 years, unrecoverable
	Shenzhen Post Office	3,000.00	3,000.00	Deposit before 1990
	Zhonghua Chuangye Group	4,035,732.00	4,035,732.00	Long aging，the company switching
	Shenzhen Taiyang Tccp Co., Ltd.	25,686,735.00	25,686,735.00	The company under balance，unrecoverable
	Shenzhen Xiancheng Co., Ltd.	24,876,389.27	24,876,389.27	The company dismissed，unrecoverable
	Shanghai Hengda Real Estate Development Co., Ltd.	2,137,000.00	2,137,000.00	The company dismissed，unrecoverable
	Shenzhen Lionda Food Industrial Co., Ltd.	4,998,701.51	4,998,701.51	The company closed
	Shenzhen Lionda Development Co., Ltd.	55,362,158.24	55,362,158.24	Liquidation of the company
	Shenzhen Keruite New Materials Co., Ltd.	214,000.00	214,000.00	The company dismissed，unrecoverable
	Shenzhen Jiadeng Trade Co., Ltd	1,008,500.00	1,008,500.00	The company under balance，unrecoverable
	Shenzhen Yingte Enterprise Co., Ltd.	477,539.63	477,539.63	The company under balance，unrecoverable

Shenzhen Lida Co., Ltd.	146,286.00	146,286.00	The company under balance，unrecoverable
Shenzhen China Bicycle Company (Holdings) Limited	232,801,657.06	232,801,657.06	The company under balance，unrecoverable
Shenzhen Lionda Materials Import & Export Co., Ltd.	27,935,288.45	27,935,288.45	The company under balance，unrecoverable
Shenzhen Haima Electric Appliance Co., Ltd.	285,838.32	285,838.32	The company under balance，unrecoverable
Shenzhen Xingda Industry & Trade Co., Ltd.	4,958,800.00	4,958,800.00	The company closed，unrecoverable
Others	850,871.86	850,871.86	Long aging，unrecoverable
Total	391,503,459.34	391,503,459.34	

(ii) The category of single accounts without large amount but with major risk after integrated into credit risk combination is defined base on the characteristics of the Company, the aging of debts over three years are with high risk to recoverable. According to that, the accounts with single amount lower than RMB 1,000,000 and aging over three years are classified into the category.

(iii) There is no such amount belongs to shareholders who hold 5% or more than 5% voting rights.

b) Closing balance of other receivables analyzed based on aging are presented as below:

Aging	Closing balance			Opening balance		
	Amount	Rate in total	Bed debt provision	Amount	Rate in total	Bed debt provision
Within 1 year	1,247,146.43	0.31%	204,845.12	334,240.62	0.08%	41,016.78
1 to 2 years	31,948.00	0.01%	31,948.00	5,387,944.84	1.37%	116,033.54
2 to 3 years	5,191,118.84	1.32%	4,965,769.57	2,947,081.00	0.75%	2,947,081.00
Over 3 years	387,498,306.09	98.36%	386,374,848.45	385,226,468.81	97.80%	389,149,573.20
Total	393,968,519.36	100%	391,577,411.14	393,895,735.27	100%	392,253,704.52

(4) Inventories and Provision

Item	Closing balance		Opening balance	
	Book value	Carrying amount	Book value	Carrying amount
developed cost	22,912,610.00	2,000,000.00	22,912,610.00	2,000,000.00
Total	22,912,610.00	2,000,000.00	22,912,610.00	2,000,000.00

Provision loss for	Opening balance	Increase	Decrease	Closing balance	Note

inventories					
developed cost	20,912,610.00	---	---	20,912,610.00	Individual analysis method
Total	20,912,610.00	---	---	20,912,610.00	

(5) Long-term equity investment

Details are presented as below:

Item	Closing balance			Opening balance		
	Book Balance	Devaluing provision	Book value	Book Balance	Devaluing provision	Book value
Investment in stocks	10,000,000.00	---	10,000,000.00	10,000,000.00	---	10,000,000.00
Investment in subsidiaries	148,282,938.60	148,282,938.60	---	148,282,938.60	148,282,938.60	---
Investment in associated companies	6,394,619.43	4,963,089.41	1,431,530.02	9,162,505.43	4,963,089.41	4,199,416.02
Other equity investment	28,611,930.27	27,500,085.27	1,111,845.00	41,503,930.27	40,392,085.27	1,111,845.00
Total	193,289,488.30	180,746,113.28	12,543,375.02	208,949,374.30	193,638,113.28	15,311,261.02

a) Investment in stocks

Unit invested	Item	quantity of shares	Rate in registered capital of invested unit	Initial investment cost	Opening balance	Increase	Decrease	Closing balance
Five Rings(Group) Shareholding Co., Ltd.	legal representative share	2,500,000.00	1.73%	5,000,000.00	5,000,000.00	---	---	5,000,000.00
Beijing Vantone Industrial Co.,Ltd	legal representative share	5,500,000.00	---	5,000,000.00	5,000,000.00	---	---	5,000,000.00
Subtotal				10,000,000.00	10,000,000.00	---	---	10,000,000.00

* All shares presented above were sequestered by the Middle Court in Shenzhen in September 2002.

** The amount of 5,500,000.00 legal representative shares of Beijing Vantone Industrial Co.,Ltd held by the

Company were sold by auction by Court, but the auction was not finished then. As the stocks investments were sequestered, the Company is not able to obtain any auction information.

b) Investment in subsidiaries calculated under the cost method

Unit invested	Invested term	Rate in registered capital of invested unit	Initial investment cost	Opening balance	Increase	Decrease	Closing balance
Shenzhen Lionda Property Management Co., Ltd.	---	100%	1,600,000.00	1,600,000.00	---	---	1,600,000.00
Shenzhen Paper Manufacturing & Processing Factory	11 years	100%	35,059,679.80	35,059,679.80	---	---	35,059,679.80
Shenzhen Lionda Food Industrial Co., Ltd.	20 years	100%	15,400,000.00	15,400,000.00	---	---	15,400,000.00
Shenzhen Lionda Materials Import & Export Co., Ltd.	20 years	100%	7,155,864.39	7,155,864.39	---	---	7,155,864.39
Shenzhen Lionda Leke Suitcase Co.Limited	20 years	100%	5,685,355.45	5,685,355.45	---	---	5,685,355.45
Shenzhen Lionda Electrical Equipment Co., Ltd.	30 years	100%	6,000,000.00	6,000,000.00	---	---	6,000,000.00
Shenzhen Lionda Development Co., Ltd.	20 years	100%	54,806,675.03	54,806,675.03	---	---	54,806,675.03
Shenzhen Lionda Light Textile Chemical Industrial Co., Ltd.	20 years	100%	11,026,863.93	11,026,863.93	---	---	11,026,863.93
Shenzhen Lionda Hunan Branch	---	100%	2,148,500.00	2,148,500.00	---	---	2,148,500.00
Shenzhen Lionda Industrial Trading Co. Ltd.	---	32%	6,400,000.00	6,400,000.00	---	---	6,400,000.00
Shanghai Lionda Industrial Co.,Ltd.	---	100%	3,000,000.00	3,000,000.00	---	---	3,000,000.00
Subtotal			148,282,938.60	148,282,938.60	---	---	148,282,938.60

c) Investment in associated companies calculated under the equity method

Unit invested	Invested term	Rate in registered capital of invested unit	Initial investment cost	Opening balance	Addition or decrease of current period equities	Cash dividends	Accumulated increase or decrease	Closing balance
Shenzhen Jianda Machinery Co., Ltd. *	30 years	20%	1,570,965.81	2,733,051.09	(2,733,051.09)	---	(1,570,965.81)	---
Shenzhen Lionda Bao Shui Trading Co., Ltd.	10 years	30%	1,800,000.00	---	---	---	(1,800,000.00)	---
Shenzhen Golden Bell Batteries Co., Ltd.	30 years	40%	1,434,060.25	1,466,364.93	69,165.09	104,000.00	(2,530.23)	1,431,530.02
Shenzhen Anmiz Watch & Clock Co., Ltd	30 years	30%	510,735.33	413,358.58	---	---	(97,376.75)	413,358.58
Shenzhen Gaokeda Electronic Co. Ltd.	10 years	30%	900,000.00	831,720.00	---	---	(68,280.00)	831,720.00

Shenzhen Taiyang Tccp Co., Ltd.	20 years	34%	7,825,944.20	---	---	---	(7,825,944.20)	---
Shanghai Qingpu Yinda Property Development Co.	---	30%	639,886.25	639,886.25	---	---	---	639,886.25
Shenzhen Yinzhizuo Club	---	50%	640,000.00	640,000.00	---	---	---	640,000.00
Yueshen Light Industry Trading Co.	---	50%	188,124.58	188,124.58	---	---	---	188,124.58
Hunan Shenli Special Alloy Co.,Ltd.	---	45%	2,250,000.00	2,250,000.00	---	---	---	2,250,000.00
Subtotal			17,759,716.42	9,162,505.43	(2,663,886.00)	104,000.00	(11,365,096.99)	6,394,619.43

* The Company was pleaded by China Everbright Bank Shenzhen Branch due to loan guarantee for Shenzhen Plastics Chemical Industrial Co., Ltd. According to the decree of Shenzhen Intermediate People's Court, the Company commuted 20% of equity of Shenzhen Jianda Machinery Co., Ltd. as RMB 1,290,000 to China Everbright Bank Shenzhen Branch in current period.

d) Other equity investment calculated under the cost method

Unit invested	Invested term	Rate in registered capital of invested unit	Opening balance	Increase	Decrease	Closing balance
Colin Company	---	66.67%	201,010.00	---	---	201,010.00
Yueyang Shengang Hotel Co., Ltd. *1	---	75%	3,420,000.00	---	---	3,420,000.00
Hunan Lionda Property Company	---	100%	80,000.00	---	---	80,000.00
Guangdong Guomin investment Co., Ltd.	---	9.90%	9,423,870.00	---	---	9,423,870.00
Shenzhen Zhenhua Group Co., Ltd.	20 years	3.44%	1,111,835.00	---	---	1,111,835.00
Shenzhen Guoyin Investment Group Co., Ltd.	---	5%	650,000.00	---	---	650,000.00
Shenzhen Moscow(Holdings)Co., Ltd.	---	10%	607,998.68	---	---	607,998.68
Chaozhou Port Develop Co.,Ltd.	---	12%	2,225,000.00	---	---	2,225,000.00
China International Yacht Club *2	---	10%	12,892,000.00	---	12,892,000.00	---
Wuxian Taihu Huaqiaocheng Development and Construction Co., Ltd.	---	10%	2,000,000.00	---	---	2,000,000.00
Shenzhen Dong Xiang Electronic Enterprise Co. Ltd.	15 years	11%	5,379,464.94	---	---	5,379,464.94
Baltic Sea Commercial Centre	---	51%	3,368,751.65	---	---	3,368,751.65
Baota Island	---	---	144,000.00	---	---	144,000.00
Subtotal			41,503,930.27	---	12,892,000.00	28,611,930.27

* Yueyang Shengang Hotel Co., Ltd. was transferred its interest to the Company as compensation when Shenzhen Plastics Chemical Industrial Co., Ltd. bankruptcy liquided, the transfer registration of Yueyang Shengang Hotel Co., Ltd. is uncertainty, which lead to a lack of financial information of the company.

** The Company entered into an agreement of equity transferring with Shenzhen Shengzhuo Industrial Co., Ltd. on August 22 2002, the Company received interest transfer revenue in current period as translated 10% of equity of China International Yacht Club

e) Movement in Provision

Unit invested	Opening balance	Current addition	Current disposal			Closing balance
			Transferred back due to goods value rise	Transferred out due to other reason	Total	
Shenzhen Lionda Property Management Co., Ltd.	1,600,000.00	---	---	---	---	1,600,000.00
Shenzhen Paper Manufacturing & Processing Factory	35,059,679.80	---	---	---	---	35,059,679.80
Shenzhen Lionda Food Industrial Co., Ltd.	15,400,000.00	---	---	---	---	15,400,000.00
Shenzhen Lionda Materials Import & Export Co., Ltd.	7,155,864.39	---	---	---	---	7,155,864.39
Shenzhen Lionda Leke Suitcase Co.Limited	5,685,355.45	---	---	---	---	5,685,355.45
Shenzhen Lionda Electrical Equipment Co., Ltd.	6,000,000.00	---	---	---	---	6,000,000.00
Shenzhen Lionda Development Co., Ltd.	54,806,675.03	---	---	---	---	54,806,675.03
Shenzhen Lionda Light Textile Chemical Industrial Co., Ltd.	11,026,863.93	---	---	---	---	11,026,863.93
Shenzhen Lionda Hunan Branch	2,148,500.00	---	---	---	---	2,148,500.00
Shenzhen Lionda Industrial Trading Co. Ltd.	6,400,000.00	---	---	---	---	6,400,000.00
Shanghai Lionda Industrial Co.,Ltd.	3,000,000.00	---	---	---	---	3,000,000.00
Shenzhen Anmiz Watch & Clock Co., Ltd	413,358.58	---	---	---	---	413,358.58
Shenzhen Gaokeda Electronic Co. Ltd.	831,720.00	---	---	---	---	831,720.00
Shanghai Qingpu Yinda Property Development Co.	639,886.25	---	---	---	---	639,886.25
Shenzhen Yinzhizuo Club	640,000.00	---	---	---	---	640,000.00
Yueshen Light Industry Trading Co.	188,124.58	---	---	---	---	188,124.58
Hunan Shenli Special Alloy Co.,Ltd.	2,250,000.00	---	---	---	---	2,250,000.00
Colin Company	201,000.00	---	---	---	---	201,000.00
Yueyang Shengang Hotel Co., Ltd.	3,420,000.00	---	---	---	---	3,420,000.00

Unit invested	Opening balance	Current addition	Current disposal			Closing balance
			Transferred back due to goods value rise	Transferred out due to other reason	Total	

Hunan Lionda Property Company	80,000.00	---	---	---	---	80,000.00
Guangdong Guomin investment Co., Ltd.	9,423,870.00	---	---	---	---	9,423,870.00
Shenzhen Guoyin Investment Group Co., Ltd.	650,000.00	---	---	---	---	650,000.00
Shenzhen Moscow(Holdings)Co.,Ltd.	607,998.68	---	---	---	---	607,998.68
Chaozhou Port Develop Co.,Ltd.	2,225,000.00	---	---	---	---	2,225,000.00
China International Yacht Club *	12,892,000.00	---	---	12,892,000.00	12,892,000.00	---
Wuxian Taihu Huaqiaocheng Development and Construction Co., Ltd.	2,000,000.00	---	---	---	---	2,000,000.00
Shenzhen Dong Xiang Electronic Enterprise Co. Ltd.	5,379,464.94	---	---	---	---	5,379,464.94
Baltic Sea Commercial Centre	3,368,751.65	---	---	---	---	3,368,751.65
Baota Island	144,000.00	---	---	---	---	144,000.00
合计	193,638,113.28	---	---	12,892,000.00	12,892,000.00	180,746,113.28

* The Company entered into an agreement of equity transfer with Shenzhen Shengzhuo Industrial Co., Ltd. on August 22 2002. As a result, the Company received stock transfer revenues in current period as translated 10% of equity of China International Yacht Club and wrote off the investment and related provision for China International Yacht Club.

(6) Fixed assets and accumulated depreciation

Cost of fixed asset	Opening balance	Increase	Decrease	Closing balance
Buildings and plants	14,594,116.36	---	---	14,594,116.36
Motor vehicle	8,167,086.55	---	---	8,167,086.55
Electronic equipment and others	4,026,910.50	---	---	4,026,910.50
Total	26,788,113.41	---	---	26,788,113.41
Accumulated depreciation				
Buildings and plant	6,474,370.16	570,897.72	---	7,045,267.88
Motor vehicle	7,760,957.43	---	---	7,760,957.43
Electronic equipment and others	3,687,260.91	7,724.70	---	3,694,985.61
Total	17,922,588.50	578,622.42	---	18,501,210.92
Net Value	8,865,524.91			8,286,902.49

* The Company's book value of RMB 14,410,531.65 of buildings and plants didn't achieve property certificate of buildings and plant. Due to arrearage dispute with Shenzhen Non-ferrous Metals, the book value of RMB 6,759,920.35 of buildings and plant was frozen by Middle Court of Shenzhen on March 31, 2006.

** The Company determined that there is no fixed assets impairment loss existence, therefore there is no provision recorded at the year end.

(7) Short-term loans

Type of loan	Closing balance			Opening balance		
	Original amount	Exchange rate	RMB	Original amount	Exchange rate	RMB
Loans from bank						
Guarantee						
RMB	55,378,000.00	1.0000	55,378,000.00	55,378,000.00	1.0000	55,378,000.00
HKD*	12,109,722.00	0.9364	11,339,543.68	16,109,722.00	1.0047	16,185,437.69
USD	10,689,262.70	7.3046	78,080,788.32	10,689,262.70	7.8087	83,469,245.65
Subtotal			144,798,332.00			155,032,683.34
Loans from other company						
RMB	237,635,500.00	1.0000	237,635,500.00	237,635,500.00	1.0000	237,635,500.00
HKD*	31,428,672.00	0.9364	29,429,808.46	59,850,280.00	1.0047	60,131,576.32
USD	7,624,000.00	7.3046	55,690,270.40	7,624,000.00	7.8087	59,533,528.80
Subtotal			322,755,578.86			357,300,605.12
Total			467,553,910.86			512,333,288.46

* All of loans presented above are overdue.

** The creditor's right of the loan with amount of HKD 32,000,000 was transferred to China Xinda Asset Management Corporation by Bank of China Shenzhen Branch on 31 December 2003. The China Xinda Asset Management Corporation transferred the creditor's right to Glenmore Investment Limited on 27 December 2005. On February 1 2007, Glenmore Investment Limited came to an agreement with Addvalue holdings Limited to transfer the creditor's right to Addvalue holdings Limited.

*** The creditor's right of the loan with amount of RMB 8,580,000 was transferred to Guangdong Finance Trust And Investment Co.,Ltd. by Guangdong Development Bank Nanyuan Road Office.

**** The reason why a decrease of loans in HKD in current period is Shenzhen Shenbao Industrial Co., Ltd. repaid loans for the Company due to joint liability of guarantee, in which paid Shenzhen Development Bank Nantou Branch for a principal of HKD 4,000,000 and Glenmore Investment Limited a principal of HKD 28,421,608.00.

(8) Payroll and remunerations payable to staff

Item	Opening balance	Current period accrual	Current period payment	Closing balance
1.Salaries,bonuses,allowances and subsidies	---	721,014.12	721,014.12	---
2.Welfare fund	355,012.41	(327,653.01)	27,359.40	---
3. Social securities	---	89,394.79	89,394.79	---
4. Subsidies for trade union and education fund	475,628.61	13,770.12	1,290.00	488,108.73
Total	830,641.02	496,526.02	839,058.31	488,108.73

(9) Taxes payable

Taxes	Closing balance	Opening balance
Individual income tax	(1,752.22)	2,021.95
Total	(1,752.22)	2,021.95

(10) Interest payable

The closing balance of interest payable is RMB 349,492,769.23, which is the interest payable for short loans over the years. According to one-year RMB loan interest rate, the interest payable of the Company is RMB 34,196,246.78 in current year.

(11) Other payables

	Closing balance		Opening balance	
Aging	Amount	Rate in total	Amount	Rate in total
Within 1 year	37,710,107.62	24.16%	10,387,880.94	8.35%
1 to 2 years	4,300,635.25	2.75%	5,301,853.46	4.26%
2 to 3 years	5,301,853.46	3.40%	19,807,058.71	15.91%
Over 3 years	108,760,735.81	69.69%	88,953,677.10	71.48%
Total	156,073,332.14	100%	124,450,470.21	100%

* The main reason why an increase of RMB 31,622,816.93 (25.41% in total) in opening balance of other payables is the amount of payables to Shenzhen Shenbao Industrial Co., Ltd. has increased to RMB 33,652,240.56.Shenzhen Shenbao Industrial Co., Ltd. repaid loans with a principal of HKD 32,421,608.00 for the

Company due to joint liability of guarantee.

** In closing balance of accounts payable, the amount subjects to shareholders who hold 5% or more voting rights is RMB 3,955,531.80.

The main companies of accounts receivable are presented below:

Name of company	Amount	Note
Shenzhen Shenbao Industrial Co.,	43,703,906.42	Repaid short-term loans
Xin Gang Ao Company	29,958,573.60	Current account
Shenzhen Textile(Holdings)Co. Ltd.	24,000,000.00	Current account
Singapore Ende	19,090,000.00	Current account
Total	116,752,480.02	

(12) Contingent liability

Item	Closing balance	Opening balance	Note
Contingent liability	691,941,907.57	693,231,907.57	Overdue of foreign guarantee loans and most

* The Company was indicted by Shenzhen Branch China Everbright Bank due to loan guarantee for Shenzhen Plastics Chemical Industrial Co., Ltd.. According to the decree of Shenzhen Intermediate People's Court, the Company commuted 20% of equity of Shenzhen Jianda Machinery Co., Ltd. as RMB 1,290,000 to China Everbright Bank Shenzhen Branch in current period. As a result, the Company reduced the contingent liability by RMB 1,290,000.

(13) Stock capital

Item	Opening balance	Current period addition(decrease)						Closing balance
		Allotment	Bonus share	Share from public reserve	New issue	Others	Subtotal	
I. Un-traded shares								
1. Founders' shares	---	---	---	---	---	---	---	---
Included: State owned shares	---	---	---	---	---	---	---	---
State owned legal representative held shares	---	---	---	---	---	---	---	---
Domestic legal representative held shares	17,160,000.00	---	---	---	---	---	---	17,160,000.00
Others	---	---	---	---	---	---	---	---
2. Non-founders' shares	---	---	---	---	---	---	---	---
Included: State held shares	---	---	---	---	---	---	---	---
State owned legal person held shares	---	---	---	---	---	---	---	---

Domestic legal representative held shares	191,400,000.00	---	---	---	---	---	---	191,400,000.00
Internal employee held shares	---	---	---	---	---	---	---	---
Domestic natural representative held shares	---	---	---	---	---	---	---	---

Item	Opening balance	Current period addition(decrease)						Closing balance
		Allotment	Bonus share	Share from public reserve	New issue	Others	Subtotal	
Initial share	---	---	---	---	---	---	---	---
Others	---	---	---	---	---	---	---	---
3. Preference share	---	---	---	---	---	---	---	---
Total of shares not traded	208,560,000.00	---	---	---	---	---	---	208,560,000.00
II. Shares traded								
1. RMB common shares domestic listed	40,260,000.00	---	---	---	---	---	---	40,260,000.00
2. Foreign currency shares domestic listed	39,600,000.00	---	---	---	---	---	---	39,600,000.00
3. Foreign currency shares overseas listed	---	---	---	---	---	---	---	---
4. Others	---	---	---	---	---	---	---	---
Total of shares traded	79,860,000.00	---	---	---	---	---	---	79,860,000.00
III. Total of shares	288,420,000.00	---	---	---	---	---	---	288,420,000.00

Above listed capital paid in has been checked by Shenzhen Zhixin Certified Public Accountants and reported in the Capital Verification Report coded Shen Zhi Xin Yan Zi [1996] NO.007.

(14) Additional Paid-in Capital

Item	Opening balance	Increase	Decrease	Closing balance
Share premium	234,019,470.63	---	---	234,019,470.63
Other capital surplus	147,039,628.15	---	---	147,039,628.15
Total	381,059,098.78	---	---	381,059,098.78

(15) Surplus reserve

Item	Opening balance	Increase	Decrease	Closing balance
Mandatory surplus reserve fund	97,683,685.99	---	---	97,683,685.99
Random surplus reserve fund	40,621,120.90	---	---	40,621,120.90
Total	138,304,806.89	---	---	138,304,806.89

(16) Retained Earnings

Item	Current period
Net profit	(22,075,217.13)
Add: Retained Earnings at beginning of the year	(2,424,102,187.06)
Closing balance at the year end	(2,446,177,404.19)

(17) Operating income

	Current period			Last period		
Other operations	Revenue	Cost	Profit	Revenue	Cost	Profit
Property rental	1,802,714.10	---	1,802,714.10	1,261,613.22	---	1,261,613.22

(18) Finance cost

Item	Current period	Last period
Interest expense	34,811,882.50	29,004,836.20
Less: interest income	6,776.52	5,207.91
Exchange loss	(12,130,740.75)	(7,466,643.61)
Others	803.34	585.80
Total	22,675,168.57	21,533,570.48

* The interest expense in current period is increased due to the influence of interest of loans. The exchange loss in current period is decreased due to a fall in exchange rate of US dollars and HK dollars.

(19) Asset impairment loss

Item	Current period	Last period
1. Bad debt loss	(676,293.38)	(34,647,201.93)
2. Inventory impairment loss	---	---
3. Long-term equity investments impairment	---	---

loss

Total	(676,293.38)	(34,647,201.93)

The difference analysis of impairment loss between current period and prior period: the income from prior year was because the Company reversed the provision of RMB 34,537,251.46 due to the offset of credits and debts.

(20) Investment income

Item	Current period	Last period
Gains from associated and joint venture company	69,165.09	(25,548.34)
Gains from transfer of equity investment	1,556,948.91	7,260,000.00
Total	1,626,114.00	7,234,451.66

(21) Non-operating income

Item	Current period	Last period
Gains from disposal of fixed assets	---	---
Others	50,040.00	360,538.92
Total	50,040.00	360,538.92

(22) Other cash received from operating activities

Item	Current period
Current accounts	3,382,161.27
Rental income	1,802,714.10
Interest income	6,776.52
Total	5,191,651.89

(23) Other cash paid from operating activities

Item	Current period
Motor vehicle expenses	162,518.00
Books and newspaper expenses	2,280.00
Staff training expense	1,200.00
Rental charge	193,826.88
Office expense	268,675.20
Traveling expenses	17,490.00
Business expenses	70,360.00
Water and electricity fees	14,861.83

Others	36,688.00
Public offering expenses	235,000.00
Litigation fare	387,968.00
Telephone charges	15,028.21
Audit fee	450,000.00
Board of directors meetings expenses	119,000.00
Attorney fees	50,000.00
Advisory fee on company reorganization	200,000.00
Special funds on company reorganization	257,223.00
Current accounts	4,951,803.98
Total	7,433,923.10

(24) Cash and cash equivalent

Item	Current period
1. Cash	2,188.68
Include: cash on hand	2,188.68
2. Cash equivalent	---
Include: Bond investment matured in three months	---
3. Closing balance of cash and cash equivalent	2,188.68
Include: restricted use of cash and cash equivalent	---

8. Supplemental Information for Cash Flow Statement

Supplemental information	Amount
1, Adjustments to reconcile net income to net cash provided by operating activities:	
Net income	(22,075,217.13)
Impairment provision for assets	(676,293.38)
Depreciation for fixed assets	578,622.42
Amortization for intangible assets	---
Amortization for long-term prepayment	---
Loss on disposal of fixed assets, intangible assets and others long-term assets	---
loss on variance of fair value	---
Finance cost	22,681,141.75
Loss on investment	(1,626,114.00)
Decrease of deferred tax assets	---

Decrease of inventories	---
Decrease of operating receivable account items	1,362,784.09
Increase of operating payable account items	(3,423,285.28)
Others	---
Net cash flow from operating activities	(3,178,361.53)
2.significant investing and financing activities for non cash items:	
Offering shares to specific shareholders	---
Investment from assets transfer	---
Financing leased fixed assets	---
3.net increase (decrease) for cash and cash equivalents	
Ending balance for cash	2,188.68
Decrease: beginning balance for cash	76,550.21
Increase: ending balance for cash equivalents	---
Decrease: beginning balance for cash equivalents	---
Net increase (decrease) in cash and cash equivalents	(74,361.53)

9. Non-operating Losses and Profits

Description	Amount during current year	Amount during prior year
1 losses/gains on disposal of non-current assets		
(1)net loss/profit on disposal of fixed-assets	---	---
(2) net loss/profit on disposal of intangible assets	---	---
(3) net loss/profit on disposal of long-term investment	1,556,948.91	---
Net loss/profit on disposal of non-current assets	1,556,948.91	---
2.government subsidy recognized in current income	---	---
3.current net loss/profit generated from beginning of year to acquisition date from subsidiaries under common control	---	---
4.revese for recognized provision	699,460.72	34,537,251.46
5.net losses/profit from other non-operating items	---	---
(1)non-operating income	50,040.00	360,538.92
(2)decrease: non-operating expense	---	---
Net of non-operating income and expenses	50,040.00	360,538.92
Total of non-operating losses/profit before deduction of income tax	2,306,449.63	34,897,790.38
Decrease: amount of income tax	---	---

Total of non-operating losses/profit after deduction of income tax	2,306,449.63	34,897,790.38
Decrease: amount of minority interest	---	---
Total of non-operating loss/profit after deduction of minority interest	2,306,449.63	34,897,790.38

10 Related Party Relationship and Transactions

(1) The related parties that don't control or not controlled by the Company

Name of related parties	Relationship with the Company
Shenzhen Investment Holding Corporation	The prior controlled shareholder
Shenzhen Lionda Bao Shui Trading Co., Ltd.	Associated company
Shenzhen Taiyang Tccp Co., Ltd.	Associated company
Shenzhen Guangyingda Industrial Co., Ltd.	The subsidiary of controlled shareholder
Xinshiji Water Technology Co., Ltd.	The subsidiary of controlled shareholder
Shenzhen Oriental Enterprise Co., Ltd	The subsidiary of controlled shareholder
Shenzhen Gaokeda Electronic Co. Ltd.	Associated company
Yue-Shen Light Industry & Trading Company	Associated company
Beijing Sun Pipeline Co., Ltd	The subsidiary of controlled shareholder
Name of related parties	Relationship with the Company
Shenzhen Keruite New Materials Co., Ltd.	Associated company
Shenxin Enterprise Co., Ltd.	Associated company
Shenzhen Jiadeng Trade Co., Ltd	Subsidiary of associated company
Shenzhen Fuguanghao Industrial Co., Ltd.	Subsidiary of associated company
Shenzhen Yingte Enterprise Co., Ltd.	Associated company
Shenzhen Yuda Import & Export Co., Ltd.	The subsidiary of controlled shareholder
Shenzhen Paina Garment Co., Ltd.	The subsidiary of controlled shareholder
Shenzhen Xingji Industry Co., Ltd.	Shareholder of subsidiary
Shenzhen Ke'Enda Technology Co., Ltd.	The subsidiary of controlled shareholder

(2)The related parties that control or controlled by the Company

Controlled shareholder

Name of related parties	Business type	Legal representative	Registered capital	Operating scope	Shares or interest held	Relationship with the Company

Shenzhen Lionda Group Co., Ltd.	Limited liability enterprise	Fenbo Yang	586,490k yuan	Invested in manufacture, commerce and import/export business	66.36%	The controlled shareholder of the Company

The list for non-consolidated subsidiaries

Name of related parties	Relationship with the Company
Shenzhen Lionda Light Textile Chemical Industrial Co., Ltd.	Subsidiary
Shenzhen Lionda Hunan Branch	Subsidiary
Shenzhen Lionda Electrical Equipment Co., Ltd.	Subsidiary
Shenzhen Paper Manufacturing & Processing Factory	Subsidiary
Shenzhen Lionda Leke Suitcase Co.Limited	Subsidiary
Shenzhen Lionda Food Industrial Co., Ltd.	Subsidiary
Shenzhen Goldstar Printing Factory	Subsidiary
Shenzhen Lionda Development Co., Ltd.	Subsidiary
Shenzhen Lionda Materials Import & Export Co., Ltd.	Subsidiary
Shenzhen Lionda Property Management Co., Ltd.	Subsidiary
Shanghai Lionda Industrial Co.,Ltd.	Subsidiary
Shenzhen Lionda Industrial Trading Co. Ltd.	Subsidiary

(3) Guarantee particular list loan from related parties provided by the Company:

Name of related parties	Hypothecated amount			Equivalent RMB	notes
	USD	HKD	RMB		
Shenzhen Lionda Bao Shui Trading Co., Ltd.	---	---	8,500,000.00	8,500,000.00	Overdue and was indicted
Shenzhen Taiyang Tccp Co., Ltd.	4,500,000.00	---	6,000,000.00	43,350,000.00	Overdue and was indicted
Shenzhen Gaokeda Electronic Co. Ltd.	---	---	500,000.00	500,000.00	Overdue and was indicted
Shenzhen Yuda Import & Export Co., Ltd.	---	---	4,800,000.00	4,800,000.00	Overdue and was indicted
Shenzhen Paina Garment Co., Ltd.	---	---	1,300,000.00	1,300,000.00	Overdue and was indicted
Shenzhen Light Industry Import & Export Co., Ltd.	100,000.00	---	1,900,000.00	2,730,000.00	Overdue and was indicted
Yue-Shen Light Industry & Trading Company	---	---	8,187,837.00	8,187,837.00	Overdue and was indicted
Shenzhen Lionda Hunan Branch	---	---	3,250,000.00	3,250,000.00	Overdue and was indicted
Shenzhen Lionda Food Industrial Co., Ltd.	---	---	29,400,000.00	29,400,000.00	Overdue and was indicted
Shenzhen Lionda Materials Import & Export Co., Ltd.	---	11,850,000.00	52,980,959.49	65,660,459.49	Overdue and was indicted

Shenzhen Lionda Electrical Equipment Co., Ltd.	---	---	9,850,000.00	9,850,000.00	Overdue and was indicted
Shenzhen Paper Making Company	---	---	17,900,000.00	17,900,000.00	Overdue and was indicted
Shenzhen Guangyingda Industrial Co., Ltd.	8,336,160.00	---	9,780,000.00	78,970,100.00	Overdue and was indicted
Shenzhen Lionda Development Co., Ltd.	---	5,900,000.00	3,000,000.00	9,313,000.00	Overdue and was indicted
Shenzhen Lionda Leke Suitcase Co. Limited	---	---	12,850,000.00	12,850,000.00	Overdue and was indicted
合计	12,936,160.00	17,750,000.00	170,198,796.49	296,561,396.49	

(4) Amounts due from/to related parties

Current items	Name of related parties	Ending balance of the year	Beginning balance of the year
Other receivables	Shenzhen Lionda Materials Import & Export Co., Ltd.	27,935,288.45	27,935,288.45
	Shenzhen Lionda Food Industrial Co., Ltd.	4,998,701.51	4,998,701.51
	Shenzhen Lionda Development Co., Ltd.	55,362,158.24	56,061,618.96
	Shenzhen China Bicycle Company (Holdings) Limited	232,801,657.06	232,801,657.06
	Shenzhen Keruite New Materials Co., Ltd.	214,000.00	214,000.00
	Shenzhen Taiyang Tccp Co., Ltd.	25,686,735.00	25,686,735.00
	Shenzhen Jiadeng Trade Co., Ltd	1,008,500.00	1,008,500.00
	Shenzhen Yingte Enterprise Co., Ltd.	477,539.63	477,539.63
	Shenzhen Fuguanghao Industrial Co., Ltd.	994,657.43	302,292.62
Total		349,479,237.32	349,486,333.23
Other payables	Shenzhen Lionda Group Co., Ltd.	3,955,531.80	6,042,777.49
	Shenzhen Lionda Leke Suitcase Co. Limited	1,019,569.00	1,019,569.00
	Shenzhen Light Industry Import & Export Co., Ltd.	4,150,000.00	4,150,000.00
	Shenxin Enterprise Co., Ltd.	372,569.98	372,569.98
Total		9,497,670.78	11,584,916.47

* The interest of Shenzhen China Bicycle Company (Holdings) Limited held by the Company has been transferred out by end of year, therefore, Shenzhen China Bicycle Company (Holdings) Limited is no longer the related party of the Company.

11 Litigation Events

The litigation cases present as follows:

A, the credit limits agreement claim between the Company and representative office of China Changcheng Property Management Company, the principal of the agreement is RMB21 million. representative office of China Changcheng Property Management Company has transferred its related right to Huizhou Dayawan Zhuopeng Industrial Co., Ltd. Pursuant to the court's judgment, the interst held by the Company has been frozen, which include 80% of interest in

Shenzhen Lionda Light Textile Chemical Industrial Co., Ltd., 95% of interest in Shenzhen Lionda Electrical Equipment Co., Ltd., 95% of interest in Shenzhen Lionda Development Co., Ltd., 95% of interest in Shenzhen Lionda Materials Import & Export Co., Ltd. and 70% of interest in Shenzhen Lionda Jishi Industry Co., Ltd.. The Company recognized accrued liability accounting to RMB16.79 million for this litigation in prior years.

B, the loan agreement controversy between the Company and Shenzhen Branch, China Evergreen Bank, the agreement principal is RMB15 million. Pursuant to the court's judgment, the Company transferred its 20% of interest in Shenzhen Jianda Machinery Co., Ltd., which is translated into RMB1.29 million, to Shenzhen Branch, China Evergreen Bank, and the loss of RMB1.44 million on long-term investment is recognized as expense account in current year; in addition, the Company's plants located in 3, 4Floor Hualianfa Building Huaqingbei Road and No.91 Gangnan Road Buji Longgang Distrist was sealed up on Oct.24, 2006.

C, the loan agreement dispute between Huaqiaocheng Branch, Bank of Communication (representative office, China Xinda Assets management Co.) and Shenzhen Jinsheng Venture investment Co., Ltd, the agreement principal is RMB2.6 million; the Company has cross default responsibility due to the hypothecation. The Company fully recognized the anticipated liability in prior years.

D, loan agreement dispute between the Company and Shenzhen Branch, Bank of China and the latter transferred its related rights to Shenzhen Representative Office, China Xinda Assets Management Company, the agreement principal is HK$32 million, Shezhen Shenbaohua Co., Ltd Shenzhen Shenbao Industrial Co., Ltd. provided the guarantee for the loan. In Dec. 2005, Shenzhen Representative Office, China Xinda Assets Management Company transferred its above related rights to Glenmore Investment Limited. Pursuant to the court's judgment, the Company must repay the loan principal and related interest, pay the litigation handling fee and preservation fee of RMB387,968 yuan. Shenzhen Shenbao Industrial Co., Ltd. repaid RMB29 million on behalf of the Company, and the Company needed to pay the Guarantor RMB29 million and related interest.

E, loan agreement dispute between Shenzhen Guoyin Investment Group Co., Ltd. and Nanshan Sub-branch, Shenzhen Branch, Communication of Bank, the dispute involved three cases, the principals are RMB2 million, RMB3 million and RMB6 million respectively, totaled RMB11 million, the Company provided guarantee for above three loans. ADDVALUE HOLDINGSLIMITED applied to the court to auction the 2640000shares of S*ST Sunrise which security No. is 000030, specific representative domestic representative share, held by Shenzhen Guoyin Investment Group Co., Ltd.

F, loan agreement dispute between the Company and Nantou branch, Shenzhen Development Bank, the principal is HK$4 million, Shenzhen Shenbao Industrial Co., Ltd. provided guarantee for this borrowing. The guarantor of Shenzhen Shenbao Industrial Co., Ltd. repaid part of loan principal and interest on behalf of the Company. Pursuant to the court's judgment, the Company must repay penalty interest of HK$276,100.72 and compound interest of HK$134,125.82 yuan, and the litigation handling fee of RMB3614.5yuan should be paid by the Company.

12. Contingent events

The Company provided guarantee for other companies, and the amount for guarantee, overdue guaranteed loan and indicted was USD36,009,760, HK$59,805,200 and RMB502,787,396 yuan respectively.

The Company's overdue loan involved amounts were USD3,729,263, HK$48,109,722 and RMB96,908,000 yuan respectively.

13. Commitment

The Company has no significant commitments from balance sheet date to audit report date.

14. Debt Restructuring Events

To relieve the guarantee responsibility to Shenzhen China Bicycle Company (Holdings) Limited (thereafter "Shen Zhonghua") loan from China Huarong Asset Management Corp., the Company entered into the agreement of "the framework agreement as to release guarantee responsibility of Laiyanda and Shen Zhonghua restructuring event " and "supplemental agreement", according to the agreement, the Company would pay RMB110 million and 88million corporate shares of Shen Zhonghua to China Huarong Asset Management Corp., and China Huarong Asset Management Corp. would release the Company's guarantee responsibility to Shen Zhonghua at amount of RMB917 million debt principal and related interest. China Huarong Asset Management Corp. will be the chief shareholder and take charge of the debt restructuring matter, the Company's all creditor's right to Shen Zhonghua will be treated equally with the remained creditor's right to China Huarong Asset Management Corp. when debt restructure. As at December 31, 2007, the Company paid cash of RMB110 million to China Huarong Asset Management Corp. and transfer A share of totaled 65,098,412 shares and A share of totaled 17,899,664 shares, and B share of 5,001,944 shares was transferred whereas the transfer procedure is in progress.

15. Other significant events

The Company's share reform has not completed as the end of year, as at December, 2006, as approved by Stated-owned Assets Supervision Administrative Committee of Shenzhen Government(Shen Guo Zi Wei Han (2006) No. 385) to Shenzhen Stock Exchange, principally passed the Company's stock reform; as at Jan. of 2007, the Company's share reform proposal was approved by shareholders' meeting. The controlled shareholder of Shenzhen Lionda Group Co., Ltd. held the Company's 191400k shares and above shares was sealed up by middle court of Shenzhen dated on Apr. 10 of 2007, and this caused the Company was unable to apply for share reform processing plan to Security Registration Company.

16. Going concern

(1) the concern matters caused to the doubt to the Company's going concern ability and related improvement measures:

As presented in note 7(7) and note 12, the Company is in significant repayment pressure for short-term debt and substantive guarantee debt was indicted, these will affect the Company's going concern if the Company is not able to release them.

As such, the Company entered into financing consultation agreement with Beijing. ZhongheYingtai Management Co., Ltd in Jan. 2007, ZhongheYingtai Management Co., Ltd will design the Company's restructuring plan, the Company would negotiation with creditor for debt and assets restructuring, and would try to make progress for debt restructuring matter; at the same time, the Company's controlled shareholder of Shenzhen Lionda Group Co., Ltd. has sought the cooperator to improve the Company's going concern ability since Dec. 2006

The Company's management believed that the Company would continue operation after the restructuring, therefore the preparation of financial statements is still based on the going concern principle.

(2) due to the uncertainty of the Company's going concern, this could possibly cause the Company was not able to realize cash for assets repay the debt in ordinary course of business.

17. Return on net assets

Profit in report period	Return on net assets			
	Fully diluted		Weighted average	
	Amount in current year	Amount in prior year	Amount in current year	Amount in prior year
Net profit for shareholders of common shares	1.35%	(1.15%)	1.36%	(0.76%)
Net profit for shareholders of common shares after deduction of non-operating losses/profit	1.49%	1%	1.50%	0.66%

18. Earnings per share

Profit in report period	Earnings per share			
	Basic earnings per share		Diluted earnings per share	
	Amount in current year	Amount in prior year	Amount in current year	Amount in prior year
Net profit for shareholders of common shares	(0.0765)	0.0647	(0.0765)	0.0647
Net profit for shareholders of common shares after deduction of non-operating losses/profit	(0.0845)	(0.0563)	(0.0845)	(0.0563)

Items	Amount in current year	Amount in prior year
Calculation for basic and diluted earning per share		
(1) numerator:		
Net profit after income tax	(22,075,217.12)	18,660,262.04
Adjustment: preferred stock dividends and other instruments	---	---
Profit/loss for parent company's common stock shareholders in basic earnings per share calculation	(22,075,217.12)	18,660,262.04

Adjustment: diluted potential common stock dividends and related interest	---	---
The change of profit or expense generated from the transfer of diluted potential common stock	---	---
Profit/loss for common stock shareholders of parent company in diluted earnings per share calculation	(22,075,217.12)	18,660,262.04
(2) Denominator:		
Weighted average for offering common stock in current year in basic earnings per share calculation	288,420,000.00	288,420,000.00
Add: weighted average when all diluted potential common stocks transfer to common stock	---	---
Weighted average for currently offering common stock in diluted earnings per share calculation.	288,420,000.00	288,420,000.00
(3) earnings per share		
Basic earnings per share		
Net profit for Company's common stock shareholders	(0.0765)	0.0647
Net profit for Company's common stock shareholders after deduction of non-operating items	(0.0845)	(0.0563)
Diluted earnings per share	---	---
Net profit for Company's common stock shareholders	(0.0765)	0.0647
Net profit for Company's common stock shareholders after deduction of non-operating items	(0.0845)	(0.0563)

19. Owner's equity difference adjustment table under former and new accounting principle

Items	Name of items	Disclosed amount in 2007	Originally disclosed amount in 2006	difference	Notes
	Owner's equity as at Dec. 31 2006 (under former accounting principle)	（1,616,318,281.39）	（1,616,318,281.39）		
1	Variance in long-term investment	---	---		
	Therein: variance in long-term investment generated from common controlled companies	---	---		
	Credit variance generated by using equity method to record long-term investment	---	---		
2	The investing real estate prepare to record with fair value module	---	---		
3	The currently recognized depreciation for prior years due to the	---	---		

	accrual of assets discard expense		
4	Resign compensation which is compliance to the anticipated liability recognition condition	---	---
5	Stock paid	---	---
6	Restructuring liability for anticipated liability compliance with recognition condition	---	---
7	Enterprise combination	---	---
	Therein: carrying amount of goodwill generated from acquisition under common controlled company	---	---
	Provision for goodwill impairment according to new accounting principle	---	---
8	Financial assets recognized by fair value and expensed in current period for variance and financial assets readily for sales	---	---
9	Financial liability recognized by fair value and expensed in current period for variance	---	---
10	Increased income from financial instrument split	---	---
11	Derivative financial instrument	---	---
12	Income tax	---	---
13	Minority interest	---	---
14	Special retrospective adjustment for B share and H share	---	---
15	Others	---	---
	Owner’s equity as at Jan. 1 2007 (under new accounting principle)	(1,616,318,281.39)	(1,616,318,281.39)

20. Beginning balance of owner's equity adjustment procedure and amendment table under new accounting principle

Items	Paid-in capital	Additional paid-in capital	Surplus reserve	Undistributed profit	Minority interest	Total
1, ending balance for prior year	288,420,000	381,059,098.78	138,304,806.89	(2,424,102,187.06)		(1,616,318,281.39)
Add: correction for prior year's accounting error	---	---	---	---	---	---
Change of prior year's accounting principle						
2, beginning balance for current year before adjustment procedure:	288,420,000	381,059,098.78	138,304,806.89	(2,424,102,187.06)	---	(1,616,318,281.39)
A, write off of variance in long-term investment under common controlled company	---	---	---	---	---	---
B, write off of credit balance for long-term investment under equity method	---	---	---	---	---	---
C, adjust the difference between carrying amount and fair value for investing real estate	---	---	---	---	---	---
D, adjust expense for previously unrecognized fixed asset discard cost and recognize depreciation expense	---	---	---	---	---	---
E, adjust payroll payable from resign compensation	---	---	---	---	---	---
F, adjust the fair value of recognized liability for stock payment in first vesting date or later	---	---	---	---	---	---
G, adjust restructuring liability which is compliance with the recognition condition for anticipated debt.	---	---	---	---	---	---
H, retrospective adjust the temporary difference between carrying amount for assets and liabilities and income tax based amount	---	---	---	---	---	---
I, write off originally recognized remaining value for goodwill under common controlled company	---	---	---	---	---	---
J, goodwill impairment test generated from non-common controlled company	---	---	---	---	---	---
K, adjust the difference between carrying amount and fair value for trading financing assets	---	---	---	---	---	---
L, adjust the difference between carrying amount and fair value for financing debts	---	---	---	---	---	---
M, others	---	---	---	---	---	---

3, the beginning balance after the adjustment	288,420,000	381,059,098.78	138,304,806.89	(2,424,102,187.06)	---	(1,616,318,281.39)

21. Other Significant Matters

(1) Adjustment table for difference in net profit during 2006:

Items	Amount
Net profit for 2006 under former accounting principle, including minority interest	18,660,262.04
Add: total of retrospective items	---
Therein: no amortization for long-term investment variance generated from acquisition under common control	---
Income on variance of fair value	---
Income tax provision	---
Net profit for 2006 under new accounting principle	18,660,262.04
Reference under the assumption of implementing new accounting principle	
Add: total from other items' effect	---
Therein: development expense	---
Amortization amount for intangible assets for uncertain period	---
Pro forma net profit for 2006	18,660,262.04

(2) Adjustment table for consolidated income statement for 2006:

Items	Before adjustment	After adjustment
Operating cost	---	---
Operating expenses	---	---
General and administrative expense	(31,337,228.72)	3,309,973.21
Impairment loss on assets	---	(34,647,201.93)
Profit/loss on variance of fair value	---	---
Investment gain	7,234,451.66	7,234,451.66
Non-operating income	360,538.92	360,538.92
Income tax	---	---
Net profit	18,660,262.04	18,660,262.04

22. The Approval of Financial Statements

The Company's financial statement was approved by the board of directors' meeting on Apr.11, 2008.

9.2 Financial statement

9.2.1 Balance Sheet

Prepared by Guangdong Sunrise Holdings Co., Ltd. 31 Dec. 2007 Unit: RMB Yuan

Items	Amount at the period-end		Amount at the period-begin	
	Consolidation	Parent company	Consolidation	Parent company
Current Assets:				
Monetary funds	2,188.68	2,188.68	76,550.21	76,550.21
Settlement fund reserve				
Dismantle fund				
Transaction financial asset				
Notes receivable				
Account receivable				
Account paid in advance				
Premium receivables				
Receivables from reinsurers				
Reinsurance contract reserve receivables				
Interest receivable	1,931,203.38	1,931,203.38	1,931,203.38	1,931,203.38
Other account receivable	2,391,108.22	2,391,108.22	1,642,030.75	1,642,030.75
Financial assets purchased under agreements to resell				
Inventories	2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00
Non-current assets due within 1 year				
Other current assets				
Total current assets	6,324,500.28	6,324,500.28	5,649,784.34	5,649,784.34
Non-current assets:				
Loans and advance				
Available for sale financial assets				
Held to maturity investments				
Long-term account receivable				

Long-term equity investment	12,543,375.02	12,543,375.02	15,311,261.02	15,311,261.02
Investing property				
Fixed asset	8,286,902.49	8,286,902.49	8,865,524.91	8,865,524.91
Project in construction				
Engineering material				
Fixed asset disposal				
Bearer biological asset				
Oil assets				
Intangible assets				
Development expense				
Goodwill				
Long-term expense to be apportioned				
Deferred tax assets				
Other non-current assets				
Total of non-current assets	20,830,277.51	20,830,277.51	24,176,785.93	24,176,785.93
Total assets	27,154,777.79	27,154,777.79	29,826,570.27	29,826,570.27
Current liabilities:				
Short-term borrowings	467,553,910.86	467,553,910.86	512,333,288.46	512,333,288.46
Borrowing from Central Bank				
Deposits and due to banks and other financial institutions				
Placements from banks and other financial institutions				
Transaction financial liabilities				
Notes payable				
Account payable				
Account received in advance				
Financial assets sold under agreements to repurchase				
Handling charges and commission payable				
Employee’s compensation payable	488,108.73	488,108.73	830,641.02	830,641.02
Tax payable	-1,752.22	-1,752.22	2,021.95	2,021.95
Interest payable	349,492,769.23	349,492,769.23	315,296,522.45	315,296,522.45

Other account payable	156,073,332.14	156,073,332.14	124,450,470.21	124,450,470.21
Due to reinsurers				
Insurance contract reserve				
Customer deposits				
Amount payables under security underwriting				
Non-current liabilities due within 1 year				
Other current liabilities				
Total current liabilities	973,606,368.74	973,606,368.74	952,912,944.09	952,912,944.09
Non-current liabilities:				
Long-term borrowings				
Debentures payable				
Long-term payables				
Specific purpose account payables				
Provisions for contingent liabilities	691,941,907.57	691,941,907.57	693,231,907.57	693,231,907.57
Deferred tax liabilities				
Other non-current liabilities				
Total non-current liabilities	691,941,907.57	691,941,907.57	693,231,907.57	693,231,907.57
Total liabilities	1,665,548,276.31	1,665,548,276.31	1,646,144,851.66	1,646,144,851.66
Owner’s equity				
Share capital	288,420,000.00	288,420,000.00	288,420,000.00	288,420,000.00
Capital surplus	381,059,098.78	381,059,098.78	381,059,098.78	381,059,098.78
Less: Treasury Stock				
Reserved fund	138,304,806.89	138,304,806.89	138,304,806.89	138,304,806.89
General risk provision				
Retained earnings	-2,446,177,404.19	-2,446,177,404.19	-2,424,102,187.06	-2,424,102,187.06
Foreign exchange difference				
Total owners' equity attributable to holding company	-1,638,393,498.52	-1,638,393,498.52	-1,616,318,281.39	-1,616,318,281.39
Minority interest				
Total owner’s equity	-1,638,393,498.52	-1,638,393,498.52	-1,616,318,281.39	-1,616,318,281.39
Total liabilities and owner’s equity	27,154,777.79	27,154,777.79	29,826,570.27	29,826,570.27

9.2.2 Income Statement

Prepared by Guangdong Sunrise Holdings Co., Ltd Jan.-Dec. 2007 Unit: RMB Yuan

Item	Amount of this period		Amount of last period	
	Consolidation	Parent company	Consolidation	Parent company
I. Total sales	1,802,714.10	1,802,714.10	1,261,613.22	1,261,613.22
Including: Sales				
Interests income				
Premium income				
Handling charges and commission income				
II. Total cost of sales	25,554,085.23	25,554,085.23	-9,803,658.24	-9,803,658.24
Including: Cost of sales				
Interests expenses				
Handling charges and commission expenses				
Claim expenses-net				
Provision for insurance liability reserve				
Expenses for reinsurance accepted				
Payments on surrenders				
Policyholder dividends				
Taxes and associate charges				
Selling and distribution expenses				
Administrative expenses	3,555,210.04	3,555,210.04	3,309,973.21	3,309,973.21
Financial expense	22,675,168.57	22,675,168.57	21,533,570.48	21,533,570.48
Impairment loss	-676,293.38	-676,293.38	-34,647,201.93	-34,647,201.93
Add: gain/(loss) from change in fair value ("-" means loss)				
Gain/(loss) from investment ("-" means loss)	1,626,114.00	1,626,114.00	7,234,451.66	7,234,451.66
Including: income form investment on affiliated enterprise and jointly enterprise				
Foreign exchange difference ("-" means loss)				
III. Business profit ("-" means loss)	-22,125,257.13	-22,125,257.13	18,299,723.12	18,299,723.12
Add: non-business income	50,040.00	50,040.00	360,538.92	360,538.92
Less: non-business expense				
Including: loss from non-current asset disposal				
IV. Total profit ("-" means loss)	-22,075,217.13	-22,075,217.13	18,660,262.04	18,660,262.04

Less: Tax expense				
V. Net profit ("-" means loss)	-22,075,217.13	-22,075,217.13	18,660,262.04	18,660,262.04
Attributable to: Parent company	-22,075,217.13	-22,075,217.13	18,660,262.04	18,660,262.04
Minority interest				
VI. Earnings per share				
(I) basic earnings per share	-0.0765	-0.0765	0.0647	0.0647
(II) diluted earnings per share	-0.0765	-0.0765	0.0647	0.0647

9.2.3 Cash Flow Statement

Prepared by Guangdong Sunrise Holdings Co., Ltd. Jan.-Dec. 2007 Unit: RMB Yuan

Item	Amount of this period		Amount of last period	
	Consolidation	Parent company	Consolidation	Parent company
1. Cash flows for operating activities:				
Cash received from sales of goods or rending of services				
Cash received on deposits and from banks and other financial institutions				
Net increased cash received on borrowings from central bank				
Cash received on placements from other financial institutions				
Premium received				
Cash received from reinsurance				
Net increased amount received on policyholder deposit and investment				
Cash received from disposal of held for trading financial assets				
Interests, handling charges and commission received				
Cash received on placements from bank, net				
Cash received under repurchasing, net				
Refund of tax and fare received				
Other cash received relating to operating activities	5,191,651.89	5,191,651.89	4,394,374.70	4,394,374.70
Sub-total of cash inflows	5,191,651.89	5,191,651.89	4,394,374.70	4,394,374.70
Cash paid for goods and services				
Loans and advances drawn				

Cash paid to central bank, banks and other financial institutions, net				
Claims paid				
Interests, handling charges and commission paid				
Dividends paid to policyholders				
Cash paid to and on behalf of employees	936,090.32	936,090.32	985,197.98	985,197.98
Tax and fare paid				
Other cash paid relating to operating activities	7,433,923.10	7,433,923.10	3,493,373.80	3,493,373.80
Sub-total of cash outflows	8,370,013.42	8,370,013.42	4,478,571.78	4,478,571.78
Net cash flow from operating activities	-3,178,361.53	-3,178,361.53	-84,197.08	-84,197.08
2. Cash Flows from Investment Activities:				
Cash received from return of investments				
Cash received from investment income	104,000.00	104,000.00	80,000.00	80,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets				
Proceeds from sale of subsidiaries and other operating units	3,000,000.00	3,000,000.00		
Other cash received relating to investment activities				
Sub-total of cash inflows	3,104,000.00	3,104,000.00	80,000.00	80,000.00
Cash paid for acquiring fixed assets, intangible assets and other long-term assets			5,250.00	5,250.00
Cash paid for acquiring investments				
Net cash used in loans				
Net cash used in acquiring subsidiaries and other operating units				
Other cash paid relating to investment activities				
Sub-total of cash outflows			5,250.00	5,250.00
Net cash flow from investing activities	3,104,000.00	3,104,000.00	74,750.00	74,750.00
3. Cash Flows from Financing Activities:				
Cash received from absorbing investment				
Including: Cash received from increase in minority interest				
Cash received from borrowings				
Cash received from issuing debentures				
Other proceeds relating to financing activities				
Sub-total of cash inflows				

Cash paid for settling debt				
Cash paid for distribution of dividends or profit or reimbursing interest				
Including: dividends or profit paid to minority interest				
Other cash payments relating to financing activities				
Sub-total of cash outflows				
Net cash flow from financing activities				
4. Effect of foreign exchange rate changes				
5. Increase in cash and cash equivalents	-74,361.53	-74,361.53	-9,447.08	-9,447.08
Add : Cash and cash equivalents at year-begin	76,550.21	76,550.21	85,997.29	85,997.29
6.Cash and cash equivalents at the end of the year	2,188.68	2,188.68	76,550.21	76,550.21

9.2.4 Statement of Change in Owners' Equity

Prepared by Guangdong Sunrise Holdings Co., Ltd. 31 Dec. 2007 Unit: RMB Yuan

Items	Amount in this period									Amount of last year								
	Owners' equity attributable to parent company							Minority equity	Total of owners' equity	Owners' equity attributable to parent company							Minority equity	Total of owners' equity
	Pain-in capital (share capital)	Capital reserve	Lessen: treasury stock	Surplus public reserve	General risk reserve	Retained profits	Others			Pain-in capital (share capital)	Capital reserve	Lessen: treasury stock	Surplus public reserve	General risk reserve	Retained profits	Others		
I. balance at the end of last year	288,420,000.00	381,059,098.78		138,304,806.89		-2,424,102,187.06			-1,616,318,281.39	288,420,000.00	366,865,874.73		138,304,806.89		-2,442,762,449.10			-1,649,171,767.48
Add: change of accounting policy																		
Correction of errors in previous period																		
II. balance at the beginning of this year	288,420,000.00	381,059,098.78		138,304,806.89		-2,424,102,187.06			-1,616,318,281.39	288,420,000.00	366,865,874.73		138,304,806.89		-2,442,762,449.10			-1,649,171,767.48
III. Increase/ decrease of amount in this year ("-" means decrease)						-22,075,217.13			-22,075,217.13		14,193,224.05				18,660,262.04			32,853,486.09
(I) Net profit						-22,075,217.13			-22,075,217.13						18,660,262.04			18,660,262.04
(II)Gain/loss listed to owners' equity directly											14,193,224.05							14,193,224.05
1. Net amount on changes in book value																		

of financial assets available for sale																		
2.Effect on changes in other owners' equity of invested units under equity method																		
3. Effect on income tax related to items listed to owners' equity																		
4. Others											14,193,224.05							14,193,224.05
Subtotal of (I)and (II)						-22,075,217.13			-22,075,217.13		14,193,224.05				18,660,262.04			32,853,486.09
(III) Input an reduced capital of owners																		
1. Input capital of owners																		
2.Amount of Shares included in the owners' equity																		
3. Others																		
(IV) Profit distribution																		
1. Withdrawing surplus public reserve																		
2. Withdrawing general																		

risk reserve																		
3. Distribution to all owners (shareholders)																		
4. Others																		
(V)Internal carrying forward of owners' equity																		
1. New increase of capital (share capital) from capital reserves																		
2. Convert surplus reserves to capital(share capital)																		
3. Surplus reserves make up losses																		
4. Others																		
IV. Balance at the end of this period	288,420,000.00	381,059,098.78		138,304,806.89		-2,446,177,404.19			-1,638,393,498.52	288,420,000.00	381,059,098.78		138,304,806.89		-2,424,102,187.06			-1,616,318,281.39

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

√ Applicable ☐Inapplicable

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

☐Applicable √ Inapplicable

9.5 Compared with the latest Annual Report, there were some changes in the consolidation statement scope:

☐Applicable √ Inapplicable

Guangdong Sunrise Holdings Co., Ltd.

Chairman of the Board:

15 April 2008