

Shenzhen Tellus Holding Co., Ltd.
Balance Sheet

June 30, 2004

Unit: RMB

Assets	No.	Amount at period-beginning		Amount at period-end	
		Parent Company	Consolidation	Parent Company	Consolidation
Current assets:					
Monetary funds	1	7,942,911.02	265,627,895.03	5,019,034.78	155,189,543.46
Short-term investments	2	0.00	0.00	0.00	0.00
Notes receivable	3	0.00	2,000,000.00	0.00	27,000.00
Dividends receivable	4	493,070.89	0.00	0.00	0.00
Interests receivable	5	0.00	0.00	0.00	0.00
Accounts receivable	6	242,401.54	27,762,352.33	242,401.54	33,833,776.17
Other receivables	7	204,790,821.06	210,641,253.12	199,197,430.21	213,208,309.14
Advance to suppliers	8	80,000.00	88,259,056.04		91,834,243.62
Subsidy receivable	9	0.00	0.00	0.00	0.00
Inventory	10	176,646.58	149,617,406.32	232,085.58	157,843,913.01
Pre-paid expense	11	0.00	158,912.54	22,500.00	1,180,892.87
within one year	12				
other current assets	13				
Total current assets	14	213,725,851.09	744,066,875.38	204,713,452.11	653,117,678.27
Long-term investment:					
Long-term equity investment	15	356,892,957.10	120,899,294.65	355,400,912.19	124,752,782.72
Long-term debt investment	16		121,300.00		121,300.00
Total long-term investment	17	356,892,957.10	121,020,594.65	355,400,912.19	124,874,082.72
Including: consolidation variance	18				
Fixed assets:					
Fixed assets-at cost	19	182,482,315.49	550,198,906.72	183,960,719.76	551,869,859.80
Less: accumulated depreciation	20	45,545,608.55	144,796,717.00	48,295,983.95	153,465,923.55
Fixed assets-net book value	21	136,936,706.94	405,402,189.72	135,664,735.81	398,403,936.25
Less: impairment loss	22	3,555,385.70	3,581,154.01	3,555,385.70	3,581,154.01
Fixed assets-net book amount	23	133,381,321.24	401,821,035.71	132,109,350.11	394,822,782.24
Construction materials	24				
Construction in process	25		0.00		344,002.00
Disposal of fixed assets	26				0.00
Total fixed assets	27	133,381,321.24	401,821,035.71	132,109,350.11	395,166,784.24
Intangible and other assets:					
Intangible assets	28	1,386,701.73	1,386,701.73	1,361,208.27	1,361,208.27
Long-term prepaid expense	29	1,815,908.36	6,409,747.76	1,504,972.79	5,773,841.68
Other long-term assets	30				
Total intangible and other assets	31	3,202,610.09	7,796,449.49	2,866,181.06	7,135,049.95
Deferred tax:					
Deferred tax assets	32				
Total assets	33	707,202,739.52	1,274,704,955.23	695,089,895.47	1,180,293,595.18

Shenzhen Tellus Holding Co., Ltd.
Balance Sheet (Con.)

June 30, 2004

Unit: RMB

Liabilities and owner's equity	No.	Amount at period-beginning		Amount at period-end	
		Parent Company	Consolidation	Parent Company	Consolidation
Current liabilities					
Short-term loans	34	331,948,348.85	434,388,348.85	320,448,513.05	413,248,513.05
Notes payable	35		272,092,300.00		140,479,900.00
Accounts payable	36	1,554.00	45,833,320.25	1,554.00	96,323,892.04
Advance from customers	37		63,548,683.40		57,688,212.77
Salary payable	38		8,300,459.55		5,713,100.73
Welfare payable	39	1,449,423.99	7,344,335.96	1,169,523.62	6,477,060.87
Dividends payable	40				
Taxes payable	41	844,111.83	2,205,518.75	1,518,687.31	395,858.72
Other payments	42	364.17	6,591,212.94	2,274.53	6,627,205.28
Other payables	43	134,699,668.95	139,975,837.80	135,794,682.71	158,171,131.76
Accrued expenses	44	2,008,702.67	11,603,901.26	2,484,728.17	14,481,641.87
Foreseable liabilities	45	25,088,400.00	25,088,400.00	25,088,400.00	25,088,400.00
Long-term liabilities due within one year	46				
Other current liabilities	47				
Total current liabilities	48	496,040,574.46	1,016,972,318.76	486,508,363.39	924,694,917.09
Long-term liabilities:					
Long-term loans	49				
Bonds payable	50				
Long-term payables	51		8,365,096.20		8,114,096.20
Special payables	52				
Other long-term liabilities	53				
Total long-term liabilities	54	0.00	8,365,096.20	0.00	8,114,096.20
Deferred tax:					
Deferred tax liabilities	55		7,014,923.07		6,252,101.94
Total liabilities	56	496,040,574.46	1,032,352,338.03	486,508,363.39	939,061,115.23
Minority interests	57		31,190,452.14		32,425,966.28
Owners' equity in the enterprise					
Share capital	58	220,281,600.00	220,281,600.00	220,281,600.00	220,281,600.00
Less: returned investment	59				
Share capital-net	60	220,281,600.00	220,281,600.00	220,281,600.00	220,281,600.00
Capital surplus	61	172,875,075.73	172,875,075.73	172,875,075.73	172,875,075.73
General reserves	62	54,295,698.45	54,295,698.45	54,295,698.45	55,539,668.18
Including: statutory public welfare reserves	63	3,210,576.83	3,210,576.83	3,210,576.83	4,454,546.56
Retained earnings	64	-236,247,697.83	-236,247,697.83	-238,828,330.81	-239,847,318.95
Foreign currency translation reserve	65				
Unconfirmed investment losses	66	-42,511.29	-42,511.29	-42,511.29	-42,511.29
Total owners' equity in the enterprise	67	211,162,165.06	211,162,165.06	208,581,532.08	208,806,513.67
Total owners' equity	68	211,162,165.06	242,352,617.20	208,581,532.08	241,232,479.95
Total liabilities and owners' equity	69	707,202,739.52	1,274,704,955.23	695,089,895.47	1,180,293,595.18

Shenzhen Tellus Holding Co., Ltd.
Income Statement

Jan.-Jun. 2004 Unit: RMB

Items	No	Amount in the period		Amount in the same period of last year	
		Parent Company	Consolidation	Parent Company	Consolidation
main operations	1	6,697,567.82	657,166,444.94	6,817,467.37	603,786,971.53
Less: sales (operating) income	2	1,765,523.39	601,665,562.44	1,390,731.71	543,690,192.70
Sales (operating) taxes and plus	3	348,273.52	2,820,159.86	354,508.29	1,774,912.88
main operations	4	4,583,770.91	52,680,722.64	5,072,227.37	58,321,865.95
Add: other operating profit	5	-56,359.16	1,126,758.52		1,843,810.61
Less: selling expenses	6		20,832,994.55		20,789,041.12
Administrative expenses	7	8,804,681.43	26,795,724.44	6,745,323.08	30,214,192.69
Financial expenses	8	4,341,083.08	6,498,105.78	5,978,329.89	8,941,129.39
III. Operating profit	9	-8,618,352.76	-319,343.61	-7,651,425.60	221,313.36
negative	10	5,428,119.90	940,919.90	5,464,889.43	765,266.52
Subsidy income	11				
Non-operating income	12	3,254.83	424,514.81	76,199.53	540,032.98
Less: non-operating expenses	13	-158,914.40	22,023.12	-29,339.63	586,330.85
IV. Total profit	14	-3,028,063.63	1,024,067.98	-2,080,997.01	940,282.01
Less: income tax	15		1,291,207.74		1,491,531.46
Minority interests	16		2,664,190.89		2,958,691.21
V. Net profit	17	-3,028,063.63	-2,931,330.65	-2,080,997.01	-3,509,940.66
beginning	18	-236,247,697.83	-236,247,697.83	-241,422,761.26	-241,422,761.26
Other transferred-ins	19	447,430.65	-668,290.47	447,430.65	749,761.28
distribution	20	-238,828,330.81	-239,847,318.95	-243,056,327.62	-244,182,940.64
Less: statutory surplus reserve	21				
Statutory public welfare reserve	22				
funds	23				
Reserve funds	24				
Enterprise development funds	25				
Returned investment from profit	26				
distribution to investors	27	-238,828,330.81	-239,847,318.95	-243,056,327.62	-244,182,940.64
preferred shares	28				
Discretionary reserves	29				
Dividends for ordinary shares	30				
converted to share capital	31				
VIII. Retained earnings	32	-238,828,330.81	-239,847,318.95	-243,056,327.62	-244,182,940.64

Shenzhen Tellus Holding Co., Ltd.

Cash Flows Statement

Jan.-Jun. 2004

Unit: RMB

Items	Consolidation	Parent Company
I. Cash flows arising from operating activities		
Cash received from selling products and providing services	798,648,547.86	5,630,458.49
Tax refund received	2,205,255.06	
Other cash received relating to operating activities	128,693,125.88	6,955,273.15
Subtotal of cash inflow	929,546,928.80	12,585,731.64
Cash paid for the purchase of products and services	730,731,891.05	
Cash paid to/for employees	34,147,615.08	4,229,637.61
Taxes paid	16,157,829.43	574,707.68
Other cash paid relating to operating activities	232,234,972.68	4,991,724.85
Subtotal of cash outflow	1,013,272,308.24	9,796,070.14
Net cash flows arising from operating activities	-83,725,379.44	2,789,661.50
II. Cash flows arising from investing activities		
Cash received from withdrawal of investment	6,069,480.00	5,869,480.00
Cash received from investment income	149,681.83	2,324,169.90
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	4,105,484.00	4,036,605.55
Other cash received relating to investing activities		
Subtotal of cash inflow	10,324,645.83	12,230,255.45
Cash paid for the purchase of fixed assets, intangible assets and other long-term assets	2,467,176.17	1,609,320.71
Cash paid for investment	4,000,000.00	0.00
Other cash paid relating to investing activities	1,761,251.63	
Subtotal of cash outflow	8,228,427.80	1,609,320.71
Net cash flows arising from investing activities	2,096,218.03	10,620,934.74
III. Cash flows arising from financing activities		
Cash received from obtaining investment		
Cash received from loans	102,850,000.00	38,800,000.00
Other cash received relating to financing activities	74,571.67	0.00
Subtotal of cash inflow	102,924,571.67	38,800,000.00
Cash paid for debts repayment	123,869,835.80	49,699,835.80
Cash paid for dividends, profit distribution or interest payment	7,813,101.79	5,434,479.57
Other cash paid relating to financing activities	50,824.24	157.11
Subtotal of outflow	131,733,761.83	55,134,472.48
Net cash flows arising from financing activities	-28,809,190.16	-16,334,472.48
IV. Influence on cash due to fluctuation in exchange rate		
V. Net increase in cash and cash equivalents	-110,438,351.57	-2,923,876.24

Shenzhen Tellus Holding Co., Ltd.

Cash Flows Statement

Jan.-Jun. 2004

Unit: RMB

1. Adjusting net profit to cash flows from operating activities		
Net profit	-2,931,330.65	-3,028,063.63
Add: minority shareholders' interest	2,664,190.89	
Impairment charge	66,635.35	
Depreciation of fixed assets	9,051,860.64	2,776,161.76
Amortization of intangible assets		
Amortization of long-term prepaid expenses	1,627,011.03	387,442.49
Decrease in prepaid expenses (Less: increase)	-958,866.76	-22,500.00
Increase in accrued expenses (Less: decrease)	2,896,233.65	476,025.50
Loss on disposal of fixed assets, intangible assets and other long-term assets (Less: income)	0.00	0.00
Loss on disposal of fixed assets		
Financial expenses	6,525,900.95	4,341,083.08
Investment loss (Less: income)	-40,919.90	-5,428,119.90
Deferred tax liabilities (Less: assets)	762,821.13	
Decrease in inventories (Less: increase)	-6,314,411.02	-55,439.00
Decrease in operating receivables (Less: increase)	-19,465,484.52	12,875,282.27
Increase in operating payables (Less: decrease)	-77,624,475.23	-9,532,211.07
Others	15,455.00	
Net cash flows arising from operating activities	-83,725,379.44	2,789,661.50
2. Investment and financing activities without cash movement		
Capital converted from debts		
Convertible bonds due within one year		
Financing leased fixed assets		
3. Net increase in cash and cash equivalents		
Ending balance of cash	155,189,543.46	5,019,034.78
Less: beginning balance of cash	265,627,895.03	7,942,911.02
Add: ending balance of cash equivalents		
Less: beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-110,438,351.57	-2,923,876.24

Schedule of Assets Impairment Losses

Supplementary
Statement

Prepared by Shenzhen Tellus Holding Co., Ltd.			June 2004	Unit: RMB
Items	Balance at period-beginning	Increase in the period	Transferred-back in the period	Balance at year-end
I. Total reserve for bad debts	74,546,650.39	20,288.70	4,508,355.20	70,058,583.89
Including: accounts receivable	33,530,598.78	20,288.70	1,000,000.00	32,550,887.48
Other receivables	41,016,051.61	-	3,508,355.20	37,507,696.41
II. Total reserve for depreciation of short-term investments	-			-
Including: stock investment	-			-
Bonds investment	-			-
III. Total reserve for depreciation of inventories	17,367,383.85			17,367,383.85
Including: stock goods	12,472,087.52			12,472,087.52
Raw materials	2,568,525.87			2,568,525.87
Finished development products	2,326,770.46	-	-	2,326,770.46
Low-cost consumables				
IV. Total impairment losses of long-term investments	35,330,066.02	-	650,000.00	34,680,066.02
Including: long-term equity investments	35,330,066.02	-	650,000.00	34,680,066.02
Long-term debt investments		-		
V. Total impairment losses of fixed assets	3,581,154.01	-		3,581,154.01
Including: housing buildings	3,555,385.70	-	-	3,555,385.70
Machanical equipments	25,768.31	-	-	25,768.31
VI. Total impairment losses of intangible assets	-	-	-	-
Including: patent	-	-	-	-
Trademark right	-	-	-	-

VII. Impairment losses of constructions in progress	-	-	-	-
VIII. Impairment losses of entrusted loans		-		