SHENZHEN TELLUS HOLDING CO., LTD.
SUMMARY OF ANNUAL REPORT 2004

§1. Important Notes

1.1 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 nor errors which would render any statement misleading. This report was prepared in both Chinese and English, should there be any difference in interpretation between the two versions, the Chinese version shall prevail. The summary of annual report 2004 is abstracted from the annual report; the investors are suggested to read the full text of annual report to understand more details.

1.2 No director stated that they couldn't ensure the correctness, accuracy and completeness of the contents of the Annual Report or have objection for this report.

1.3 All directors attended the Meeting.

1.4 Shenzhen Nanfang Minhe Certified Public Accountants and Moore Stephens (Shenzhen) Nanfang Minhe Certified Public Accountants issued a standard unqualified Auditors' Report for the Company.

1.5 Chairman of the Board of the Company Mr. Zhang Ruili, Chief Financial Officer Mr. Ren Yongjian and Manager of Financial Department Ms. Li Mingjun hereby confirm that the Financial Report enclosed in the Annual Report is true and complete.

§2. Company Profile

2.1 Basic information

Short form of the stock	ST Tellus-A, ST Tellus-B
Stock code	000025, 200025
Listed stock exchange	Shenzhen Stock Exchange
Registered address and office address	Registered address: Shenzhen Office address: 3/F, Tellus Bldg., No. 56 of Shui Bei Er Road, Luohu District, Shenzhen
Post code	Post code of registered address: 518020 Post code of office address: 518020
Internet web site of the Company	http://www.sdgtellus.com.cn
E-mail of the Company	sztljtgf@public.szptt.net.cn

2.2 Contact person and method

	Secretary of the Board	**Securities Affairs Representative**
Name	Ren Yongjian	Li Mingjun
Contact address	3/F, Tellus Bldg., No. 56 of Shui Bei Er Road, Luohu District, Shenzhen	3/F, Tellus Bldg., No. 56 of Shui Bei Er Road, Luohu District, Shenzhen
Telephone	(86) 755-25536888-388	(86) 755-25536888-351
Fax	(86) 755-25536658	(86) 755-25536658
E-mail	szryj@tom.com	szlmj@tom.com

§3. Summary of Accounting Data and Financial Indexes

3.1 Major accounting data Unit: RMB

	2004	2003	Increase/decrease over last year（%）	2002
Income from main operations	1,124,745,615.76	1,436,382,877.72	-21.70%	1,289,321,184.23
Total profit	13,903,513.53	13,630,669.73	2.00%	-34,302,617.24
Net profit	4,319,754.28	5,175,063.43	-16.53%	-40,980,896.04
Net profit after deducting non-recurring gains and losses	-2,056,290.71	-5,157,990.61	60.13%	-35,020,226.61
Net cash flow arising from operating activities	-79,921,661.82	100,750,071.64	-179.33%	120,412,420.24
	At the end of 2004	**At the end of 2003**	**Increase/decrease from the end of previous year（%）**	**At the end of 2002**
Total assets	1,063,458,822.65	1,274,704,955.23	-16.57%	1,232,340,347.02
Shareholder's equity (excluding minority interests)	216,276,817.86	211,162,165.06	2.42%	20,523,567.11

3.2 Major financial indexes Unit: RMB

	2004	2003	Increase/decrease over last year（%）	2002
Earnings per share	0.02	0.02	0.00%	-0.19
Earnings per share (note)	0.02	-	-	-
Return on equity	2.00%	2.45%	-0.45%	-20.14%
Return on equity calculated based on net profit after deducting non-recurring gains and losses	-0.95%	-2.44%	1.49%	-17.21%
Net cash flow per share arising from operating activities	-0.36	0.46	-178.26%	0.55
	At the end of 2003	**At the end of 2002**	**Increase or decrease from the end of previous year（%）**	**At the end of 2001**
Net assets per share	0.98	0.96	2.08%	0.92
Net assets per share after adjustment	0.14	0.10	40.00%	0.04

Note: Earnings per share was calculated based on new share capital if the Company's share capital from the end of report period to disclosure date of this report had been changed.

Items of non-recurring gains and losses

√Applicable □Inapplicable

Unit: RMB

Items of non-recurring gains and losses	Amount
Income from equity transfer	4,804,661.63

Reserve for impairment losses switched back	1,800,000.00
Non-operating income	1,738,351.79
Non-operating expenses after deducting reserve for impairment losses	-1,394,441.99
Losses from debts reorganization	-193,791.39
Funds occupied fee received from non-finance enterprises	428,802.29
Impact on income tax	-807,537.35
Total	6,376,044.98

3.3 Difference in net profit as audited by Chinese Accounting Standard (CAS) and International Accounting Standard (IAS)

√Applicable ☐Inapplicable

Unit: RMB

	CAS	IAS
Net profit	4,319,754.28	4,73,800.00
Explanation on the difference	The Company's net profit as of year 2004 was RMB 4,320,000 audited by domestic certified public accountants and RMB 4,738,000 audited by international certified public accountants respectively, which has increased by RMB 418,000 than the domestic result. The reasons are as follows: the evaluation and amortization of long-term investment has decreased by RMB1,938,000, valuation with object investment has decreased by RMB 269,000, switching back excess deficit of subsidiaries has decreased by RMB 139,000, expenses for capital occupied due to related transaction has increased by RMB 730,000, income from debts reorganization has increased by RMB 204,000, and fair value of investment house property has increased by RMB 1,830,000.	

§4. Changes in Share Capital and Particulars about Shareholders

4.1 Statement of change in share (Unit: share)

	Before the change	**Increase / decrease in this time (+, -)**	**After the change**
		Sub-total	
I. Unlisted Shares			
1. Sponsors' shares	159,588,000	0	159,588,000
Including: State-owned share	159,588,000	0	159,588,000
Domestic legal person's shares	0	0	0
Foreign legal person's shares	0	0	0
Others	0	0	0
2. Raised legal person's shares	0	0	0
3. Inner employees' shares	0	0	0
4. Preference shares or others	0	0	0
Total unlisted shares	159,588,000	0	159,588,000
II. Listed Shares			
1. RMB ordinary shares	34,284,100	0	34,284,100

2. Domestically listed foreign shares	26,400,000	0	26,400,000
3. Overseas listed foreign shares	0	0	0
4. Others	9,500	0	9,500
Total listed shares	60,693,600	0	60,693,600
III. Total shares	220,281,600	0	220,281,600

The amount of shares offered by funds, inner employees' shares traded in the counter, shares offered by strategic investor and shares offered ordinary juridical person should be disclosed respectively
☐Applicable √ Inapplicable

4.2 Statement of shares held by the top ten shareholders and the top ten shareholders of circulation share

Total number of shareholders at the end of report year				14,976		
Particulars about shares held by the top ten shareholders						
Full name of Shareholders	**Increase / decrease in the report year (share)**	**Shares held at the year-end (share)**	**Proportion (%)**	**Type of shares (Circulating/ Non-circulating)**	**Number of share pledged/ frozen (share)**	**Nature of shareholders (State-owned shareholder/foreign shareholder)**
Shenzhen Special Economic Zone Development (Group) Company	0	159,588,000	72.45%	Non-circulation	0	State-owned shareholder
ZHUANG XIN JIAN		490,499	0.22%	Circulation		Foreign shareholder
WANG FU CHANG		330,000	0.15%	Circulation		Foreign shareholder
LIU ZI XIAN		288,387	0.13%	Circulation		Foreign shareholder
DBS BICKERS (HONG KONG) LTD A/C CLIENTS		261,100	0.12%	Circulation		Foreign shareholder
WANG XING		210,000	0.10%	Circulation		Foreign shareholder
MEI ZHENG SHUI		201,000	0.09%	Circulation		Foreign shareholder
YAO MING CHUN		195,800	0.09%	Circulation		Foreign shareholder
YE JING		194,900	0.09%	Circulation		Foreign shareholder
CAI XIAO LIN		181,148	0.08%	Circulation		Foreign shareholder

Particulars about shares held by the top ten shareholders of circulation share		
Full name of shareholders	**Number of circulation shares at the year-end (share)**	**Type (A-share, B-share, H-share and other)**
ZHUANG XIN JIAN	490,499	A-share
WANG FU CHANG	330,000	B-share
LIU ZI XIAN	288,387	A-share
DBS BICKERS (HONG KONG) LTD A/C CLIENTS	261,100	B-share
WANG XING	210,000	B-share
MEI ZHENG SHUI	201,000	A-share
YAO MING CHUN	195,800	A-share
YE JING	194,900	B-share

CAI XIAO LIN	181,148	A-share
ZHUANG GONG DONG	180,088	B-share
Explanation on associated relationship among the top ten shareholders or consistent action	Among the top ten shareholders of circulation share as listed above, the Company is unknown whether there exists associated relationship or not.	

4.3 Particulars about controlling shareholders and actual controller of the Company

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

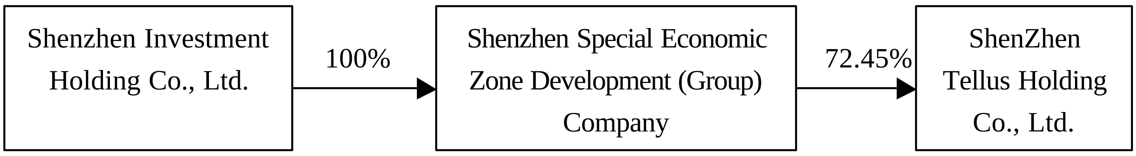
√Applicable ☐Inapplicable

Name of new controlling shareholder	Shenzhen Special Economic Zone Development (Group) Company
Name of new actual controller	Shenzhen Investment Holding Co., Ltd.
Changing date	Changing date of new actual controller: Sep. 29, 2004
Disclosure date and newspaper of the changing of controlling shareholder	Shenzhen Special Economic Zone Development (Group) Company
Disclosure date and newspaper of the changing of actual controller	Nov. 4, 2004 Securities Times and Ta Kung Pao

4.3.2 Introduction of situation on the controlling shareholder and actual controller

Shenzhen Special Economic Zone Development (Group) Company
Legal representative: Hu Ge
Date of establishment: In October 1981
Registered capital: RMB 104.85 million
Company type: state-owned enterprise of Shenzhen City
Business scope: principal business: industry, traffic and transportation, land development, real estate, tourism, finance and trust, issuing securities, information consulting, textile, textile products, general merchandize, grains and oil, other products, hardware, traffic electrical appliances, chemicals. Minor businesses: cultural and office equipment, computer and components, feeds, general parts, steel materials, pig iron, non-ferrous metal, building materials, mineral products, import of raw and auxiliary materials and equipment for self-use, local and animal by-products and fire extinguishing equipment and materials.

4.3.3 Property right and controlling relationship between the actual controller of the Company and the Company is as follows:



§5. Particulars About Directors, Supervisors and Senior Executives

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

Name	Title	Gender	Age	Office term	Number of holding shares (share)		Reason for change
					At the period-begin	At the period-end	
Jiang Qinjian	Director	Male	42	Apr. 18, 2003-Apr. 18, 2006	9,000	9,000	
Hu Xiaomei	Supervisor	Female	44	Apr. 18, 2003-Apr. 18, 2006	0	500	Purchasing

5.2 Particulars about directors and supervisors holding the post in Shareholding Company

√Applicable ☐Inapplicable

Name	**Name of Shareholding Company**	**Title in Shareholding Company**	**Office term**	**Drawing the payment from the Shareholding Company (Yes / No)**
Wang Hailin	Shenzhen Special Economic Zone Development (Group) Company	Deputy Chief Economist	Nov. 1, 2001 to now	No
Yang Feng	Shenzhen Special Economic Zone Development (Group) Company	Minister of human resource Dept.	Jun. 1, 2000 to now	No
Jiang Qinjian	Shenzhen Special Economic Zone Development (Group) Company	Minister of Planing & Financial Dept.	Jan. 1, 2004 to now	No
Luo Tao	Shenzhen Special Economic Zone Development (Group) Company	Minister of the 2nd Dept. of the Group	Jul. 1, 1996 to now	No
Feng Yu	Shenzhen Special Economic Zone Development (Group) Company	Director of Geneal Office	Jan. 1, 2004 to now	No

5.3 Particulars about the annual payment of directors, supervisors and senior executives

Total annual payment	RMB 940,000
Total annual payment of the top three directors drawing the highest payment	RMB 410,000
Total annual payment of the top three senior executives drawing the highest payment	RMB 560,000
Allowance of independent director	RMB 30,000 per person/ year
Other treatment of independent directors	Naught
Name of directors and supervisors receiving no payment or allowance from the Company	Wang Hailin, Yang Feng, Jiang Qinjian, Luo Tao, Feng Yu, Hu Xiaomei and Wu Yonggang
Payment	Number of persons
RMB 130,000 ～ RMB 150,000	1
RMB 150,000 ～ RMB 180,000	3
RMB 200,000 ～ RMB 220,000	1

§ 6. Report of the Board of Directors

6.1 Discussion and analysis to the whole operation in the report period

In the report period, under the correct lead of the Board of Directors, after collective efforts of all employees and tacit cooperation, the Company surmounted difficulties, settled problems, adjusted in advancement, developed amidst adjustment, gained better outstanding achievement of operations and achieved main operation target. The new point of profit growth of the Group is forming, and the Company entered into a phase with continual payoff and steady development. In 2004, Tellus Holding realized sales income amounting to about RMB 1.124 billion in the whole year; and realized total profit of RMB 13.9 million and net profit of RMB 4.32 million.

6.2 Statement of main operations classified according to industries or products

Unit: RMB'0000

Classified according to industries or products	Income from main operations (RMB)	Cost of main operations (RMB)	Gross profit ratio (%)	Increase/decrease in income from main operations over the last year (%)	Increase/decrease in cost of main operations over the last year (%)	Increase/decrease in gross profit ratio over the last year (%)
Other social service	9,766.00	6,433.00	34.13%	-10.99%	-16.38%	4.24%
Other wholesale and retail trade	97,964.00	93,767.00	4.28%	-22.46%	-22.62%	1.19%
Lease service	4,744.00	1,525.00	67.85%	-24.96%	-18.41%	-2.59%
Including: related transactions						
Automobile inspection and maintenance	9,766.00	6,433.00	34.13%	-10.99%	-16.38%	4.24%
Automobile trade	97,964.00	93,767.00	4.28%	-22.46%	-22.62%	1.19%
Lease service	4,744.00	1,525.00	67.85%	-24.96%	-18.41%	-2.59%
Including: related transactions						
Pricing rules for related transactions	Naught					
Necessity and durative of related transactions	Naught					

Including: total amount of related transactions that the listed company sold products or provided labor service to the controlling shareholder and its subsidiaries was RMB 0.00 in the report period.

6.3 Particulars about main operations classified according to areas

Unit: RMB'0000

Areas	Income from main operations (RMB)	Increase/decrease in income from main operations over the last year (%)
Shenzhen	112,474.00	-21.70%

6.4 Particulars about the customers of purchase and sales

Unit: RMB’0000

Total amount of purchase of the top five suppliers	80,000.00	Proportion in the total amount of purchase	90.00%
Total amount of sales of the top five sales customers	500.00	Proportion in the total amount of sales	0.30%

6.5 Operation of share-holding companies

□Applicable √Inapplicable

6.6 Explanation on reasons of material changes in main operations and its structure

□Applicable √Inapplicable

6.7 Explanation on reasons of material changes in profitability capability of main operations (gross profit ratio) than that in the last year

□Applicable √Inapplicable

6.8 Analysis to reasons of material changes in operating results and profit structure compared with the previous year

□Applicable √Inapplicable

Analysis to reasons of material changes in the whole financial position than that in the last year

□Applicable √Inapplicable

6.9 Explanation on the past, current and future important effects of the material changes in production and operation environment, macro-policies and regulations on the Company’s financial position and operating results

□Applicable √Inapplicable

6.10 Completion of the profit estimation

□Applicable √Inapplicable

6.11 Completion of the business plan

□Applicable √Inapplicable

6.12 Application of the raised proceeds

□Applicable √Inapplicable

Particulars about the changed projects

□Applicable √Inapplicable

6.13 Application of the non-raised proceeds through shares offering
☐Applicable √Inapplicable

6.14 Explanation of the Board of Directors on the "Qualified Opinion" made by the Certified Public Accountants
☐Applicable √Inapplicable

6.15 Business plan as of the next year of the Board of Directors
√Applicable ☐Inapplicable

In 2005, the guiding thought in work of Tellus Group is: to strengthen management, integrate resources, perfect mechanism, settle crisis and steady development. The following some aspects were included: 1. To strengthen management, increase income save expenses, gain benefit from management and further perfect budget checking system; 2. To integrate internal resources of the Group, integrate assets, and enhanced integration of management level and human resource simultaneity; 3. To perfect corporative administrative mechanism, standardize enterprise's business and operation and explore scientific long-effective encouragement mechanism; 4. To settle legal crisis, appropriative settle bank liabilities, widen financing channel and enhance financing capability; 5. To solidify existing market, strengthen industrial basis, fix attention to doing well in the two new projects of Benz and Quick Repairing Chain, and actively and reliably exploit new point of market growth.

Profit estimation of the next year
☐Applicable √Inapplicable

6.16 The preplan on the profit distribution and capitalization of capital public reserve of the Board of Directors
☐Applicable √Inapplicable
The Company did not appropriate share distribution preplan though the Company achieved the profit in the report period
√Applicable ☐Inapplicable

The reasons why the Company did not appropriate share distribution preplan though the Company achieved the profit in the report period	Usage and plan of undistributed profit
In 2004, neither profit distribution nor capitalization would be conducted. The undistributed profits will be used to offset the losses in the previous years. The said profit distribution plan still should be submitted to Annual Shareholders' General Meeting 2004 for examination and approval.	The undistributed profits will be used to offset the losses in the previous years.

§ 7. Significant Events

7.1 Purchase of assets

□Applicable √ Inapplicable

7.2 Sales of assets

√Applicable □ Inapplicable

Unit: RMB'0000

Transaction parties	The assets sold	Date of sale	Sale price	Contribution to net profit of the Company of the assets sold from the year-begin to the date of sale	Profit or loss from sale	Related transaction or no	Explain principle of pricing	Assets ownership involved in the assets transferred or not	Debts and Liabilities involved in the assets transferred or not
Chen Yibin	Shenzhen Xinhua Wire &Cable Co., Ltd.	Dec. 29, 2004	641.00	19.00	408.00	No	Based on evaluation report	Yes	No

7.1, 7.2 Influence on consistence of business and stability of managers caused by the issues interfered in purchase and sale

The transaction would increase cash flow of the Company. The inflow would help the Company explored core business with all efforts, which had positive influence on the production and operation of the Company.

7.3 Important guarantee

√Applicable □Inapplicable

Unit:(RMB)'0000

Particulars about the external guarantee of the Company (Barring the guarantee for the controlling subsidiaries)						
Name of the Company guaranteed	Date of happening (date of signing agreement)	Amount of guarantee	Guarantee type	Guarantee term	Complete Implementation or not	Guarantee for related party (yes or not)
Gintian Industry (Group) Co., Ltd.	Aug. 1, 1997	1,654.00	Joint responsible guarantee	One year	No	No
Shenzhen Automobile Industry Import & Export Co.	Mar. 26, 2004	800.00	Credit	One year	No	Yes

Shenzhen Automobile Industry Import & Export Co.	Aug. 13, 2004	1,000.00	Credit	One year	No	Yes
Shenzhen Automobile Industry Import & Export Co.	Aug. 17, 2004	800.00	Credit	One year	No	Yes
Shenzhen Automobile Industry Import & Export Co.	Aug. 10, 2004	1,000.00	Credit	One year	No	Yes
Total amount of guarantee in the report period				3,600.00		
Total balance of guarantee at the end of the report period				5.254.00		
Guarantee of the Company for the controlling subsidiaries						
Total amount of guarantee for controlling subsidiaries in the report period				944.00		
Total balance of guarantee for controlling subsidiaries at the end of the report period				995.10		
Particulars about the external guarantee of the Company (Including the guarantee for the controlling subsidiaries)						
Total amount of guarantee				6,249.10		
The proportion of the total amount of guarantee in the net assets of the Company				28.89%		
Particulars about the guarantees out of line						
Total amount of guarantee for other related parties, which the Company or controlling shareholders held less than 50%				3,600.00		
The debts guarantee amount provided for the guarantee of which the assets-liability ratio exceeded 70%				0.00		
Proportion of total amount of guarantee in net assets of the Company exceeded 50% (Yes of No)				No		
Total amount of guarantee breaking regulations				3,600.00		

7.4 Significant related transactions

7.4.1 Related sale and purchase

☐Applicable √Inapplicable

7.4.2 Related credits and liabilities current

√Applicable ☐Inapplicable

Unit: RMB'0000

Related Parties	Providing capital to the related parties		The related parties provided capital to the Company	
	Amount occurred	Balance	Amount occurred	Balance
SDG	-82.32	14,846.34	163.72	5,326.03

Shenzhen SD Swan Industrial Company	92.68	2,271.37	0.00	0.00
Shenzhen Xinglong Machinery Mould Company	7.57	127.35	0.00	0.00
Shenzhen Machinery Export-Import Company	11.24	494.40	0.00	0.00
Hong Kong Yujia Investment Co., Ltd.	-21.02	0.00	254.58	254.58
Shenzhen Telongfa Industrial Co., Ltd.	0.00	55.50	0.00	847.76
Shenzhen Zhenhai Kitchen Control Machinery Co., Ltd.	0.00	51.84	0.00	0.00
Tellus (Jinbian) Development Co., Ltd.	6.11	36.00	0.00	0.00
Shenzhen Tellus Real Estate Yueyang Company	3.60	25.55	0.00	0.00
Shenzhen Chihe Automobile Co., Ltd.	500.00	500.00	0.00	0.00
Shenzhen SD Development Center Construction Supervision Co., Ltd.	0.00	0.00	19.00	651.50
Shenzhen Automobile Industry Import & Export Company	0.00	0.00	-705.00	792.20
Shenzhen Longgang Tellus Real Estate Company	0.00	0.00	0.00	109.57
Shenzhen Biaoyuan General Automobile Co., Ltd.	0.00	0.00	-152.00	469.37
Shenzhen Biaoyuan Investment Company	0.00	0.00	999.00	999.00
Shenzhen Tellus Yangchun Real Estate Company	0.00	0.00	7.46	33.06
Total	517.86	18,408.35	586.76	9,483.07

Including: In the report period, the amount of capital of the listed company provided for controlling shareholders and its subsidiaries was RMB 102,900, and the balance was RMB 177,291,600.

7.5 Entrust financing

□Applicable √ Inapplicable

7.6 Implementation of commitment items

√ Applicable □ Inapplicable

In 1997, the Company transferred equity of Telongfa Company, the subsidiary of the Company, to SDG and other business and it produced credit to the principal shareholder.

Related creditors and SDG negotiated to change from credit to share equity to the principal shareholder on the balance of part short-term loan and interest payable. Because the work of debt-to-equity swap is in the process, SDG made commitment not reversible as follows on the debt owed to the Company:

SDG takes in charge of dealing with the legal procedure of debt-to-equity swap as soon as possible. If debt-to-equity swap is not implemented due to any reason, SDG will accept the aforesaid bank debts and corresponding interest of the Company to repay the debts SDG owed to the Company. The commitment letter is subject to Chinese law and binds SDG.

7.7 Significant lawsuit and arbitration

√ Applicable □ Inapplicable

On Aug. 20, 2004, about the case that Shenzhen Shangbu sub-branch of Agricultural Bank of China indicted Shenzhen Petrochemical Industrial Group Co., Ltd. didn't pay loan amounting to RMB 57.6 million over due and the Company provided guarantee for it, Shenzhen branch of Agricultural Bank of China appealed to Shenzhen Intermediate People's Court, and claimed the borrower Shenzhen Petrochemical Industrial Group Co., Ltd. paid back loan 57.6 million and interest RMB 16,652,286.37, loan interests lasting to the implementation period, of which Shenzhen Petrochemical Industrial Group Co., Ltd. didn't fulfill the obligation overdue that the Court verdict it should pay double interests, and expenses for realizing creditors' rights, the Company bore clearing responsibilities for total liabilities of Shenzhen Petrochemical Industrial Group Co., Ltd.. At present, the case was in hearing. On Sept. 11, 2004, the Company published Public Notice on Lawsuit on Securities Times and Ta Kung Pao respectively.

7.8 Particulars about the performance of obligations of Independent Directors

Particulars about the independent directors attending the Board

Name of Independent Directors	This year times of attending the Board meeting	Presence in person	Entrusted presence (times)	Absence (Times)	Notes
Shi Weihong	9	9	0	0	
Zhou Chengxin	9	9	0	0	
Zhang Yuan	9	4	4	1	Business trip

Particulars about the independent directors proposed different opinions about the relevant matters of the Company

□Applicable √Inapplicable

§8.Report of the Supervisory Committee

√ Applicable □ Inapplicable

The Supervisory Committee totally held seven entire meetings in the report period and the main content: 1. Examine the significant matters of the Company, successively examine and approve Proposal on Revising relevant terms of the Articles of the Association, Trial Regulations on Accident Disposal of Working Quality of Tellus Group, and Trial Regulations on Salary Management of the headquarters of Tellus Group; examine and approve Proposal on share equity of Xinhua Cable Co., Ltd., Answering Lawsuit Plan about Agricultural Bank of China indicted the Company for bank guarantee and relevant proposal on changes on share equity of wholly enterprise; present independent opinion on Dongguan automobiles marketing program of Xinyongtong Company. 2. Seriously examine Work Report of the Board, Business Report pf Operating Group, Financial Quarterly Report and Annual Report of the Company and Profit Distribution Plan. 3. Approve Work Report 2004 of the Supervisory Committee and form resolutions. For one year, the members of the Supervisory Committee of the Company attended all meetings of the Board of the Company. According to the duty scope stated in relevant

laws, regulations and Articles of Association of the Company, the Supervisory Committee of the Company supervised over and knew the operation according to law of the Company, work and behavior of the members of the Board of Directors and other senior executives through attending the meeting of the Board as non-voting delegates and other approaches, strictly fulfilled supervision obligations.

The Supervisory Committee expressed the following independent opinion on relevant events of the Company in 2004:

1. Opinion on the Company's operation according to law

According to Company Law, Administration Rules for Listed Companies, Articles of Association of the Company and other relevant laws and regulations, the Supervisory Committee supervised over the procedure of holding and resolutions of the Shareholders' General Meeting and the Board of Directors, implementation of resolutions of the Shareholders' General Meeting by the Board of Directors, implementation of duties of senior executives of the Company and the Company's management system. The Supervisory Committee believes that every decision-making procedure of the Company was in accordance with the Company Law, Administration Rules for Listed Companies and Articles of Association of the Company, the Company can carry out resolutions of Shareholders' General Meeting and corrected emerging problems in operation timely, and actively protected interests of the Company. In the report period, there found no actions of breaking laws, regulations and Articles of Association of the Company and damaging the interest of the Company when the directors and senior executives of the Company implemented their duties of the Company.

2. Opinion on inspection of the Company's financing

The Supervisory Committee inspected patiently and carefully the financial system and financial status of the Company and believed that the Company had sound inner control system and perfect management, and 2004 Financial Report of the Company could reflect truly the financial status and operation result of the Company. Shenzhen Nanfang Minhe Certified Public Accountants and Moore Stephens (Shenzhen) Certified Public Accountants has issued the unqualified auditor's report.

3. In the report period, the Company had no raised capital.

4. Opinion on purchase and sale of assets of the Company

In this accounting year, as researched and decided by the Board of Directors of the Company and authorized by the relevant superior departments, the Company transferred 15.54% equity of Shenzhen Xinhua Cable Co., Ltd.. The transfer price of share equity transfer was reasonable, and the procedures of it were lawful. There found unreasonable transaction and insider trade, which didn't cause the outflow of the assets of the Company and harm the interests of shareholders.

5. In the report period, to respite actual difficulties of capital turnover, through negotiation of both parties, the loan amounting to RMB 6 mil from SD Supervision, controlling subsidiary of SDG, the controlling shareholder of the Company would extend for one year. The related transaction didn't cause significant influence on the Company.

§9. Financial Report

9.1 Auditor's opinions

Auditor's opinions: Standard unqualified auditor's opinions

9.2 Financial statement

9.3 Explanation on changes of accounting policy, accounting estimation and settlement compared with the latest annual report

□Applicable √Inapplicable

9.4 Contents, correct amount, reason and its influence of significant accounting errors

□Applicable √Inapplicable

9.5 Explanation on change of consolidated scope compared with the latest annual report

√ Applicable □Inapplicable

In 2003, the Company consolidated income statement and cash flow statement of Shenzhen Huatong Automobile Company from Jan. to Sep.. Because the Company transferred 70% share equity of Shenzhen Huatong Automobile Company, the Company lose control on the company, which led to change on the consolidation scope pf statements.

Board of Directors of

ShenZhen Tellus Holding Co., Ltd.

Mar. 15, 2005

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	2004	2003
		RMB'000	RMB'000
Turnover	4	1,124,746	1,436,383
Cost of sales		(1,020,822)	(1,311,843)
Gross profit		**103,924**	**124,540**
Other operating income		55,700	37,138
Distribution costs		(50,953)	(52,861)
Administrative expenses		(52,440)	(62,416)
Other operating expenses		(35,418)	(24,723)
Profit from operations	5	**20,813**	**21,678**
Finance costs	6	(15,406)	(19,861)
Income from associates		2,550	2,697
Dividend income from investments		1,699	2,025
Gain from disposal of associates		--	3,203
Gain from disposal of investments		4,805	14,058
Loss from disposal of a subsidiary		--	(5,803)
Profit before tax		**14,461**	**17,997**
Income tax expense	7	(4,430)	(3,930)
Profit after tax		**10,031**	**14,067**
Minority interest		(5,293)	(4,370)
Net profit for the year		**4,738**	**9,697**
Profit per share	8		
Basic		RMB 0.01	RMB 0.04
Diluted		N/A	N/A

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2004

	Note	2004 RMB'000	2003 RMB'000
Non-current assets			
Goodwill	9	11,119	12,808
Property, plant & equipment	10	120,500	135,262
Investment properties	11	270,532	268,702
Interests in associates	13	12,715	25,315
Long-term investments	14	88,405	83,775
		503,271	**525,862**
Current assets			
Properties held for sale	15	37,258	61,593
Inventories	16	126,728	88,025
Accounts receivable and prepayments		105,477	179,403
Amount due from ultimate holding company	17	95,203	95,389
Pledged bank deposits	18	38,599	179,117
Cash and bank balances		86,740	86,511
		490,005	**690,038**
Current liabilities			
Accounts payable		77,439	109,382
Accruals and other payables		164,922	161,955
Provision for staff welfare		5,838	7,344
Bills payable	18	100,175	272,092
Bank loans	19	207,132	233,162
Other loans	20	172,586	192,482
Tax payable		5,805	3,426
		733,897	**979,843**
Net current liabilities		**(243,892)**	**(289,805)**
		259,379	**236,057**
Capital and reserves			
Share capital	21	220,282	220,282
Reserves	22	(10,677)	(15,415)

Minority interests	49,774	31,190
	259,379	**236,057**

Director   Director

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	2004	2003
		RMB'000	RMB'000
OPERATING ACTIVITIES			
Cash received from sale of goods or rendering of services		1,327,288	1,708,985
Other cash received relating to operating activities		28,848	29,972
Cash paid for goods and services		(1,212,148)	(1,448,580)
Cash paid to and on behalf of employees		(60,344)	(60,860)
Tax paid		(34,107)	(57,364)
Cash paid relating to other operating activities		(129,459)	(71,403)
Interest paid		(13,903)	(21,468)
Net cash from operating activities		(93,825)	79,282
INVESTING ACTIVITIES			
Cash received from disposal of investments		3,567	36,317
Dividends received and interest received		1,845	9,732
Net cash received from the sale of fixed assets, intangible assets and other long-term assets		5,857	5,983
Other cash received relating to investing activities		140,517	-
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(4,347)	(9,802)
Cash paid to acquire investments		(18,879)	(24,853)
Cash paid relating to other investing activities		-	(73,892)

Net cash used in investing activities	128,560	(56,515)
FINANCING ACTIVITIES		
Proceeds from borrowings	201,870	268,515
Other cash received relating to financing activities	-	-
Repayments of borrowings	(236,376)	(309,876)
Cash paid relating to other financing activities	-	-
Net cash used in financing activities	(34,506)	(41,361)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	229	(18,594)
Cash and cash equivalents at beginning of year	86,511	105,105
Cash and cash equivalents at end of year	86,740	86,511

The accompanying notes form part of these financial statements.