

Shenzhen Tellus Holding Co., Ltd.

2001 Annual Report Summary (B-share)

Important: Board of Directors of Shenzhen Tellus Holding Co., Ltd. (hereinafter referred to as the Company) individually and collectively accept responsibility for the correctness, accuracy and completeness of the contents of this report and confirm that there are no material omissions nor errors which would render any statement misleading. The annual report (summary) is abstracted from the annual report, and investors are suggested to read the annual report to understand more details. This report is written in both Chinese and English. Should there be any difference in interpretation of the two versions, the Chinese version shall prevail. Director Yang Feng was absent from the Board meeting.

I. COMPANY PROFILE

1. Name of the Company in Chinese: 深圳市特力（集团）股份有限公司
Name of the Company in English: Shenzhen Tellus Holding Co., Ltd.
English Short Form: Tellus
2. Legal Representative: Song Renquan
3. Secretary of the Board of Directors: Li Chunxiu
Liaison Address:
Secretariat of the Board of Directors of Shenzhen Tellus Holding Co., Ltd.
Tel: (86) 755-5536888 ext. 360
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4. Registered Address and Office Address:
3/F, Tellus Bldg., No. 56 Shuibei 2nd Rd., Luohu District, Shenzhen
Post Code: 518020
Internet Website: <http://www.sdgtellus.com.cn>
E-mail: sztljtgf@public.szptt.net.cn
5. Newspapers for Disclosing the Information of the Company:
Domestic: Securities Times (Shenzhen), Overseas: Ta Kung Pao (Hong Kong)
Internet Web Site Designated by CSRC for Publishing the Annual Report:
<http://www.cninfo.com.cn>
The Place Where the Annual Report is Prepared and Placed:
3/F, Tellus Bldg., No. 56 Shuibei 2nd Rd., Luohu District, Shenzhen
6. Stock Exchange Listed with: Shenzhen Stock Exchange
Short Form of the Stock and Stock Code: ST Tellus-A (000025)
ST Tellus-B (200025)

II. FINANCIAL HIGHLIGHT AND BUSINESS HIGHLIGHT

(I) Financial data as of the year 2001

Major accounting data as of the year 2001 as reported under Chinese Accounting Standards (“CAS”) (In RMB ’000)

Item	Amount
Total profit	4,881
Net profit	5,144
Net profit after deducting non-recurring gains and losses	-9,669
Profit from main business lines	79,644
Profit from other business lines	10,649
Operating profit	-9,232
Investment income	5,068
Subsidy income	0
Net income / expenditure from non-operating	9,045
Net cash flows arising from operating activities	57,918
Net increase in cash and cash equivalents	64,180

(II) Summary of financial report

(1) As reported under International Accounting Standards (“IAS”) (In RMB’000)

Consolidated Income Statement (In RMB’000)

	2001	2000	1999
Turnover	703,245	152,616	314,720
Profit before taxation	5,639	-123,587	-97,844
Taxation	2,129	149	821
Profit after taxation	3,510	-123,736	-98,665
Minority shareholder’s equity	2,022	106	886
Profit attributable to shareholders	5,902	-136,815	-101,263

Balance sheet (In RMB’000)

	2001	2000	1999
Total assets	1,356,901	695,511	803,612
Total liability	1,078,311	669,225	640,617
Net assets	254,795	20,550	157,365

(2) As reported under CAS (In RMB’000)

Items	2001	2000	1999
Income from main business lines	703,245	152,616	308,646
Net profit	5,144	-118,383	-116,189
Total assets	1,368,433	766,479	864,550
Shareholders’ equity (excluding minority interest)	266,327	92,790	211,173
Earnings per share (RMB/share)	0.02	-0.54	-0.53
Net assets per share (RMB/share)	1.21	0.42	0.96
Net assets per share after adjustment (RMB/share)	0.29	0.19	0.78

Earnings per share after deducting non-recurring gains and losses (RMB/share)	-0.04	-0.52	-0.44
Net cash flows per share arising from operating activities	0.26	0.001	-0.64
Return on equity (%)	1.93	-127.58	-55.02

(3) Supplementary statement of profit as reported under CAS

Profit as of the year 2001	Return on equity (%)		Earnings per shares (RMB)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from main business lines	29.90	48.83	0.36	0.36
Operating profit	-3.47	-5.66	-0.04	-0.04
Net profit	1.93	3.15	0.02	0.02
Net profit after deducting non-recurring gains and losses	-3.63	-5.93	-0.04	-0.04

Notes: The profit data of supplementary statement are calculated according to Regulations on the Information Disclosure of Companies Publicly Issuing Shares (No. 9) released by China Securities Regulatory Commission

(III) Changes in shareholders' equity in the report year (In RMB'000)

Items	Share capital	Capital public reserve	Surplus public reserve	Statutory welfare funds	Retained profit	Difference of translation in statement in foreign currency	Undetermined investment losses	Total
At year-begin	220,282	166,647	54,296	3,211	-193,670	-307	-172,748	74,500
Increase in the report year	-	869	-	-	18,316		-4,415	14,771
Decrease in the report year	-	-	-	-	-	-307	-176,750	-177,057
At year-end	220,282	167,516	54,296	3,211	-175,354	0	-413	266,327

Reason of change: Increase of shareholder's equity is due to assets recombine.

III. CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT SHAREHOLDERS

(I) Changes in share capital

In Shares

Type of shares	Before the change	Increase/decrease of this time (+, -)						After the change
		Share Allotment	Bonus shares	Capitalization of public reserve	Additional issuance	Others	Sub-total	
I. Unlisted Shares								
1. Promoters' shares	159,558,000	0	0	0	0	0	0	159,558,000
Including:								
State-owned share	159,558,000	0	0	0	0	0	0	159,558,000

Domestic juristic person's shares	159,558,000	0	0	0	0	0	0	159,558,000
Foreign juristic person's shares	0	0	0	0	0	0	0	
Others	0	0	0	0	0	0	0	
2. Raised juristic person's shares	0	0		0	0	0	0	
3. Employees' shares	8,550	0	0	0	0	0	0	8,550
4. Preference shares or others	0	0	0	0	0	0	0	
Total Unlisted shares	159,596,550	0	0	0	0	0	0	159,596,550
II. Listed Shares								
1. Domestically RMB ordinary shares	34,285,050	0	0	0	0	0	0	34,285,050
2.Domestically listed foreign shares	26,400,000	0	0	0	0	0	0	26,400,000
3. Overseas listed foreign shares	0	0	0	0	0	0	0	
4. Others	0	0	0	0	0	0	0	
Total Listed shares	60,685,050	0	0	0	0	0	0	60,685,050
III. Total shares	220,281,600	0	0	0	0	0	0	220,281,600

(II) About shareholders

1. At the end of the report year, the Company had totally 12,202 shareholders, including 9,291 shareholders of A-share (including 1 shareholder of employee share) and 2,911 shareholders of B-share.

2. Particulars about shares held by the top ten shareholders at the end of the report year:

No.	Shareholder's name	Number of holding shares (Share)	Proportion in Total Shares (%)
1	Shenzhen Special Economic Zone Development (Group) Company (State-owned shareholder)	159,588,000	72.45
2	WEN CAN RONG (foreign shareholder)	1,533,800	0.70
3	CHEN XU LAN	1,056,907	0.47
4	WEN HAI GEN (foreign shareholder)	978,800	0.44
5	ZHANG XU BAO	626,100	0.28
6	HOU DE YU (foreign shareholder)	606,228	0.28
7	LIU GUO ZENG	585,870	0.27
8	WU YOU XIU	501,100	0.23
9	XU YONG FANG (foreign shareholder)	475,600	0.22
10	Shenhua Group Co., Ltd.	453,100	0.21

Note:

a. The 2nd shareholder to the 10th shareholder is shareholder of share in circulation, and the changes in shareholding are due to the transaction in the secondary stock exchange market.

b. Shares held by shareholder holding over 5% of total shares of the Company have not been pledged or frozen in the report year.

c. Shareholder holding over 5% of total shares of the Company is Shenzhen Special Economic Zone Development (Group) Company (state-owned shareholder). During the report year, the control shareholder remained unchanged.

d. There exists no related association among the top ten shareholders.

IV. PARTICULARS ABOUT DIRECTOR, SUPERVISOR, SENIOR EXECUTIVE AND STAFF

(I) Directors, supervisors and senior executives in office at present

Name	Gender	Age	Title	Office term	Number of holding shares (share)	
					Amount at beginning of the report period	Amount at end of the report period
Song Renquan	Male	50	Director, Chairman of the Board	Nov. 15, 2000 – June 29, 2002	0	0
Zhang Ruilong	Male	36	Director, General Manager	June 29, 1999 – June 29, 2002	0	0
Guo Dongri	Male	36	Director, Deputy General Manager	Nov. 15, 2000 – June 29, 2002	0	0
Ren Yongjian	Male	39	Director, Chief Financial Supervisor	Aug. 8, 2001 – June 29, 2002	0	0
Zhang Ruili	Male	38	Director	Nov. 15, 2000 – June 29, 2002	0	0
Yang Feng	Male	47	Director	Nov. 15, 2000 – June 29, 2002	0	0
Huang Shilin	Male	47	Director	June 29, 1999 – June 29, 2002	0	0
Liu Xingzhong	Male	60	Supervisor, Chairman of the Supervisory Committee	July 9, 2001 – June 29, 2002	0	0
Chen Shuipu	Male	45	Supervisor	Nov. 15, 2000 – June 29, 2002	0	0
Ruan Honglai	Male	35	Supervisor	Nov. 15, 2000 – June 29, 2002	0	0
Luo Tao	Male	39	Supervisor	June 29, 1999 – June 29, 2002	0	0
Chen Aimin	Male	45	Supervisor	June 29, 1999 – June 29, 2002	0	0
Li Chunxiu	Female	36	Secretary of the Board of Directors	Dec. 29, 2001 – June 29, 2002	0	0

Note: Directors, supervisors and senior executives as listed above have not hold the share of the Company.

(II) Particulars about directors or supervisors holding the position in Shareholding Company

1. Director Mr. Zhang Ruili took the position of manager of Assets Management Dept. of Shenzhen Special Economic Zone Development (Group) Company (the control shareholder of the Company).
2. Director Mr. Yang Feng took the position of manager of human resource Dept. of Shenzhen Special Economic Zone Development (Group) Company (the control shareholder of the Company).
3. Supervisor Mr. Chen Shuipu took the position of manager of Auditing Dept. of Shenzhen Special Economic Zone Development (Group) Company (the control shareholder of the Company).

shareholder of the Company).

4. Supervisor Mr. Luo Tao took the position of manager of Investment Dept. of Shenzhen Special Economic Zone Development (Group) Company (the control shareholder of the Company).

(III) Particulars about the annual salary of directors, supervisors and senior executives

1. There are 13 directors, supervisors and senior executives in office at present, and 7 persons draw their salary from the Company. The total annual salary received from the Company is RMB 607,230.00. The total amount of the top three directors is RMB 392,937.60. The total amount of the top three senior executives was RMB 392,937.60. Of them, five enjoy their annual salary from RMB 100,000 to RMB 130,000 respectively; two enjoy their annual salary from RMB 60,000 to 100,000 respectively.

2. During the report year, reward and welfare of directors, supervisors and senior executives are paid based on the distribution system, welfare system in operation of State and the Company and the position. Directors and supervisors received no pay from the Company draw their annual salary from Shareholding Company.

(IV) Directors, supervisors and senior executives leaving the office and the reason in the report year

1. The 1st Extraordinary Shareholders' General Meeting of 2001 of the Company was held at Beijing Hall on 3/F of Yongtong Bldg., Renmin Rd. N., Shenzhen, in the morning of Aug. 8, 2001. Four shareholders/shareholder's proxies attended the meeting, including 3 shareholders of A-share and 1 shareholder of B-share, holding or representing 159,643,250 shares (159,597,250 A shares and 46,000 B shares), 72.47% of total shares of the Company. In the meeting, Gu Yang resigned the post of Director and Ren Yongjian was engaged instead. The relevant Public Notice of the meeting was published in Securities Times and Ta Kung Pao dated Aug. 9, 2001.

2. On July 9, 2001, the 1st Extraordinary Meeting of 3rd Supervisory Committee of the Company was held at conference room on 3/F of Tellus Bldg., Shuibei 2nd Road, Shenzhen. Four supervisors attended the meeting, taking 80% of all supervisors. In the meeting, Ren Shihe resigned the post of Supervisor and Chairman of the Supervisory Committee and Liu Xingzhong was engaged instead. The relevant Public Notice of the meeting was published in Securities Times and Ta Kung Pao dated July 10, 2001.

3. The Extraordinary of the Board of Directors of was held dated Dec. 24, 2001. The original Secretary of the Board Li Shengchang resigned from the position and Li Chunxiu was engaged to take the position. The relevant Public Notice of the meeting was published in Securities Times and Ta Kung Pao dated Dec. 27, 2001.

4. During the report year, the Company has not independent director.

(V) Staff

By the end of the year 2001, the Company has totally 1783 employees, including 131 financial personnel, 258 administration personnel, and 27 persons with higher

technical titles, 140 persons with secondary technical titles. The Company has 367 persons graduated from 3-years regular college or above and 405 persons retiree.

V. ADMINISTRATIVE STRUCTURE

(I) The Company's Administrative Structure

The Company reinforced construction of legal person administrative structure after implementation of assets re-organization. Strictly according to the requirements of relevant laws and regulations in the PRC Company Law, the Securities Law and of China Securities Regulatory Commission, the Company improved the legal person administrative structure constantly, established the modern enterprise system, and standardized the Company's operation. The main contents are as follows:

1. Shareholders and the Shareholders' General Meeting: The Company operated in a standardized way, practically safeguarded the interests of medium and small shareholders, and ensured all shareholders fully implement their own rights. The Company convened and held shareholders' general meetings strictly according to the standardized requirements by the Shareholders' General Meeting.
2. Control shareholder and the public Company: The control shareholder performed their duties in a standardized way and did not overstep the Shareholders' General Meeting to interfere in the Company's decision-making and operation directly or indirectly; The Company pursued the "five separation" from its control shareholder in terms of business, personnel, assets, organization and finance, and the Board of Directors, the Supervisory Committee and internal organizations could function independently.
3. Directors and the Board of Directors: The Company elected directors strictly according to the election and engaging procedures stipulated in the Articles of Association and will further improve the procedures and introduce accumulative voting system; The number and formation of members of the Board of Directors were in line with the requirements of laws and regulations. Directors could participate relevant trainings actively, familiarized themselves with relevant laws and regulations, had an understanding of director's rights, obligations and responsibilities, attended the meetings of the Board of Directors and shareholders' general meetings with serious attitude, and conscientiously and strictly performed duties of director of listed company. The Company will establish and perfect the independent director system and the special committee of the Board of Directors.
4. Supervisors and the Supervisory Committee: The number and formation of members of the Supervisory Committee were in line with the requirements of laws and regulations. Supervisors could seriously perform their duties, and supervised the legitimacy of duty performance of finance personnel, directors and other senior executives in the principle of being responsible for shareholders.
5. Performance Evaluation, Encouragement and Binding Mechanism: The Company is positively preparing for establishing an open and transparent performance evaluation, encouragement and binding mechanism for directors, supervisors and managers. Engagement of managers was open, transparent and in line with stipulation of the law.

6. Relevant Beneficiaries: The Company could fully respect and safeguard the rights of banks, other creditors, employees, consumers and other parties of related interests, and cooperated with these correlative parties actively to propel the Company's development in a sustained and healthy way.

7. Disclosing of Information and its Transparency: The Company could disclose information in a real, accurate, complete and timely manner strictly according to the laws, regulations and the Articles of Association, and ensured equal opportunity of obtaining information for all shareholders.

(II) Independent Directors

The Company didn't engage independent directors in the report year. The Company will actively set up independent director system in accordance with the stipulations of China Securities Regulatory Commission, and is to engage independent directors in the near future.

(III) Separation from Control Shareholder in Business, Personnel, Assets, Organization and Finance

1. Separation in Business: The Company was absolutely independent from its control shareholder in business, and had an independent and complete business system and independent management capability.

2. Separation in Personnel: The Company was absolutely independent in management of labor, human affairs, and salaries, established a function department of independent labor and personnel administration, and formulated a series of corresponding administration systems.

3. Separation in Assets: The Company was strictly separated from its control shareholder, and they conducted completely independent management.

4. Separation in Finance: The Company set up an independent financial accounting department, and established a complete set of accounting systems and financial administration systems.

5. Separation in Organization: The Organization of the Company was set up according to the standardized requirements of listed company and actual business features, and took office independently.

VI. SHAREHOLDERS' GENERAL MEETING

In 2001, the Company held annual shareholders' general meeting once and Extraordinary Shareholders' general meeting once.

(I) 2000 Shareholders' General Meeting

The notification on holding 2000 Shareholders' General Meeting and the relevant resolutions were published in Securities Times and Hong Kong Ta Kung Pao dated April 7 and May 11, 2001 respectively as well as on the information disclosing website <http://www.cninfo.com.cn> designated by China Securities Regulatory Commission.

(II) The 1st Extraordinary Shareholders' General Meeting of 2001

The notification on holding the Meeting and the relevant resolutions were published

in Securities Times and Hong Kong Ta Kung Pao dated June 29 and August 9, 2001 respectively as well as on the information disclosing website <http://www.cninfo.com.cn> designated by China Securities Regulatory Commission.

VII. REPORT OF THE BOARD OF DIRECTORS

(I) Particulars about Management

In 2001, the Company realized the important turn in its business. The Company focused closely on two subjects, namely, to overcome difficulties and to make development, centered on two remarkable issues of eliminating deficits and debts, re-constructed the Company's image, grasped focal points and key issues, and adopted a series of measures such as administering and consolidating the Company, reinforcing management, vitalizing assets and liquidating debts etc., liquidating debts, achieved remarkable results in various work, and took a great turn in business situation. After re-organization of assets, the quality of assets was raised to certain extend, development direction of the business was made clear, advantages of the group's resources were centralized, and an industrial group with the largest dimensions came into being in Shenzhen's aftermarket of automobiles, which laid a good foundation for future development.

In the report year, the Company's revenues of main business lines came from automobile trading, inspection and testing and maintenance etc. Revenue from the aforesaid two businesses accounts for 86% and 7% respectively in the Company's whole income.

(II) About Investment

1. In the report year, the Company neither raised capital nor used the capital raised before;
2. In the report year, there was no significant project invested with non-raised funds.

(III) Financial Status

In the report year, the Company implemented the significant assets re-organization, and improved its financial status to certain extend. Shenzhen Nanfang Minhe Certified Public Accountants issued standard unqualified auditors' report, details of which are as follows:

Unit: RMB '000

Items	Dec. 31, 2001	Dec. 31,2000	Increase/Decrease (%)
Total assets	1,368,433	753,296	81.6
Shareholder's equity	266,327	74,500	257.5
Long-term liability	8,756	23,532	-62.8
Profit of main business lines	79,644	29,370	171.2
Net profit	5,144	-72,537	107.1

(IV) Impact of Management Environment, Macroscopical Policies and Changes of Laws and Regulations

Since the main business of mobile services was just formed, the Company has not fully optimized its resources and still suffered a weak competitiveness. With China's WTO entrance, the competition in the mobile industry will become keener with the

participation of both domestic and overseas rivals. Under such environment, the Company will try its best to become the winner in the competition.

(V) Management Plan for 2002

The Company will continuously standardize the legal person administration structure, perfected the structure of the Board of Directors, established independent director system, further standardize the Company's overall operation, effectively brought the role of various function department into play and practically safeguarded the interests of shareholders. The Company will also reinforce its internal administration and cost control, seek profits through management, aim for maximum profits, center in management work, concentrate strength, grasp focal points, try hard to realize sustainable, stable and healthy development of the Company, and heighten the Company's overall capability of making profits and withstanding risks.

VIII. REPORT OF THE SUPERVISORY COMMITTEE

(I) Meetings Held by the Supervisory Committee

1. The 4th Meeting of the 3rd Board of Director was held on April 5, 2001, which reviewed and passed the 2000 Financial Report (A, B Shares) and its Summary, the Proposal on Not to Distribute Profits or Transfer Public Reserves to Share Capital, and the 2000 Annual Work Report of the Supervisory Committee etc.;
2. Replaced some of supervisors elected from employee representatives. Discussed by the joint conference of the group labor union, Mr. Ren Shihe was agreed to resign the post as supervisor, and Mr. Liu Xingzhong, as an employee representative, was elected supervisor.
3. The 1st Provisional Meeting of the Supervisory Committee of 2001 was held on July 9, 2001, the participators of which universally elected Mr. Liu Xingzhong the chairman of the Supervisory Committee.
4. The 2nd Provisional Meeting of the Supervisory Committee was held on July 27, 2001, which reviewed and passed the proposal on assets exchange submitted by the Board of Directors, the proposal and agreement on assets transfer, the proposal and agreement on commuting of debits and the proposal and agreement on assets exchange.
5. The 5th Meeting of the 3rd Board of Directors was held on August 13, 2001, which reviewed and passed the 2001 Interim Financial Report and its Summary submitted by the Board of Directors (the domestic and international version).
6. The 3rd and 4th Provisional Meeting of the Supervisory Committee were held on November 22 and November 28, 2001 respectively, which reviewed and passed the proposal and agreement on transferring right of estate beneficiary submitted by the Board of Directors.

(II) Independent Opinions of the Supervisory Committee

1. Shenzhen Nanfang Minhe Certified Public Accountants and Ma Shiyun (Shenzhen) Certified Public Accountants audited and confirmed the consolidated financial report etc. of the report year provided by the Company, and issued the unqualified auditors' report. The financial report factually reflected the financial status and management results of the Company.

2. The directors and senior executives were not found violating laws, regulations and damaging the interests of the Company when they were performing their duties.
3. The assets exchange implemented in the report year was based on the assessed and confirmed price, and did not damage the interests of shareholders or result in runoff of the Company's assets. Both parties of the correlative transaction complied with principles of fairness, equitability, compensation and credit.

IX. SIGNIFICANT EVENTS

(I) Material lawsuit and arbitration

1. In implementing the judgment of the case that Zhonghao (Group) Ltd. (hereinafter referred to as "Zhonghao") failed to repay Shenzhen Development Bank the loan amounting to RMB 10 million, guaranteed by the Company, Shenzhen Municipal Intermediate People's Court has sealed up a story industrial warehouse, five stories of industrial workshops and one residence apartment of the Company. The Company has paid RMB 5 million due interest and is negotiating with the bank for the settlement of the remaining principal and interest of the guaranteed loan.
2. Shenzhen Development Bank submitted a lawsuit against Zhonghao (Group) Ltd. for failure in repaying the loan amounting to RMB 5 million, guaranteed by the Company, in due time. Guangdong Provincial High People's Court affirmed the original judgment after the second trial: Zhonghao (Group) Ltd. shall repay the principal and the interest of the loan and the Company shall take the joint responsibility.
3. CITIC Bank submitted a lawsuit against Gintian Industry (Group) Co., Ltd. (hereinafter referred to as Gintian) for failure in repaying the loan amounting to RMB 3 million, guaranteed by the Company, in due time. Shenzhen Municipal Intermediate People's Court has made judgment that Gintian shall repay the principal and the interest of the loan and the Company shall take the joint responsibility.
4. Shenzhen Development Bank submitted a lawsuit against Zhonghao (Group) Ltd. for failure to repaying the loan amounting to USD 2 million, which was guaranteed by the Company, in due time. Shenzhen Municipal Intermediate People's Court has sealed up 95% equity of Xinyongtong Industrial Company owned by the Company and partial equity and properties in Guangzhou and Shenzhen owned by Gintian. Since Gintian is in the process of assets reorganization, the bank granted a prolonged repay period of three years for the said loans.
5. For the dispute case concerning the Joint Property Construction Contract brought by Tellus Real Estate Company against Shenzhen Jinlu Industrial and Trade Company (Jinlu Company), Futian District People's Court increased Guangzhou Military Area Shenzhen Property Administrative Department (GMAA) as the third party according to the law after receiving the case. It was ruled by Futian District People's Court that the contract was of no effect; GMAA shall repay Jinlu Company RMB 9.8 million principal and interest, which shall be transferred to the plaintiff within three days of the reception by Jinlu Company. GMAA applied for further trial that was allowed, and the original judgment was cancelled during the retrial. Since the target of the litigation was located out of Futian Dis., the second trial is undertook by Shenzhen Municipal

Intermediate People's Court without holding court so far.

6. On April 18, 2000, Shenzhen Municipal Intermediate People's Court made judgment on the case that the Company failed to repay the loan amounting to HKD 13 million in due time to China Merchants Bank Shenzhen Dongmen Sub-branch. The Company was ruled to repay the principal amounting to HKD 10.88 million, the corresponding interest and the overdue interest within 10 days. By the end of Feb. 2002, the Company has settled the entire due principal and interest.

7. On April 13, 2000, Shenzhen Municipal Intermediate People's Court made judgment on the case that the Company failed to repay the loan amounting to USD 1.3 million in due time to China Everbright Bank Shenzhen Branch. The Company must repay the entire principal amounting to USD 1.3 million as well as the corresponding interest and the overdue interest within 30 days. The overdue interest must be paid in double for the period delayed. By the end of May 2002, the entire due principal and interest are paid.

(II) Material Assets Exchange

In the 1st Extraordinary Shareholders' General Meeting 2001 dated Aug. 8, 2001, proposals and Agreements concerning assets exchange were approved including Proposal on Assigning Real Estate Companies and Projects at Zero Price, Proposal on Repay Debts with Assets of SDG and Proposal on Assets Exchange with SDG as well as Agreement on Assets Assignment, Agreement on Debts Repayment and Agreement on Assets Exchange. The above three transactions were related transaction with the control shareholder, SDG, details as follows:

Agreement on Assets Assignment: the Company transferred four real estate companies located outside Shenzhen, a real estate project, one import and export company and two companies located outside the territory of PRC (Total appraisal net value at RMB –149.3949 million) to SDG at zero price.

Agreement on Debts Repayment: SDG repaid the debts amounting to RMB 163.5929 million owned to the Company by the aforesaid companies assigned to SDG at zero price with assets of one company and equity of two companies (Total appraisal net value at RMB 164.9932 million).

Agreement on Assets Exchange: the Company exchanged four subsidiaries irrelative to the mobile comprehensive service (Total appraisal net value at RMB 61.6561 million) for Shenzhen Huatong Automobile Company, a subsidiary of the SDG, at equal value.

Notice on Related Transactions was published in Securities Times and Ta Kung Pao dated July 20, 2001; Supplementary Notice to Related Transactions, Independent Financial Advisors' Report and Lawyers' Opinion were published in Securities Times and Ta Kung Pao dated July 28, 2001; Notice on Resolutions of the 1st Extraordinary Shareholders' Meeting was Published in Securities Times and Ta Kung Pao dated Aug. 9, 2001.

Through this assets exchange, main business of the Company experienced significant changes from Aug. 2001. Only mobile repair and inspection, production of inspection equipment, lease and management of real estate was maintained from its formal main

business; new business like mobile trade, car lease was increased. After this assets exchange, assets quality and profitability of the Company were improved, which provides a solid foundation for the Company's consistent and steady development and is beneficiary for the Company's industrial restructure and long-term development as well as the elementary interest of all shareholders.

Pursuant to relevant regulations in Circular on Regulating Material Activities of Assets Purchase or Sales of Listed Company released by the CSRC, the Company engaged professional Certified Public Accounts qualified for securities engagement, Assets Appraisal Office, Law Firm and Financial Advisor to examine and present opinion regarding the assets exchange. Relevant documents issued by these agencies including Auditors' Report, Lawyers' Opinion, Independent Financial Advisors' Opinion and Appraisal Results concerning the Assets Exchange were disclosed in details in Securities Times and Ta Kung Pao.

(III) Related Transaction

1. Assets exchange and related transaction

Three transactions included in the assets exchange approved in the 1st Extraordinary Shareholders' General Meeting 2001 dated Aug. 8, 2001 were related transaction with the Company's largest shareholder, SDG. For details, please refer to above information in (II).

2. Nov. 28, 2001, Chairman of the Board Song Renquan presided over the 6th Provisional Board Meeting in 2001 in the conference room on 4/F of the Company, in which, it is approved that Shenzhen SD Tellus Real Estate Co., Ltd. assigned its 5% profit sharing rights of "Tellus Garden" project to Shenzhen SD Real Estate Co., Ltd. at the price of RMB 8 million. Since the assigner was a subsidiary of the Company while the acquirer was the Company's control shareholder SDG, this transaction was related transaction, which was disclosed in details in Securities Times and Ta Kung Pao.

3. In the report period, the Company conducted no related transaction arising from trade or service.

4. Current trade between the Company and its control shareholder.

(IV) Material Contract and the Implementation

1. The Company was not involved in any material contract dispute in the report period.

2. The Company did not entrust or lease assets from other companies and vice versa in the report period.

3. The Company offered no material guarantee in the report period.

4. The Company had no financial entrustment in the report period, no such plan in the future.

(V) Other Significant Events

1. Commitment

Commitment in the Assets Exchange Plan approved in the 1st Extraordinary Shareholders' General Meeting 2001 dated Aug. 8, 2001:

1) In the assets exchange, there was a difference between the value of assets

exchanged in SDG and the value of assets exchanged in the Company. The Company owned SDG RMB 18.01 million. In the debts repayment, the Company owned SDG RMB 1.4003 million after assets offsetting debts. The Company has promised to pay the due balance totaling RMB 19.4403 million within the year 2001 in relevant Agreements. By the end of Dec. 31, 2001, the Company fulfilled its commitment.

- 2) Before being transferred into the Company, Shenzhen Huatong Mobile Company had offered guarantee to SDG for a loan of USD 19 million and a loan of RMB 20 million. In the assets exchange between the Company and SDG, SDG promised to remove such joint liabilities of Huatong upon the expiration of the loans. By the end of Dec. 31, 2001, guarantee liability for the loan USD 19 million has been removed upon its expiration while that for the loan of RMB 20 million has not due to its effect.
- 3) The Company and its subsidiary, Shenzhen SD Tellus Real Estate Company has offered guarantee to four companies, including Shenzhen Mechanical Industry and Commerce Co., Ltd. and Shenzhen SD Huatong Pachaging Industrial Co., Ltd. etc. for loans totaling RMB 37.17 million. The Company promised to remove the guarantee liability gradually upon the expiration of the loans. By the end of Dec. 31, 2001, guarantee liability concerning the due loans born by the Company and its subsidiary has been removed.
- 4) SDG made an irrevocable commitment that both it and its subsidiaries should not engage, directly and indirectly, in the business competing or necessarily competing with the Company after the assets exchange.

2. Engagement of Certified Public Accountants

Aug. 8, 2001, the Company held its 1st Extraordinary Shareholders' Meeting in 2001 and resolved to replace its former domestic auditor, Pengcheng Certified Public Accountants, with Shenzhen South Minhe Certified Public Accountants for 2001; and replace its former overseas auditor, Ho and Ho & Company Certified Public Accountants, with Ma Shi Yun (Shenzhen) Certified Public Accountants for 2001. Relevant Notice was published on Securities and Ta Kung Pao dated Aug. 9, 2001. The Company paid RMB 600,000 auditing fee for 2001 to Certified Public Accountants without any extra recompense, assuring the independency of the auditors' opinion.

3. Neither directors, supervisors nor senior executives of the Company were punished by securities regulatory authorities.

4. Changes in director and supervisor

About the directors, supervisors and senior executives leaving the position

- 1) In the 1st Extraordinary Shareholders' General Meeting 2001 dated Aug. 8, 2001, Mr. Ren Yongjian was elected to replace Director Gu Yang, who was approved to resign from the position of director.
- 2) In the 1st Provisional Meeting of the 3rd Supervisory Committee dated July 9, 2001, Mr. Liu Xingzhong was elected to replace Supervisor and Chairman of the Committee, Mr. Ren Shihe, who was approved to resign from the position of supervisor and Chairman of the Committee.

- 3) In the 8th Provisional Board Meeting dated Dec. 24, 2001, Ms. Li Chunxiu was elected to replace former secretary of the Board, Mr. Li Shengchang, who was transferred from the Company.

X. FINANCIAL REPORT

1. Auditors' Report (attachment)
2. Accounting Statements (attachment)
3. Notes to Accounting Statements (attachment)

XI. DOCUMENTS AVAILABLE FOR REFERENCE

Complete sets of documents are placed in the Company's office for the reference of the CSRC, SSE, relevant authorities and all shareholders, including:

1. Financial Statements for the year 2001 carried with the signatures and seals of the legal representative, Financial Supervisor and Accounting Dept. manager;
2. Original of the Auditors' Report carried with the seal of the Certified Public Accountants as well as the signatures and seals of certified public accountants; Original of the Auditors' Report prepared under the International Accounting Standards carried with the seals of overseas Certified Public Accountants (Chinese and English version).
3. Original of the Company's documents subscription of the public notices disclosed in the newspapers designated by the CSRC;
4. Annual Report or its summary published in other stock exchange.

**Board of Directors of
Shenzhen Tellus Holding Co., Ltd.**

April 8, 2001

**REPORT OF AUDITORS TO THE HOLDERS OF B SHARES OF SHENZHENG TELLUS
HOKDING COMPANY LIMITED**

深圳市特力（集团）股份有限公司

INCORPORATED IN THE PEOPLE'S REPUBLIC OF CHINA

(incorporated in the People's Republic of China)

We have audited the accompanying consolidated financial statements on pages 4 to 24, which have been prepared in accordance with International Accounting Standards. The financial statements are the responsibility of the Company's directors. Our responsibility is to express an independent opinion on these statements based on our audit.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing. An audit includes examination on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements in note 2 concerning the basis adopted in the preparation of the Group's financial statements.

The directors have prepared the financial statements on the going concern basis. The directors have successfully negotiated with the banks to extend the substantial part of the bank loans which have fallen or are falling due by another year.

The directors are currently engaged in negotiation with the ultimate holding company and creditors in respect of the assignment of the loan owing to them totaling RMB176,953,612, inclusive of interest of RMB11,512,612 to the ultimate holding company. We consider the fundamental uncertainty has been adequately accounted for and disclosed in the financial statements and our opinion is not qualified in this respect.

OPINION

In our opinion, the financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2001 and of the results and cash flows of the Group for the year then ended and have been properly prepared in accordance with International Accounting Standards.

MOORE STEPHAENS CERTIFIED PUBLIC ACCOUNTANTS

SHENZHEN CHINA

3 APRIL 2002

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2001

	NOTES	2001 RMB'000	2000 RMB'000
Turnover	5	703,245	152,616
Cost of sales		(623,601)	(126,990)
Gross profit		79,644	25,626
Other income		32,919	5,452
Distribution costs		(24,354)	(8,364)
Administrative expense		(52,919)	(80,021)
Other operating expenses		(10,157)	(42,347)
Profit from operations	6	25,133	(99,654)
Finance costs		(24,627)	(38,721)
Share of profits of associates		2,472	1,043
Income from long-term investments		2,660	772
Profit of disposal subsidiaries		226,598	--
Profit before taxation		232,236	(136,560)
Taxation	7	(2,129)	(149)
Profit after taxation		230,107	(136,709)
Minority interests		(2,022)	(106)
Profit attributable to shareholders		228,085	(136,815)
Profit /(loss) per share	8		
-basic		RMB1.04	(RMB0.62)
-diluted		RMB1.04	(RMB0.62)

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2001

	NOTES	2001 RMB ' 000	2000 RMB ' 000
Non-current assets			
Goodwill	9	40,538	--
Intangible assets	9	1,151	--
Fixed assets	10	459,456	356,800
Interests in associates	11	25,279	21,935
Long-term investments	12	78,090	21,969
Other assets	13	10,930	5,760
		615,444	406,464
Current assets			
Properties held for sale	14	81,634	29,784
Inventories	15	195,135	35,117
Other investments	16	-	5,884
Accounts receivable and prepayments		211,469	34,814
Amount due from ultimate holding company	17	159,081	156,606

Cash and bank balances		96,504	26,842
		743,823	289,047
Current liabilities			
Accounts payables		266,241	33,320
Accruals and other payable		200,630	164,340
Provision for staff welfare		8,829	6,138
Bank loans	18	399,048	434,758
Other loans	19	195,422	25,818
Taxation		10,507	4,851
		1,080,677	669,225
Net current liabilities		(336,854)	(380,178)
Total assets less current liabilities		278,590	26,286
Minority interests		23,795	5,736
		254,795	20,550
Capital and reserves			
Share capital	20	220,282	220,282
Reserves	21	34,513	(199,732)
		254,795	20,550

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2001

	NOTES	2001 RMB'000	2000 RMB'000
Cash used in operating activities	26	34,749	(21,278)
Income tax paid		(1,501)	(1,731)
Net cash used in operating activities		33,248	(23,009)
Cash flows from investing activities			
Interest received		2,375	170
Dividend paid to minority interest shareholders			
Capitalised interest paid			
Dividends received from long term			
Investments		2,260	772
Increase in other assets		(4,180)	(8,475)
Purchase of fixed assets		(3,884)	(21,146)
Subsidiaries acquisition		37,303	--
Net cash used in investing activities		33,874	(3,382)
Net cash used before financing activities		67,122	(26,391)
Cash flows from financing activities			
Increase/(decrease)in bank and other loans		2,540	12,896
Net decrease in cash and cash equivalents		69,662	(13,495)
Cash and cash equivalents at beginning of year		26,842	40,337
Cash and cash equivalents at end of year		96,504	26,842
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		96,504	26,842

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2001

	2001 RMB ' 000	2000 RMB ' 000
Exchange differences arising on		
Translation of overseas subsidiaries		
Net gain not recognized in the		
Consolidated income statement		
Profit/loss attributable to shareholders	228,085	(136,815)
Total recognized gains and losses	228,085	(136,815)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

1. CORPORATION INFORMATION

Shenzhen Tellus Machinery Co. Ltd.(the “Company”) was established in Shenzhen., the People’s Republic of China(the “PRC”) on 18 March 1982 as a state-owned enterprise. On 11 December 1992,the Shenzhen Municipal People’s Government approved the reorganization of the Company to become a public limited stock company. The Company changed its name to Shenzhen Tellus Holding Company Limited on 30 June 1994.

On 31 March 1997, with the approval of Shenzhen Municipal People’s Government and China Security Regulatory Commission, Shenzhen Investment Administrative Company transferred 159,588,000 shares of the Company to Shenzhen Economic Zone Development (Holding) Company (Note 17).The shares transferred represent 72.45% of the issued shares of the Company.

In 2001, the Group had made large scale company restructuring and exchange of assets with its majority shareholder namely Shenzhen Economic Zone Development(Holding) Company. The details of the above transactions are shown in note 23b to the financial statements.

The Company and its subsidiaries(the “Group”) are principally engaged in provision of automobile repairing, inspection and other services, the manufacture and sale of machinery, electronic and electrical appliances, property development and management, and import and export trading businesses.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in conformity with the Statements of International Accounting Standards (“IAS”). This basis of accounting is different from that adopted in the statutory accounts of the Group, which were prepared in accordance with the financial regulations and accounting standards applicable to enterprises in the PRC. To conform to IAS, adjustments have been made to the PRC statutory financial statements. Details of impact of such adjustments on net assets as at 31 December 2001, and net profit for the year then ended are included in note 27 to the financial statements

The Group reported net current liabilities at 31 December 2001. To improve the current liquidated position of the Group, the directors have successfully negotiated with the bank to extend the substantial part of bank loans which have fallen or falling due by another year.

The directors are currently engaged in negotiation with the ultimate holding company and creditors in respect of the assignment of the loan owing to them totaling RMB 176,953,612, inclusive of interest of RMB11,152,612 to the ultimate holding company. The directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The Group's consolidated financial statements include the assets and liabilities of the Company and its subsidiaries as set out in note 4 as at 31 December 2001 and of the results for the year then ended. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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

Subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body and is an enterprise held for long-term investment.

Associates

An associate is an enterprise, other than a subsidiary, in which the Group holds not less than 20% of the equity as a long-term investment and has the ability to exercise a significant influence in its management.

The Group under the equity method of accounting accounts for the results of associates. At the balance sheet date, the Group's investment in associates is stated at its share of net assets other than goodwill.

Goodwill

Goodwill arising on consolidation, which represents the excess of the purchase consideration over the fair value ascribed to the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition, is capitalized and amortised on a straight-line basis over its useful economic life, not exceeding ten years. Goodwill arising on the acquisition of a subsidiary is presented separately as an intangible asset.

On disposal of interests in subsidiaries or associates, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal of the business.

Intangible assets

Intangible assets represent the cost of acquisition of taxi licences and computer software and are stated at cost less amortisation and provision, if any, for any permanent diminution in value.

Amortisation is provided to write off the cost of taxi licences over the licence period granted by relevant authorities, namely 10 years, by equal installments. Amortisation is provided to write off the cost of computer software over 5 years.

Fixed assets

Except for construction in progress, fixed assets are stated at cost or valuation less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the year in which it is incurred. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits, the expenditure is capitalized as an additional cost of the asset.

When the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in the income statement .

Depreciation of fixed assets other than construction in progress is provide using the straight-line method over their estimated useful lives, after taking into account their estimated residual value. The estimated useful lives are as follows:

Land and buildings	35 years
Furniture, fixture and office equipment	7 years
Motor vehicles	7 years
Plant and machinery	10 to 13 years

Construction in progress represents factories and office buildings under construction, plant and machinery, and other direct costs and interest accrued on loans financing the capital assets, prior to the date of completion of construction.

No depreciation is provided on construction in progress prior to their completion upon which they will be reclassified into the appropriate fixed assets categories and depreciation will be provided.

Properties held for sale

Properties held for sale comprise residential and industrial premises, and properties under development. They are stated at costs including the cost of land use rights, construction and interest charges arising from borrowings used to finance the development of these properties during the construction period. Provision for losses is made when it is expected that the total costs will exceed the sale proceeds.

When land use rights designated for property development are sold, the related transfer fee payable thereon is accrued. Provisions for these amounts are made based on management assessment of the ultimate amounts payable, after taking into consideration advice from the Shenzhen Land Bureau.

Inventories

Inventories are stated at the lower of cost and net realizable value . Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Long-term investment

Long-term investment are stated at cost less any impairment loss.

Retirement benefit cost

The Group makes contributions to retirement funds managed by local social security bureaus in accordance with government regulations. The contributions are expensed as incurred.

Foreign currency translation

Transactions in foreign currencies are converted into Renminbi using the applicable official exchange rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Renminbi using the applicable official exchange rates ruling on the balance sheet date. Exchange differences are dealt with in the income statement.

The financial statements of subsidiaries and associates denominated in foreign currencies are translated into Renminbi at the rates ruling on the balance sheet date. All exchange differences arising thereon are dealt with in exchange reserve.

Turnover and revenue recognition

Turnover represents the invoiced value of goods supplied and services performed, and properties sold to customers outside the Group, net of discounts, return and sale taxes. Sales are recognized upon delivery of goods, performance of services and completion of the sale contracts of the developed properties.

Taxation

The charge for taxation is based on the result for the year as adjusted for items which are non-assessable or disallowable. Timing difference arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the accounts. The tax effect of timing differences, computed using the liability method, is recognised in accounts to the extent it is probable a liability or an asset will crystallise in the foreseeable future.

Deferred expenses

Deferred expenses are amortised on a straight-line method at 20% per annum.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Impairment of assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, a impairment loss should be recognized in the income statement for assets carried at cost and treated as a revaluation decrease for assets carried at revalued amount.

Provision

A provision is recognized in the consolidated balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligations. If the effect is material, provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Cash and cash equivalents

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

4.SUBSIDIARIES

(a) Subsidiaries held at 31 December 2001

Company Name	Registered Capital RMB'000	Proportion of shares held		Principal activities	Consolidated or not
		2001	2000		
Shenzhen Te Fa Tellus Property and Resources Management Co.	7,050	100%	100%	Provision of services and management of industrial districts and employee's residential quarters	yes
Shenzhen Te Fa Tellus Real Estate Development Co. Ltd.	31,150	100%	100%	Property Development and sale of properties	yes
Shenzhen Te Fa Xin Yong Tong Industry Co. Ltd.	32,900	100%	55%	Manufacturing and sale of automobile testing equipment, provision of repairs and inspection services	yes
Shenzhen Zhong Tian Industry Co. Ltd.	7,250	100%	100%	Leasing of property and manufacture of mechanical equipment	yes

(b) Subsidiaries transferred out at 1 August 2001 under the restructuring plan :

Company Name	Registered Capital RMB'000	Proportion of shares held		Principal activities	Consolidated or not
		2001	2000		
Shenzhen Machinery and Equipment Import & Export Co	9,220	-	100%	Manufacturing and sale of carton packing boxes printing machines, mould cutting machine, ventilation filters and related products	No
Tellus(Phnom Penh) Development Co. Ltd.	50,000	-	100%	Import and export general trading	No

Shenzhen Te Fa Hua Tong Packing Machinery Co.Ltd	1,570	-	100%	Manufacturing and sale of carton packing and products design	No
Shenzhen Te Fa Tellus Electrical Co.Ltd.	13,590	-	100%	Manufacturing and sale of domestic appliance, electronic component	No
Shenzhen Machinery and Equipment Import & Export Co	12,710	-	100%	Import and export of machinery and electrical tools, equipment and appliance	No
Shenzhen Long Gang Tellus Real Estate Co.	10,000	-	100%	Property development and sale of properties	No
Shenzhen Tellus Real Estate Yueyang Branch Co.	5,000	-	100%	City facilities development and provision of related services	No
Shenzhen Tellus Yangchun Branch Co.	5,000	-	100%	Property development and sale of properties	No
Shenzhen Te Fa Tellus Real Estate Huizhou Branch Co.	6,000	-	100%	Property development and management	No
Shenzhen Te Fa Tian Er Enterprises Co	4,020	-	100%	Industrial districts development and factory construction	No
Rise Profit Investment Ltd.	11,520	-	100%	Property investment and trading	No
Shenzhen Te Fa Bei Sei Electrical Appliance Co.Ltd.	3,000	-	80%	Manufacturing and sale of domestic appliances	No

(c) Subsidiaries transferred in at 1 August 2001 under exchange of assets agreement

Company Name	Registered Capital '000	Proportion of shares held		Principal activities	Consolidated or not
		2001	2000		
Shenzhen Automobile Machinery Industry and Trading Co. Ltd	RMB58,960	100%	-	Sale of automobile and fittings, Property investment	yes
Shenzhen Te Fa Hua Ri Automobile Co. Ltd	USD5,000	60%	-	Provision of automobile repairs and inspection services, Manufacturing and sale of automobile fitting	yes
Shenzhen Hua Tong Automobile Co. Ltd.	RMB54,470	100%	-	Leasing of automobile, sale of automobile fitting	yes

5.TURNOVER AND SEGMENT INFORMATION

Analysis by principal activities:

	Manufacturing and others		Property development and management		Import and Export trading		Total	
	2001	2000	2001	2000	2001	2000	2001	2000
	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Revenue	104,415	133,195	27,128	8,052	571,702	11,369	703,245	152,616
Segment results	9,333	(58,899)	1,263	(48,303)	4,044	(4,363)	14,640	(111,565)
Unallocated corporate expense							(14,134)	(26,810)

Share of profits of associates	2,472	1,043
Income from long-term investment	2,660	772
Income from disposal of subsidiaries	226,598	--
Profit before taxation	232,236	(136,500)
Taxation	(2,129)	(149)
Profit after taxation	230,107	(136,709)
Minority interest	(2,022)	(106)
Net profit for the year	228,085	(136,815)

Analysis by geographical location:

	PRC		Outside PRC region		Total	
	2001	2000	2001	2000	2001	2000
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	703,245	152,616	--	--	703,245	152,616
Segment assets	1,359,267	673,277	--	22,234	1,359,267	695,511

6.PROFIT FROM OPERATIONS

Profit from ordinary activities is stated after charging (crediting)

	2001	2000
	RMB'000	RMB'000
Cost of goods sold	623,601	126,990
Amortisation	6,699	10,653
Staff costs	43,721	28,340
Depreciation	25,606	29,484
Interest expenses	24,564	38,721
Provision for permanent diminution in value long-term investments	127	6,801
Exchange (gain) and losses	159	(2)

7.TAXATION

	2001	2000
	RMB ' 000	RMB ' 000
The Group PRC taxation		
-current year	2,129	149
under provision in prior years		

Income tax has been provided for at the prescribed rate of the Shenzhen Economic Zone of 15% (2000: 15%) on the estimated assessable profit for the year. Deferred taxes totaling RMB12,542,000 arising from revaluation of assets were provided in accordance with PRC tax law for the year 2001.

8 PROFIT PER SHARE

The calculation of profit per share is based on the profit of RMB228,085,000(2000:loss

of RMB136,815,000) on 220,281,600 A shares and B shares of RMB1.00 per share in issue to shareholders for the year 2001.

9 GOODWILL AND INTANGIBLE ASSETS

	INTANGIBLE ASSETS RMB'000	GOODWILL RMB'000
At 1 January 2001	-	-
Addition	1,633	42,566
Amortisation for the year	482	2,028
At December 31, 2001	1,151	40,538

10. FIXED ASSETS

	Leasehold land and buildings	Furniture fixture, plant and machinery	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1/1/2001 Cost	416,475	45,441	13,701	694	7,871	484,182
Additions	113,630	-	8,680	13,557	-	135,867
Disposals	(8,235)	(10,966)	(460)	(96)	(7,871)	(27,628)
Provision for devaluation	3,662	-	-	-	-	3,662
At 31/12/2001	518,208	34,475	21,921	14,155	-	588,759
net book value						
Depreciation						
At 1/1/2001	88,769	26,814	11,151	648	-	127,382
Additions	16,987	2,618	7,526	8,369	-	35,500
Disposals	(20,611)	(9,505)	(3,425)	(38)	-	(33,579)
31/12/2001	85,145	19,927	15,252	8,979	-	129,303
Net book value						
At 31/12/2000	327,706	18,627	2,550	46	7,871	356,800
Net book value						
At 31/12/2001	433,063	14,548	6,669	5,176	-	459,456

Analysis of cost of valuation

	Leasehold land and buildings	Furniture fixture, plant and machinery	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At cost	407,007	19,010	17,805	14,155	--	457,977
At professional valuation in 1992	111,201	15,465	4,116	--	--	130,782
Total	518,208	34,475	21,921	14,155	--	588,759

11. INTERESTS IN ASSOCIATES

	2001 RMB ' 000	2000 RMB ' 000
Share of net assets	24,225	21,935

Amount due from associates	1,054	-
Amount due to associates		-
Total	25,279	21,935

As at 31 December 2001, associates were:

Company name	Principal activities	Proportion of shares held
Shenzhen Xing Long Mechanical Models Co.	Manufacturing and sale of steel moulds for plastic products	20%
Shenzhen Far East Machinery Co. Ltd.	Manufacturing and sale of suitcases and plastic products	20%
Bao Gung Group Shenzhen Da Xi Yang Welding Electrodes	Manufacturing and sale of welding electrode products	20%

12. LONG-TERM INVESTMENTS

	2001 RMB ' 000	2000 RMB ' 000
Unlisted shares, at cost	107,124	41,434
Listed shares, at cost	10,317	10,317
Investment in securities	405	-
Less: provision for impairment	(39,756)	(29,782)
Total	78,090	21,969

*As the corporate shares are not available for sale to the public, the Group's directors cannot ascertain their fair value. However, they are of the opinion that the fair value of the shares must exceed their carrying amount. Therefore, provision for diminution in value for the investments is not necessary.

13. OTHER ASSETS

	2001 RMB'000	2000 RMB'000
At 1/1/2001 net book value	5,760	7,938
Additions	10,619	8,475
Amortisation	5,449	10,653
At 31/12 net book value	10,930	5,760

14. PROPERTIES HELD FOR SALE

	2001 RMB ' 000	2000 RMB ' 000
Land, at cost	-	10,776
Developed properties held for sale, at cost	55,114	59,363
Properties under development , at cost	28,847	3,136
Less: Provision for loss	(2,327)	(43,491)
Total	81,634	29,784

15. INVENTORIES

	2001	2000
	RMB ' 000	RMB ' 000
Raw materials	9,726	14,215
Work in progress	2,920	22,808
Finished goods	195	16,173
Merchandise purchased	208,543	-
Less: Provision for obsolete inventories	(26,249)	(18,079)
Total	195,135	35,117

16. OTHER INVESTMENTS

	2001	2000
	RMB ' 000	RMB ' 000
Investments in unlisted companies in the PRC, at cost	-	5,884

*Other investments were disposed in 2001.

17. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

	2001	2000
	RMB ' 000	RMB ' 000
Shenzhen Economic Zone Development (Holding) Company-Ultimate holding company	159,081	156,606

Included in the above balance is an amount of HKD6,000,000 which is a cash deposit in the Clearing Centre of Shenzhen City Te Fa Finance Company which was a wholly-owned subsidiary of the Shenzhen Economic Zone Development (Holding) Company and was a non-licensed financial company approved by the People's Bank of China. The said financial company was terminated in 1999. The amount was assigned to the Shenzhen Economic Zone Development (Holding) Company.

18. BANK LOANS.

	2001	2000
	RMB ' 000	RMB ' 000
-secured and interest bearing	91,760	96,210
-unsecured and interest bearing	307,288	338,548
Total	399,048	434,758

The interest bearing loans are charged at the rates ranging from 5.85% to 6.25%. At the balance sheet date, the Group's bank loans amounted to RMB 91,760,000 were secured by the Group's land and buildings and properties for sales.

19. OTHER LOANS

	2001	2000
	RMB ' 000	RMB ' 000
-unsecured and non-interest bearing	172,422	8,618
-unsecured and interest bearing	23,000	17,200
Total	195,422	25,818

* Other loans of RMB165,442,000 and the corresponding interest payable of RMB11,511,612.26 were actually transferred to Shenzhen Economic Zone Development

(Holding) Company (the“ Shenzhen ESD Company),the majority shareholder, by offsetting against the liabilities owed by Shenzhen ESD Company. The legal procedures of transfer of liabilities are still in progress.

20.SHARE CAPITAL

	2001 RMB ' 000	2000 RMB ' 000
Registered, issued and paid-up (220,281,600 shares in total)		
“A” shares of RMB 1.00 per share	193,882	193,882
“B” shares of RMB 1.00 per share	26,400	26,400
Total	220,282	220,282

A and B shares have the same par value of RMB 1 per share and rank pari passu.

21. RESERVES

	Share premium RMB ' 000	Asset revaluation reserve RMB ' 000	Statutory public welfare fund RMB ' 000	General reserve RMB ' 000	Exchange reserve RMB ' 000	Accumulated losses RMB ' 000	Total RMB ' 000
At 1/1/2000	124,248	32,436	3,210	55,480	(160)	(278,131)	(62,917)
Loss for the year						(136,815)	(136,815)
At 31/12/2000	124,248	32,436	3,210	55,480	(160)	(414,946)	(199,732)
Prior year adjustment					160	6,000	6,160
As restated	124,248	32,436	3,210	55,480	--	(408,946)	(193,572)
Profit for the year						228,085	228,085
At 31/12/2001	124,248	32,436	3,210	55,480	--	(180,861)	34,513

a. PRC laws and regulations restrict the distribution of share premium and asset revaluation reserve in the form of cash dividends to shareholders.

b. PRC laws and regulations require companies to make appropriations to certain statutory reserves from net profit after taxation as reported in the statutory accounts. These statutory reserves include the staff welfare fund and the general reserve which are designated for specific purposes and are not distributable in the form of cash dividends.

22.CONTINGENT LIABILITIES

At 31 December 2001, the Group had provided guarantees in respect of short-term bank loans totaling RMB35,710,000 granted to the following parties:

	2001 RMB ' 000	2000 RMB ' 000
Shenzhen Petrochemical Industry Co., Ltd	--	87,940
Shenzhen Jintian Industry (Group) Co., Ltd.*	19,560	19,560
Shenzhen Zhonghao (Group) Co. Ltd..	15,000	15,000
Shenzhen Xing Long Mechanical Models Co., Ltd.	1,150	1,300
Total	35,710	123,800

*The bank loans of RMB19,560,000 is an aggregate amount of RMB3,000,000 and USD2,000,000.

Since Shenzhen Jiantian Industry (Group) Co.,Ltd is insolvent and is making company restructuring now, the bank loan of USD2,000,000 is approved by the bank to delay in payment within three years. Full provision has been made on the bank loan of RMB 3,000,000 which is confirmed to be the joint liability of payment according to the court ruling issued by the Shenzhen People's Middle Court in November 1999.

23.RELATED PARTIES AND TRANSACTIONS

a. Except for the particulars of principal subsidiaries and associates shown in note 4 and note 11 to the financial statements, other related parties are as follows:

(i) At 31 December 2001,Shenzhen Economic Zone Development(Holding) Company, which is a majority shareholder, was holding 72.45% of the issued capital of the company.

(ii) Shenzhen Telongfa Industrial Company Limited and Shenzhen City Te Fa Finance Company are fellow subsidiaries of the Company.

b. Related party transactions

(1) Company restructuring between the Company and Shenzhen EZD Company.

A. Assets Transfer

The Company signed *Assets Transfer Agreement* with Shenzhen EZD Company on 27 July 2001, agreeing to transfer the eight subsidiaries owned by the Company which have been suffering substantial loss for a long time and are insolvent (the "Zero Transfer Price Companies") to Shenzhen EZD Company at zero consideration. The eight subsidiaries are: Shenzhen Machinery and Equipment Import & Export Co.,Tellus (Phnom Penh) Development Co. Ltd.,Rise Profit Investment Ltd.,Dongguan Tangxia Zhengxing Commercial City, Shenzhen Tellus Real Estate Yue Yang Co., Shenzhen Long Gang Tellus Real Estate Co., Shenzhen Tellus Yang Cun Co. and Shenzhen Te Fa Tellus Real Estate Huizhou Branch Co.

B. Liabilities Offsetting

The Company signed *Liabilities Offsetting Agreement* with Shenzhen EZD Company on 27 July 2001. According to the agreement ,the Zero Transfer Price Companies become subsidiaries of Shenzhen EZD Company . The Shenzhen EDZ Company agreed to repay the liabilities of the Zero Transfer Price Companies. Up to May 21,2001, the Zero Transfer Price Companies had owed RMB190,666,300 to the Company. By deducting RMB27,073,400 from the debts, RMB163,592,900 is still owed to the Company. Shenzhen EZD Company offsets against all debts of the Zero Transfer Price Companies by all the issued shares of Shenzhen Automobile Industry and Trading Co. Ltd., 45% issued shares of Shenzhen Zhongtian Industrial Co. Ltd., 60% issued shares of Shenzhen Te Fa Hua Ri Automobile Co. Ltd. The value of these shares are valued at RMB164,993,200 by Zhong Qing Xing Certified Public Valuers. The difference of such liability offsetting of RMB1,400,300 is owed to Shenzhen EZD Company by the Company.

C.Exchange of Assets

The Company signed *Assets Exchange Agreement* with Shenzhen EZD Company on 27 July 2001. Both sides agreed to exchange four subsidiaries (Shenzhen Machinery Industry and Trading Co. Ltd. 、 Shenzhen Te Fa Hua Tong Packing Machinery Co.Ltd.、 Shenzhen Te Fa Tian Er Enterprises Co.、 Shenzhen Jin Bei Sei Electrical Appliance Co.Ltd.) for all shares of Shenzhen Hua Tong Automobile Co. Ltd. which are owned legally by Shenzhen EZD Company at valuation price .The value of the net asset assessed by Zhong Qing Xing Certified Public Valuers is RMB61,656,10 . The valuation of net assets of the transfer-in companies is RMB79,666,100 . The difference between two amounts is to be redeemed to Shenzhen EZD Company by cash or other methods agreed.

The above three transactions were approved by the First Extraordinary Shareholders' General Meeting on 8 August 2001 and the company restructuring project was approved by Shenzhen State-owned Assets Management Office. Because the above transactions were not involved in large cash payment, the Company held that the shares acquisition date relating to the company restructuring is 1 August 2001. Except the Zero Price Transfer Companies which have been transferred at zero prices, the pricing policy of other transactions is based on the price assessed by the certified public valuers.

(2) the transfer of interest in real estate development between the Company and Shenzhen Telongfa Industrial Co.Ltd

Shenzhen Te Fa Tellus Real Estate Development Co. Ltd., a subsidiary of the Company, signed an agreement and an supplementary agreement with Shenzhen Telongfa Industrial Co. Ltd. and Shenzhen Changya Investment Co. Ltd. agreeing the interests in a real estate development project named “Teli Garden” are 5%,15%,and 80% respectively. On 28 November 2001, Shenzhen Te Fa Tellus Real Estate Development Co., Ltd. signed an agreement with Shenzhen Telongfa Industrial Co. Ltd agreeing to transfer the 5% interests to Telongfa Company at the price of RMB8,000,000 and the said transaction was approved by the Board of Directors and announced publicly on 30 November 2001. Up to the date of this report, Shenzhen Te Fa Tellus Real Estate Development Co. Ltd have received the sum of above payment.

24. OTHER MATTERS

Due to the Group's failure to repay the overdue bank loan amounting to USD1.3 million owing to China Everbright Bank, on 8 March 2000, the People's Middle Court of Shenzhen ordered to freeze 30% of the Company's shareholding in the subsidiary Shenzhen Te Fa Telles Real Estate Development Co. Ltd. with a net book value of RMB3,480,000 at balance sheet date and 30% shareholding in Shenzhen Te Fa Sin Mui Sha Travel Centre held by the Shenzhen Economic Zone Development (Holding) Company , who was the guarantor.

25.SUBSEQUENT EVENTS

On 5 March 2002, the Group signed an agreement with Shenzhen Pingtai Investment Co. Ltd. (the “Pingtai Company”) agreeing to transfer 70% shares of Shenzhen Huatong Automobile Co., Ltd. (the “Huatong Automobile”) , a subsidiary transferred in during

company restructuring in 2001 but held with view to disposal in the near future, to Pingtai Company. The transfer price will be determined with reference to the appraisal report issued by Zhong Qin Xin Certified Public Valuers and conditional upon the outcome of some uncertain future events. Since the relevant procedures of the transaction have not been successfully completed, Huatong Automobile's financial statements were included in the consolidated financial statements of the Company.

26. RECONCILIATION OF LOSS BEFORE TAXATION TO CASH USED IN OPERATING ACTIVITIES

	2001 RMB ' 000	2000 RMB ' 000
Profit /(loss) before taxation	232,236	(136,560)
Share of profits of associates	(2,472)	(1,043)
Profit /(loss) on disposal of associates	(2,595)	7,786
Income from long-term investments	(2,660)	(772)
Loss/(gain) on disposal of subsidiaries	(226,598)	
Loss on disposal of long-term investments	-	201
Provision for diminution in value of long-term investments	127	6,801
(Profit)/loss on disposal of fixed assets	(11,102)	(292)
Depreciation	25,606	29,484
Amortisation of pre-operating and Deferred expenses	6,118	10,653
Interest expenses	24,564	38,721
Interest income	(2,375)	(170)
Exchange rate adjustments	159	-
Operating loss before working capital changes	41,008	(45,191)
Decrease in properties held for sale	15,969	26,358
Decrease in inventories	(8,391)	12,544
Decrease /(increase) in accounts receivable and prepayments	(86,654)	6,438
Increase in creditors and accruals	94,691	16,531
Increase in provision for staff welfare	2,690	763
Interest paid	(24,564)	(38,721)
Cash used in operating activities	34,749	(21,278)

27. IMPACT OF DIFFERENCES BETWEEN IAS AND PRC ACCOUNTING STANDARDS ON FINANCIAL STATEMENTS.

	Profit attributable to shareholders 2001 RMB ' 000	Net assets at 31/12 2001 RMB ' 000
As reported in the statutory consolidated financial statements in PRC	5,144	266,327
Reversed amortization of investments in associates	758	(6,915)
Adjustment for interest capitalized as cost of fixed assets and properties	--	(4,617)
Profit arising from disposal of subsidiaries	222,183	--
As reported in the statutory consolidated financial statements prepared in accordance with IAS	228,085	254,795

28. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with the presentation of current year.