GUANGDONG SUNRISE HOLDINGS CO., LTD.

Annual Report 2008

April 8, 2009

Important Notes

The Board of Directors, the Supervisory Committee as well as directors, supervisors and senior executives of Guangdong Sunrise Holdings Co., Ltd (hereinafter referred to as "the Company") individually and collectively accepted responsibility for the authenticity, accuracy and completeness of the contents of this report and confirm that there was no false information, misleading statement or material omissions.

BDO.Guangdong Dahua Delu CPA, LLP issued an auditors' report that unable to express opinion. The Board of Directors issued the special explanation on relevant events, and the Supervisory Committee expressed the clear opinion for the special explanation issued by the Board of Directors. Investors were requested to pay attention on it.

None of Director, Supervisor or Senior Executive stated that he/she couldn't ensure the authenticity, accuracy and completeness of the contents of the Annual Report nor had any objection for this report.

All Directors of the Company attended the Board Meeting for examination and approval of annual report except the following directors.

Absent director	Reason for absence	Consigner
Pan Chendong	On Business	Ban Wu

Person in charge of the Company as well as person in charge of Accounting Affairs Mr. Wang Jianyu and Person in charge of accounting firms, Mr. Yu Deshan hereby confirmed that the Financial Report enclosed in the Annual Report was true and complete.

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Section I Company Profile

I. Legal name of the Company in Chinese: 广东盛润集团股份有限公司
Legal name of the Company in English: Guangdong Sunrise Holdings Co., Ltd (Abbreviation: SUNRISE)

II. Legal Representative: Wang Jianyu

III. Secretary of the Board of Directors: Yu Deshan
Contact Tel: (0755)83877511
Securities Affairs Representative: Chen Liantan
Contact Tel: (0755) 83875531
Contact Address: Secretariat of the Board of Directors, 5D, Jinsong Building, Tairan Road, Futian District, Shenzhen City, Guangdong Province
Fax: (0755)83875212
E-mail: lionda@mailcenter.com.cn

IV. Registered Address: Tairan Industrial Zone, Chegongmiao, Shenzhen, Guangdong, P. R. China
Office Address: 5D, Jinsong Building, Tairan Road, Futian District, Shenzhen City
Post Code: 518040

V. Newspapers designated for disclosing information of the Company: Securities Times and Hong Kong Ta Kung Pao
Internet Website designated by CSRC for publishing annual report: http://www.cninfo.com.cn/default.htm
The place where the semi-annual report is prepared and placed: Secretariat of the Board of the Company

VI. Stock Exchange Listed with: Shenzhen Stock Exchange
Short Form of the Stock: S*ST Sunrise A, *ST Sunrise B
Stock Code: 000030, 200030

VII. Other relevant information of the Company:
Initial registration date: Sep. 1993
Initial registration place: Jiahua Bldg., Huaqiang North Road, Shenzhen
Business License No.: 4400001001658
Tax Registration No.: SNTZi 440301190325278
SLTZi 440304190325278
Name of Certified Public Accountants engaged by the Company: BDO.Guangdong Dahua Delu CPA, LLP
Office Address: 11/F, Tower B, Union Plaza, Bin He Road, Shenzhen

Section II Summary of Accounting Data and Business Data

I. Main profit index of the Company in current year of the Company

1. Main profit index in current year

Unit: RMB Yuan

Operating profit	0
Total profit	-85,148,819.04
Net profit attributable to the shareholders in listed companies	-85,148,819.04
Net profit attributable to the shareholders in listed companies after deducting non-recurring gains and losses	-25,927,109.36
Net cash flow arising from operation activities	-374,264.55

2. Items of the non-recurring gains and losses

Unit: RMB Yuan

Items	Amount	Remarks (if applicable)
Gains and losses from disposal of non-current assets	-1,808,408.83	
Gains and losses from contingencies irrelevant of normal operating business	-57,404,684.85	Taking joint responsibility due to former guarantee and recorded as projected liabilities
Other income and expenditure except the above items	-8,616.00	
Total	-59,221,709.68	-

3. Difference between PRC GAAP and IFRS:

There are no difference between PRC GAAP and IFRS during the report period.

II. Main accounting data and financial indices over the past three years

1. Main accounting data

Unit: RMB Yuan

	2008	2007	Increase/ decrease than last year (%)	2006
Operating income	1,699,473.38	1,802,714.10	-5.73%	1,261,613.22
Net profit	-85,148,819.04	-22,075,217.13	-285.72%	18,299,723.12
Net profit attributable to shareholders of listed company	-85,148,819.04	-22,075,217.13	-285.72%	18,299,723.12
Net profit attributable to shareholders of listed company after deducting non-recurring gains and losses	-25,927,109.36	-24,381,666.76	-6.34%	-6,598,067.26
Net cash flow arising from operation activities	-374,264.55	-3,178,361.53	88.22%	-84,197.08
	At the end of 2008	At the end of 2007	Increase/ decrease than last year (%)	At the end of 2006
Total assets	17,961,177.93	27,154,777.79	-33.86%	29,826,570.27
Owners' equity (shareholders' equity)	-1,723,542,317.56	-1,638,393,498.52	-5.20%	-1,616,318,281.39
Share Capital	288,420,000.00	288,420,000.00		288,420,000.00

2. Main financial indices

Unit: RMB Yuan

	2008	2007	Increase/ decrease than last year (%)	2006
Basic earnings per share (Yuan/share)	-0.2952	-0.0765	-285.72%	-0.0634
Diluted earnings per share (Yuan/share)	-0.2952	-0.0765	-285.72%	-0.0634
Basic earnings per share after deducting non-recurring gains and losses (Yuan/share)	-0.0899	-0.0845	-6.40%	-0.0229
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 losses (%)				
Net cash flow per share from operating activities (Yuan/share)	-0.0013	-0.011	-88.27%	-0.00029
	At the end of 2008	At the end of 2007	Increase/ decrease than last year (%)	At the end of 2006
Net assets per share attributable to listed companies' shareholders (Yuan/share)	-5.98	-5.68	-5.28%	-5.60

Section III Changes in Share Capital and Shareholders

I. Changes in share capital

(I) Statement on changes in share capital

Unit: Share

	Before the change		Increase/decrease in this change					After the change	
	Amount	Proportion	Issuance of new share	Bonus shares	Capitalization of public reserve	Others	Subtotal	Amount	Proportion
I. Shares subject to trading moratorium	208,566,000	72.31%				-20,129,250	-20,129,250	188,436,750	65.33%
1. Shares held by state									
2. Shares held by state-owned corporation									
3. Shares held by domestic investors	208,560,000	72.31%				-20,130,000	-20,130,000	188,430,000	65.33%
Including: shares held by domestic non-state-owned corporation	208,560,000	72.31%				-20,130,000	-20,130,000	188,430,000	65.33%
Shares held by domestic natural person									
Shares held by foreign investors									
Including: shares held by foreign corporation									
Shares held by foreign natural person									
5. Shares held by senior executives	6,000					750	750	6,750	
II. Shares not subject to trading moratorium	79,854,000	27.69%				20,129,250	20,129,250	99,983,250	34.67%
1. RMB ordinary shares	40,254,000	13.96%				20,129,250	20,129,250	60,383,250	20.94%
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%

Changes in shares subject to trading moratorium

Unit: Share

Name of shareholders	Shares at the year-beginning	Shares released in current year	Shares increased in current year	Shares at the year-end	Reason	Date of release
Shenzhen Lionda Group Co., Ltd	172,544,050	0	0	172,544,050	Unexpired term of trading moratorium	29 Dec. 2009, 29 Dec. 2010 and 29 Dec. 2010
Shenzhen Coloured Metal Financial Co. Ltd.	4,770,380	0	0	4,770,380	Unexpired term of trading moratorium	29 Dec. 2009
Shenzhen International Trust & Investment Co., Ltd.	4,770,380	0	0	4,770,380	Unexpired term of trading moratorium	29 Dec. 2009
Shenzhen Huachengda Investment Holding Co., Ltd.	3,960,000	0	0	3,960,000	Unexpired term of trading moratorium	29 Dec. 2009
Hainan Hui Hexing Investmewnt Management Co., Ltd	2,385,190	0	0	2,385,190	Unexpired term of trading moratorium	29 Dec. 2009
Total	188,430,000	0	0	188,430,000	—	—

Explanation on changes of share:
During the report period, total shares of the Company remained unchanged. However, the Company executed share merger reform plan and sales of released shares held by senior executives late of December 2008, therefore, structure of shares of the Company changed as above.

(II) Shares issuance and listing

1. The Company neither issued new shares nor derivative securities over the previous three years as at the end of the report period.

2. During the report period, the company has no employee shares ownership.

3.total shares of the Company remained unchanged. However, the Company executed share merger reform plan and sales of released shares held by senior executives late of December 2008, and structure of shares of the Company changed with a certain extent. Shares subject to trading moratorium held by domestic non-state-owned corporation decreased by 188,430,000 shares at the year-end from 208,560,000 shares at the year-begin, which took up 65.33% of total share capital; RMB ordinary shares increased by 60,383,250 shares at the year-end from 40,254,000 shares at the year-begin, which took up 20.94% of total share capital; shares held by senior executives decreased by 6,000 shares at the year-end from 6,750 shares at the year-begin.

II. Particulars about the shareholders

1. As at the end of the report period, the Company totally had 15,887 shareholders, including 5 ones of shares subject to trading moratorium, 11,699 ones of A-share not subject to trading moratorium, and 4,213 ones of B-share not subject to trading moratoriums.

2. Statement on shares held by the top ten shareholders and shares not subject to trading moratorium held by the top ten shareholders

Unit: Share

Total number of shareholders					15,887
Particulars about shares held by the top ten shareholders					
Name of shareholders	Nature of shareholders	Proportion	Total number of shares held	Non-tradable shares held	Shares pledged or frozen
Shenzhen Lionda Group Co., Ltd.	Domestic non-stated-owned corporation	59.82%	172,544,050	172,544,050	172,544,050
Shenzhen Coloured Metal Financial Co. Ltd.	Domestic non-stated-owned corporation	1.65%	4,770,380	4,770,380	0
China Resources SZITIC Trust Co., Ltd	Domestic non-stated-owned corporation	1.65%	4,770,380	4,770,380	0
Shenzhen Huachengda Investment Holding Co., Ltd	Domestic non-stated-owned corporation	1.37%	3,960,000	3,960,000	3,960,000
Liuzhou Jiali Real Estate Development Co., Ltd.	Domestic non-stated-owned corporation	0.94%	2,703,295	0	0
Hainan Hui Hexing Investmewnt Management Co., Ltd	Domestic non-stated-owned corporation	0.83%	2,385,190	2,385,190	0

CHINA EVERBRIGHT HOLDINGS CO LTD	Foreign corporation	0.49%	1,406,750	0	0
Zhang Qing	Domestic natural person	0.35%	999,900	0	0
Cai Hanchuan	Domestic natural person	0.31%	904,402	0	0
CITRINE CAPITAL LIMITED	Foreign corporation	0.30%	868,783	0	0

Particulars about shares not subject to trading moratorium held by the top ten shareholders		
Name of shareholders	Shares held not subject to trading moratorium	Type of share
Liuzhou Jiali Real Estate Development Co., Ltd.	2,703,295	RMB ordinary shares
CHINA EVERBRIGHT HOLDINGS CO LTD	1,406,750	Domestically listed foreign shares
Zhang Qing	999,900	RMB ordinary shares
Cai Hanchuan	904,402	Domestically listed foreign shares
CITRINE CAPITAL LIMITED	868,783	Domestically listed foreign shares
Xu Yongshan	638,850	RMB ordinary shares
Ni Min	541,700	Domestically listed foreign shares
Lu Huazhong	503,700	Domestically listed foreign shares
Wang Guoping	486,748	RMB ordinary shares
BOCI SECURITIES LIMITED	480,000	Domestically listed foreign shares

Explanation on associated relationship among the top ten shareholders or acting-in-concert	It's unknown whether there is any associated relationship among the top ten shareholders or relationship among the top ten shareholders and the top ten shareholders holding shares not subject to trading moratorium, whether there is any action-in-concert among them regarding to Administrative Measures on Information Disclosure of Changes in Shareholding of Listed Companies.

Note: Shenzhen Lionda Group Co., Ltd is the controlling shareholder of the Company, and the shares held were domestic non-state-owned corporate shares as well as tradable shares subject to trading moratorium.

Application on changing the nature of sponsor shares held by Shenzhen Lionda Group Co., Ltd from "state-owned corporate shares'" to "social corporate shares" was approved by State-owned Assets Supervision and Administration Commission of the State Council in late December 2007. The Company transacted the related change registration procedure with the above approval in China Securities Depository and Clearing Corporation Limited, and China Securities Depository and Clearing Corporation Limited Shenzhen Branch changed it to "other domestic corporate shares" officially on 17 Jan. 2008. For further information of above mentioned matters, please referred to the "Suggestive Public Notice on Progress of Share Merger Reform with announcement No. 2008-001 and 2008-005 in Securities Times and website www.cninfo.com.cn respectively on 7 Jan. 2008 and 21 Jan. 2008. Besides, the Company published Suggestive Public Notice on Implementation of Share Merger Reform with announcement No. 2008-086 in Securities Times and website http://www.cninfo.com.cn on 25 Dec. 2008, and shares held by Shenzhen Lionda Group Co., Ltd, controlling shareholder of the Company, have changed to tradable shares subject to trading moratorium.

It's unknown whether there is any associated relationship among the top ten shareholders or relationship among the top ten shareholders and the top ten shareholders holding shares not subject to trading moratorium, whether there is any action-in-concert among them regarding to Administrative Measures on Information Disclosure of Changes in Shareholding of Listed Companies.

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

4. Particulars about the controlling shareholder and actual controller

(1) Controlling shareholder

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 is the legal representative. It is involved in investing and starting of industrial (subject to report individually), domestic commerce, goods supplying (special and monopolized goods not included), international trading (as set by the qualification certification), and developing of land No. T306-0013.

(2) Actual controllers

Shenyang Huirong Industrial Co., Ltd and Mr. Guo Tao are the actual controllers of the Company. Annual Report 2007 stated that Shenyang Huirong Industrial Co., Ltd became the actual controller of Shenzhen Lionda Group Co., Ltd. The investment of Shenyang Ronghui Industrial Co., Ltd was as follows: Zhao Shufan with RMB 30.00 million, Guotao with 70.00 million, Therefore, Shenyang Huirong Industrial Co., Ltd and Mr. Guo Tao became actual controllers of Guangdong Sunrise Holdings Co., Ltd.

corporation actual controller: Shenyang Huirong Industrial Co., Ltd was founded on 28 Oct. 1999 with registered capital RMB 100.00 million, the legal representative was Zhao Shufan. 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 sales of PC barrel.

Individual actual controller:

Name: Guo Tao

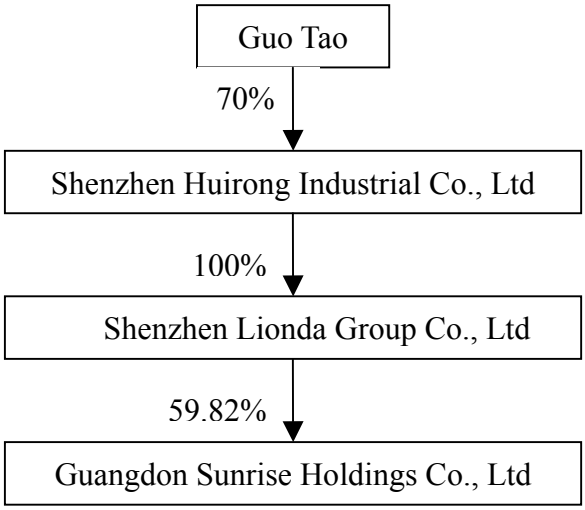
Nationality: Chinese

Whether got residence permit in other countries or regions: No

Occupation in the last five years: enterprise management

Post in the last five years: Chairman of the Board of Directors of Shenyang Huirong Industrial Co., Ltd

(3) Chart of the property and controlling relationship between the Company and the actual controller:



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

I. Directors, supervisors and senior executives

1. Basic information of the current directors, supervisors and senior executives

Name	Title	Sex	Age	Beginning date of office term	End date of office term	Shares held at year-begin	Shares held at year-end	Reason for change	Total remuneration drawn from the Company in the reporting period (RMB'0000) (before tax)	Remuneration drawn from shareholder entities or other related parties or not
Wang Jianyu	Chairman of the Board & General Manager	Male	43	27 May 2008	26 May 2011	0	0	No	18.20	No.
Xie Heng	Director	Male	40	27 May 2008	26 May 2011	0	0	No	0.50	Yes
Yu Deshan	Director & Secretary to the Board	Male	31	27 May 2008	26 May 2011	0	0	No	13.60	No.
Qiu Xiaotong	Director	Male	44	27 May 2008	26 May 2011	0	0	No	0.50	Yes
Ban Wu	Independent director	Male	63	27 May 2008	26 May 2011	0	0	No	3.00	No.
Pan Chengdong	Independent director	Male	41	27 May 2008	26 May 2011	0	0	No	3.00	No.
Shao Liangzhi	Independent director	Male	44	27 May 2008	26 May 2011	0	0	No	3.00	No.
Xu	Chairman of the	Female	44	27 May 2008	26 May 2011	0	0	No	0.30	Yes

Zhaojun	Supervisory Committee									
Chen Hong	Supervisor	Female	38	27 May 2008	26 May 2011	0	0	No	0.30	No.
Niu Suyan	Supervisor	Female	52	27 May 2008	26 May 2011	6,000	6,750	Sales of shares released after execution of share merger reform	11.80	No.
Total	-	-	-	-	-	6,000	5,362	-	54.20	-

Explanation:

(1) In the report period, no other directors, supervisors or senior executives held shares of the Company except 6,750 A shares held by supervisor Niu Suyan

(2) No directors, supervisors or senior executives was authorized equity incentive during the report period.

(3) Posts of current directors and supervisors held in shareholding companies:

Director Mr. Xie Heng took the post of Deputy Head of Investment & Development Dept. in Shenzhen Lionda Group Co., Ltd with the office term from Jan. 2005 up to now, and draw the payment from shareholding companies.

Director Mr. Qiu Xiaotong acted as Head of General Management Department in Shenzhen Lionda Group Co., Ltd with the office term from Jan. 2008 up to now, and draw the payment from shareholding companies.

Supervisor Ms. Xu Zhaojun acted as Head of Financial Department in Shenzhen Lionda Group Co., Ltd with the office term from Aug. 2007 up to now, and draw the payment from shareholding companies.

2. Main work experience of directors, supervisors and senior executives and post or concurrent post taken in other companies except in shareholding companies

(1) Director

Wang Jianyu, male, Han nationality, born in Shengyang City, Liaoning Province in August 1965, member of CPC, was graduated as economics management major of Correspondence College in Central Communist Party, bachelor degree, economist. From 1981 to 1985, he served in certain army of Chinese People's Liberation Army; From Dec. 1985 to Sep. 1987, he worked as a promotion officer in the party committee of Shenyang Computer Factory; From Sep. 1987 to Jul. 1989, off-the-job training in the Party School of Shenyang of CPC; From Jul. 1989 to Nov. 1991, director of enterprise administrative office in Shenyang Computer Factory; From Nov. 1991 to Sep. 1998, he successively took the posts of secretary to President, deputy director of President's office, director of party committee office in Changbai Computer Group Corporation, and secretary of the Board in Changbai Computer Co., Ltd.; From Sep. 1998 to Sep. 2004, he successively took the posts of director of president office, assistant to Chairman of the Board in Shenyang Dawncom Group Co., Ltd., and assistant to Chairman of the Board and director of president office in Shenzhen Dawncom Business Technology and Service Co., Ltd; From Sep. 2004 to Dec. 2004, he acted as deputy GM of Shenzhen Angel Drinking Water Equipment Co., Ltd.; From Jan. 13, 2005 to Apr. 19, 2005, he took the post of standing deputy GM in Guangdong Sunrise Holdings Co., Ltd.; From Apr. 19, 2005 to May 11,

2006, he served as GM in Guangdong Sunrise Holdings Co., Ltd. And now he is the Chairman of the Board of Guangdong Sunrise Holdings Co., Ltd.

Yu Deshan, male, Han nationality , born in Apr. 1977, from Zunyi City, Guizhou Province, CPC member, was graduated from Jiangxi University of Finance and Economics with major of financial management in Accounting College. From Jul. 2000 to Oct. 2002, he worked in Finance Dep. of Shenzhen Lionda Group Co., Ltd.; From Oct. 2002 to Apr. 2004, he served as Chief Finance Officer in Shanghai Hengda Real Estate Development Co., Ltd; From Apr. 2004 to Dec. 2004, he held a post in Shenzhen Lionda Technology Co., Ltd as vice minister of Finance Dep., From Dec. 2004 to Aug. 2005, he served as Financial Supervisor in Shenzhen Yili Industrial Co., Ltd; Since Aug. 2005, he has been holding posts as director and Head of Financial Department in Guangdong Sunrise Holdings Co., Ltd.

Xie Heng, male, Han nationality, born in Apr. 1971, , from Shenzhen, Guangdong, member of CPC, was graduated from Shenzhen University with major of economic forecast and statistics, statistical manager. Since Jun. 1994, he successively worked in Investment & Development dept., Human Resource Dept. and Enterprise Development Dept. of Shenzhen Lionda Group Co., Ltd. Now, he acts as deputy director of Investment & Development Dept. in Shenzhen Lionda Group Co., Ltd. Since May 2005, he has been director of the Company.

Qiu Xiaotong, male, born in Apr. 1964, from Meixian, Guangdong, member of CPC, graduated from Academy of Shenzhen University with major of Computer, was an economist. From 1988 to 1990, he worked in Shenzhen Jiangshan Industrial Co., Ltd. From 1990 to 1995, he acted as Vice Manager in Shopping Arcade Department of Shenzhen Tefa Import and Export Co., Ltd. From 1995 to 1999, he worked in Shenzhen Ya Jiayi Decoration Material Co., Ltd as Deputy General Manager. From 2004 to 2005, he acted as Deputy General Manager in Shenzhen Angel Drinking Water Technology Co., Ltd. From 2005 to 2006, he worked in Shenzhen Powertronic Battery Selling Co., Ltd as Deputy General Manager. From 2006 to 2007, he was person in charge of project of Beijing Sun Pipeline Co., Ltd. From 2007 to 2008, he worked as Deputy General Manager in Shenzhen Yide Property Co., Ltd. Since Jan. 2008, he has been holding a post as Head of General Management Department in Shenzhen Lionda Group Co., Ltd.

Ban Wu, male, born in Sep. 1946, from Da Shiqiao City, Liaoning Province, Han nationality, member of CPC, holder of bachelor degree, is member of International Association of Legal Science, member of China Law Society, Senior Judger of China and director of Shenzhen Association of Judgers; From 1966 to Feb. 1968, public relationship staff in county government and CPC commission; From Mar.1968 to Jan.1982, he served as group leader, company commander, instructor, tutor, and section chief of independent division No. 2 in Shenyang Military Area Command, garrison division No. 6 and Jilin Military Area Command; From Feb. 1982 to Jul. 1988, worked in Jilin High People's Court. From Aug. 1988 to Jan. 1990, transferred temporarily to Hainan Province Qiongnan Intermediate Court and took the position of president judger of economical court; From Feb. 1990 to Jul. 2003, worked in Shenzhen Intermediate People's Court, and successively took the posts of presiding judge of No. 1 and No. 2 court, concurrently was member of judge committee and Leading Group of investigating into miscarriage of

justice. Since May 2005, he has been independent director of the Company.

Shao Liangzhi, male, born in 1964, is an master of economy and senior accountant. He graduated from Dongbei University of Finance & Economics in 1988, then left in the university and engaged in teaching accounting and auditing till Dec. 1994; from Jan. 1995 to Feb. 2004, he acted as chief of financial section, deputy manager and manager of Audit Department in Shenzhen Nanyou (Group) Holdings Limited. During this period, he was member of Discipline Inspection Committee of CPC and employee supervisor of Shenzhen Nanyou. (Group) Holdings Limited, concurrently acted as Chairman of the Supervisor Committee of Nanyou Jujian Real Estate Co., Ltd, subsidiary company of Nanyou Group Holding Limited, and supervisor of Shenzhen West Logistics Co., Ltd; Since Mar. 2004, he has been holding a post as Deputy General Manager as well as Chief Financial Officer in Shenzhen Grand Autopark Co., Ltd.

Pan Chendong, male, 41 years old, Chinese nationality, holder of postgraduate degree, is a lawyer without permanent residence of foreign countries. He once worked in School of Law, Jilin University, Jinlin University Law firms, Shenzhen Dahe Law Firm and China Commercial Law Company Shenzhen. Since May 2007, he has been acting as independent director of Shenzhen Shunluo Electronic Co., Ltd, as well as partner and professional lawyer in Guangdong Wentian Law Firm.

(2) Supervisors

Xu Zhaojun, female, Han nationality, born in Jan. 1964 in Shanghai, was graduated from Shanghai Lixin University of Commerce. From Aug. 1984 to Dec. 1990, she worked in Financial Division of Shanghai Academy of Social Sciences. From Jan. 1991 to Sep. 1998, she worked in Shenzhen Lionda Bond Trading Co., Ltd as Head of Financial Department. From Oct. 1998 to May 2000, she worked in Shenzhen Lionda Materials Import & Export Co., Ltd as Head of Financial Department. From Jun. 2000 to Dec. 2004, she held a post in Shenzhen Light Industrial Products Import & Export Co., Ltd as CFO. From Jan. 2005 and Dec. 2005, she acted as Deputy head of Fund Department, Head of Purchasing Management Department in Shenzhen Lionda Group Co., Ltd. From Jan. 2006 to Jul. 2007, she worked in Shenzhen Angel Drinking Water Industrial Group Corporation as CFO. Since Aug. 2007, she has been holding a post as Chief Officer of Financial Department in Shenzhen Angel Drinking Water Industrial Group Corporation.

Chen Hong, female, Han nationality, from Huizhou, Guangdong, graduated from Foreign Department of Shenzhen University, is a bachelor degree holder of Guandong Provincial Party School with major of Economic Management and accountant. From Jul. 1990 to Apr. 1994, worked in Financial Department of Shenzhen Mineral Water Factory; from Sep. 1994 to Dec. 2000, she acted as Deputy Head of Financial Department in Shenzhen Health Mineral Water Co., Ltd; from Jan. 2001 to Feb. 2005, she worked as Deputy chief of Financial Department in Shenzhen Health Industry Co., Ltd; from Feb. 2005 to Dec. 2007, she acted as Head of Audit Department of the Company. Since May 2005, she has been supervisor of the Company.

Niu Suyan, female, born in Dec. 1956, Han nationality, from Kaifeng, Henan, graduated from Hubei Inspection Correspondence School, college education, CPC member, political worker. From Jan. 1974 to Feb. 1982, officer of Political Department of the 11^{th} division commander of tank of China People's Liberation Army; From Mar. 1982 to Aug. 1992,

inspector of Hubei Province Wuhan Municipal Wuchang District People's Procuratorate; From Sep. 1992 to Dec. 1999, she worked in law dept. of Shenzhen Lionda Group Co., Ltd.; From Jan. 2000 to Apr. 2002, deputy director of birth-planning committee and women trade union in Shenzhen Lionda Group Co., Ltd.; From Apr. 2002 to Nov. 2002, he was the director of general office in Guangdong Sunrise Holdings Co., Ltd.; From Nov. 2002 to Sep. 2004, deputy head of party-masses relationship work dept. in Shenzhen Lionda Group Co., Ltd.; From Oct. 2005 to now, she acts as Director of General Office in Guangdong Sunrise Holdings Co., Ltd. Since May 2005, she has been supervisor of the Company.

(3) Senior executives

Information relating to Chairman of the Board as well as General Manager Mr. Wang Jianyu and Secretary to the Board Mr. Yu Deshan, were available in the list of Directors shown above.

II. Particulars about the annual remuneration of directors, supervisors and senior executives

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

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

2. Remuneration

Current directors, supervisors, and senior executives of the Company totaled 9 persons, of which 5 persons draw the annual remuneration from the Company, and the total annual remuneration before tax (including base salary, various premium, welfare, subsidy, housing allowance and others) received from the Company was RMB 542,000. One person drew the annual remuneration over RMB 150,000, one person enjoyed between RMB 120,000 and RMB 150,000 and one person enjoyed between RMB 100,000 and RMB 120,000 respectively. The total amount of annual remuneration of the top three directors drawing the highest payment was RMB 348,000; the total amount of annual remuneration of the top three senior executives drawing the highest payment was RMB 436,000.

Among directors, supervisors, and senior executives not drawing remuneration from the Company, director Mr. Xie Heng, Mr. Qiu Xiaotong and Chairman of the Supervisory Committee Ms. Xu Zhaojun drew remuneration from the shareholding companies.

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

III. Dismission and engagement of directors, supervisors, and senior executives of the Company in the report period and reasons

(1) On 11 Apr. 2008, the Company held the 18th Meeting of the 5th Board of Directors,

reviewed and approved proposal on adjustment of senior executives: Mr. Ao Yingchun acted as General Manger or Secretary to the Board of the Company no more due to job transfer, and appointed Mr. Wang Jianyu as General Manager of the Company. During vacancy of Secretary to the Board, the Board of Directors appointed director Mr. Yu Deshan exercised responsibility on behalf of Secretary of the Board, and reported to Shenzhen Stock Exchange for file.

Independent director of the Company Mr. Guo Shiping, Mr. Ma Hong and Mr. Ban Wu approved the above proposal, and considered that adjustment on senior managements of the Company accorded with relevant regulations in the Company Law, Securities Law and Articles of Association, the new senior executives qualified with post and relevant responsibility.

(2) On 11 Apr. 2008, the Company held the 18th Meeting of the 5th Board of Directors, reviewed and approved proposal on reelection of the Board of Directors. Due to expiration of office term and according to nomination of the Board, Mr. Wang Jianyu, Mr. Yu Deshan, Mr. Xie Heng and Mr. Qiu Xiaotong were elected as director candidate of the 6th Board of Directors, Mr. Ban Wu, Mr. Pan Chengdong and Mr. Shao Liangzhi were elected as independent director of the 6th Board of Directors; Mr. Ao Yingchun acted as director of the Company no more, and Mr. Guo Shiping and Mr. Ma Hong didn't act as independent director longer.

Independent director of the Company Mr. Guo Shiping, Mr. Ma Hong and Mr. Ban Wu approved the above proposal and submitted to the Shareholders' General Meeting 2007 for examination and approval, and considered that nomination procedure of director candidates accorded with relevant regulations in the Company Law, Securities Law and Articles of Association, and all candidates qualified with post and relevant responsibility.

(3) On 11 Apr. 2008, the Company held the 8th Meeting of the 5th Supervisory Committee, at which reviewed and approved proposal on reelection of the Supervisory Committee. Due to expiration of office term of the 5th Supervisory Committee, Ms. Xu Zhaojun and Ms. Chen Hong was elected as candidate of the 6th Supervisory Committee, Mr. Gong Yiheng acted as Chairman of the Supervisory Committee no more. The 1st Meeting of the 3rd Staff Representatives elected Ms. Niu Suyan as employee supervisor.

(4) On 27 May 2008, the Company held the Shareholders' General Meeting 2007, reviewed and approved the above proposal on reelection of the Board of Directors and the Supervisory Committee.

(5) On 27 May 2008, the Company held the 1st Meeting of the 6th Board of Directors, at which elected Mr. Wang Jianyu as Board Chairman of the Company.

(6) On 27 May 2008, the Company held the 1st Meeting of the 6th Supervisory Committee, at which elected Ms. Xu Zhaojun as Chairman of the Supervisory Committee.

(7) On 25 Nov. 2008, the Company held the 5th Meeting of the Board of Directors with way of communication, at which reviewed and approved proposal on appointment of Mr. Yu Deshan as Secretary to the Board

IV. Particulars about employees

In the report period, there were 9 employees and no retiree of the Company. The component of the employees of the Company are as follows:

Category	Number	Proportion (%)
Finance	3	33.3
Administration	3	33.3
Other	3	33.3
Total	9	100

Among them, 2 persons with masters degree, one with bachelor degree, 4 persons with college diplomas and 1 others.

Section Ⅴ Corporate Governance

Ⅰ. Overview of Corporate Governance

During the reporting period, in accordance with Company Law, Securities Law and Code of Corporate Governance for Listed Companies, as well as relevant regulations and requirements of China Securities Regulatory Commission and Shenzhen Stock Exchange, the Company kept improving its corporate governance by bettering its management, credibility and transparency, as well as regulating its operation. And details of its corporate governance are as follows:

1. The 2007 Annual Shareholders' General Meeting of the Company was convened on 27 May 2008, where the rules were reviewed and approved as follows: Articles of Association (revised in Dec. 2007), Rules for Information Disclosure (revised in Dec. 2007), Rules of Procedure for Shareholders' General Meeting (revised in Dec. 2007), Rules of Procedure for Board of Directors (revised in Dec. 2007), Rules for Independent Directors (revised in Dec. 2007), and Rules of Procedure for Supervisory Board (revised in Dec. 2007). And the resolutions made at the meeting were published on Securities Times, Ta Kung Pao and http://www.cninfo.com.cn dated 28 May 2008.

2. In accordance with the latest news and regulations, as well as relevant regulations of China Securities Regulatory Commission and Shenzhen Stock Exchange, the Company timely established and revised its systems concerning corporate governance. Measures for the Work of Independent Directors with regard to Annual Reports was reviewed and approved at the 18th meeting of the 5th Board, which was held on 11 Apr. 2008. Meanwhile, the Audit Committee of the Board, as well as the Remuneration and Appraisal Committee of the Board, was established. And the members of the two committees were elected at the 3rd meeting of the 6th Board held on 7 Aug. 2008. Also at the 3rd meeting, Regulations for Audit Committee of Board of Directors and Regulations for Remuneration and Appraisal Committee of Board of Directors were reviewed and approved.

3. Special campaigns were actively carried out by the Company to improve its corporate governance. Concerning the deficiencies detected in the Company's self-inspection, as well as the deficiencies pointed out in the inspection by CSRC Shenzhen Bureau, the Company effectively drew up and implemented the rectification plan. The proposal concerning Special Statement on Rectification Progress of Corporate Governance were reviewed and approved at the 2nd meeting of the 6th Board on 17 Jul. 2008. And the special statement was disclosed on Securities Times, Ta Kung Pao and http://www.cninfo.com.cn dated 21 Jul. 2008.

4. In accordance with its actual situation, the Company further strengthened the systematization and regulation of the management of its relationship with investors.

Telephone hotlines and emails were set up to collect opinions and advices from the investors and the public. Meanwhile, an internal management team took shape with Chairman of the Board, General Manager, Secretary of the Board and Securities Affair Representative as its center. Making good use of the Internet media such as the on-line voting system for shareholders' general meetings and the designated email for the Company as a listed company, the Company endeavored to expand the channel for interaction with investors and establish an effective channel for communication with investors, regulators, the press and other interest groups, so as to provide a better platform for communication with investors.

Ⅱ Duty fulfillment of independent directors

In the reporting period, according to relevant laws and regulations such as the Code of Corporate Governance for Listed Companies, as well as relevant requirements of the Rules of Shenzhen Stock Exchange for Stocks Listing and the Company's Independent Director System, 3 independent directors of the Company performed their duties diligently and responsibly by attending all the Board meetings and Shareholders' General Meeting (details of attendance are given in the following table), carefully reviewing the proposals made at the Board meetings, and expressing their independent opinions as to the Company's relevant decisions, the adjustment of the Company's senior managerial personnel, the election of the Board of Directors and other affairs. Meanwhile, the independent directors kept a close eye on the Company's operation according to law and other operations, which promoted a scientific and regulated procedure of decision-making for the Company, and protected the legitimate rights and interests of the Company and all of its shareholders.

1. Attendance of independent directors at the Board meetings

Name of Independent Director	Supposed attendance (times)	Attendance by presence (times)	Attendance by communication means (times)	Attendance by proxy (times)	Absence (times)	Two consecutive non-personal attendances (Yes/No)
Ban Wu	7	3	4	0	0	No
Pan Chengdong	5	2	3	0	0	No
Shao Liangzhi	5	2	3	0	0	No

2. Objections raised by independent directs concerning relevant affairs of the Company

In the reporting period, none of the independent directors raised any objection to the proposals of the Board or any other relevant matters.

Ⅲ. Independent operation of the Company

In the reporting period, the Company operated independently from the controlling shareholder in terms of business activities, staff, organs, assets and financial affairs.

1. In terms of business activities: As an independent legal entity, the Company currently has no main business operation, and other business operations are independent from the controlling shareholder.

2. In terms of staff and organs: The Company operated independently in terms of its labor, personnel and wage administration, with its office buildings and its places of production and operation separated from those of the controlling shareholder's; The Company's Chairman of the Board, General Manager, financial officers, Secretary of the Board and other senior management personnel all worked full-time in the Company and received remuneration, with none of them taking any posts in the controlling shareholder entity. All decisions regarding personnel appointment and removal by the Board of Directors and the Shareholders' General Meeting were effectively executed, with a legitimate procedure for the election of the Company's directors, supervisors and other senior management personnel.

3. In terms of assets: The assets of the Company were completely separate from those of the controlling shareholder, with independent operations of both sides, as well as a clear property rights relationship between the Company and the controlling shareholder. In the reporting period, the controlling shareholder did not misappropriate or control the assets of the Company.

4. In terms of financial affairs: With an independent financial auditing deparment, the Company was able to make independent financial decisions. And the Company paid its taxes independently according to law.

The Company had been involved in an issue concerning the Company's independence and the illegal provision of the Company's undisclosed information, as stated in the Special Statement on Rectification Progress of Corporate Governance disclosed on Securities Times, Ta Kung Pao and http://www.cninfo.com.cn dated 21 Jul. 2008: The CSRC Shenzhen Bureau was of the opinion that: Upon inspection conducted by the Bureau, it was found that the Company's General Manager reported his work to Shenzhen Ruifude Group Co., Ltd. (hereinafter referred to as "Ruifude Group") in July, 2005; According to relevant regualtions of 2006 Administrative Rules for Performance Appraisal of Ruifude Group, the first responsible person and financial officers of the Company received performance appraisal from Ruifude Group; In addition, the Company provided the Ruifude Group with its undisclosed information such as its annual plan for production and operation and its annual financial budget. The Company failed to maintain its independence in terms of staff and financial affairs, which did not comply with the requirements of Code of Corporate Governance for Listed Companies; It also failed to provide the name list of people in the know for the CSRC Shenzhen Bureau, which did not

comply with the Circular on Strengthening Supervision of Supplying Undisclosed Information to Controlling Shareholders and Actual Controllers of Listed Companies with document SZJGSZ [2007] No. 11 issued by the CSRC Shenzhen Bureau. Concerning the aforesaid unregulated practice in the corporate governance, the Company conducted, according to the opinion of the CSRC Shenzhen Bureau, the following rectification measures: (1) The Rectification Report following the Special Inspection on Corporate Governance Conducted by the CSRC Shenzhen Bureau was drawn up by the Company on 30 Oct. 2007, which strictly forbade such unregulated practice as providing undisclosed information, production and operation plans, financial budgets and cash balance for the major stockholders and actual controller. (2) According to the requirements of the Circular No. 11 issued by the CSRC Shenzhen Bureau, the Company had submitted the name list of people in the know to the CSRC Shenzhen Bureau and the Shenzhen Stock Exchange on 31 Oct. 2007. (3) In order to prevent insider dealings caused by the loss of control over management of inside information, the Company offered a written commitment to the CSRC Shenzhen Bureau that it would disclose information concerning the said unregulated practice of corporate governance and would submit the name list of the people in the know. Meanwhile, the Company acquired the commitments from its major shareholders and actual controller on strengthening the management of undisclosed information, which was submitted to the CSRC Shenzhen Bureau for record before 31 Oct. 2007. (4) In strict accordance with Securities Law, Administrative Measures on Information Disclosure by Listed Companies and other laws and regulations, the Company's directors, supervisors and other senior managerial personnel took the obligation to keep confidential the undisclosed information of the Company that they knew. They were not allowed to provide relevant information for the shareholders, the actual controller or other special individuals in their own names before the Company disclosed the relevant information. (5) The independent directors, as well as the Supervisory Board, issued their assessment opinion on the relevant rectification report in accordance with the regulatory opinion by the CSRC Shenzhen Bureau.

In the reporting period, the Company conducted the rectification in strict accordance with the aforesaid measures. As a result, it was not found in 2008 that the Company provided its undisclosed information for the controlling shareholder or the actual controller. It was also not found that the Company provided its annual financial statements and other relevant information for external parties before the disclosure of its 2008 Annual Report. Therefore, there existed no external individuals who knew the inside information of the Company's annual report or other materials.

Ⅳ Establishment and improvement of internal control system

The relevant details were disclosed in the Self-evaluation Report on Internal Control published by the Company on Securities Times, Ta Kung Pao and http://www.cninfo.com.cn.

The independent directors expressed their independent opinion on the Company's

self-evaluation of its internal control as follows:

According to the Circular of the Shenzhen Stock Exchange on 2008 Annual Reports of Listed Companies, the Board of Directors of a company should examine and evaluate the effectiveness of its internal control and should prepare the concerned report. With the Self-evaluation Report on Internal Control of Guangdong Sunrise Holdings Co., Ltd. reviewed and approved at the 6th meeting of the 6th Board of Directors, we, as the independent directors of the Company, hereby expressed our opinion as follows: The Self-evaluation Report on Internal Control of Guangdong Sunrise Holdings Co., Ltd. was in line with relevant laws, regulations and rules, and it factually and properly represented the current situation of the Company's internal control. The Company's corporate governance, production and operation, information disclosure and other major activities were all conducted in strict compliance with the Company's internal control regulations. Therefore, the Company's internal control was considered basically effective. The Company's self-evaluation report was a factual and objective reflection of the Company's actual situation concerning its building, execution and supervision of the internal control. In view of the above, we agreed with the evaluation conclusion regarding the Company's internal control as stated in the Self-evaluation Report on Internal Control of Guangdong Sunrise Holdings Co., Ltd..

The Supervisory Board expressed its opinion on the Company's self-evaluation of its internal control as follows:

In accordance with the Basic Standards of the CSRC for Enterprise Internal Control, the Guidelines of Shenzhen Stock Exchange for the Internal Control of Listed Companies, and the Circular of Shenzhen Stock Exchange on 2008 Annual Reports of Listed Companies, as well as the relevant regulations of the Articles of Association, the Supervisory Board reviewed the Self-evaluation Report on Internal Control of Guangdong Sunrise Holdings Co., Ltd. and expressed its opinion as follows: The Self-evaluation Report on Internal Control of Guangdong Sunrise Holdings Co., Ltd. was in line with the requirements of the Guidelines of Shenzhen Stock Exchange for the Internal Control of Listed Companies and other relevant documents; The self-evaluation factually and completely represented the establishment, improvement and execution of the Company's internal control system in the current period; It was considered an objective and accurate overall evaluation of the Company's internal control.

Ⅴ Incentive mechanism for senior management personnel

In the reporting period, the Company was in a production halt, with no incentive mechanism for its senior management personnel.

Section Ⅵ Brief Introduction to Shareholders' General Meeting

In the reporting period, the Company convened one shareholders' general meeting, which was detailed as follows:

The 2007 Annual Shareholders' General Meeting of the Company was convened on 27 May 2008, of which the relevant resolutions were published on Securities Times, Ta Kung Pao and http://www.cninfo.com.cn dated 28 May 2008. The following resolutions were one by one reviewed and approved by open ballot at the meeting:

(1) 2007 Annual Report of Board of Directors;
(2) 2007 Annual Report and its summary;
(3) 2007 Annual Report of Supervisory Board;
(4) 2007 Annual Financial Report;
(5) 2007 Annual Profit Distribution Plan;
(6) 2008 annual profit distribution policy: If the Company is able to earn a profit in 2008, the net profit will be used for compensating the loss in the previous years.
(7) Proposal on the Company's renewing its employment of domestic and foreign financial auditing agencies and the auditing fees;
(8) Proposal on the duty report of independent directors;
(9) Proposal on re-election of the Board of Directors;
(10) Proposal on re-election of the Supervisory Board;
(11) Articles of Association of the Company (revised in Dec. 2007);
(12) Rules for Information Disclosure of the Company (revised in Dec. 2007);
(13) Rules of Procedure for Shareholders' General Meeting of the Company (revised in Dec. 2007);
(14) Rules of Procedure for Board of Directors of the Company (revised in Dec. 2007);
(15) Rules of Procedure for Supervisory Board of the Company (revised in Dec. 2007);
(16) Rules for Independent Directors of the Company (revised in Dec. 2007).

Section Ⅶ Report of Board of Directors

Ⅰ Discussion and analysis on the overall operation in the reporting period

During the reporting period, the Company had no main business operation, with no income or profit from the main operations. In 2008, the financial expenses of the Company reached RMB 29,415,773.08, with the short-term loan of RMB 462 million and

the administrative expenses of RMB 3,897,771.71. As a result, the Company was in a loss position in the year 2008, with a net profit of RMB -85,148,819.04.

In the reporting period, the Company actively promoted its share merger reform. After many efforts, the Company finally managed to get the share merger reform implemented at the end of Dec. 2008, and its A-share resumed trading on 29 Dec. 2008. For details of the above mentioned, please refer to the Company's Public Notice on Implementation of Share Merger Reform (No. 2008-086) published on Securities Times and http://www.cninfo.com.cn dated 25 Dec. 2008.

During the reporting period, joining hands with its controlling shareholder, actual controller and the intermediary company—Beijing Integrity Management Consulting Co., Ltd., the Company continued its efforts with debts restructuring and assets reorganization and tried to make a breakthrough on the Company's restructuring, so as to improve the Company's capacity of sustained operation. Nevertheless, the Company was faced with many difficulties in its restructuring, with dispersed creditors and loan amounts, as well as a high guarantee risk. Although the Company, its controlling shareholder, its actual controller and the intermediary company contacted a few parties which were interested in reorganizing the Company, no verbal or written agreement was reached. As a result, no substantial progress was achieved in the Company's debts restructuring and assets reorganization.

Ⅱ Operation of the Company in reporting period

During the reporting period, the Company had no main business operation, with no income or profit from the main business operation. The Company maintained its day-to-day operations by liquidizing its assets and paying off debts.

Ⅲ Composition of the Company's assets in the reporting period

Unit: (RMB) Yuan

Items	2008		2007		Rate of change
	Amount	Proportion in total assets	Amount	Proportion in total assets	
Total assets	17,961,177.93		27,154,777.79		-33.86%
Accounts receivable	0		0		
inventory	2,000,000.00	11.14%	2,000,000.00	7.37%	unchanged
Long-term equity investments	7,583,110.08	42.22%	12,543,375.02	46.19%	-39.54%

Net fixed assets	6,623,803.03	36.88%	8,286,902.49	30.52%	-20.07%
Construction in progress	0		0		
Short-term borrowings	461,573,834.92	2569.84%	467,553,910.86	1721.81%	-12.79%
Long-term borrowings	0		0		

Reasons for changes: The decrease of total assets was due to the decreased long-term equity investments; The long-term equity investments decreased because the equity of Beijing Vantone Real Estate Co., Ltd. had been auctioned; The short-term borrowings decreased at the period-end due to the adjustment of exchange rates of the foreign currency borrowings; And the fixed assets decreased because part of the fixed assets had been disposed.

Ⅳ Changes of major expenses in the reporting period

Items	2008	2007	Rate of change
Operating expenses	0	0	
Administrative expenses	3,897,771.71	3,555,210.04	9.64%
Financial expenses	29,415,773.08	22,675,168.57	29.73%
Income tax	0	0	

Reasons for changes: Due to the lack of main business operation, the Company had no operating expenses in the reporting period. The administrative expenses had no great changes and the increase of the financial expenses in this period was because of the rise of the bank interest rate.

Ⅴ Changes of cash flows in reporting period

Unit: (RMB) Yuan

Items	2008	2007	Rate of change
Net cash flow from operating activities	-374,264.55	-3,178,361.53	88.22%
Net cash flow from investment activities	402,140.00	3,104,000.00	-87.04%

Net cash flow from fund-raising activities	0	0	

Reasons for changes: The net cash flow from operating activities increased due to the considerable increase of other cash paid for operating activities. And the net cash flow from investment activities decreased because the Company did not dispose the cash inflow generated from investments in this period.

Ⅵ Investment of the Company

The Company did not raise any proceeds in the reporting period, nor did it use any proceeds raised in the previous periods. Meanwhile, the Company had no important projects invested with non-raised proceeds or other uses of the non-raised proceeds. In addition, the Company had no project investment and no items measured at fair value in the reporting period.

Ⅶ Routine work of Board of Directors

(Ⅰ) In the reporting period, the Board of Directors convened 7 meetings, which were detailed as follows:

1. The 18th Meeting of the 5th Board of Directors was convened on 11 Apr. 2008, at which the 2007 Annual Report of Board of Directors, 2007 Annual Report and its summary, the proposal on the re-election of the Board, the proposal on the adjustment of the senior management personnel and other proposals were reviewed and approved. And the resolutions of the meeting were published on Securities Times, Ta Kung Pao and http://www.cninfo.com.cn dated 15 Apr. 2008.

2. The 19th Meeting of the 5th Board of Directors was held by communication means on 17 Apr. 2008, at which the First Quarterly report in 2008 and the Financial Report of the First Quarter in 2008 were reviewed and approved. And the resolutions of the meeting were published on Securities Times, Ta Kung Pao and http://www.cninfo.com.cn dated 18 Apr. 2008.

3. The 1st Meeting of the 6th Board of Directors was held on 27 May 2008, at which the proposal on electing Mr. Wang Jianyu as Chairman of the Board was reviewed and approved. And the resolutions of the meeting were published on Securities Times, Ta Kung Pao and http://www.cninfo.com.cn dated 28 May 2008.

4. The 2nd Meeting of the 6th Board of Directors was convened by communication means on 17 Jul. 2008, at which the proposal concerning Special Statement on Rectification Progress of Corporate Governance was reviewed and approved. And the resolutions of the meeting were published on Securities Times, Ta Kung Pao and http://www.cninfo.com.cn dated 21 Jul. 2008.

5. The 3rd Meeting of the 6th Board was held on 7 Aug. 2008, at which the full text of the 2008 Semi-yearly Report and its summary, the 2008 Semi-yearly Financial Report and other proposals were reviewed and approved. And the resolutions of the meeting were published on Securities Times, Ta Kung Pao and http://www.cninfo.com.cn dated 11 Aug. 2008.

6. The 4th Meeting of the 6th Board was held by communication means on 21 Oct. 2008, at which the Third Quarterly Report in 2008, the Financial Report of the Third Quarter in 2008 and other proposals were reviewed and approved. And the resolutions of the meeting were published on Securities Times, Ta Kung Pao and http://www.cninfo.com.cn dated 22 Oct. 2008.

7. The 5th Meeting of the 6th Board was held by communication means on 25 Nov. 2008, at which the proposal on appointing Mr. Yu Deshan as Secretary of the Board was reviewed and approved. And the resolutions of the meeting were published on Securities Times, Ta Kung Pao and http://www.cninfo.com.cn dated 26 Nov. 2008.

(Ⅱ) Execution of resolutions made at Shareholders' General Meeting by the Board of Directors

In the reporting period, in accordance with Company Law, Securities Law, Articles of Association and other relevant laws and regulations, the Board of Directors conscientiously performed its duties by carefully executing the resolutions made at the Shareholders' General Meeting pursuant to the authorization of the Shareholders' General Meeting.

(Ⅲ) Duty fulfillment of Audit Committee of the Board

During the reporting period, in accordance with the responsibilities and authorities stated in the Rules for Audit Committee of the Board of Directors in Guangdong Sunrise Holdings Co., Ltd., the Audit Committee conscientiously executed its duties such as auditing the Company's financial information and disclosing the relevant information, conducting communication with the annual auditors, etc.. Pursuant to relevant regulations in the Circular No. 48 [2008] of China Securities Regulatory Commission, the Audit Committee and the independent directors performed their duties in the auditing of the 2008 financial report as follows:

1. Before the presence of the CPA firm for the annual audit, the Company reported to the Audit Committee and the independent directors in regard to the auditing plan and arrangements provided by the CPA firm. And the Audit Committee and the independent directors were of the opinion that: The CPA firm for the Company's annual audit made reasonable arrangements concerning the audit time, audit personnel, risk assessment, auditing focuses, main auditing procedure and methods, etc.. It was thus hoped that BDO.Guangdong Dahua Delu CPA, LLP would maintain a professional focus and

completed the annual auditing on time, pursuant to the Circular No. 48 [2008] of CSRC, the auditing standards for and the code of professional ethics for registered accountants in China, and other relevant laws and regulations.

2. After the CPA firm's entry into the auditing procedure, and before the annual report's being reviewed by the Board meeting, the Audit Committee and the independent directors conducted communication with the annual auditors concerning the audit of the annual report. They learnt more about the progress of the annual auditing by listening to the CPA firm's statement concerning the auditing focuses and the difficulties encountered. The Audit Committee and the independent directors expressed their opinion in regard to the annual auditing, and asked the CPA firm to focus on the Company's new problems and its capacity for sustained operation.

3. After the issuance of the preliminary auditing opinion by the CPA firm, the Auditing Committee and the independent directors expressed their opinion as follows: The main auditing procedures in the auditing plan concerning the Company's financial statements in 2008 were all executed, with a proper auditing method and procedure.

4. After the issuance of the formal auditing report by the CPA firm, the Audit Committee convened a meeting and put forward the following resolution: The summary report of the 2008 annual audit conducted by the CPA firm was reviewed and approved. And the Audit Committee was of the opinion that: Based on what's known by the Audit Committee and the independent directors, as well as the communication with the CPA firm for the annual audit, it was considered that the main auditing procedures in the auditing plan concerning the Company's financial statements in 2008 were all executed. In strict compliance with China's independent auditing standards for registered accountants, BDO.Guangdong Dahua Delu CPA, LLP conducted the audit with sufficient time for auditing, well-allocated and professionally-qualified personnel, and proper method and procedures. Consequently, the auditing report issued was considered a factual and fair reflection, in all major aspects, of the Company's financial position on 31 Dec. 2008 and its operating results and cash flows for the year then ended; Based on the above, the proposal on the Company's renewing the employment of the said CPA firm was reviewed and approved. It was considered that BDO.Guangdong Dahua Delu CPA, LLP excellently accomplished the audit tasks entrusted by the Company. Therefore, it was proposed that the Company renewed the employment of BDO.Guangdong Dahua Delu CPA, LLP as its auditing agency for the year 2009.

(Ⅵ) Duty fulfillment of Remuneration and Appraisal Committee of the Board

In accordance with relevant laws and regulations of CSRC and Shenzhen Stock Exchange and the Company's internal control system, as well as the specific rules for the Committee, the Remuneration and Appraisal Committee conscientiously performed their duties by reviewing the remuneration (including allowances) of the Company's directors, supervisors and other senior management personnel disclosed in the 2008 Annual Report

and expressing its opinion as follows: After reviewing the remuneration of the Company's directors, supervisors and other senior management personnel disclosed in this period, all members of the Numeration and Appraisal Committee were unanimous that the remuneration (including allowances) of the Company's directors, supervisors and other senior management personnel disclosed in the 2008 Annual Report was paid in line with the Company's rules for managing remuneration, and that the remuneration of the independent directors was paid at the amount as decided at the Shareholders' General Meeting. And the Remuneration and Appraisal Committee thus gave its sanction.

Ⅷ Profit distribution preplan

1. As audited by BDO.Guangdong Dahua Delu CPA, LLP, the Company achieved a net profit of RMB -85,148,819.04, with the undistributed profit of RMB -2,531,326,223.23. In the year 2008, the Company would not conduct profit distribution, or turn its capital surplus to share capital. The preplan would be submitted to the Shareholders' General Meeting for examination.

2. Cash dividends of the Company in the previous 3 years

Unit: (RMB) Yuan

	Amount of cash dividends (tax included)	Net profit attributable to the owner of parent company in consolidated statements	Proportion in the net profit attributable to the owner of parent company in consolidated statements
2007	0.00	-22,075,217.13	0.00%
2006	0.00	18,660,262.04	0.00%
2005	0.00	-57,181,772.55	0.00%

Ⅸ Board of Director's explanation on the CPA firm's issuance of audit report with a disclaimer of opinion

Concerning the disclaimer of opinion issued by BDO.Guangdong Dahua Delu CPA, LLP with the document HDGSZ No. 9, the Board gave its explanation as follows:

(Ⅰ) Contents of and reasons for the disclaimer of opinion

As shown in Item 7 of Note 6 and Note 11 to the financial statements, BDO.Guangdong Dahua Delu CPA, LLP was of the opinion that the Company's sustained operation would be directly affected if it could not solve, in a short period of time, such problems as the high strain of paying short-term and long-term debts and a large amount of guarantee lawsuits. Considering that the restructuring of the Company's debts, assets and equity was still in progress, the management group of the Company believed that the Company was able to maintain its sustained operation after the success of its restructuring. Consequently, the Company prepared its financial statements based on its expected sustained operation. Due to the fact that the Company was unable to provide any substantial evidence

regarding the substantial progress of the Company's restructuring of its debts, assets and equity, BDO.Guangdong Dahua Delu CPA, LLP was unable to judge whether or not the Company's restructuring of its debts, assets and equity would be successful. As a result, it could not judge whether or not the Company was able to maintain its sustained operation, nor could it judge whether or not it was proper for the Company to prepare the financial statements based on its expected sustained operation. Meanwhile, limited by various objective conditions, BDO.Guangdong Dahua Delu CPA, LLP was unable to implement a proper procedure upon the Company's liabilities and contingent liabilities, and thus unable to judge whether or not the Company's recorded liabilities (including projected liabilities) were complete and reasonable. Considering that the above-mentioned matters might have especially enormous and wide influence, BDO.Guangdong Dahua Delu CPA, LLP issued the disclaimer of opinion in regard to the Company's financial statements.

(Ⅱ) Board of Director's explanation on the disclaimer of opinion

In the Board's opinion, despite a high strain of paying short-term debts and a large amount of lawsuits concerning guarantee, the Company still made some progress in activating its assets and paying off debts. Therefore, the Company was still able to raise the funds needed for maintaining its day-to-day operation. After many efforts, the Company successfully implemented the share merger reform, which laid a foundation for the Company's restructuring. Meanwhile, joining hands with its controlling shareholder, actual controller and its financial consultant—Beijing Integrity Financial Consulting Co., Ltd., the Company continued its efforts with the Company's restructuring of debts and assets by making contacts with a number of parties which were interested in the Company's restructuring. Although no verbal or written agreement was reached during the contact, relevant parties continued to strive for a breakthrough in the Company's restructuring and improvement of the Company's capacity for sustained operation.

Ⅹ Other events to report

(Ⅰ) About capital occupation

In the reporting period, the Company did not supply funds to its controlling shareholder or its subsidiaries. The credits and liabilities between the Company and its related parties were those carried down from the previous years and mainly caused by loans, guarantees, payments on behalf of others, etc.. The Company's capital occupied by its controlling shareholder and its subsidiary companies had all been cleared up in the 3rd quarter of 2006.

(Ⅱ) Special explanation and independent opinion given by independent directors on the accumulated external guarantees and those in this period of the Company

According to relevant regulations of the Circular of CSRC on Relevant Issues concerning Standardization of Fund Transfer between Listed Companies and Associated Parties and

Provision of External Guaranty (ZJF [2003] No.56, hereinafter referred to as "the Circular"), as well as the Articles of Association of the Company, we, as the independent directors of the Company, conducted the necessary inspection on the Company's provision of external guaranty in a careful, responsible and down-to-earth manner. We hereby expressed out opinion as follows:

In the reporting period, the Company avoided the cases described in the Circular and provided no guarantees for its controlling shareholder or its subsidiary companies. The Company had been involved in providing guaranty for its controlling shareholder and its subsidiary companies, but it has never happened again. Due to the fact that most of the guaranteed parties were unable to pay off the debts, the Company had recognized those guarantees as projected liabilities in the previous years.

(Ⅲ) In the reporting period, Securities Times and Ta Kung Pao were designated by the Company as the newspapers for information disclosure.

Section VIII Report of the Supervisory Committee

I. Work of the Supervisory Committee in the Report Period

In the report period, the Supervisory Committee held 5 meetings, with details as follows:

1. On Apr. 11, 2008, the 8th meeting of the 5th Supervisory Committee of the Company was held, at which such resolutions as Report of the Supervisory Committee of the Company in 2007, Annual Report and Abstract2007, as well as election of a new session of the Supervisory Committee were examined and approved. The public notices about the resolutions of this meeting were published on Securities Times, Ta Kung Pao and http://cninfo.com.cn on Apr. 15, 2008.

2. On Apr. 17, 2008, the 9th meeting of the 5th Supervisory Committee of the Company was held by communication means, at which such resolutions as the first quarterly report 2008 and the first quarterly financial report 2008 were examined and approved. The public notices about the resolutions of this meeting were published on Securities Times, Ta Kung Pao and http://cninfo.com.cn on Apr. 18, 2008.

3. On May 27, 2008, the 1st meeting of the 6th Supervisory Committee of the Company was held, at which the resolution of electing Ms. Xu Zhaojun as Chairman of the Supervisory Committee were examined and approved. The public notices about the resolutions of this meeting were published on Securities Times, Ta Kung Pao and http://cninfo.com.cn on May 28, 2008.

4. On Aug. 7, 2008, the 2nd meeting of the 6th Supervisory Committee of the Company was held, at which the Semi-annual Report 2008 and its Abstract, as well as the Semi-Annual Financial Report 2008 were examined and approved. The public notices about the resolutions of this meeting were published on Securities Times, Ta Kung Pao and http://cninfo.com.cn on Aug. 11, 2008.

5. On Oct. 21, 2008, the 3rd meeting of the 6th Supervisory Committee of the Company was held by communication means, at which such resolutions as the third quarterly report 2008 and the third quarterly financial report 2008 were examined and approved. The public notices about the resolutions of this meeting were published on Securities Times, Ta Kung Pao and http://cninfo.com.cn on Oct. 22, 2008.

II. Independent Opinions of the Supervisory Committee on Relevant Issues of the Company in 2008

In the report period, the Supervisory Committee paid close attention to operation of the Company, conducted effective supervision over 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. It now expresses its independent opinions on the following issues:

1. Operation based on the laws

The Company could duly formulate and amend the relevant internal control system according to the actual situation. The decision-making procedures of the Company's operation were in accordance with the laws, so was the procedure of personnel change, such as the election of the Board of Directors, as well as the adjustment among Senior Executives. While executing their duties, Directors and Managers had no behavior that went against the laws, regulations, or the Articles of Association, nor did harm to the interests of the Company and the shareholders. During the report period, the Supervisory Committee did not discover any breach of regulations in governance, such as offering unpublicized information to the large shareholders and actual controllers etc..

2. Financial Inspection

After conducting strict and careful inspection of the financial system and financial status of the Company, the Supervisory Committee held that the Financial Report 2008 prepared by the Company had truly reflected the financial status and business achievements of the Company, and that the comments made by BDO.Guangdong Dahua Delu CPA, LLP were fair and objective.

3. In the report period, no purchases or sales of assets existed in the Company, nor did any insider dealings, as well as any cases that harmed the interests of some shareholders or led to the loss of the Company's assets.

4. In the report period, the Company did not raised proceeds.

5. In the report period, the Company had no affiliated transactions and no controlling shareholders or other affiliated parties appropriated capital of the Company.

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

Members of the Supervisory Committee had attended the Board meetings and Shareholders' General Meeting. After conducting the supervision over the implementation of the resolutions of Shareholders' General Meeting, the Supervisory Committee held that the Board had strictly executed every resolution of Shareholders' General Meeting.

7. Opinions on the Self-Appraisal of the Company's Internal control

Based on the relevant provisions in Basic Internal Control Norms for Enterprises of China Securities Regulatory Commission, Guidelines for the Internal Control of Listed Companies and Notice on Properly Handling the 2008 Annual Reports of Listed Companies and the Related Work of Shenzhen Stock Exchange, as well as provisions in the Articles of Association, the Supervisory Committee has examined the Self-Appraisal Report on Internal Control of Guangdong Sunrise Holdings Co., Ltd and expressed its opinions as follows: the Self-Appraisal Report on Internal Control of Guangdong Sunrise Holdings Co., Ltd is in accordance with the requirements in Guidelines for the Internal Control of Listed Companies of Shenzhen Stock Exchange and other relevant documents;

the Report has authentically and completely reflected the establishment, improvement and execution of the Company's internal control system; the Report is generally objective and accurate.

III. Opinions of the Supervisory Committee on the Explanation Given by the Board of the Company on the Auditors' Report without any Opinions Expressed by the Certified Public Accountants

Shenzhen Dahua Delu Certified Public Accountants issued an Auditors' Report 2008 without any opinions, and the Board of the Company gave special explanations on those issues mentioned in the Report. The Supervisory Committee believed that the Auditors' Report issued by Shenzhen Dahua Delu Certified Public Accountants authentically reflected the financial status and business achievements of the Company, and that the explanations given by the Board on the issues mentioned in the Auditors' Report was in accordance with the actual situations of the Company. The Supervisory Committee would actively cooperate with the Board in various works, urge the Board to reinforce the momentum of debts restructuring and assets restructuring, as well as actively seek restructuring partners with operation strength, so as to improve the Company's capacity of sustainable operation.

Section IX Significant Events

I. Significant Lawsuits and Arbitration Cases in the Report Period

In the report period, the Company received two writs of execution, one notice, three civil written orders and one civil written judgment from Shenzhen Intermediated People's Court, one notification of auction failure from Hopewell Auctioneers Ltd, one written order from Guangdong Puning People's Court, two civil written orders from Guangdong Heyuan Intermediated People's Court and one civil written order from Guangzhou Rail Transport Intermediated Court, with details as follows:

1. As for the case of loan contract dissension between the Company and Bank of China Shenzhen Branch (China Cinda Asset Management Corporation Shenzhen Office), the principle fund of this contract was HKD 32 million, and Shenzhen Shenbao Industrial Co., Ltd shouldered joint liabilities for this loan. In Dec. 2005, China Cinda Asset Management Corporation Shenzhen Office transferred the aforesaid debts to Glenmore Investment Limited. About the previously mentioned events, on Apr. 28, 2008, the Company received two writs of execution and civil written orders made by Shenzhen Intermediated People's Court according to the laws. The civil written order made by Shenzhen Intermediated People's Court on Mar. 6, 2008【 (2008) SZFZ Zi No. 353】was as follows: to distrain and freeze the property of the person concerned—the Company (only limited to HKD 3,566,248 and corresponding profits, default interests, debt interests during the period of execution suspension, litigation fee, property preservation fee, payment of applying for order execution, and the actual expenses during the order execution). The civil written order made by Shenzhen Intermediated People's Court on Jan. 7, 2008【 (2008) SZFZ Zi No. 127】was as follows: the person concerned—the Company should fill in and submit the property declaration form based on the requirements in Rules for Several Problems about Enforcement of Property Declaration by the Person Concerned (for Trial Implementation) within seven days of receiving the written order. The lawsuit above involved the change of creditors, yet exerted no influence on the current profits and losses.

2. As for the case of loan contract dissension between the Company and China Great Wall Asset Management Corp. Shenzhen Office as well as Shenzhen Xinhuayu Ocean Environment and Technology Ltd, the principle fund of this contract was RMB 3 million, and the Company shouldered joint liabilities for this loan. On Mar. 12, 2008, the Company received the written civil order made by Guangdong Puning People's Court according to the laws. On May 16, 2007, Guangdong Puning People's Court accepted the designation by Guangdong Higher People's Court document ([2007] YGZZ Zi No. 93) to file and execute the case. During the execution of the case, China Great Wall Asset Management Corp. Shenzhen Office legitimately transferred the aforesaid creditors' right involved in the case to Shenzhen United Baoli Investment and Guarantee Co., Ltd on Nov. 22, 2006, and on Nov. 28, 2007, Shenzhen United Baoli Investment and Guarantee Co., Ltd put forward an application for making it the execution applicant of the case. Guangdong

Puning People's Court maintained that the application was in accordance with the laws and regulations and made a civil written order [(2007) PFWZ Zi No. 169-1] on Jan. 16, 2008, with details as follows: to change Shenzhen United Baoli Investment and Guarantee Co., Ltd into the execution applicant of the case, therefore the obligation and rights of the original execution applicant, China Great Wall Asset Management Corp. Shenzhen Office, would be shifted to Shenzhen United Baoli Investment and Guarantee Co., Ltd. The lawsuit above involved the change of creditors, yet exerted no influence on the current profits and losses, because the Company had withdrawn all anticipation liabilities.

3. As for the three cases of loan contract dissension between the Company, Shenzhen Guoyin Investment Group. Co., Ltd and Bank of Communication Shenzhen Branch Nanshan Sub-branch, the principle fund was RMB 2 million, RMB 3 million, and 6 million respectively, aggregating RMB 11 million. The Company shouldered joint liabilities for these loans. Later, the execution applicant, Bank of Communication Shenzhen Branch Nanshan Sub-branch, transferred the relevant creditor's right to CIG Co., Ltd. On Mar. 10, 2008, and Hainan Huihexing Investment and Management Co., Ltd put forward an application to Guangdong Heyuan Intermediated People's Court, asking for making itself the execution applicant of the case. After examination, on Feb. 4, 2008, CIG Co., Ltd and Hainan Huihexing Investment and Management Co., Ltd signed the agreement on assignment of the obligee's right, which transferred the creditor's right involved in the case (not including the litigation fee, and lawsuit preservation fee paid by Bank of Communication Shenzhen Branch Nanshan Sub-branch) to Hainan Huihexing Investment and Management Co., Ltd. On Mar. 8, 2008, CIG Co., Ltd and Hainan Huihexing Investment and Management Co., Ltd published the notice about assignment of the obligee's right on Shenzhen Economic Daily. Therefore, Guangdong Heyuan Intermediated People's Court, made an written civil order 【(2007) HZFZ Zi No. 110-2,101-2, 102-2】on Mar. 24, 2008, with details as follows: to change Hainan Huihexing Investment and Management Co., Ltd into the execution applicant of the case, therefore it should shoulder the creditor's right (not including the litigation fee RMB 91,190, and lawsuit preservation fee RMB 34,470 paid by Bank of Communication Shenzhen Branch Nanshan Sub-branch) ascertained in the written civil orders【 (2000) SZFJTC Zi No. 213,214,215】. During the execution of the case, Guangdong Heyuan Intermediated People's Court entrusted Shenzhen Gongping Auction Co., Ltd to auction off the 2,640,000 shares of S*ST Sunrise (securities codes: 000030, securities nature: directional domestic legal person shares) held by the person concerned, Shenzhen Guoyin Investment Group Co., Ltd. After three auctions, no one bid for the shares. The execution applicant put forward an application to the Court, asking for paying the debts with the aforesaid shares' retentive price of RMB 6,479,352 on the third auction. Guangdong Heyuan Intermediated People's Court held that the requirement of the applicant was in accordance with the laws and made written civil orders 【(2007) HZFZ Zi No. 110-3,101-3, 102-3】, with details as follows: (1) The 2,640,000 shares of S*ST Sunrise (securities codes: 000030, securities nature: directional domestic legal person shares) held by the person concerned, Shenzhen Guoyin Investment Group Co., Ltd were transferred to the execution applicant, Hainan Huihexing Investment and Management Co., Ltd, at the

price of RMB 6,479,352; the seal of the aforesaid mentioned shares should be lifted; (3) the execution applicant, Hainan Huihexing Investment and Management Co., Ltd, should take the property transfer procedure at relevant departments with this written order. Besides, according to List of Shareholders of Listing Companies' Directional Legal Person Shares and Legal Person Shares, which the Company inquired at China Securities Depository and Clearing Corporation Ltd on May 15, 2008, the Company learned that Hainan Huihexing Investment and Management Co., Ltd had taken the place of Shenzhen Guoyin Investment Group. Co., Ltd, holding 2,640,000 shares (S*ST Sunrise) of the Company. Since the Company had withdrawn all anticipation liabilities of the 11 million guarantees, it got a profit of RMB 6,479,352 in this lawsuit.

For detailed information on aforesaid lawsuits, please refer to Public Notice on the changes of the fifth shareholders of directional legal person shares (serial No. 2008-031) published on Securities Times, HK Ta Kung Pao and www.cninfo.com.cn on May 21, 2008.

4. As for the case that 191,400,000 shares of the Company held by Shenzhen Lionda Group Co., Ltd was judicially frozen, on Jul. 18, 2008, the Company received Notices 【2008】SZFZ Zi No. 222 and 298, from Shenzhen Intermediated People's Court that the aforesaid equity was to be auctioned off. Based on the 11.8.3 provision in Rules of Shenzhen Stock Exchange for the Listing of Stocks (revised in May, 2006), the event that shares of the Company held by Shenzhen Lionda Group Co., Ltd (accounting for 66.36% of the Company's shares) was to be judicially auctioned off should be regarded as the other significant events of the Company, about which information disclosure should be done duly by the Company. On Jul. 14, 2008, the Company received the notice 【2008】SZFZ Zi No. 222 and 298, from Shenzhen Intermediated People's Court, with details as follows: as for the case of loan dissension between the execution applicant, Shenzhen Investment Holdings Co., Ltd, and the person concerned, Shenzhen Lionda Group Co., Ltd as well as Shenzhen Ruifude Group Co., Ltd, the written civil judgments【2007】SZFMEC Zi No. 143, 【2007】SZFMEC Zi No. 127 made by Shenzhen Intermediated People's Court, and 【2007】YGZZ Zi No. 289 made by Guangdong Higher People's Court had taken effect. Because the person concerned did not perform its duty ascertained by effective legal documents, the execution applicant applied for compulsory enforcement and Shenzhen Intermediated People's Court accepted and handled the application according to the laws. During the execution, Shenzhen Intermediated People's Court froze the 191,400,000 shares (security codes: 000030, S*ST Sunrise) of the Company held by the person concerned, Shenzhen Lionda Group Co., Ltd, and entrusted Shenzhen Dezhengxin Asset Valuation Co, Ltd to evaluate the aforesaid shares as well as make a Dezhengxin legal person share Appraisal Report [2008] No. 006, ascertaining the value of the aforesaid shares as RMB 212,699,800. The report was sent to the parties involved in the case and respond to the disagreement was given according to the laws. As the person concerned did not perform its duty ascertained by effective legal documents, Shenzhen Intermediated People's Court picked Shenzhen United Auctioneers Co., Ltd and Shenzhen Hopewell Auctioneers Ltd by rolling balls, to auction off the aforesaid shares, with the

auction retentive price as RMB 212,699,800. Later, the Company received the notification of auction failure that the auction institute, that's Shenzhen Hopewell Auctioneers Ltd, sent to Shenzhen Intermediated People's Court on Oct. 13, 2008. The notice claimed that it was entrusted by Shenzhen Intermediated People's Court to auction off the 191,400,000 social legal person shares (security codes: 000030, S*ST Sunrise) of the Company held by Shenzhen Lionda Group Co., Ltd, at the reference auction price of RMB 1.1 per share. Since no deposit had been paid up to Oct. 8, 2008, the auction was handled as auction failure. Finally, on Dec. 16, 2008, the Company received the written civil orders 【2008】 SZFZ Zi No. 222 and 298-4 from Shenzhen Intermediated People's Court. During the execution of the case, the execution applicant, on Dec. 1, 2008, Shenzhen Investment Holdings Co., Ltd, applied for unfreezing 19,285,950 of the 191,400,000 legal person shares which had been frozen, and Shenzhen Intermediated People's Court made a written civil order on Dec. 8, 2008 according to the laws, with details as follows: to unfreeze 19,285,950 of the 191,400,000 S*ST Sunrise shares (security codes: 000030) held by Shenzhen Lionda Group Co., Ltd. Because SST Sunrise (the Company) had taken the procedures of share reform and Shenzhen Lionda Group Co., Ltd was one controlling shareholder of non-tradable shares of the Company, the non-tradable shareholders Shenzhen Lionda Group Co., Ltd should pay 18,885,950 shares to the tradable shareholders of the Company, based on the consideration arrangement of the Company's share reform. Therefore, to unfreeze the 19,285,950 of the 191,400,000 shares of the Company held by the controlling shareholder, Shenzhen Lionda Group Co., Ltd, would lead to a smooth implementation of Shareholder Structure Reform of the Company.

For more information about the 1-4 important events above, please refer to Complementary Notice on Equity of the Controlling Shareholder were Frozen Judicially (serial No. 2008-003) on Jul. 21, 2008, Public Notice on Failure of Judicial Auction of Controlling Shareholder' Equity (serial No. 2008-069) on Oct. 14, 2008, and Public Notice on Lawsuits Among the Company's Significant Events (serial No. 2008-087) on Dec. 26, 2008, which were all published on Securities Times, HK Ta Kung Pao and www.cninfo.com.cn.

5. In the case of loan contract dissension between the Company and Nanfang Securities Co. Ltd (hereinafter referred as Nanfang Securities Co.), Nanfang Securities Co. lent RMB 35,000,000 to the Company in the name of buying shares on Oct. 26, 1992. During Jun. 30, 1993 and Mar. 22, 1994, the Company had accumulatively returned RMB 30,000,000 to Nanfang Securities Co. and the Company still owed RMB 5 million as well as the interest of the loan to Nanfang Securities Co.. On Mar. 19, Shenzhen Intermediated People's Court added Shenzhen Huachengda Investment Holding Co., Ltd as the third party of the case according to the laws and the case came up for trail on May 8, 2008. Currently, examination and hearing of the case has been closed. Shenzhen Intermediated People's Court maintained that, although Nanfang Securities Co. lent RMB 35, 000,000 to the Company in the name of buying shares, yet such behavior was regarded as granting loans between enterprises, which was invalid due to the breach of relevant financial laws and regulations of the state. Therefore, as a legal consequence of the invalid contract, the

Company should return the money that it borrowed from Nanfang Securities Co.. On Jul. 30, 2008, Shenzhen Intermediated People's Court made the written civil order ([2007] SZFMEC Zi No. 250) according to the laws, with details as follows: the defendant, i.e. the Company should return RMB 5 million and the interest of the loan in the lending period to Nanfang Securities Co. within 10 days after the sentencing takes effect, and the litigation fee of the case of RMB 85,204 should be paid by the Company.

6. As for the case of loan contract dissension among the Company, Shenzhen Guanghualin Investment Co., Ltd, and China Everbright Bank Shenzhen Branch, the written civil order (2002) SZJYC Zi No. 282 made by Shenzhen Intermediated People's Court had taken effect. The case was at first executed by Shenzhen Intermediated People's Court but later by Guangzhou Rail Transport Intermediated Court, which was designated by Guangdong Higher People's Court in the written decision of designation and execution (2004) YGFZ Zi No. 109. During the execution, Guangzhou Rail Transport Intermediated Court froze 5,500,000 shares of Beijing Vantone Real Estate Co., Ltd (previously Beijing Vantone Industrial Co., Ltd) held by the Company according to the laws. As the Company had not fulfilled the obligation up to now, Guangzhou Rail Transport Intermediated Court sold the aforesaid shares by public auction. After three auctions, the aforesaid shares were bid by Beijing Star Investment and Management Co., Ltd at the price of RMB 4,284,000. On Dec. 13, 2006, Guangzhou Rail Transport Intermediated Court made the written civil order ([2004] GTZFZ Zi No. 221-4), with details as follows: the money of RMB 42,840,000 acquired by auction should go to the execution applicant after deduction of relevant fees, diluting part of the debts that the Company bore. Meanwhile, the 5,500,000 shares of Beijing Vantone Real Estate Co., Ltd held by the Company were shifted to under the ownership of Beijing Star Investment and Management Co., Ltd. As the Company failed to receive relevant written civil orders in time, it failed to fulfill the duty of continuous information disclosure about this lawsuit in time. This lawsuit led to a decrease of RMB 5 million in long-term equity investment, a decrease of RMB 4,284,000 in anticipation liabilities, as well as an investment loss of RMB 716,000.

For more information about the above 5-6 lawsuits, please refer to Public Notice on Lawsuits Among the Company's Significant Events (serial No. 2008-087) on Dec. 26, 2008, which was published on Securities Times, HK Ta Kung Pao and www.cninfo.com.cn.

II. Purchase and Sale of Assets, as well as Merger in the Report Period
No assets purchase or sale occurred in the report period, nor any assets purchase or sale in the previous period continued in this period, neither did any merger events.

III. In the report period, the Company did not conduct investment on securities, nor held the equity of other listed companies and the non-listed financial enterprises.

IV. Significant Affiliated Transactions in the Report Period:
1. The Company had no affiliated transactions arising from merchandise purchasing or

sale, as well as offering or receiving relevant service in the report period.

2. The Company had no affiliated transactions arising from transfer of assets and equity in the report period.

3. The Company had no transactions arising from the overseas investments by the Company and the affiliated parties in the report period.

4. Creditor's rights and debt obligation between the Company and affiliated parties (including the subsidiaries outside the consolidated scope) existed in the report period:

In the report period, the creditor's rights and debt obligation between the Company and the affiliated parties were as follows:

Unit: (RMB)' 0000

Affiliated parties	Funds provided to affiliated parties		Funds provided to the listed companies by affiliated parties	
	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	9.47	5,495.55	50.13	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.	189.81	55.91	233.37	0.00
Shenxin Enterprise Co., Ltd.	0.00	0.00	0.00	37.26
Shenzhen Lionda Group Co., Ltd.	0.00	0.00	17.73	68.12
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
Total	199.28	11,583.53	301.23	622.34

Note: (1) The above creditor's rights and debt obligation between the Company and affiliated parties was formed by the problems in previous annual transactions, which were left over by the history. The main reason for the affiliated parties to appropriate capital was borrowings, guarantee loan or payment on behalf of others.

(2) In the report period, the listed companies offered capital of RMB 0.00 to the controlling shareholders and their subsidiaries, with balance of RMB 0.00. The capital of the Company appropriated by the controlling shareholders and their subsidiaries had been discharged in the third quarter of 2006.

5. In the report period, the Company had no other significant affiliated transactions.

V. The Significant Contracts and their execution which the Company Should Disclose 1. There was no trusteeship, lease or contracts of other companies' assets in the report period, nor trusteeship, lease or contracts of listed companies' assets by other companies in the report period, neither did any such case occurring in the previous period yet lasting up to this period exist.

2. Significant Commitments

In the report period, no new guarantee events occurred. The following chart lists the guarantees left over by the previous period.

Unit: (RMB)' 0000

External guarantees of the Company (excluding guarantees for shareholding subsidiaries)						
Company guaranteed	Date (agreement signing date)	Amount	Guarantee type	Time lasting	Finished or not	Guarantee for related party or not
Shenzhen Lionda Bonded Trading Co., Ltd	May 30, 2000	850.00	Joint liability guarantee	May 30, 2000- May 30, 2001	No	Yes
Shenzhen Sun Pipeline Co.,Ltd	Dec. 30, 1993	4,335.00	Joint liability guarantee	Dec. 30, 1993- Dec. 30, 1998	No	Yes
Shenzhen Gaokeda Electronics Co., Ltd	Mar. 10, 1994	50.00	Joint liability guarantee	Mar.10, 1994 - Mar. 10, 1995	No	No
Shenzhen Yuda Import & Export Co., Ltd	Jul. 8, 1998	480.00	Joint liability guarantee	Jul. 8, 1998 - Jan. 25, 2000	No	Yes
Shenzhen China Bicycle Company (Holdings) Limited	Dec. 19, 1995	32,456.00	Joint liability guarantee	Dec. 19, 1995 - Nov. 25, 1998	No	Yes
Yue-Shen Light Industry & Trading Company	Dec. 30, 1993	818.78	Joint liability guarantee	Dec. 30, 1993 - Jun. 22, 1996	No	Yes
Guangzhou Xufeng Enterprise Group Co., Ltd	May 2, 1995	1,500.00	Joint liability guarantee	May 2, 1995 - May 2, 1996	No	No

Shenzhen Jinbeisheng Investment Co., Ltd	Jun. 22, 1995	7,760.00	Joint liability guarantee	Jun. 22, 1995 - Jun. 22, 1996	No	No
Shenzhen Guoyin Investment Group Co., Ltd	Dec.13, 1995	3,752.00	Joint liability guarantee	Dec.13, 1995 - Jan. 28, 2001	No	Yes
Shenzhen Paina Garment Co., Ltd	Apr. 30, 1998	130.00	Joint liability guarantee	Apr. 30, 1998 - Jan. 30, 1999	No	No
Shenzhen Gintian Industrial Group Co., Ltd	Jun. 30, 1997	2,675.00	Joint liability guarantee	Jun. 30, 1997 - Dec. 31, 1999	No	No
Shenzhen Zhongwu Resources Import & Export Co., Ltd	Apr. 30, 1997	1,679.00	Joint liability guarantee	Apr. 30, 1997 - Apr. 30,1999	No	No
Shenzhen Guangyingda Industrial Development Corporation	Sep. 25, 1995	7,897.01	Joint liability guarantee	Sep. 25, 1995 - Jan. 31, 1999	No	Yes
Shenzhen Ligang Industrial Company	Aug. 15, 1996	723.38	Joint liability guarantee	Aug. 15, 1996 - Aug. 15, 1997	No	No
Shenzhen Maoyuan Investment Development Co.,Ltd	Jan. 30, 1995	856.00	Joint liability guarantee	Jan. 30, 1995 - Jan. 30, 1996	No	No
Shenzhen Xingda Industry & Trade Co., Ltd	May 1, 1996	40.00	Joint liability guarantee	May 1, 1996 - May 1, 1998	No	No
Shenzhen Huasu Co., Ltd	Mar. 5, 1997	1,371.00	Joint liability guarantee	Mar. 5, 1997- Mar. 5, 1998	No	No
Shenzhen Jinhai Electronics Co., Ltd	Apr. 7, 1996	350.00	Joint liability guarantee	Apr. 7, 1996 - Apr. 7, 1997	No	No
Shenzhen Guanghualin Investment Co., Ltd	May 23, 1996	791.60	Joint liability guarantee	May 23, 1996 - May 23, 1997	No	No
Shenzhen Tiantai Petrochemical Co., Ltd	Jun. 20, 1995	166.00	Joint liability guarantee	Jun. 20, 1995 - Jun. 20, 1996	No	No
Shenzhen Building Materials Group	Mar. 1, 1998	80.00	Joint liability guarantee	Mar.1, 1998 - Mar. 1, 1999	No	No

Shenzhen Jingyuan Industry & Trade Company	Apr. 30, 1997	80.00	Joint liability guarantee	Apr. 30, 1997- Apr. 30, 1998	No	No
Hainan Wanda Industry & Trade Co., Ltd	Aug. 16, 1996	3,093.86	Joint liability guarantee	Aug. 16, 1996 - Aug. 16, 1997	No	No
Shenzhen Xuena Co., Ltd	Jun.10, 1995	112.91	Joint liability guarantee	Jun. 10, 1995 - Dec. 10, 1996	No	No
Shenzhen Light Industry Import and Export Corporation	Jul. 31, 1997	273.00	Joint liability guarantee	Jul. 31, 1997 - Dec. 31, 1999	No	Yes
Jilin Lionda Company	Jun. 30, 1996	350.00	Joint liability guarantee	Jun. 30, 1996 - Dec. 30, 1997	No	Yes
Shenzhen Big World Shopping Center	Mar.1, 1996	1,402.70	Joint liability guarantee	Mar. 1, 1996 - Mar. 1, 1997	No	No
Shenzhen Lionda Electric Appliance Co., Ltd	Apr. 25, 1996	781.50	Joint liability guarantee	Apr. 25, 1996 - Apr. 25, 1999	No	Yes
Hunan Lionda Company	Oct. 25, 1997	325.00	Joint liability guarantee	Nov. 3, 1996 - Nov. 3,1999	No	Yes
Shenzhen Lionda Timing Company	May 1, 1998	307.00	Joint liability guarantee	Mar. 15, 1997 - Mar. 15, 2000	No	Yes
Shenzhen Yutian Industrial Co., Ltd	Aug. 1, 1995	2,244.70	Joint liability guarantee	Sep. 1, 1996 – Mar. 1, 2000	No	No
Hunan Xiang Finance Experimental Bank	Sep. 23, 1995	874.00	Joint liability guarantee	Aug. 13, 1995 - Aug. 13, 2000	No	No
Total guarantee amount occurred in the report period						0.00
Total guarantee balance in the report period						77,823.94
Guarantees for shareholding subsidiaries by the Company						
Total guarantee amount occurred in the report period for shareholding subsidiaries						0.00
Total guarantee balance in the report period for shareholding subsidiaries						14,522.54
Total guarantee amount of the Company (including guarantees for shareholding subsidiaries)						
Total guarantee amount						92,346.48
Percentage of the total guarantee amount in the Company’s net assets						-53.58%
Including:						
Guarantee amount for shareholders, actual controller or its affiliated parties						7,897.01

Guarantee amount for the guaranteed companies with an asset-liability ratio of over 70%, directly or indirectly	21,118.54
The amount which exceeded 50 percent of the net assets	16,835.22
Total amount of the above three guarantees	45,850.77
Explanation on the possibilities of shouldering joint-responsibilities to pay the undue debts	In the report period, no new guarantee for controlling shareholders, or its affiliated parties, as well as non-legal person entities or individuals provided by the Company occurred. There were such situations that the Company provided guarantee for its controlling shareholders as well as their subsidiaries, all of which were problems left over by the past and had expired. Since most of the guaranteed parties had no abilities to pay the debts, the Company had counted most of these debts into anticipation liabilities in the previous years.

3. In the report period, the Company had no significant capital management entrusted to others or commissioned loans, neither did any such case occurring in the previous period yet lasting up to this period exist.

4. In the report period, the Company signed no significant contracts.

VI. Commitments and Corresponding Performance by the Company or Shareholders Holding More than 5% Shares in the Report Period or Continuing in the Report Period

When the Company started the implementation of shareholder structure reform in late Dec. 2008, the shareholders of shares subject to trading moratorium, such as Shenzhen Lionda Group Co., Ltd, Shenzhen Coloured Metal Financial Co. Ltd, Shenzhen International Trust & Investment Co., Ltd, Shenzhen Huachengda Investment Holding Co., Ltd and Hainan Huihexing Investment and Management Co., Ltd, all made relevant legal commitment based on Measures for the Administration of the Share-trading Reform of Listed Companies.

Performance: it is not yet the time for unlocking shares subject to trading moratorium.

Commitments made by the Company or Shareholders Holding More than 5% Shares in the Report Period

Commitment	Content	Performance

Commitment about shareholder structure reform	The controlling shareholder of the Company, Shenzhen Lionda Group Co., Ltd made special commitments as follows: (1) 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 were listed, it should return the consideration to, or get the permission of Shenzhen Lionda Group Co., Ltd. After the shareholder structure reform, if Shenzhen Huashengda Investment Holdings Co., Ltd listed the non-tradable shares, it should get the permission of Lionda and Guangdong Sunrise Group Co., Ltd should apply for listing and trading of the shares to the Stock Exchange. (2) The related expenses of shareholder structure reform would be paid by the controlling shareholder, Shenzhen Lionda Group Co., Ltd	It is not yet the time for unlocking shares subject to trading moratorium.
Commitment in purchase report or report on equity change	None	None
Commitment in significant assets reorganization	None	None
Commitment when issuing	None	None
Commitment to small and medium shareholders	None	None

VII. In the report period, the Company had no changes in accounting policies and accounting estimations or correction of accounting errors. After executing new accounting standard, no much influence was brought on the business achievement or financial status of the Company.

VIII. On Employment and Dismissal of the Public Accounting Firm
In the report period, the Company continued to designate Shenzhen Dahua Delu Certified Public Accountants as the domestic financial audit institute and the audit expense paid to Shenzhen Dahua Delu Certified Public Accountants by the Company in 2008 was RMB 450,000.

According to Stipulations on Registered Accountants Periodic Rotation of Audit Requirements in the Securities and Futures Business （ZJKJZ [2003] NO.13), registered accountants were arranged to rotate and no accountant offered service exceeding the time stipulated.

IX. The Company has not implemented the Equity Incentive Plan.

X. In the report period, no Directors, Supervisors or Senior Executives of the Company, as

well as the shareholders and actual controllers of the Company received inspections, administrative penalties, circulating notice of criticism, or public condemnation from CSRC.

XI. Investigation, communication and interview received by the Company in the report period

Reception time	Reception place	Reception way	Reception object	Main content of discussion and materials provided
Feb. 26, 2008	Secretariat of the Board	Communication by telephone	A share investor	Time for resumption of A shares, and they are informed the substantial shareholder could implement the share merger reform after the unlocking of equity
Apr. 24, 2008	Secretariat of the Board	Communication by telephone	A share investor	Time for resumption of A shares, and they are informed the substantial shareholder could implement the share merger reform after the unlocking of equity
May 7, 2008	Secretariat of the Board	Written inquiry	A share investor	Time for resumption of A share and situation of Company's reorganization, and they are informed of the current status of the Company, and illustrated the reason for not resuming A shares and no substantial progress of the reorganization
21 Aug. 2008	Secretariat of the Company	Communication by telephone	Investor of A share	Auction of equity held by controlling shareholder of the Company, and they were informed that we had not received auction notice from the court yet
16 Sep. 2008	Secretariat of the Company	Communication by telephone	Investor of A share	Auction of equity held by controlling shareholder of the Company, and they were informed that we had not received auction notice from the court yet
11 Nov. 2008	Secretariat of the Company	Communication by telephone	Investor of A share	Auction of equity held by controlling shareholder of the Company, and they were informed that we had not received auction notice from the court yet
9 Dec. 2008	Secretariat of the Company	Communication by telephone	Investor of A share	Time for resumption of A shares, and they are informed the substantial shareholder could implement the share merger reform after the unlocking of equity

XII. Other Significant Events

As for the event that 191,400,000 shares of the Company held by the controlling shareholder Shenzhen Lionda Group Co., Ltd was judicially frozen, based on the 11.8.3 provision in Rules of Shenzhen Stock Exchange for the Listing of Stocks (revised in May, 2006), the event that shares of the Company held by Shenzhen Lionda Group Co., Ltd (accounting for 66.36% of the Company's shares) was to be judicially auctioned off should be regarded as the other significant events of the Company. For more information about the progress of this significant event, please refer to Complementary Notice on Equity of the Controlling Shareholder were Frozen Judicially (serial No. 2008-003) on Jul. 21, 2008, Public Notice on Failure of Judicial Auction of Controlling Shareholder' Equity (serial No. 2008-069) on Oct. 14, 2008, and Public Notice on Lawsuits Among the Company's Significant Events (serial No. 2008-087) on Dec. 26, 2008, which were all published on Securities Times, HK Ta Kung Pao and www.cninfo.com.cn .

Section X Financial Report

I. Independent Auditor's Report

Auditor's report

[English Translation for Reference Only]

HDA [2009] NO. 9E

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, 2008, 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 2008.

1. Management's Responsibilities for Financial Statements

To make the financial statements in accordance with Chinese Accounting Standards for Business Enterprises is the responsibility of the Company's management. This responsibility includes: (1) designing, implementing and maintaining internal controls relevant to the preparation of the financial statements that are free from material misstatement, whether 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 6 (7) and Note 11, the Company is under material financial burdens on short-term and long-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 going concern ability in the future. As such, the financial statements have been prepared on a going concern basis. However, all the reconstruction mentioned above are in the initial stage, 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 2008 is appropriate under the going concern basis.

Due to the limit of the objective conditions, we are unable to execute the appropriate audit process on the Company's liabilities and contingent liabilities, therefore, we are unable to judge the completeness and reasonableness of the Company's recorded liabilities including contingent liabilities.

3. AUDITOR'S OPINION

Due to the material impact of the above uncertain maters, 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 31 December 2008 and the results of its operations and its cash flows for the year then ended.

BDO.Guangdon Dahua Delu CPA, LLP Certified Public Accountants of China

Shenzhen, China Certified Public Accountants of China

April 7, 2009

GUANGDONG SUNRISE HOLDINGS COMPANY LIMITED
BALANCE SHEET
AS AT DECEMBER 31, 2008

(All amounts in RMB Yuan unless otherwise stated)

[English Translastion for Reference Only]

ASSETS	Notes	December 31, 2008		December 31, 2007	
		Consolidation	Parent company	Consolidation	Parent company
Current assets:					
Monetary fund	1	30,064.13	30,064.13	2,188.68	2,188.68
Financial asset at fair value though profit or loss		-	-	-	-
Notes receivable		-	-	-	-
Accounts receivable		-	-	-	-
Advances to suppliers		-	-	-	-
Dividends receivable	2	160,000.00	160,000.00	1,931,203.38	1,931,203.38
Other receivables	3	1,564,200.69	1,564,200.69	2,391,108.22	2,391,108.22
Inventories	4	2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00
Total current assets		3,754,264.82	3,754,264.82	6,324,500.28	6,324,500.28
Non-current assets:					
Avalibale-for-sale financial assets		-	-	-	-
Long-term equity investment	5	7,583,110.08	7,583,110.08	12,543,375.02	12,543,375.02
Investment property		-	-	-	-
Fixed assets	6	6,623,803.03	6,623,803.03	8,286,902.49	8,286,902.49
Construction in progress		-	-	-	-
Intangible assets		-	-	-	-
Long-term prepaid expenses		-	-	-	-
Deferred taxes assets		-	-	-	-
Total of non-current assets		14,206,913.11	14,206,913.11	20,830,277.51	20,830,277.51
TOTAL ASSETS		17,961,177.93	17,961,177.93	27,154,777.79	27,154,777.79

Legal epresentative: | Person in charge of accounting function: | Person in charge of accounting department:

See accompanying notes to financial statements

GUANGDONG SUNRISE HOLDINGS COMPANY LIMITED
BALANCE SHEET（CONTINUED）
AS AT DECEMBER 31, 2008

(All amounts in RMB Yuan unless otherwise stated)

[English Translastion for Reference Only]

LIABILITIES AND OWNER'S EQUITY	Notes	December 31, 2008		December 31, 2007	
		Consolidation	Parent company	Consolidation	Parent company
Current liabilities:					
Short-term loans	7	461,573,834.92	461,573,834.92	467,553,910.86	467,553,910.86
Financial liability at fair value though profit or loss		-	-	-	-
Notes payable		-	-	-	-
Accounts payable		-	-	-	-
Advances from customers		-	-	-	-
Accrued payroll	8	530,777.88	530,777.88	488,108.73	488,108.73
Taxes payable	9	-	-	(1,752.22)	(1,752.22)
Proposed dividends		-	-	-	-
Interest payable	10	389,895,681.04	389,895,681.04	349,492,769.23	349,492,769.23
Other payables	11	155,007,836.23	155,007,836.23	156,073,332.14	156,073,332.14
Long-term loan maturity within 1 year		-	-	-	-
Total current liabilities		1,007,008,130.07	1,007,008,130.07	973,606,368.74	973,606,368.74
Non-current liabilities:					
Long-term loans		-	-	-	-
Specific payable		-	-	-	-
Estimated liability	12	734,495,365.42	734,495,365.42	691,941,907.57	691,941,907.57
Total non-current liabilities		734,495,365.42	734,495,365.42	691,941,907.57	691,941,907.57
TOTAL LIABILITIES		1,741,503,495.49	1,741,503,495.49	1,665,548,276.31	1,665,548,276.31
Shareholders' equity:					
Stock capital	13	288,420,000.00	288,420,000.00	288,420,000.00	288,420,000.00
Capital surplus	14	381,059,098.78	381,059,098.78	381,059,098.78	381,059,098.78
Less: Treasury stock		-	-	-	-
Surplus reserve	15	138,304,806.89	138,304,806.89	138,304,806.89	138,304,806.89
Profits undistributed	16	(2,531,326,223.23)	(2,531,326,223.23)	(2,446,177,404.19)	(2,446,177,404.19)
Difference arising from foreign exchange		-	-	-	-
Shareholders' equity attributable to parent company		(1,723,542,317.56)	(1,723,542,317.56)	(1,638,393,498.52)	(1,638,393,498.52)
Minority shareholder's interest		-	-	-	-
TOTAL SHAREHOLDERS' EQUITY		(1,723,542,317.56)	(1,723,542,317.56)	(1,638,393,498.52)	(1,638,393,498.52)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		17,961,177.93	17,961,177.93	27,154,777.79	27,154,777.79

Legal epresentative: | Person in charge of accounting function: | Person in charge of accounting department:

See accompanying notes to financial statements

GUANGDONG SUNRISE HOLDINGS COMPANY LIMITED

INCOME STATEMENT

AS AT DECEMBER 31, 2008

(All amounts in RMB Yuan unless otherwise stated)

[English Translastion for Reference Only]

Items	Notes	Year of 2007		Year of 2008	
		Consolidation	Parent company	Consolidation	Parent company
1. Operating income	17	1,699,473.38	1,699,473.38	1,802,714.10	1,802,714.10
Less: Operating cost		-	-	-	-
Taxes and levies on main operations		-	-	-	-
Selling expenses		-	-	-	-
General and administrative expenses		3,897,771.71	3,897,771.71	3,555,210.04	3,555,210.04
Finance expense	18	29,415,773.08	29,415,773.08	22,675,168.57	22,675,168.57
Asset impairement loss (gain)	19	-	-	(676,293.38)	(676,293.38)
Add: Profit on the changes in fair value		-	-	-	-
Investment income	20	(596,264.95)	(596,264.95)	1,626,114.00	1,626,114.00
Included: Income from associates		-	-	-	-
2. Operating profit		(32,210,336.36)	(32,210,336.36)	(22,125,257.13)	(22,125,257.13)
Add: Non-operating income	21	6,529,352.00	6,529,352.00	50,040.00	50,040.00
Less: Non-operating expenses	21	59,467,834.68	59,467,834.68	-	-
Included: Loss on disposal of non-current assets		-	-	-	-
3. Total profit		(85,148,819.04)	(85,148,819.04)	(22,075,217.13)	(22,075,217.13)
Less: Income tax		-	-	-	-
4. Net profit for the year		(85,148,819.04)	(85,148,819.04)	(22,075,217.13)	(22,075,217.13)
Net profit attributable to shareholders' of the Company		(85,148,819.04)	(85,148,819.04)	(22,075,217.13)	(22,075,217.13)
Minority interest income		-	-	-	-
5. Earnings per share					
(1) Basic earnings per share		(0.2952)	(0.2952)	(0.0765)	(0.0765)
(2) Diluted earnings per share		(0.2952)	(0.2952)	(0.0765)	(0.0765)

Legal epresentative: | Person in charge of accounting function: | Person in charge of accounting department:

See accompanying notes to financial statements

GUANGDONG SUNRISE HOLDINGS COMPANY LIMITED

STATEMENTS OF CONSOLIDATED CHANGES IN EQUITY

AS AT 31 DECEMBER 2008

(All amounts in RMB Yuan unless otherwise stated)

Items	For the year of 2008						
	Owners'equity attributable to parent company						
	Stock capital	Capital surplus	Surplus reserve	Profits undistributed	Difference arising from foreign exchange	Minority shareholder's interest	Total shareholders' equity
1. Balance at the end of last year	288,420,000.00	381,059,098.78	138,304,806.89	(2,446,177,404.19)	-	-	(1,638,393,498.52)
2. Balance at the beginning of this year	288,420,000.00	381,059,098.78	138,304,806.89	(2,446,177,404.19)	-	-	(1,638,393,498.52)
3. Increase/ decrease of amount in this year	-	-	-	(85,148,819.04)	-	-	(85,148,819.04)
Net profit	-	-	-	(85,148,819.04)	-	-	(85,148,819.04)
4. Balance at the end of this period	288,420,000.00	381,059,098.78	138,304,806.89	(2,531,326,223.23)	-	-	(1,723,542,317.56)

Legal epresentative: | Person in charge of accounting function: | Person in charge of accounting department:

See accompanying notes to financial statements

GUANGDONG SUNRISE HOLDINGS COMPANY LIMITED

STATEMENTS OF CONSOLIDATED CHANGES IN EQUITY

AS AT 31 DECEMBER 2008

(All amounts in RMB Yuan unless otherwise stated)

Items	For the year of 2007						
	Owners'equity attributable to parent company						
	Stock capital	Capital surplus	Surplus reserve	Profits undistributed	Difference arising from foreign exchange	Minority shareholder's interest	Total shareholders' equity
1. 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)
2. 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)
3. Increase/ decrease of amount in this year	-	-	-	(22,075,217.13)	-	-	(22,075,217.13)
Net profit	-	-	-	(22,075,217.13)	-	-	(22,075,217.13)
4. 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)

Legal epresentative: Person in charge of accounting function: Person in charge of accounting department:

See accompanying notes to financial statements

GUANGDONG SUNRISE HOLDINGS COMPANY LIMITED
CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

(All amounts in RMB Yuan unless otherwise stated)

[English Translastion for Reference Only]

Items	Notes	For the year of 2008	For the year of 2007
1. Cash flows from operating activities			
Cash received relating to other operating activities	22	2,341,112.65	5,191,651.89
Sub-total of cash inflow		2,341,112.65	5,191,651.89
Cash paid to and on behalf of employees		891,807.58	936,090.32
Cash paid relating to other operating activities	22	1,823,569.62	7,433,923.10
Sub-total of cash outflow		2,715,377.20	8,370,013.42
Net cash flows from operating activities		(374,264.55)	(3,178,361.53)
2. Cash flows from investing activities			
Cash received from gains of investment		-	104,000.00
Proceeds from sale of subsidiaries and other operating units		-	3,000,000.00
Cash received relating to other investing activities	23	501,300.00	-
Sub-total of cash inflow		501,300.00	3,104,000.00
Cash paid to acquire fixed,intengible and other long-term assets		4,500.00	-
Cash paid relating to other investing activities	23	94,660.00	-
Sub-total of cash outflow		99,160.00	-
Net cash flow from investing activities		402,140.00	3,104,000.00
3. Cash flows from financing activities			
4. Effect of foreign exchange rate changes on cash		-	-
5. Net increase in cash and cash equivalents		27,875.45	(74,361.53)
Add: Cash and cash equivalents at year-begin		2,188.68	76,550.21
6.Cash and cash equivalents at the end of the year	24	30,064.13	2,188.68

Legal epresentative: | Person in charge of accounting function: | Person in charge of accounting department:

See accompanying notes to financial statements

GUANGDONG SUNRISE HOLDINGS COMPANY LIMITED

STATEMENTS OF CHANGES IN EQUITY

AS AT DECEMBER 31, 2008

(All amounts in RMB Yuan unless otherwise stated)

[English Translastion for Reference Only]

Items	For the year of 2008					
	Stock capital	Capital surplus	Surplus reserve	Profits undistributed	Difference arising from foreign exchange	Total shareholders' equity
1. Balance at the end of last year	288,420,000.00	381,059,098.78	138,304,806.89	(2,446,177,404.19)	-	(1,638,393,498.52)
2. Balance at the beginning of this year	288,420,000.00	381,059,098.78	138,304,806.89	(2,446,177,404.19)	-	(1,638,393,498.52)
3. Increase/ decrease of amount in this year	-	-	-	(85,148,819.04)	-	(85,148,819.04)
Net profit	-	-	-	(85,148,819.04)	-	(85,148,819.04)
4. Balance at the end of this period	288,420,000.00	381,059,098.78	138,304,806.89	(2,531,326,223.23)	-	(1,723,542,317.56)

Legal epresentative:

Person in charge of accounting function:

Person in charge of accounting department:

See accompanying notes to financial statements

GUANGDONG SUNRISE HOLDINGS COMPANY LIMITED
STATEMENTS OF CHANGES IN EQUITY

AS AT DECEMBER 31, 2008

(All amounts in RMB Yuan unless otherwise stated)

[English Translastion for Reference Only]

Items	For the year of 2007					
	Stock capital	Capital surplus	Surplus reserve	Profits undistributed	Difference arising from foreign exchange	Total shareholders' equity
1. 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)
2. 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)
3. Increase/ decrease of amount in this year	-	-	-	(22,075,217.13)	-	(22,075,217.13)
Net profit	-	-	-	(22,075,217.13)	-	(22,075,217.13)
4. 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)

Legal epresentative:

Person in charge of accounting function:

Person in charge of accounting department:

See accompanying notes to financial statements

GUANGDONG SUNRISE HOLDINGS COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

(All amounts in RMB Yuan unless otherwise stated)

[English Translastion for Reference Only]

Items	Notes	For the year of 2008	For the year of 2007
1. Cash flows from operating activities			
Cash received relating to other operating activities	22	2,341,112.65	5,191,651.89
Sub-total of cash inflow		2,341,112.65	5,191,651.89
Cash paid to and on behalf of employees		891,807.58	936,090.32
Cash paid relating to other operating activities	23	1,823,569.62	7,433,923.10
Sub-total of cash outflow		2,715,377.20	8,370,013.42
Net cash flows from operating activities		(374,264.55)	(3,178,361.53)
2. Cash flows from investing activities			
Cash received from gains of investment		-	104,000.00
Proceeds from sale of subsidiaries and other operating units		-	3,000,000.00
Cash received relating to other investing activities		501,300.00	-
Sub-total of cash inflow		501,300.00	3,104,000.00
Cash paid to acquire fixed,intengible and other long-term assets		4,500.00	-
Cash paid relating to other investing activities		94,660.00	-
Sub-total of cash outflow		99,160.00	-
Net cash flow from investing activities		402,140.00	3,104,000.00
3. Cash flows from financing activities			
4. Effect of foreign exchange rate changes on cash		-	-
5. Net increase in cash and cash equivalents		27,875.45	(74,361.53)
Add: Cash and cash equivalents at year-begin		2,188.68	76,550.21
6.Cash and cash equivalents at the end of the year	24	30,064.13	2,188.68

Legal epresentative: | Person in charge of accounting function: | Person in charge of accounting department:

See accompanying notes to financial statements

GUANGDONG SUNRISE HOLDINGS COMPANY LIMITED
NOTES OF FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2008

(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 joint stock limited company. On 7 June 1993, upon approval by the General Office of People's Government of Shenzhen in the document "Shen Fu Ban Fu [1993]720", the Company restructure from the original Shenzhen Lionda Group". On 29 September 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 13 June 2002, the name of the Company has been changed from "Shenzhen Lionda Holdings Company Limited" to "Guangdong Sunrise Holdings Company Limited".

The approved 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 company currently has no main operation business activities.

The registered address of the Company is at 4 Floor, Block 203, Tairan Industry Zone, Chegongmiao, Futian District, Shenzhen China. The actual office address has moved on to 5D, Jin Song Building, Tai Ran Road, Fu Tian District, Shenzhen from December 26, 2008.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements prepared by the Company 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 might affect the disclosure of the assets, the liabilities and the contingent liabilities on the balance sheet date and the income and expenses during the reporting period.

Refer to Note 6(7) and Note 11, the Company has significant financial burdens on long-term and short-term repayment obligations and there are large amounts of liabilities from court action in

relation to the guarantees given by the Company, which will affect the going concern basis if they cannot vanish shortly. The debt reconstruction、asset reconstruction and shareholding reconstruction are in process, the management believes that if those reconstruction are successfully completed, the Company will meet its operation requirements. Accordingly the financial statements have been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

(1) Accounting policies

The financial statements have been prepared in accordance with Chinese Accounting Standards for Business Enterprises promulgated by the People's Republic of China.

(2) Fiscal year

The Company's fiscal year starts on 1 January and ends on 31 December.

(3) Reporting currency

The reporting currency of the Company is Renminbi (CNY).

(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 converted 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 conversion differences raised from above translations should be recorded into the profits and losses at the current period. The net exchange losses arising form loans used for purchase fixed assets should be recorded in accordance with the capitalization 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 makes general and specific provision for bad debts based on an assessment of the recoverability of receivables. A general provision for the remaining receivables that have not been specifically provided for is then set against the remaining balance using 3%. Specific provisions are made for those receivables are possibly uncollectible.

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, sub-processing materials, work in progress, finished goods, consignment 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 recorded as loss when used.

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 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. Net realizable value 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 acquired 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 those long-term investments 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 plant	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 acquired 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 acquired subsidiary and their book values are combined into the consolidated balance sheet of the Company and the operation results of the acquired 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.

①consolidation financial statement scope

The consolidation scope is not including the following subsidiaries, for the Company can not control them.

②The company cannot control the following subsidiaries, as they ceased the business and the Company had no contact with them. Details are shown as follows:

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 Import & Export Trading Co., Limited *3	It is in loss for years and terminated its business.	It is terminated business.

Shenzhen Lionda Leke Suitcase Co., Ltd	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.
Name	Reason	Accounting treatment
Shenzhen Lionda Development Co. Ltd *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 in year 2007 but it is ceased its operation actually. The Company provided loan guarantee, which includes principal of RMB3.2 million and HKD5.9 million, contingent liabilities was made for it amounting to 9.313 million without the consideration of loan interest. 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 in year 2007 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 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.

4. 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..

Their 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	18%

5. CONTROLLED SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANY

(1) Controlled subsidiaries

Name of holding subsidiaries	Place of registration	Registered capital	Business nature	Investment amount	Proportion of shares held
Shenzhen Paper Manufacturing 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 Import & Export Trading 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 2,878,000	100%
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%

* Refer to Note 3 (20), the above companies were not consolidated as they have ceased the business and the company lost the control over them.

(2) Associated company

Name of company	Place of registration	Registered capital	Business nature	Investment amount	Proportion of shares held
Shenzhen Lionda Free 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 1,500,000	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%
Name of company	Place of registration	Registered capital	Business nature	Investment amount	Proportion of shares held
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 Industrial Co. Ltd.	Shenzhen	HKD 10,000,000	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%
Wuxian Taihu Huaqiaocher Development and Constructic 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	50%
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 has no actual control on this company and presented as other equity investment calculated with the cost method.

*2 The company translated its compensation to the Company 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.

6. Notes to significant matters of financial statements

Refer to Note 3(20), as none of subsidiaries were consolidated, the following data presented below is the consolidated data and also for the Company.

(1) Cash at bank and in hand

Item	Currency	Closing balance			Opening balance		
		Original amount	Exchange rate	RMB	Original amount	Exchange rate	RMB
Cash	RMB	30,064.13	1.0000	30,064.13	2,188.68	1.0000	2,188.68
Total				30,064.13			2,188.68

(2) Dividend receivable

The closing balance of dividends receivable is RMB160,000.00，which should be received from the associated company Shenzhen Golden Bell Batteries Co., Ltd.

The decreasing amount of RMB 1,851,203.38 is caused by the deduction of previous year dividend for Shenzhen Jianian Industrial Co., Ltd. According to the agreement, the dividend should be received from Shenzhen Jianian Industrial Co., Ltd is RMB1, 851,203.38，which was transferred to offset the debt for the controlled shareholder of Shenzhen Lionda Group Co., Ltd.

(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. Single accounts with large account	389,119,283.53	98.98%	389,119,283.53	389,525,923.53	98.87%	389,525,923.53
2. Single accounts without large amount but with major risk after integrated into	3,368,058.40	0.86%	2,438,499.51	3,248,223.04	0.83%	2,015,656.43

credit risk combination						
3. Others not large amount	654,269.90	0.16%	19,628.10	1,194,372.79	0.30%	35,831.18
Total	393,141,611.83	100%	391,577,411.14	393,968,519.36	100%	391,577,411.14
Total for top 5 companies	366,255,588.02	93.16%	366,255,588.02	366,662,228.02	93.07%	366,662,228.02
Total for related parties	115,835,306.73	29.46%	115,293,053.55	116,677,580.26	29.62%	115,712,762.55

(i) After assessing each individual accounts with large amount, 100% specific provisions are applied to the following companies, details are shown as follows. Other companies adopt bad debts provision based on the ageing of other 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 Sun Pipeline 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.	54,955,518.24	54,955,518.24	Liquidation of the company
	Shenzhen Keruite New Materials Co., Ltd.	214,000.00	214,000.00	The company dismissed，unrecoverable
	Shenzhen Lida Co., Ltd.	146,286.00	146,286.00	Serious insolvency, unrecoverable
	Shenzhen Jiadeng Trade Co., Ltd	1,008,500.00	1,008,500.00	Serious insolvency, unrecoverable
	Shenzhen Yingte Industrial Co., Ltd.	477,539.63	477,539.63	Serious insolvency, unrecoverable
	Shenzhen China Bicycle Company (Holdings) Limited	232,801,657.06	232,801,657.06	Serious insolvency, unrecoverable
	Shenzhen Lionda Import & Export Trading Co., Ltd.	27,935,288.45	27,935,288.45	Serious insolvency, unrecoverable
	Shenzhen Haima Electric Appliance Co., Ltd.	285,838.32	285,838.32	Serious insolvency, unrecoverable
	Shenzhen Xingda Industry &	4,958,800.00	4,958,800.00	The company closed，unrecoverable

Trade Co., Ltd.			
Stock market department	460,000.00	460,000.00	Long aging，unrecoverable
Bank	382,871.86	382,871.86	Long aging，unrecoverable
Deposit for cell phone	8,000.00	8,000.00	Long aging，unrecoverable
Others	432,214.46	432,214.46	Long aging，unrecoverable
Total	391,529,033.80	391,529,033.80	

(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 outstanding balance belonging to shareholders who hold 5% or more voting rights. Details of amount received from related parties see Note 9.

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	594,389.90	0.15%	17,831.70	1,247,146.43	0.31%	204,845.12
1 to 2 years	59,880.00	0.02%	1,796.40	31,948.00	0.01%	31,948.00
2 to 3 years	---	---	---	5,191,118.84	1.32%	4,965,769.57
Over 3 years	392,487,341.93	99.83%	391,557,783.04	387,498,306.09	98.36%	386,374,848.45
Total	393,141,611.83	100%	391,577,411.14	393,968,519.36	100%	391,577,411.14

(4) Inventories and provision for devaluing of inventories

Item	Closing balance		Opening balance	
	Book Balance	Book value	Book Balance	Book value
develop cost	22,912,610.00	2,000,000.00	22,912,610.00	2,000,000.00

Provision for devaluing of inventories	Opening balance	Increase	Decrease	Closing balance	Note
develop cost	20,912,610.00	---	---	20,912,610.00	Single comparison

method

* Provision for devaluing of inventories: the inventories consist of the Tu Men River Soil, the Shang Dong Ru Shan soil and the Tamshui soil. The Tu Men River Soil and the Shang Dong Ru Shan soil have already transferred in the prior year. As the land property right is still not clear, the company made full amount of provision for them. The people's government of Huiyang district, Huizhou city made an announcement that the company should restructure the unused land as the Tamshui soil has not developed for several years. However both sides have not reach an agreement on the land price. The company made the inventory provision based on the difference of estimated recoverable amount and the original investment cost.

(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	5,000,000.00	---	5,000,000.00	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	6,434,354.49	4,963,089.41	1,471,265.08	6,394,619.43	4,963,089.41	1,431,530.02
Other equity investment	28,611,930.27	27,500,085.27	1,111,845.00	28,611,930.27	27,500,085.27	1,111,845.00
Total	188,329,223.36	180,746,113.28	7,583,110.08	193,289,488.30	180,746,113.28	12,543,375.02

a) Investment in stocks

The invested entity	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 person 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 person 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	---	5,000,000.00	5,000,000.00

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

** The amount of 5,500,000.00 legal person shares of Beijing Vantone Industrial Co.,Ltd held by the Company were sold by auction by Court.

b) Investment in subsidiaries calculated with the cost method

The invested entity	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

The invested entity	Invested term	Rate in registered capital of invested unit	Initial investment cost	Opening balance	Increase	Decrease	Closing balance
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 with the equity method

The invested entity	Invested duration	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 Lionda Free Trading	10 years	30%	1,800,000.00	---	---	---	(1,800,000.00)	---

Co., Ltd.								
Shenzhen Golden Bell Batteries Co., Ltd.	30 years	40%	1,434,060.25	1,431,530.02	119,735.05	80,000.00	37,204.82	1,471,265.07
Shenzhen Anmiz Calculagraph 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 Sun Pipeline 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., Ltd	---	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			16,188,750.61	6,394,619.43	119,735.05	80,000.00	(9,754,396.13)	6,434,354.48

d) Other equity investment under the cost method

The invested entity	Invested duration	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 *	---	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.	20years	3.44%	1,111,835.00	---	---	1,111,835.00
Shenzhen Guoyin Investment Group Coo., 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
Wuxian Taihu Huaqiaocheng Development and Construction Co., Ltd.	---	10%	2,000,000.00	---	---	2,000,000.00
Shenzhen Dong Xiang Electronic Enterprise Co. Ltd.	15years	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			28,611,930.27	---	---	28,611,930.27

* Yueyang Shengang Hotel Co., Ltd. translated to the Company as compensation when Shenzhen

Plastics Chemical Industrial Co., Ltd. bankruptcy liquid. The transfer registration of Yueyang Shengang Hotel Co., Ltd. is uncertainty, which lead to a lack of financial information of the company.

e)Devaluing provision

The invested entity	Opening balance	Increase	Decrease			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 & Factory	35,059,679.80	---	---	---	---	35,059,679.80
Shenzhen Lionda Food Industrial Co., Ltd.	15,400,000.00	---	---	---	---	15,400,000.00

The invested entity	Opening balance	Increase	Decrease			Closing balance
			Transferred back due to goods value rise	Transferred out due to other reason	Total	
Shenzhen Lionda Import & Export Trading Co., Ltd.	7,155,864.39	---	---	---	---	7,155,864.39
Shenzhen Lionda Leke Suitcase Co., Ltd.	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 Industrial 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
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
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
Total	180,746,113.28	---	---	---	---	180,746,113.28

The above invested company has winding up for several years, we cannot find any way to contact them, therefore the company provides full amount of devaluing provisions.

(6) Fixed assets and accumulated depreciation

Cost of fixed asset	Opening balance	Increase	Decrease	Closing balance
Buildings and plant	14,594,116.36	---	1,475,466.30	13,118,650.06
Motor vehicle	8,167,086.55	---	7,462,086.55	705,000.00
Electronic equipment and others	4,026,910.50	4,500.00	3,893,655.50	137,755.00
Total	26,788,113.41	4,500.00	12,831,208.35	13,961,405.06
Accumulated depreciation				
Buildings and plant	7,045,267.88	570,897.72	1,073,308.49	6,542,857.11
Motor vehicle	7,760,957.43	---	7,091,207.43	669,750.00
Electronic equipment and others	3,694,985.61	4,292.91	3,574,283.60	124,994.92
Total	18,501,210.92	575,190.63	11,738,799.52	7,337,602.03
Net Book Value	8,286,902.49			6,623,803.03

* The book value of RMB 13,061,860.35 of buildings and plant is a lack of property certificate of buildings and plant. Due to arrearage dispute of non-ferrous metals in Shenzhen, the book value of RMB 6,759,920.35 of buildings and plant is sequestered by the Shenzhen Intermediate People's Court in 31 March 2006.

** The book value of decrease amount of fix asset was RMB 1, 092,408.83, which is because the company made adjustment on the reformed buildings, reformed transports and other disposed fix assets.

*** The Company indicated that there was no fix assets meet the provision conditions, so there is no devaluing provision being 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	0.8819	10,679,563.83	12,109,722.00	0.9364	11,339,543.68
USD	10,689,262.70	6.8346	73,056,834.85	10,689,262.70	7.3046	78,080,788.32
Subtotal			139,114,398.68			144,798,332.00
Loans from other company						
RMB	242,635,500.00	1.0000	242,635,500.00	237,635,500.00	1.0000	237,635,500.00
HKD	31,428,672.00	0.8819	27,716,945.84	31,428,672.00	0.9364	29,429,808.46
USD	7,624,000.00	6.8346	52,106,990.40	7,624,000.00	7.3046	55,690,270.40
Subtotal			322,459,436.24			322,755,578.86
Total			461,573,834.92			467,553,910.86

* The type of all of loans presented above are guarantee loan. The original loan purpose is to face the cash flow problems. The date of repayment of loan has expired and the company has no plan to repay the overdue debts recently.

** The closing balance of short term loan decreases by RMB 5, 980,075.94 compared with corresponding last year, it is mainly due to the adjustment of exchange variance by RMB 10, 980,075.94 and the increase of loans from South Securities Corporation Limited by RMB 5,000,000.00. Details see Note 10 (2).

Overdue loans details show as follow：

Loan Bank	Loan amount			Loan rate
	RMB	HKD	USD	
Shenzhen Development Bank Futian Loan&Trust Department	---	---	1,700,000.00	8.775%
Shenzhen Development Bank Luohu Branch (Shatoujiao Sub branch)	8,000,000.00	---	---	7.587%
Shenzhen Development Bank Sales department RenMin Bridge Sub branch	---	---	1,000,000.00	Seasonal flotation
China Everbright Bank Shenzhen Branch	5,600,000.00	---	---	5.858%
China Merchants Bank Shangbu	4,000,000.00	---	7,000,000.00	RMB11.088% /USD8.625%
China CITIC Bank	15,000,000.00	---	---	7.029%
China CITIC Bank	13,000,000.00	---	---	7.029%
Agricultural Bank of China Renmingbei Branch	2,678,000.00	---	---	7.599%
Agricultural Bank of China Sha Tou Jiao	2,600,000.00	---	---	9.504%

Agricultural Bank of China Shen Zhen Branch	---	12,109,722.00	989,262.70	---
Association Unit She Kou	4,500,000.00	---	---	---
Shen Zhen trade development council	4,150,000.00	---	---	---
Hongkong Addvalue holdings Limited *	25,000,000.00	---	---	---
Economic Development Bureau	1,500,000.00	---	---	---
Technology Bureau	400,000.00	---	---	---
Colored Metal Co., Ltd.	28,000,000.00	---	---	21.600%
Colored Metal Co., Ltd.	---	---	740,000.00	16.190%
Glenmore Investment Limited	---	3,578,392.00	---	---
Yue Cai Holding Co., Ltd **	8,580,000.00	---	---	5.841%
South Security Corporation Limited ***	5,000,000.00	---	---	---
Orient asset management corporation ****	170,005,500.00	27,850,280.00	6,884,000.00	---
Total	298,013,500.00	43,538,394.00	18,313,262.70	

*The creditor's right of the loan with amount of RMB 25,000,000 was transferred to Shenzhen department China Xinda Asset Management Corporation by Bank of Communications Shenzhen Hongli Branch on June 07, 2004. The China Xinda Asset Management Corporation transferred the creditor's right to Crosstown China investments 3, LLC. on October 30, 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 on October 31, 2006..

*** According to ShenZhen Intermediate People's Court Civil Judgment on July 30, 2008([2007]Shen Zhong Fa Min Er Chu Zi No. 250), it increases the loan from South Security Co., Ltd for RMB 5,000,000.00, details see Note 10(2).

**** All loans from Orient Asset Management Corporation are the obligatory right transferred from other banks. The original loan details show as follow:

Loan Bank	Loan amount			Loan interest
	RMB	HKD	USD	
Industrial and Commercial Bank of China Futian Branch	31,030,000.00	---	---	6.732%
Industrial and Commercial Bank of China Futian Branch	---	---	2,000,000.00	7.250%
Industrial and Commercial Bank of China Guomao Shendong Branch	19,000,000.00	---	---	5.580%
China Construction Bank	2,500,000.00	---	---	9.828%

Changcheng Department				
China Construction Bank Chengdong	17,975,500.00	---	---	9.504%
China Construction Bank International department	---	---	2,444,400.00	---
China Construction Bank Shangbu	3,000,000.00	---	---	9.828%
China Construction Bank Sales Department	---	3,850,280.00	2,059,600.00	---
China Construction Bank Housing Credit Department-1	18,000,000.00	---	---	8.712%
Bank of China	78,500,000.00	---	---	5.8575%
Bank of China Shenzhen Branch	---	24,000,000.00	380,000.00	HKD floating interest/ USD8.775%
Total	170,005,500.00	27,850,280.00	6,884,000.00	

(8) Accrued Payroll

Item	Opening	Current period	Current	Closing
1.Salaries,bonuses,allowances and	---	792,239.99	763,489.99	28,750.00
2.Welfare fund for staff workers	---	19,241.80	19,241.80	---
3. Social securities	---	59,875.79	59,875.79	---
4. Subsidies for trade union and	488,108.73	13,919.15	---	502,027.88
5 Dismiss compensation	---	49,200.00	49,200.00	---
Total	488,108.73	934,476.73	891,807.58	530,777.88

(9) Taxes payable

Taxes	Closing balance	Opening balance
Personal income tax	---	(1,752.22)
Total	---	(1,752.22)

(10) Interest payable

The closing balance of interest payable is RMB 389,895,681.04, 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 40,402,911.81 in current year。The company was unable to repay the loan and interest at maturity. The calculated interest excludes the overdue unpaid interest.

(11) Other payables

Aging	Closing balance		Opening balance	
	Amount	Rate in total	Amount	Rate in total
Within 1 year	2,208,436.92	1.42%	37,710,107.62	24.16%
1 to 2 years	38,731,706.59	24.99%	4,300,635.25	2.75%
2 to 3 years	392,222.32	0.25%	5,301,853.46	3.40%
Over 3 years	113,675,470.40	73.34%	108,760,735.81	69.69%
Total	155,007,836.23	100%	156,073,332.14	100%

* In closing balance of accounts payable, the amount subjects to shareholders who hold 5% or more than 5% voting rights is RMB 681,598.97. See Note 9 Related Parties Transactions.

** Reason for not paid: the company is unable to repay the debt.

** The main customers of accounts receivable are presented below:

Name of company	Amount	Amount
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	734,495,365.42	691,941,907.57	Overdue of external guarantee loans

* The amount of estimated liability has increased by RMB 53,316,809.85 in current period, as some unknown guarantee events are discovered from the information provided by banks. The Company recorded the estimated liabilities for previously unknown guarantee:

(1) The Company provided guarantees for two loans to Shenzhen Lionda Jishi Industry Co., Ltd. in Agricultural Bank of China, Shenzhen Branch. The first loan was lent on May 13 1998 with a principal of HKD 1 million (equivalent to RMB 1.07 million at exchange rate of that time) and with the term of one year, the second one was also a one-year loan lent on July 15, 1999 with a principal of RMB 2 million. The Company has recognized the RMB 3.07 million of principal as estimated liability in current period.

(2) The Company provided guarantee of a loan to Shenzhen Guoyin Investment Group Co., Ltd. in Agricultural Bank of China, Shenzhen Branch. The loan is a one-year loan lent on April 27, 1995 with a principal of RMB 3.7 million. The Company has recognized the RMB 3.7 million of principal as estimated liability in current period.

(3) The Company provided guarantees for three loans to Shenzhen Yutian Industrial Co., Ltd. in Agricultural Bank of China, Shenzhen Branch. The Company has recognized the RMB 24.447 million, which are the principals of three loans, as estimated liability in current period.

(4) The Company provided guarantee of a loan to Guangdong Guomin investment Co., Ltd. Shenzhen Branch (it was named "Hunan Xiangcai Shiyan Bank, Shenzhen Branch") in Agricultural Bank of China, Shenzhen Branch. The Company has recognized the RMB 8.74 million, which are the principal of the loan, as estimated liability in current period.

(5) The Company provided guarantee of a loan to Shenzhen China Bicycle Company (Holdings) Limited in China Everbright Bank, Shenzhen Branch. The Company recorded the principal of the loan as USD 224,000.00 and has recognized the 40% of USD 224,000.00 as estimated liability in prior period. However, the actual principal of the loan is USD 1,551,766.34, the difference raises from the misunderstanding is USD 1,327,766.34. The Company has recognized the 40% of USD 1,327,766.34, equivalent to RMB 4,408,184.25, as estimated liability in current period.

(6) The Company provided guarantees on two loans to Shenzhen China Bicycle Company (Holdings) Limited in China Merchants Bank, Shenzhen Branch, Luohu Sub-branch. The total of principals of two loans is USD 2,696,272.77. The Company has recognized USD 1,078,509.11 equivalent to RMB 8,951,625.60, which is the 40% of principals, as estimated liability in current period.

* The amount of estimated liability has decreased by RMB 10,763,352.00 in current period; the details are presented as follow:

(1) The Company provided guarantee for RMB 11 million loans to Shenzhen Guoyin Investment Group Co., Ltd. in Bank of Communications, Shenzhen Branch, Nanshan Sub-branch. The obligatory right changed to Hainan Huihexing Investments Management Ltd. The Company has recognized the RMB 11 million of principal as estimated liability in prior years. With the written verdict [(2007) He Zhong Fa Zhi Zi No. 100-2, 101-2, 102-2], Guangdong Heyuan Court ruled to sale the 2,640,000 shares of S*ST Sunrise held by Shenzhen Guoyin Investment Group Co., Ltd. (security No. is 000030, specific representative domestic representative share) as the value of RMB 6,479,352 to Hainan Huihexing Investments Management Ltd. Therefore, the amount of estimated liability decreased by RMB 6,479,352 in current period.

(2) The Company provided guarantee for RMB 13.2 million loans to Shenzhen Guanghualin Investment Co., Ltd. in China Everbright Bank, Shenzhen Branch. The principal of above loan was RMB 13.2 million, Shenzhen Guanghualin Investment Co., Ltd. paid RMB 1 million back, so the Company has recognized RMB 12.2 million as estimated liability. With the civic verdict [(2004) Guang Tie Zhong Fa Zhi Zi No. 221-4], Guangzhou Railway Court has auctioned the 550 million shares of Beijing Vantone Property Co., Ltd., (it was named "Beijing Vantone Industrial Co., Ltd.") held by the Company. Beijing Xingchen Investment Management Co., Ltd. bought the shares by RMB 4.284 million. After deduction of relative expense, the amount of RMB 4.284 million will pay back to the applicant, China Everbright Bank, Shenzhen Branch, for the purpose of repaying debts of the Company. As a result, estimated liability has decreased by 4.284 million

in current year.

(13) Stock capital

Item	Opening balance	Current period Variance						Closing balance
		Allotment	Bonus share	Share from public reserve	New issue	Other	Subtotal	
One、Restricted circulating shares								
Included： Domestic legal person shares	208,560,000.00	---	---	---	---	（20,130,000.00）	（20,130,000.00）	188,430,000.00
Total restricted circulating shares	208,560,000.00	---	---	---	---	（20,130,000.00）	（20,130,000.00）	188,430,000.00
Two 、 Non-restricted circulating shares	---	---	---	---	---	---	---	---
1. Domestic listed ordinary shares denominated in RMB	40,260,000.00	---	---	---	---	20,130,000.00	20,130,000.00	60,390,000.00
2. Domestic listed foreign shares	39,600,000.00	---	---	---	---	---	---	39,600,000.00
Total Non-restricted circulating shares	79,860,000.00	---	---	---	---	20,130,000.00	20,130,000.00	99,990,000.00
Three 、 Total number 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.

The Company's equity division reform has completed in current year. Non-tradable shareholders have reached a agreement that they paid 20,130,000 shares to shareholders holding A share at registration date of December 26, 2008 , for the purpose of obtaining the trading right of all non-tradable shares. When registration date of share change, all shareholders of A share would obtain 5 non-circulating shares offered by the non-tradable shareholders for each 10 tradable shares ("consideration schemes").

(14) Capital surplus

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
Statutory surplus reserve	97,683,685.99	---	---	97,683,685.99
include： Legal public welfare fund	97,683,685.99	---	---	97,683,685.99
Free surplus reserve	40,621,120.90	---	---	40,621,120.90

Subtotal	138,304,806.89	---	---	138,304,806.89

(16) Profits undistributed

Item	Current period
Net profit	(85,148,819.04)
Add: Undistributed profits at beginning of the year	(2,446,177,404.19)
Closing balance at the year end	(2,531,326,223.23)

(17) Operating income

Other operations	Current period			Previous period		
	Revenue	Cost	Profit	Revenue	Cost	Profit
Property rent Property rent	1,699,473.38	---	1,699,473.38	1,802,714.10	---	1,802,714.10

* The company appointed Shen Zhen Zhuo Chuang Property Management Co., Ltd to manage the property. The Property management company is not only responsible for all aspect of legally premises leasing but also responsible for the overall tax issues. The rental allocated to the company which is after tax revenue, according to the agreement. Revenue for the Property Management Co., Ltd included due taxes to the governmental authorities.

(18) Financial expenses

Item	Current year	Previous year
Interest expense *	40,402,911.81	34,811,882.50
Less: interest income	7,351.19	6,776.52
Exchange loss	(10,980,075.94)	(12,130,740.75)
Others	288.40	803.34
Total	29,415,773.08	22,675,168.57

* Interest expense indicates the calculated interest payable based on one-year RMB loan interest rate which is RMB 40,402,911.81 in current year, including the interest paid to South Securities Co., Ltd of RMB 6,082,764.50。

** Exchange gain is RMB 10,980,075.94; it is mainly due to the flotation of the exchange rate.

(19) Asset impairment loss

Item	Current year	Previous year
1. Bad debt loss	---	(676,293.38)
2. Inventory devaluing loss	---	---
3. Long-term equity investments devaluing loss	---	---
Total	---	(676,293.38)

(20) Investment income

Item	Current year	Previous year
Gains from associated and joint venture company *1	119,735.05	69,165.09
Gains from transfer of equity investment *2	(716,000.00)	1,556,948.91
Total	(596,264.95)	1,626,114.00

*1 To adjust the association company of Shenzhen Golden Bell Batteries Co., Ltd. Changes in owner's equity under the equity method; the recovery of investment income has no material limit.
*2 According to the loan contract dispute between the company and Shenzhen Guanghualin Investment Co., Ltd., China Everbright Bank Shenzhen Branch. The amount of 5.5 million legal representative shares of Beijing Vantone Industrial Co., Ltd held by the Company was sold by the auction by Court. The auction income was RMB 4,284,000.00, the original investment cost was RMB 5 million, and the loss of RMB 716,000 was expensed in current year.

(21) Non-operating income & expense

1. Non-operating income

Item	Current year	Previous year
Gains from decreasing contingency liabilities	6,479,352.00	---
Others	50,000.00	50,040.00
Total	6,529,352.00	50,040.00

*The Company provided guarantee for RMB 11 million loans to Shenzhen Guoyin Investment Group Co., Ltd. in Bank of Communications, Shenzhen Branch, Nanshan Sub-branch. The obligatory right changed to Hainan Huihexing Investments Management Ltd. The Company has recognized the RMB 11 million of principal as estimated liability in prior years. With the civic verdict [(2007) He Zhong Fa Zhi Zi No. 100-2, 101-2, 102-2], Guangdong Heyuan Court ruled to sale the 2,640,000 shares of S*ST Sunrise held by Shenzhen Guoyin Investment Group Co., Ltd. (security No. is 000030, specific representative domestic representative share) as the value of

RMB 6,479,352.002 to Hainan Huihexing Investments Management Ltd. Therefore, the amount of estimated liability decreased RMB 6,479,352.00 in current period.

2. Non-operating expense

Item	Current year	Previous year
Loss on dispose fixed asset	1,092,408.83	---
Loss on contingency liability	53,316,809.85	---
Loan repayment	5,000,000.00	---
Other	58,616.00	---
Total	59,467,834.68	---

* Contingent liability details see Note 12

** Loan repayment details see Note 10 (2).

(22) Other cash from operating activities

Item	Current year	Previous year
Other cash received relating to operating activities		
Current amount	944,204.08	3,382,161.27
Rental income	1,389,557.38	1,802,714.10
Interest income	7,351.19	6,776.52
Total	2,341,112.65	5,191,651.89
Other cash paid relating to operating activities		
Vehicle expense	135,304.00	162,518.00
Publication expenditure	2,688.00	2,280.00
Training cost	8,781.00	1,200.00
Rental expense	208,509.63	193,826.88
Office expense	248,951.60	268,675.20
Travelling cost	15,911.30	17,490.00
Business charge	31,869.00	70,360.00
Water and electricity expense	15,910.49	14,861.83
Listing fee	435,000.00	235,000.00
Court fee	---	387,968.00
Telephone cost	15,551.52	15,028.21
Auditing cost	450,000.00	450,000.00

Board of directors' cost	119,000.00	119,000.00
Lawyer fee	40,000.00	50,000.00
Reconstruction consultant fee	---	200,000.00
Reconstruction expense	---	257,223.00
Other	96,093.08	4,988,491.98
Total	1,823,569.62	7,433,923.10

Note 23. Other cash relating to investing activities

item	Current year	Previous year notes
Other cash received relating to investing activities		
Cash received on behalf of subsidiary	501,300.00	Receive rent on behalf of Shenzhen Lionda Development Co., Ltd.
Other cash paid relating to investing activities		
Cash paid on behalf of subsidiary	94,660.00	Rent payment on behalf of Shenzhen Lionda Development Co., Ltd.

Note 24. Cash and cash equivalents

Item	Current year	Previous year
1, cash	30,064.13	2,188.68
Including：Treasury cash	30,064.13	2,188.68
2, cash equivalents	---	---
Include：Bond investment within three month	---	---
3, closing balance of cash and cash equivalents	30,064.13	2,188.68
Including：restricted use of cash and cash equivalent	---	---

7. Supplemental Information for Cash Flow Statement

Supplemental information	2008	2007
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	(85,148,819.04)	(22,075,217.13)
Add：Provisions	---	(676,293.38)
Depreciation of fixed assets, fuel and gas assets, produced biological assets	575,190.63	578,622.42
Amortization of intangible assets	---	---
Amortization of long-term prepayment	---	---
Loss on disposal of fixed assets, intangible assets and others long-term assets	1,092,408.83	---

Loss on retirement of fixed assets	---	---
Loss on variance of fair value	---	---
Finance cost	29,422,835.87	22,681,141.75
Loss on investment	596,264.95	(1,626,114.00)
Decrease of deferred tax assets	---	---
Increase of deferred tax liabilities	---	---
Decrease of inventories	---	---
Decrease in operating receivables	420,267.52	1,362,784.09
Increase in operating payables	830,128.84	(3,423,285.28)
Increase in estimated liabilities	51,837,457.85	---
Net increase in cash and cash equivalents:	(374,264.55)	(3,178,361.53)
2. Investing and financing activities not involved in cash		
Debt converted to capital	---	---
Convertible bond maturity within one year	---	---
Leasehold improvements	---	---
3. Net increase in cash and cash equivalents		
Cash at the end of the year	30,064.13	2,188.68
Less: cash at the beginning of the year	2,188.68	76,550.21
Add：cash equivalents at the end of the year	---	---
Less：cash equivalents at the beginning of the year	---	---
Net increase in cash and cash equivalents	27,875.45	(74,361.53)

8. Extraordinary gains and losses

Description	2008	2007
1.Profits/losses from disposal of non-current assets		
(1) Profits from disposal of long-term assets		
Including: Profits from equities transfer	---	1,556,948.91
Sub-total	---	1,556,948.91
(2)Expenses on disposal of long-term assets		
Including: Net losses on disposal of fixed assets	1,092,408.83	---
Losses on equities transfer	716,000.00	---
Sub-total	1,808,408.83	---
Net profits/losses on disposal of non-current assets	(1,808,408.83)	1,556,948.91
2. Reversal of bad debt provision prepared individually for account receivables		699,460.72
3. Profits/losses of non-operating contingent events	(57,404,684.85)	---
4. Net losses/profits from other non-operating items	---	---
(1) Non-operating incomes	50,000.00	50,040.00
(2)Less：Non-operating expense	58,616.00	---
Net of non-operating incomes and expenses	(8,616.00)	50,040.00
Total of non-operating losses/profits before deduction of income tax	(59,221,709.68)	2,306,449.63

Less：Amount of income tax	---	---
Total of non-operating losses/profit after deduction of income tax	(59,221,709.68)	2,306,449.63
Less：Amount of minority interests	---	---
Total of non-operating loss/profit after deduction of minority interest	(59,221,709.68)	2,306,449.63

9 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 previous controlled shareholder
Shenzhen Lionda Free Trade Co., Ltd.	Joint venture
Shenzhen Sun Pipeline Co., Ltd.	Joint venture
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.	Joint venture
Name of related parties	Relationship with the Company
Yue-Shen Light Industry Import&Export Trading Company Co., Ltd	Joint venture
Beijing Sun Pipeline Co., Ltd	The subsidiary of controlled shareholder
Shenzhen Keruite New Materials Co., Ltd.	Joint venture
Shenxin Industrial Co., Ltd.	Joint venture
Shenzhen Jiadeng Trade Co., Ltd	Subsidiary of joint venture
Shenzhen Fuguanghao Industrial Co., Ltd.	Subsidiary of joint venture
Shenzhen Yingte Industrial Co., Ltd.	Joint venture
Shenzhen Yuda Import & Export Trading 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, domestic trading business	59.82%	The controlled shareholder of the Company

The parent company and ultimate controlled company of the Company don't provide the financial statements to public, the parent company of the Company doesn't exist the parent company to provide the financial statements.

The non-consolidated subsidiaries are listed as follows:

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 Co., Ltd	Subsidiary
Shenzhen Lionda Leke Suitcase Co. Ltd	Subsidiary
Shenzhen Lionda Food Industrial Co., Ltd.	Subsidiary
Shenzhen Lionda Calculagraph Industrial Co., Ltd	Subsidiary
Shenzhen Lionda Development Co., Ltd.	Subsidiary
Shenzhen Lionda Import & Export Trading Co., Ltd.	Subsidiary
Shenzhen Lionda Property Management Co., Ltd.	Subsidiary
Shanghai Lionda Industrial Co.,Ltd.	Subsidiary
Shenzhen Lionda Industrial Trading Co. Ltd.	Branch of subsidiary

(3) The guaranteed particular list provided by the Company for related parties' bank loan is presented as follows:

Name of related parties	Hypothecated amount			Equivalent RMB	Remarks
	USD	HKD	RMB		
Shenzhen Lionda Free Trade Co., Ltd.	---	---	8,500,000.00	8,500,000.00	Overdue and was indicted
Shenzhen Sun Pipeline 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
Shenzhen Yue-Shen Light Industrial Trading Co., Ltd	---	---	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 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 Manufacturing Company	---	---	17,900,000.00	17,900,000.00	Overdue and was indicted
Shenzhen Guangyingda Industrial Co., Ltd.	8,352,183.63	---	9,780,000.00	79,103,124.13	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 Calculagraph Industry Co., Ltd.	---	1,000,000.00	2,000,000.00	3,070,000.00	Overdue and was indicted
Shenzhen Lionda Leke Suitcase Co., Ltd	---	---	12,850,000.00	12,850,000.00	Overdue and was indicted
Total	12,952,183.63	18,750,000.00	172,198,796.49	299,764,420.62	

* The company made full amount of contingency liability for the above related parties guarantee loans.

(4) Amounts due from/to related parties

Current items	Name of related parties	Balance as at December 31, 2008	Balance as at December 31, 2007
Other receivables	Shenzhen Lionda Import & Export Trading 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.	54,955,518.24	55,362,158.24
	Shenzhen Keruite New Materials Co., Ltd.	214,000.00	214,000.00
	Shenzhen Sun Pipeline Co., Ltd.	25,686,735.00	25,686,735.00
Current items	Name of related parties	Balance as at December 31, 2008	Balance as at December 31, 2007
	Shenzhen Jiadeng Trade Co., Ltd	1,008,500.00	1,008,500.00
	Shenzhen Yingte Industrial Co., Ltd.	477,539.63	477,539.63
	Shenzhen Fuguanghao Industrial Co., Ltd.	559,023.90	994,657.43
	Total	115,835,306.73	116,677,580.26
Other payables	Shenzhen Lionda Group Co., Ltd.	681,598.97	3,955,531.80
	Shenzhen Lionda Leke Suitcase Co., Ltd.	1,019,569.00	1,019,569.00
	Shenzhen Light Industrial Import & Export Co., Ltd.	4,150,000.00	4,150,000.00
	Shenxin Industrial Co., Ltd.	372,569.98	372,569.98
	Total	6,223,737.95	9,497,670.78

10. Litigation Events

The litigation cases present as follows:

(1) The Company provided guarantee for RMB 11 million loans to Shenzhen Guoyin Investment Group Co., Ltd. in Bank of Communications, Shenzhen Branch, Nanshan Sub-branch. Firstly, the

obligatory right has transferred to Addvalue Holdings Limited by Bank of Communications Shenzhen Branch Nanshan Sub-branch, and then Addvalue Holdings Limited has transferred the obligatory right to Hainan Huihexing Investments Management Ltd. On 25 March 2008, the Guangdong Heyuan Court ruled to sale the 2,640,000 shares of S*ST Sunrise held by Shenzhen Guoyin Investment Group Co., Ltd. (security No. is 000030, specific representative domestic representative share) as the value of RMB 6,479,352 to Hainan Huihexing Investments Management Ltd. The relative property right has been transferred before 15 May 2008.

The Company has recognized the RMB 11 million principal as estimated liability in prior years. Therefore, the amount of estimated liability decreased by RMB 6,479,352 in current period, as a result, the profit and loss also recorded at the amount of RMB 6,479,352 in current period.

(2) On 26 October 1992, China Southern Securities Co., Ltd. has lent RMB 35 million to the Company for the purpose of share investment. The Company has paid back RMB 30 million to China Southern Securities Co., Ltd. between the period from 30 June 1993 and 22 March 1994. The outstanding balance of RMB 5 million and relative interest have not been paid back. According to the Shenzhen Court's judgment, the Company should pay RMB 5 million and relative interest to China Southern Securities Co., Ltd. in 10 days after the judgment takes effect. The litigation fee of RMB 85,204.00 should be paid by the Company.

Due to the above matter, the Company increased RMB 5 million in the record of short-term loans and non-operating expenses for simultaneously, accrued relative interest RMB 6,082,764.50 and litigation fee of RMB 85,204.00 as expenses. The profit and loss occurred at the amount of RMB 11,167,968.50 in current period.
(3) The Company provided guarantee for RMB 13.2 million loans to Shenzhen Guanghualin Investment Co., Ltd. in China Everbright Bank, Shenzhen Branch.

The Guangzhou Railway Court has auctioned the 550 million shares of Beijing Vantone Property Co., Ltd., (it was named "Beijing Vantone Industrial Co., Ltd.") held by the Company. Beijing Xingchen Investment Management Co., Ltd. bought the shares by RMB 4.284 million. According to the Guangzhou Railway Court's judgment on 13 December 2006, after deduction of relative expense, the amount of RMB 4.284 million will pay back to applicant for repay debts of the Company.

Due to delay of receiving the civic verdict, the litigation has been disclosure in current period. The principal of above loan was RMB 13.2 million, Shenzhen Guanghualin Investment Co., Ltd. paid RMB 1 million back, so the Company has recognized RMB 12.2 million as estimated liability. Refer to above auction and sentence, the amount of long-term equity investment of the Company has decreased by RMB 5 million, and the loss of investment is RMB 716,000, estimated liability has decreased by 4.284 million. As a result, the profit and loss occurred at the amount of RMB 3.568 million in current period.

(4) Loan agreement dispute occurred between the Company and Bank of China, Shenzhen Branch. The principal of loans is HKD 32 million. Shenzhen Shenbao Industrial Co., Ltd. repaid RMB 29

million on behalf of the Company in the year of 2007. With the civic verdict [(2008) Shen Zhong Fa Zhi Zi No. 353], Shenzhen Courts ordered the seizure of the properties of the Company, including HKD 3,566,248, related interest, litigation fee and preservation fee. There is no impact on the profit and loss of current period.

(5) The Company provided guarantee for USD 0.5 million credit limit to Shenzhen Xinhuayu Oceanic Environmental Technology Engineering Co. in Agricultural Bank of China, Shenzhen Branch. The obligatory right has transferred to China Great Wall Asset Management Corporation, Shenzhen Office by Agricultural Bank of China, Shenzhen Branch.

The house property, located at No.111, Block 115, Yuanling Village, Futian District, Shenzhen, has been auctioned in the year of 2004. The selling price of RMB 0.32 million has been paid back to China Great Wall Asset Management Corporation as reply of debts.

On 16 January 2008, Guandong Puning Court ruled to alter the applicant, China Great Wall Asset Management Corporation Shenzhen Office, to Shenzhen Lianhe Baoli Investment Co., Ltd.

The above litigation only affects the alteration of applicant. The Company has recorded RMB 2.6954 million as estimated liability, and there is no impact on the profit and loss in current period.

11. Contingent Events

(1) Guarantee Matters from the Company

Items	The amount of money involved (principal)			Notes
	USD	HKD	RMB	
External guarantee：				
Shenzhen Lionda Bao Shui Trading Co., Ltd.		---	8,500,000.00	Overdue and was indicted
Shenzhen Sun Pipeline Co., Ltd.	4,500,000.00	---	6,000,000.00	Overdue and was indicted
Shenzhen Gaokeda Electronic Co. Ltd.	---	---	500,000.00	Overdue and was indicted
Shenzhen Yuda Import & Export Co., Ltd.	---	---	4,800,000.00	Overdue and was indicted
Shenzhen China Bicycle Company (Holdings) Limited *2	22,524,039.11	8,000,000.00	129,050,000.00	Overdue and was indicted (Guarantee for the loan from China Huarong Asset Management Corp. is excluded)
Yue-Shen Light Industry & Trading Company *3	---	---	8,187,837.00	Overdue and was indicted
Guangzhou Xufeng Enterprise Group Co., Ltd.	---	---	15,000,000.00	Overdue and was indicted
Shenzhen Jinbeisheng Investment Co., Ltd.	---	---	77,600,000.00	Overdue and was indicted

Shenzhen Guoyin Investment Group Co., Ltd. *4	---	---	37,520,648.00	Overdue and was indicted
Shenzhen Paina Garment Co., Ltd.	---	---	1,300,000.00	Overdue and was indicted
Shenzhen Gintian Industry(Group) Co., Ltd.	---	25,000,000.00	---	Overdue and was indicted
Shenzhen Zhongwu Resources Import & Export Co., Ltd.	2,022,900.00	---	---	Overdue and was indicted
Shenzhen Guangyingda Industrial Co., Ltd. *5	8,352,183.63	---	9,780,000.00	Overdue and was indicted
Shenzhen Ligang Industrial Company	660,700.00	---	1,750,000.00	Overdue and was indicted
Shenzhen Maoyuan Investment Development Co., Ltd.	---	8,000,000.00	---	Overdue and was indicted
Shenzhen Xingda Industrial Trading Co., Ltd.	---	---	400,000.00	Overdue and was indicted
Shenzhen Plastic Co., Ltd. *6	---	---	13,710,000.00	Overdue and was indicted
Shenzhen Jinhai Electronics Co., Ltd.	---	---	3,500,000.00	Overdue and was indicted
Shenzhen Guanghualin Investment Co., Ltd. *7	---	---	7,916,000.00	Overdue and was indicted
Shenzhen Tiantai Petrochemical Co., Ltd.	200,000.00	---	---	Overdue and was indicted
Shenzhen Architecture Materials Group	---	---	800,000.00	Overdue and was indicted
Shenzhen Jingyuan Industrial And Trading Co., Ltd.	---	---	800,000.00	Overdue and was indicted

Items	The amount of money involved (principal)			Notes
	USD	HKD	RMB	
Hainan Wanda Industrial Trading Co., Ltd.	---	---	30,938,600.00	Overdue and was indicted
Shenzhen Xuena Co., Ltd.	---	1,055,200.00	---	Overdue and was indicted
Shenzhen Light Industry Import & Export Co., Ltd.	100,000.00	---	1,900,000.00	Overdue and was indicted
Jilin Lionda Company		---	3,500,000.00	Overdue and was indicted
Shenzhen Big World Shopping Center	1,690,000.00	---	---	Overdue and was indicted
Shenzhen Lionda Development Co., Ltd.	---	5,900,000.00	3,000,000.00	Overdue and was indicted
Shenzhen Lionda Electrical Equipment Co., Ltd.	---	---	9,850,000.00	Overdue and was indicted
Shenzhen Paper Manufacturing Company	---	---	17,900,000.00	Overdue and was indicted
Shenzhen Lionda Food Industrial Co., Ltd.	---	---	29,400,000.00	Overdue and was indicted
Shenzhen Lionda Import & Export Trading Co., Ltd.	---	11,850,000.00	52,980,959.49	Overdue and was indicted

Hunan Lionda Company	---	---	3,250,000.00	Overdue and was indicted
Shenzhen Lionda Leke Suitcase Co.Limited	---	---	12,850,000.00	Overdue and was indicted
Shenzhen Haima Electric Appliance Co., Ltd.	---	---	1,750,000.00	Overdue and was indicted
Shenzhen Lionda Calculagraph Industrial Co., Ltd.	---	1,000,000.00	2,000,000.00	Overdue and was indicted
Shenzhenz Yutian Industrial Co., Ltd.	---	---	24,447,000.00	Overdue and was indicted
Shenzhen Securities office of Hunan Xiangcai experimental Bank	---	---	8,740,000.00	Overdue and was indicted
Total	40,049,822.74	60,805,200.00	529,621,044.49	

*1 The amount of guarantee shown above is the amount of loan principal net of the repayment by the vouchee. The Company has prepared the provision for estimated liabilities with total amount of RMB 739,495,365.42. of which, the provision of estimated liabilities from the loan guarantee for Shenzhen China Bicycle Company (Holdings) Limited is RMB 133,240,000.00, and the provision for estimated liabilities from the loan guarantee for other companies are at 100% of the principals.

*2 The provisions for estimated liabilities, which is due to the loan guarantee provided for Shenzhen China Bicycle Company (Holdings) Limited by the Company, is as following: there is no provisions of estimated liabilities for the loan which is guaranteed by the Company made by Shenzhen China Bicycle Company (Holdings) Limited from China Huarong Asset Management Corp. please refer to Note 13. As for the rest of guarantee, the estimated liabilities was recorded at the amount of RMB 32.456 million which is RMB 133.24 million, is prepared at 40% of the principal.

*3 The creditor of the loan, which was made by Yue-Shen Light Industry & Trading Company from louhu branch of Bank of China with amount of RMB 1,500,000.00, had changed to Orient Asset Management Corporation. The amount of RMB 812,163 was repaid by assets and the outstanding balance of the principal was RMB 687,837.00.

*4 Shenzhen Guoyin Investment Group Co., Ltd., who made a loan from Shenzhen nanshan sub-branch of Bank of Communications with amount of RMB 11,000,000, repaid the amount of RMB 6,479, 352 .00 to the Bank in current fiscal year and the amount of RMB 4,520,648.00 was outstanding balance of the loan. Please refer to No. 1 of Note 10.

*5 Shenzhen Guangyingda Industrial Co., Ltd. made a loan from Beijing Technology Import and Export company with amount of USD 6,100,000.00. The amount of RMB 7,260,000.00 (In USD 874,700.00) was settled to the creditor by the way of auction and the outstanding balance was USD 5, 225,300.00. Shenzhen Xinhuayu Company, which is the subsidiary of Shenzhen Guangyingda Industrial Co., Ltd., made a loan from Shenzhen department of Agricultural Bank of China with amount of USD379, 324.00. As for this loan, the amount of RMB 320,000.00 was settled in 2004 and the outstanding balance was USD 340,800.00. Please refer to No. 5 of

annotation 10

*6 The Company was indicted by Shenzhen branch of China Everbright Bank due to the provision of loan guarantee for Shenzhen Plastic Co., Ltd. which had made a loan of RMB 15 million from Shenzhen branch of China Everbright Bank. According to the sentence of the Shenzhen Intermediate People's Court, the Company cancelled out the loan with the amount of RMB 1,290,000.00 by using its own stock shares of Shenzhen Jianda Machinery Co., Ltd., which are amount to 20% of all stock shares of Shenzhen Jianda Machinery Co., Ltd.

*7 The 5,500,000 stock shares of Wantong Beijing Real Estate Co., Ltd. (the former name is Beijing Vantone Industrial Co., Ltd.) owned by the Company was auctioned off in current year, the RMB 4,284,000.00 which was collected from the auction was totally repaid the debt. Please refer to No. 3 of Note 10.

(2) The lawsuits regarding bank loans

Items	The amount of money involved (principal)			Notes
	USD	HKD	RMB	
Shataukok Branch of Shenzhen Development Bank	---	---	8,000,000.00	Overdue loans
Nantou Branch of Shenzhen Development Bank *1	---	4,000,000.00	---	Overdue loans
Shenzhen Branch of China Everbright Bank	---	---	5,600,000.00	Overdue loans
Shenzhen Colored Metal Financial Co., Ltd.	740,000.00	---	28,000,000.00	Overdue loans
Shataukok Branch of The Agricultural Bank of China	---	---	2,600,000.00	Overdue loans
Renmingbei Branch of The Agricultural Bank of The People	---	---	2,678,000.00	Overdue loans
Southern Securities Co., Ltd. *2	---	---	5,000,000.00	Overdue loans
Bank of China Shenzhen Branch *4	---	2,400,000.00	---	Overdue loans
Glenmore Investment Limited *3	---	32,000,000.00	---	Overdue loans
Shenzhen Branch of Agricultural Bank of China	989,262.70	12,109,722.00	---	Overdue loans
Shenzhen Futian Branch	2,000,000.00	---	31,030,000.00	Overdue loans

Industrial And Commercial Bank of China *4 Shenzhen Shendong Branch, Industrial And Commercial Bank of China, *4	---	---	19,000,000.00	Overdue loans
Total	3,729,262.70	50,509,722.00	101,908,000.00	

*1 Shenzhen Shenbao Industrial Co., Ltd. provided loan guarantee for the borrowing and repaid the borrowing on behalf of the Company with total amount of HKD 4 million in 2007.

*2 As for the loan contract dispute case between the Southern securities Co., Ltd. and the Company, the sentence of the Shenzhen Intermediate People's Court, was given on July 30, 2008 with the civic written judgment of [2007]Shen Zhong Fa Ming Er Chu Zi, No.250, required that the Company (The Defendant) must repay the loan, which was including the principal of RMB 5 million and the relative interest accrued during the borrowing period, to the Southern securities Co., Ltd.(The Plaintiff). Please refer to No. 2 of Note 10.

*3 Shenzhen Shenbao Industrial Co., Ltd provided loan guarantee for the borrowing and repaid the borrowing on behalf the Company with total amount of RMB 29 million in 2007. Please refer to No. 4 of Note 10.

*4 The creditor of the loan has been changed to Orient Asset Management Corporation.

12. Commitment Matters

The Company has no material commitments during the financial reporting period.

13. 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 Laiyinda and Shen Zhonghua restructuring event ” and “supplemental agreement” with Shen Zhonghua, pursuant 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 interests. 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, 2008, the Company paid cash of RMB110 million to China Huarong Asset

Management Corp. and transfer A share of totaled 65,098,412 shares and B share of totaled 17,899,664 shares, and B share of 5,001,944 shares was transferred whereas the transfer procedure is in progress.

14. Other Material Events

The Company's equity division reform has completed on December 26 2008. The detailed situations are as follows:

As at January 15, 2007, the Company's equity division reform proposal was approved by shareholders' meeting.

The main points of Company's equity division reform proposal include: (1) five shareholders of non-tradable shares, which are Shenzhen Lionda Group Co., Ltd., Shenzhen Colored Metal Financial Co., Ltd., Shenzhen International Trust & Investment Co., Ltd., Shenzhen Walstar Investment (Holding) Co., Ltd., and Hainan Huihexing Investments Management Ltd. have reached a agreement that they paid 20,130,000 shares to shareholders of A share on registration date of share alteration, for exchange of the tradable right for all non-tradable shares; (2) pursuant to the Company's equity division reform plan, on registration date of share alteration, all shareholders of A share would obtain 5 non-tradable shares offered by the non-tradable shareholders with 10 tradable shares. After the completion of the equity division reform plan, the Company's net assets per share, earnings per share and total volume of shares will remain same; (3) when the Company's equity division reform plan has approved by shareholders' meeting of A share and the consideration schemes finished, the shares which held by non-tradable shareholders will obtain the right of trading in A share market.

The consideration target, scope and date refers to all tradable shareholders of A share recorded in Shenzhen Branch, China Securities Depository and Clearing Corporation Ltd as at the afternoon of December 26, 2008, after the Shenzhen Stock Exchange closed. The shareholders of tradable shares will obtain the consideration dated on December 29, 2008.

Shenzhen Lionda Group Co., Ltd., one of the Company's non-tradable shareholders, has made particular promise: (1) Due to the S*ST Sunrise shares hold by Shenzhen Walstar Investment (Holding) Co., Ltd. have been sealed up by judicature, Shenzhen Lionda Group Co., Ltd. would help to pay the non-tradable shares according to consideration schemes. If these non-tradable shares are able to trade in the market, Shenzhen Walstar Investment (Holding) Co., Ltd. should pay the equivalent money back to Shenzhen Lionda Group Co., Ltd. or get the permission of Shenzhen Lionda Group Co., Ltd. When the consideration schemes finished, and with the approval of Shenzhen Lionda Group Co., Ltd., Shenzhen Walstar Investment (Holding) Co., Ltd. are able to trade its non-tradable shares in the market if Shenzhen Lionda Group Co., Ltd. applies to Stock Exchange for the circulation right of the non-tradable shares. (2) All expenses related to consideration schemes would be borne by the first majority shareholder, Shenzhen Lionda Group Co., Ltd.

Number of restricted tradable shares hold by tradable shareholders and its restricted conditions:

The commitment of five Company's non-tradable shareholders, Shenzhen Lionda Group Co., Ltd., Shenzhen Colored Metal Financial Co., Ltd., Shenzhen International Trust & Investment Co., Ltd., Shenzhen Walstar Investment (Holding) Co., Ltd., and Hainan Huihexing Investments Management Ltd. are (1) the non-tradable shares they hold will not be traded in the market in 12 months after the date of consideration schemes execution; (2) After the aforementioned date, the number of non-tradable shares they offered to sale in Shenzhen Stock Exchange will not in excess of 5% of total shares in 12 months, also will not in excess of 10% of total shares in 24 months.

15. Going concern

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

As presented in annotation 7 of Note 6 and Note 11, the Company is in great repayment pressure for short-term debt and substantive guaranteed 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 financial consulting agreement with Beijing. Zhonghe Yingtai Management Consulting Co., Ltd in Jan. 2007, Zhonghe Yingtai Management Consulting Co., Ltd will provide the Company's restructuring plan, the Company would negotiate with creditor for debt and assets restructuring, and would try to make progress for debt restructuring matter; simultaneously, the Company's controlled shareholder of Shenzhen Lionda Group Co., Ltd. has sought the cooperator with economical power, be reliable and operating ability to improve the Company's going concern ability since Dec. 2006.

The success of equity division reform provided the favorable situation for the re-organization of Company. The Company's management believed that the Company would gain the effective improvement, and will become a beneficial listed company after the restructuring with going concerning ability, therefore the preparation of financial statements is still based on the going concern principle.

(2) Due to the material uncertainty of the Company's going concern, this could possibly cause the Company was not able to achieve the realization of assets repayment of the debt in ordinary course of business.

16. Return on net asset

Profit in the year ended 2008	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 belonging to the shareholders of common shares	4.94%	1.35%	5.07%	1.36%
Net profit belonging to shareholders of common shares after deduction of non-operating losses/profit	1.50%	1.49%	1.54%	1.5%

17. Earnings per share

Profit in the year ended 2008	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 belonging to the shareholders of common shares	(0.2952)	(0.0765)	(0.2952)	(0.0765)
Net profit belonging to shareholders of common shares after deduction of non-operating losses/profit	(0.0899)	(0.0845)	(0.0899)	(0.0845)

Items	Amount in current year	Amount in prior year
Calculation for basic and diluted earning per share		
(1) numerator:		
Net profit after income tax	(85,148,819.04)	(22,075,217.12)
Adjustment: preference stock dividends and other instruments	---	---
Profit/loss belonging to parent company's common stock shareholders in basic earnings per share	(85,148,819.04)	(22,075,217.12)
Profit/loss for common stock shareholders of parent company in diluted earnings per share calculation	(85,148,819.04)	(22,075,217.12)
(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
Weighted average for currently offering common stock in diluted earnings per share calculation.	288,420,000.00	288,420,000.00

Items	Amount in current year	Amount in prior year
(3) earnings per share		
Basic earnings per share		
Net profit for Company's common stock shareholders	(0.2952)	(0.0765)
Net profit for Company's common stock shareholders after deduction of non-operating items	(0.0899)	(0.0845)
Diluted earnings per share		
Net profit for Company's common stock shareholders	(0.2952)	(0.0765)
Net profit for Company's common stock shareholders after deduction of non-operating items	(0.0899)	(0.0845)

18. The approval of the financial statements

The financial statements of the Company were approved by the Board of Directors on April 7, 2009.

Section XI Documents for Reference

The documents for reference were preserved in Secretariat of the Board of the Company, available for inquiry by the CSRC, Shenzhen Stock Exchange and shareholders of the Company, which included:

1. Accounting statements with personal signatures and seals of legal representative, chief accountant and person in charge of accounting organization.

2. Original Auditors' Report with seals of accountant office as well as signatures and seals of Certified Public Accountant.

3. Original texts of all the Company's documents and public notices disclosed on Securities Times and Hong Kong Ta Kung Pao in the report period.

4. Text of Annual Report 2008 with personal signature of Chairman of the Board.

Guangdong Sunrise Holding Co., Ltd.
Chairman of the Board:
Apr. 8, 2008