深圳市特力(集团)股份有限公司

SHENZHEN TELLUS HOLDING CO., LTD.

SEMI-ANNUAL REPORT 2004

（B-share）

August 16, 2004

Contents

Shenzhen Tellus Holding Co., Ltd.

Semi-annual Report 2004

Section I. Important Notice

The Board of Directors of Shenzhen Tellus Holding Co., Ltd. (hereinafter referred to as the Company) and its directors 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 or errors which would render any statement misleading.
The Board of Directors of the Company has nine directors, of which eight directors attended the Board meeting. Director Guo Dongri asked for leave due to some matters.
Mr. Zhang Ruili, Chairman of the Board, Mr. Ren Yongjian, Chief Financial Officer and Ms. Li Mingjun, Manager of Plan and Financial Dept. hereby confirm that the financial report enclosed in this semi-annual report is true and complete.
The semi-annual financial report of the Company has not been audited.

Section II. Company Profile

I. Company brief

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.
   Abbreviation of English name: Tellus
2. Stock Exchange Listed with: Shenzhen Stock Exchange
   Short Form of the Stock and Stock Code: ST Tellus-A (000025)
   ST Tellus-B (200025)
3. Registered/Office Address: 3/F, Tellus Bldg., No. 56 of Shui Bei Er Road, Luohu District, Shenzhen
   Post Code: 518020
   E-mail: sztljtgf@public.szptt.net.cn
4. Legal Representative: Zhang Ruili
5. Secretary of the Board of Directors: Ren Yongjian
   Contact Address: secretariat of the Board of Shenzhen Tellus Holding Co., Ltd.
   Tel: (86) 755-25536888-388
   Fax: (86) 755-25536658
   E-mail: szryj@tom.com
   Securities Affairs Representative: Li Mingjun
   Contact Address: Plan and Financial Dept. of Shenzhen Tellus Holding Co., Ltd.
   Tel: (86) 755-25536888-351
   Fax: (86) 755-25536658
   E-mail: szlmj@tom.com
6. Newspapers for Disclosing the Information of the Company:
   Securities Times (Domestic) and Ta Kung Pao (Oversea)

Internet Website Designated by CSRC for Publishing the Semi-annual Report: http://www.cninfo.com.cn

The Place Where the Semi-annual Report is Prepared and Placed: 3/F, Tellus Bldg., No. 56 of Shui Bei Er Road, Luohu District, Shenzhen

II. Major financial data and indexes

1. Major un-audited accounting data and financial indexes in the first half year 2004:

Unit: RMB

Items	**At the end of this report period**	**At the end of the last year**	**Increase/decrease at the end of this report period compared with the year-begin（%）**
Current assets	653,117,678.27	744,066,875.38	-12.22
Current liabilities	924,694,917.09	1,016,972,318.76	-9.07
Total assets	1,180,293,595.18	1,274,704,955.23	-7.41
Shareholders' equity (excluding minority interest)	208,806,513.67	211,162,165.06	-1.12
Net assets per share	0.948	0.959	-1.15
Net assets per share after adjustment	0.067	0.024	179.17
Items	**In the report period (Jan. to Jun. 2004)**	**At the same period of last year**	**Increase/decrease in this report period compared with the same period of last year**
Net profit	-2,931,330.65	-3,509,940.66	
Net profit after deducting non-recurring gains and losses	-3,333,822.34	-2,703,860.50	
Earnings per share	-0.013	-0.016	+18.75%
Return on equity%	-1.4	-1.7	0.3
Net cash flow arising from operating activities	-83,725,379.44	72,499,505.48	-215.48%

Items of non-recurring gains and losses	**Amount (RMB)**
Non-operating income	424,514.81
Non-operating expenses	22,023.12
Total	402,491.69

2. Difference between CAS and IAS

(1) As reported under IAS

Unit: RMB'000

Item	**Jan. – Jun. 2004**	**Jan. – Jun. 2003**
Revenue	657,166	603,787
Profit after taxation	-2,931	-3,510
Total shareholders' fund	202,512	192,409
Earnings per share (RMB)	-0.013	-0.016
Net assets per share (RMB)	0.919	0.873
Return on equity (%)	-1.45	-1.82
Shareholders' equity ratio (%)	17.16	14.80

(2) As reported under CAS

Item	Jan. – Jun. 2004	Jan. – Jun. 2003
Revenue	657,166	603,787
Profit after taxation	-2,931	-3,510
Total assets	1,180,294	1,308,688
Total shareholders' fund	208,807	200,763
Earnings per share (RMB)	-0.013	-0.016
Net assets per share (RMB)	0.948	0.911
Return on equity (%)	-1.40	-1.75
Shareholders' equity ratio (%)	17.69	15.34

Section III. Change in Share Capital and Particulars about Shares Held by Main Shareholder

I. About change in shares of the Company
During the report period, the Company's share capital remained unchanged.
II. Total shareholders of the Company
Total shareholders of the Company at the end of the report period: ended June 30, 2004, the Company had 15,352 shareholders in total.
III. Particulars about shares held by the top ten shareholders at the period-end

Full name of Shareholder	Increase/ decrease in this report period	Shares held	Proportion (%)	Pledged or frozen
1. Shenzhen Special Economic Zone Development (Group) Company (State-owned shareholder)	0	159,588,000	72.45	Naught
2. ZHUANG XIN JIAN (shareholder of circulation share)	Unknown	556,500	0.25	Unknown
3. WANG FU CHANG (shareholder of circulation share)	Unknown	330,000	0.15	Unknown
4. DBS VICKERS (HONG KONG) LTD A/C CLIENTS (shareholder of circulation share)	Unknown	261,100	0.12	Unknown
5. LIU ZI XIAN (shareholder of circulation share)	Unknown	248,087	0.11	Unknown
6. RAO YONG FENG (shareholder of circulation share)	Unknown	200,000	0.09	Unknown
7. MEI ZHENG SHUI (shareholder of circulation share)	Unknown	197,000	0.09	Unknown
8. WANG BING BING (shareholder of circulation share)	Unknown	190,800	0.09	Unknown
9. XIE YI XIN (shareholder of circulation share)	Unknown	183,235	0.08	Unknown
10. ZHANG YUE XIANG (shareholder of circulation share)	Unknown	181,200	0.08	Unknown

Note: Among the top ten shareholders as listed above, there exists no associated relationship among the shareholders of legal person share. The 2nd to 10th shareholders are shareholders of circulation share, which the Company is unknown whether there exists associated relationship.

IV. Particulars about shares held by the top ten shareholders of circulation share

Shareholder's name and nature	Circulation share held at the period-end	Type
1. ZHUANG XIN JIAN	556,500	A-share
2. WANG FU CHANG	330,000	B-share
3. DBS VICKERS (HONG KONG) LTD A/C CLIENTS	261,100	B-share
4. LIU ZI XIAN	248,087	A-share

5. RAO YONG FENG	200,000	A-share
6. MEI ZHENG SHUI	197,000	A-share
7. WANG BING BING	190,800	A-share
8. XIE YI XIN	183,235	A-share
9. ZHANG YUE XIANG	181,200	B-share
10. LIN XIU LUAN	175,821	B-share

Note: Among the top ten shareholders of circulation share as listed above, the Company is unknown whether there exists associated relationship or whether they belong to the consistent actionist or not.

V. Particulars about the controlling shareholder

The controlling shareholder and actual controller of the Company remained unchanged in the report period.

Section IV. Particulars about Directors, Supervisors and Senior Executives

(I) Particulars about change in shares held by directors, supervisors and senior executives:

Name	Title	Number of holding share (share)	
		Period-begin	Period-end
Hu Xiaozheng	Employee Supervisor	0	500

(II) Particulars about change in directors, supervisors and senior executives in the report period

Due to work reason, Supervisor Chen Shuipu asked for resigning the post of Supervisor of the Company, the proposal was approved in the 2003 Annual Shareholders' General Meeting on June 8, 2004. As approved by the 2003 Annual Shareholders' General Meeting, Mr. Feng Yu was additionally elected as Supervisor of the 4th Supervisory Committee.

Section V. Discussions and Analysis of the Management

I. Discussions and analysis of the Management

1. Operating results and financial analysis

(1) Increase in income from core business

In the report period, the Company accumulatively realized income from core business amounting to RMB 657,170,000, increasing RMB 53,380,000 compared with that RMB 603,790,000 in the same period of last year, with an increase of 8.84%. The income increased mainly because sales of automobiles increased.

(2) Costs from core business increased with the increase of income form core business

In the report period, costs from core business of the Company were amounting to RMB 601,670,000, increasing RMB 57,980,000 compared with that of RMB 543,690,000 in the same period of last year, with an increase of 10.66%. The costs increased mainly because the income from core business increased.

(3) Period expenses decreased a bit

In the report period, the period expenses of the Company was accumulated to RMB

54,130,000, decreasing RMB 5,810,000 compared with that RMB 59,940,000 in the same period of last year, with a decrease of 9.69%, of which: operating expenses RMB 20,830,000, almost the same with that RMB 20,790,000 in the same period of last year; administrative expenses RMB 26,800,000, decreasing RMB 3,410,000 with that RMB 30,210,000 in the same period of last year, with a decrease of 11.29%; financial expenses RMB 6,500,000, decreasing RMB 2,440,000 with that of RMB 8,940,000 in the same period of last year, with a decrease of 27.29%.

(4) The total profit increased compared with that in the same period of last year and the loss decreased

In the report period, the Company accumulatively realized total profit amounting to RMB 1.02 million, increasing RMB 80, 000 compared with that RMB 0.94 million; net profit amounting to RMB – 2.93 million, decreasing loss amounting to RMB 0.58 million compared with RMB – 3.51 million in the same period of last year.

2. Financial status of the Company

(1) Assets

By the end of June, 2004, the total assets of the Company was RMB 1,180.29 million of which: current assets amounting to RMB 653.12 million, long-term investment (net amount) amounting to RMB 124.87 million, fixed assets amounting to RMB 395.17 million intangible and other assets amounting to RMB 7.14 million.

(2) Liabilities

By the end of June, 2004, the total liabilities of the Company was RMB 939.06 million, of which: current liabilities amounting to RMB 924.7 million, long-term liabilities amounting to RMB 8.11 million and deferred taxes amounting to RMB 6.25 million.

(3) Net assets

By the end of June 2004, share equity of the Company was totaled RMB 241.24 million, of which: owners' equity of the Company amounting to RMB 208.81 million and minorities' equity amounting to RMB 32.43 million.

II. Operation in the fist half of 2004

1. Scope of core business and operation

Core business in the report period:

	Income from core business	Cost of core business	Gross profit ratio (%)	Increase/decrease of income from core business compared with the same period of last year (%)	Increase/decrease of cost of core business compared with the same period of last year (%)	Increase/decrease of gross profit ratio compared with the same period of last year (%)
Automobile examination and maintenance	41,361,214.30	31,861,321.18	22.97	-9	-12	2.92
Automobile trade	574,562,911.08	552,599,369.04	3.82	9	11	-1.2
Lease service	24,414,420.50	7,555,157.23	69.05	8	23	1.2
Real Estate	16,827,899.06	9,649,714.99	42.66	533.95	2,041.27	
Total	657,166,444.94	601,665,562.44	8.45	11	11	-0.32

2. In the report period, there were no significant changes about the constitution of

profit and core business and its structure and profitability of core business.

3. The Company had no other operating activities that impacted significant influence on the operating profits in the report period.

4. In the report period, there was no individual share-holding company whose investment earnings impacted over 10% on the net profit of the Company.

5. Problems and difficulties arising from the operation

Though the Company developed orienting to a good direction, there did still exist some problems to be solved immediately at present. Firstly, the market competed intensely and the sales prospect was not good. With different brands of automobile market emerging, the possession of automobiles of Shenzhen saturating, competition of the sales market of automobiles would be more intense, which would brought certain difficulties to the operation of the Company. Secondly, shortage of capital restricted the development of the Company. Through one year's efforts, although the Company changed the situation of strain capital, the State took macroeconomic management measures. Financing became more difficult, and partial cash flow still appeared deficit, and capital situation of the Group still remained uptight.

III. Investment in the report period

1. In the report period, the Company had no raised proceeds or the application of the proceeds raised through previous shares offering going down to the report period.

2. In the report period, the Company had no any project invested with the proceeds not raised through shares offering.

IV. The Company did not ever disclose the profitability estimations, relevant prospects or plans.

V. According to the operating and financial position at present, the Company still has not confirmed whether to turn the losses in the 3rd quarter of the year.

Section VI. Significant Events

I. Corporate governance

In the report period, continually according to the requirements of the Company Law, Securities Law and relevant laws and regulations, the Company incessant consummated the legal person' administrative structure, further standardize the operation of the Company. The management and operation of the Company basically accorded with the requirements of Administration Rules for Listed Companies. Pursuant to the requirements of relevant laws and regulations, the Company would consummate the legal person' administrative structure in further step.

II. Profit Distribution Plan and Plan of Converting Public Reserve into Share Capital in the report period

1. In the report period, the Company did not implement profit distribution or convert public reserve into share capital.

2. The Company would neither distribute profit nor convert public reserve into share capital in the metaphase.

III. Material lawsuits and arbitrations

In the report period, there were no any new lawsuits and arbitrations.

Explanation of settlement of original material lawsuits and arbitrations of the relevant companies:

For the case that Shenzhen Development Bank prosecuted Gintian Industrial (Group) Co., Ltd. on its refunding the loan amounted to USD 2 million exceeding the time limit with the Company as warrantor, Shenzhen Intermediate People's Court froze 95% equity of Xinyongtong Industrial Company held by the Company and froze partial equity and assets of Gintian Industrial (Group) Co., Ltd. in Guangzhou and Shenzhen.

IV. Material purchase and sale of assets and assets reorganization in the report period.

In the report period, the Company had no any material purchase and sale of assets and assets reorganization.

V. Material related transactions in the report period

1. In the report period, there was no related transaction of purchase and sale of commodities and labor service provision between the Company and the related parties.

2. In the report period, there was no related transaction of assets and equity transfer between the Company and the related parties.

3. Credits, liabilities and guarantees between the Company and the related parties:

Please refer to the details in Note VI of financial statements about credits, liabilities and guarantees between the Company and the related parties.

Shenzhen Special Economic Zone Development (Group) Company (hereinafter referred to as Tefa Group) shall refund the liabilities owed to the Company through the means of carrying on the bank loans and interests of the Company (These kinds of loans were the debt-to-equity swap loans against Tefa Group transferred by each assets management company). Tefa Group promised to still carry on the aforesaid debt-to-equity swap loans and interests if the aforesaid debt-to-equity swaps failed due to any reason and be responsible for refunding the accounts of other companies within Tefa Group owed to the Company.

4. Survey of capital occupies by controlling shareholder and its subsidiaries

Unit: RMB

	Dec. 31, 2003	Jun. 30, 2004
Net amount of capital occupies by controlling shareholder and its subsidiaries	107,468,684.17	108,180,445.67

5. Special explanation and independent opinions on the external guarantee, guarantee out of line, implementation of rules of the Company accumulated and in the current period given by Independent Directors

Independent directors of the Company Zhou Chengxin, Shi Weihong and Zhangyuan presented the following opinions on the external guarantee: in the report period, there was no newly increased guarantee. When the subsidiary of the Company, Shenzhen Automobile Industry & Trade Company firstly provided guarantee for Shenzhen Automobile Industry Import & Export Company (hereinafter referred to as Import & Export), of which Shenzhen Automobile Industry & Trade Company held 35% share equity, Import & Export didn't reshuffle ownership and was the wholly owned enterprise of Shenzhen Automobile Industry Import & Export Company. Therefore, the guarantee continued. The Company would reduce the guarantee responsibilities year by year according to the requirements of policies.

VI. Material contracts and their implementations

1. The Company did not significantly trust, contract or lease the assets of other companies in the report period or happening in the previous periods but going down to the report period and vice versa.
2. There was no material guarantee contract in the report period and happening in the previous periods but going down to the report period.
3. The Company did not entrust others to manage the cash assets in the report period or happening in the previous periods but going down to the report period.

VII. Commitments of shareholders holding over 5% shares of the Company

In the report period, those shareholders who held over 5% shares of the Company had no any commitment.

VIII. Other events with significant influence

In the report period, the Company, the Board of Directors and its directors were not checked, administratively punished and criticized by circulars by CSRC or condemned in public by Shenzhen Stock Exchange.

Section VII. Financial Report (Un-audited)

1. Balance sheet, income statement and statement of cash flow of the Company in the report period. (Please refer to the next page.)
2. The semi-annual financial statements for 2004 have not been audited.

Section VIII. 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) Semi-annual Report of the Company carried with the signature of the Chairman of the Board;
(2) Financial Report carried with the signatures and seals of the legal representative, Person in Charge of Accounting Work and Person in Charge of Accounting Dept.;
(3) Original of the Company's documents subscription of the public notices disclosed in the newspapers designated by the CSRC;
(4) Articles of Association of the Company;
(5) Other relative information.

Board of Directors of
Shenzhen Tellus Holding Co., Ltd.
August 16, 2004

Accompanying Statement I

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

Accompanying Statement I

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
Foreseeable 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

Accompanying Statement II

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

Accompanying III

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		-		