深圳市特力(集团)股份有限公司

SHENZHEN TELLUS HOLDING CO., LTD.

SEMI-ANNUAL REPORT 2005

（B-share）

August 4, 2005

Contents

Shenzhen Tellus Holding Co., Ltd.

Semi-annual Report 2005

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. Due to going for business, Independent Director Zhang Yuan entrusted Independent Director Shi Weihong to execute voting right on behalf of him.

Mr. Zhang Ruili, Chairman of the Board, Mr. Fu Bin, Chief Financial Officer and Mr. Yang Jianhui, Manager of Plan and Financial Dept. hereby confirm that the financial report enclosed in the 2005 semi-annual report is true and complete.

The 2005 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 address: 3/F, Tellus Bldg., No. 56 of Shui Bei Er Road, Luohu District, Shenzhen
   Office Address: 15/F, Zhonghe Bldg., Shennan Road (M), Shenzhen
   Post Code: 518031
   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) 755-83989338
   Fax: (86) 755-83989399
   E-mail: szryj@tom.com
   Securities Affairs Representative: Yang Jianhui
   Contact Address: Plan and Financial Dept. of Shenzhen Tellus Holding Co., Ltd.
   Tel: (86) 755-83989363
   Fax: (86) 755-83989339
   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: 15/F, Zhonghe Bilg., Shennan Road (M), Shenzhen

II. Major financial data and indexes

1. Major un-audited accounting data and financial indexes in the first half year 2005:

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	542,973,594.15	541,586,257.08	0.26
Current liabilities	788,600,188.06	785,161,838.17	0.44
Total assets	1,068,873,568.54	1,063,458,822.65	0.51
Shareholders' equity (excluding minority interest)	217,029,255.76	216,276,817.86	0.35
Net assets per share	0.985	0.982	0.31
Net assets per share after adjustment	0.18	0.14	28.57

	In the report period (Jan. to Jun. 2005)	At the same period of last year	Increase/decrease in this report period compared with the same period of last year
Net profit	409,587.98	-2,931,330.65	113.97%
Net profit after deducting non-recurring gains and losses	1,843,429.54	-3,333,822.34	155.29%
Earnings per share	0.002	-0.013	115.38%
Return on equity%	0.19	-1.36	1.55
Net cash flow arising from operating activities	99,757,526.57	-83,725,379.44	219.15%

Return on equity and earnings per share calculated according to the requirement of Preparation Conventions of Information Disclosure by Company Offering Securities to the Public No. 9 promulgated by CSRC.

Supplement of Income Statement

Items	In June 2005			
	Return on equity (%)		Earnings per share (RMB/share)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Income from main operations	24.05	24.11	0.24	0.24
Income from operations	2.81	2.82	0.028	0.028
Net profit	0.19	0.19	0.002	0.002
Net profit after deducting non-recurring gains and losses	0.85	0.85	0.008	0.008

Items of non-recurring gains and losses	**Amount (RMB)**
Non-operating income	446,986.06
Non-operating expenses	1,880,827.62
Total	-1,433,841.56

2. Difference between CAS and IAS

(1) As reported under IAS

Unit: RMB'000

Item	**Jan. – Jun. 2005**	**Jan. – Jun. 2004**
Revenue	530,653	657,166
Profit after taxation	410	-2,931
Total shareholders' fund	210,357	202,512
Earnings per share (RMB)	0.002	-0.013
Net assets per share (RMB)	0.955	0.919
Return on equity (%)	0.19	-1.45
Shareholders' equity ratio (%)	19.68	17.16

(2) As reported under CAS

Item	**Jan. – Jun. 2005**	**Jan. – Jun. 2004**
Revenue	530,653	657,166
Profit after taxation	410	-2,931
Total assets	1,068,874	1,180,294
Total shareholders' fund	217,029	208,807
Earnings per share (RMB)	0.002	-0.013
Net assets per share (RMB)	0.985	0.948
Return on equity (%)	0.19	-1.40
Shareholders' equity ratio (%)	20.30	17.69

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, 2005, the Company had 14,441 shareholders in total, including 10, 582 shares of A-share shareholders and 3,859 shares of B-share shareholders.

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**	**Propor-tion (%)**	**Type of shares**	**Pledged or frozen**	**Nature of Share-holders**
1. Shenzhen Special Economic Zone Development (Group) Company	0	159,588,000	72.45	Non-circulating	Naught	State-owned shareholder
2. LAI SHI HUA (shareholder of circulation share)	Unknown	567,659	0.26	Circulating	Unknown	Foreign shareholder
3. WANG FU CHANG (shareholder of circulation share)	Unknown	330,000	0.15	Circulating	Unknown	Foreign shareholder
4. LIU ZI XIAN (shareholder of circulation share)	Unknown	303,487	0.14	Circulating	Unknown	Foreign shareholder
5. DBS VICKERS (HONG KONG) LTD A/C CLIENTS (shareholder of circulation share)	Unknown	261,100	0.12	Circulating	Unknown	Foreign shareholder
6. MEI ZHENG SHUI (shareholder of circulation share)	Unknown	201,000	0.09	Circulating	Unknown	Foreign shareholder
7. YAO MING CHUN (shareholder of circulation share)	Unknown	195,800	0.09	Circulating	Unknown	Foreign shareholder
8. YE JING (shareholder of circulation share)	Unknown	195,800	0.09	Circulating	Unknown	Foreign shareholder
9. CAI XIAO LING (shareholder of circulation share)	Unknown	181,148	0.08	Circulating	Unknown	Foreign shareholder
10. ZHUANG GONG DONG (shareholder of circulation share)	Unknown	180,088	0.08	Circulating	Unknown	Foreign shareholder

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. LAI SHI HUA	567,659	A & B shares
2. WANG FU CHANG	330,000	B-share
3. LIU ZI XIAN	303,487	A -share
4. DBS VICKERS (HONG KONG) LTD A/C CLIENTS	261,100	B -share
5. MEI ZHENG SHUI	201,000	A-share
6. YAO MING CHUN	195,800	A-share

7. YE JING	195,800	B -share
8. CAI XIAO LING	181,148	A-share
9. ZHUANG GONG DONG	180,088	A -share
10. LIANG GUI LAN	180,000	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.

Explanation on the appointed period of holding shares which strategic investor or general legal person participates in the allotment of new shares: Naught.

V. Particulars about the controlling shareholder

In the report period, the Company and its controlling shareholder Shenzhen Special Economic Zone Development (Group) Company (hereinafter referred to as Tefa Group) holding 72.45% shares of the Company have accomplished Agreement for Credit transfer into Equity and change of company's registration, its name, nature, registered capital and shareholder have changed respectively. Name of enterprise changed from original Shenzhen Special Economic Zone Development (Group) Company into Shenzhen Tefa Group Co., Ltd; nature of enterprise changed from original exclusively state-owned enterprise of Shenzhen into limited company; registered capital and revenue respectively increased by RMB 1582.82 million; its shareholder changed from original Shenzhen Investment Holding Co., Ltd. (holding 100% shares of Tefa Group) into Shenzhen Investment Holding Co., Ltd, China Great Wall Asset Management Corporation, China Orient Asset Management Corporation and China Xinda Asset Management Corporation respectively with 43.30%, 28.87%, 26.03% and 1.80% share equity of Tefa Group.

The relevant pubic notice has been published on Securities Times and Ta Kung Pao.

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
Zhang Ruili	Chairman of the Board	0	0
Cheng Lin	Director, Executive deputy General Manager	0	0
Wang Hailin	Director	0	0
Yang feng	Director	0	0
Jiang Qinjian	Director	9000	9000
Fu Bin	Director, CFO	0	0
Zhou Chengxin	Independent Director	0	0
Shi Weihong	Independent Director	0	0
Zhang Yuan	Independent Director	0	0

Li Binxue	Chairman of the Supervisory Committee	0	0
Luo Tao	Supervisor	0	0
Feng Xing	Supervisor	0	0
Hu Xiaomei	Employee Supervisor	500	500
Li Mingjun	Employee Supervisor	0	0
Guo Dongri	Deputy GM	0	0
Ren Yong Jian	Deputy GM, the Secretary of the Board	0	0
Luo Bojun	Deputy of GM	0	0

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

(I) The Company held the 11th Provisional Meeting of the 4th Board Meeting on June 27, 2005, engaged Mr. Cheng Peng as Executive Deputy General Manager of the Company; Mr. Ren Yongjian and Luo Bojun as Deputy GM of the Company; Mr. Fu Bin as CFO of the Company; due to work reason, dismissed Wu Yonggang the post of deputy GM; dismissed Ren Yingjian the post of CFO of the Company. The relevant public resolution has been published on Securities Times and Ta Kung Pao dated Apr. 29, 2005.

(II) On June 3, 2005, the 2004 Annual Shareholders' General Meeting elected Cheng Peng and Fu Bin as directors of the 4th Board of Directors, and dismissed Guo Dongsheng the position of director of the 4th Board of Directors. The relevant public resolution has been published on Securities Times and Ta Kung Pao dated June 4, 2005.

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 530.65 million, decreasing RMB 126.52 million compared with that RMB 657.17 million in the same period of last year, with an decrease of 19.25%. The income decreased mainly because sales of automobiles decreased.

(2) Costs from core business decreased with the decrease of income form core business

In the report period, costs from core business of the Company were amounting to RMB 475.45 million, decreasing RMB 126.22 million compared with that of RMB 601.67 million in the same period of last year, with an decrease of 20.98 %. 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 47.74 million, decreasing RMB 6.39 million compared with that RMB 54.13 million in the same period of last year, with a decrease of 11.8%, of which: operating expenses RMB 17.7 million, decreasing RMB 3.13 million over 20.83 million of the same period of pervious year, with 15.03% damping; administrative expenses RMB 26.26 million, decreasing RMB 0.54 million with that RMB 26.80 million in the same period of last year; financial expenses RMB 3.78 million, decreasing RMB 2.72 million with that of RMB 6.50 million in the same period of last year, with 41.85% damping.

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

In the report period, the Company accumulatively realized total profit amounting to RMB 4.17 million, increasing RMB 3.15 million compared with that RMB 1.02 million; net profit amounting to RMB 410,000, increasing RMB 3.34 million compared with RMB – 2.93 million in the same period of last year.

2. Financial status of the Company

(1) Assets

By the end of June, 2005, the total assets of the Company was RMB 1,068.87 million of which: current assets amounting to RMB 542.97 million, long-term investment (net amount) amounting to RMB 131.33 million, fixed assets amounting to RMB 384.57 million intangible and other assets amounting to RMB 10.01 million.

(2) Liabilities

By the end of June, 2005, the total liabilities of the Company was RMB 798.81 million, of which: current liabilities amounting to RMB 788.60 million, long-term liabilities amounting to RMB 5.88 million and deferred taxes amounting to RMB 4.33 million.

(3) Net assets

By the end of June 2005, share equity of the Company was totaled RMB 270.06 million, of which: owners' equity of the Company amounting to RMB 217.03 million and minorities' equity amounting to RMB 53.03 million.

II. Operation in the fist half of 2005

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	35,922,967.53	27,395,393.57	23.74	-13.15	-14.02	0.77
Automobile trade	444,830,383.36	424,747,041.71	4.51	-22.58	-23.14	0.69
Lease service	31,879,703.25	13,175,039.47	58.67	30.58	74.38	-10.38
Real Estate	18,019,634.48	10,131,851.53	43.77	7.08	5.00	1.11

Total	530，652，688.62	475,449,326.28	10.40	-19.25	-20.98	1.95

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
In first half year of 2005, the Company continuously kept payoff level but confronted the problems of solving the issues left over from the past, improving the financing capacity, settle the bundles left over from the past and capital neck of bottle, perfect the administration, further advance the return capacity and general economic effect of the Group, the Company planed to adopt the following measures to improve them:
(1) To strengthen inner management, perfect management model, severely control cost and expenditures occurring, establish equal thoughts of increase revenue and reduce expenditure.
(2) Through resource integration inside system, reduce management cost, strengthen tapping the latent power, and improve service efficiency of the Company’s resource.
(3) To handle the task of financing reorganization. To utilize resources inside system to do financing, adding fresh blood, make use of cash income brought by new capital and projects to reorganize and revitalize liabilities of the Company step by step, unfasten hard knot on chains of capital, so as to reduce capital cost, realize sound cycle of capital.
(4) To expand new growth pole of profit. By realization of networked operation of “Express Maintenance Chains” stage by stage, establish brand advantages; by successively operation of project “Zung Fu Tellus” to make further considerable answerback for the Company.
(5) To strengthen the construction of enterprise culture, stress cohesive force and combat power of enterprise team, establish new Tellus, new initial point and new image.

III. Investment in the report period
1. In the report period, the Company had no raised proceeds or the application of the proceeds rose through previous shares offering going down to the report period.
2. In the report period, the Company’s projects invested with the non-raised proceeds.
On March 3, 2005, the Company and Zung Fu Motors (Shenzhen) Co., Ltd. (hereinafter referred to as Zung fu Shenzhen) formally signed Articles of Shenzhen Zung Fu Tellus Motors Service Limited Company (hereinafter referred to as “Articles”) in conference room of Zung Fu Shenzhen in Fazhan Building of Caiwuwei, planning jointly to invest and establish Shenzhen Zung Fu Tellus Motors Service Limited Company (hereinafter referred to as “Zung Fu Tellus”), which obtain registered capital amounting to RMB 20 million, including RMB 7 million issued by the Company, accounting for 35% and RMB 13 million, accounting for 65%. Otherwise, two parties dated that the joint venture Corporation rented Xinyongtong

Building of Shenzhen Tellus which lies in No. 42, Dongchang Road of Buxin, Luohu District, Shenzhen as site for business operation with rent of RMB 5 million/year. The relevant public notice has been published on Securities Times and Ta Kung Pao dated March 5, 2005.
At present, Zung Fu Tellus has finished its industrial and commercial registration; Zung Fu Tellus formally went into operation on July 16, 2005. It estimated that Zung Fu Tellus would bring out steady and favorable revenue for the Company.

IV. The Company did not ever disclose the profitability estimations, relevant prospects or plans.
V. According to the operating and financial position at present, it estimated that the Company would realize lasting returns in the 3rd quarter of 2005.

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, amended relevant regulations of Articles of Association, Rules of Procedure for the Shareholders' General Meeting, Rules of Procedure for the Board of Directors, Office Procedure on Classified Authorization, established Detailed Rules and Rules of Procedure for the Supervisory Committee, 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.
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, the following new lawsuits and arbitrations occurred:
Because of the overdue loan amounting to RMB 13 million borrowed by the Company from Luohua Branch, Shenzhen Development Bank, Luohu Branch offered applicant for attachment before lawsuits to Shenzhen Intermediate People's Court, so Shenzhen Intermediate People's Court sealed up and froze 50% and 60% equity respectively held from Shenzhen Xinglong Mould Machinery Co., Ltd. and Shenzhen Tefa Huari Motors Enterprise Co., Ltd. by the Company. At present, the Company is actively carrying out coordination with Luohu Branch, and striving for come to agreement on loan transfer. The relevant public notice has been published on Securities Times and Ta Kung Pao dated Feb. 2, 2005.
Explanation of settlement of original material lawsuits and arbitrations of the relevant companies:
(I) 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. At present, the Company is actively consulting to transfer loan with Shenzhen Development Bank, and strengthen demanding repayment of a debt overdue from Gintian.

(II) For the case that Shenzhen Shangbu Branch of Agricultural Bank of China prosecuted Shenzhen Petrochemical Group Co., Ltd. on its refunding the overdue loan amounted to RMB 57.6 million with the Company as warrantor, the Company is moving along respond to prosecutions in a high gear, this case is still on trial now.

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. Particulars about the Company's guarantees and guarantees out of line for the controlling shareholder

Unit: RMB'0000

Particulars about the Company's guarantees for the controlling shareholder	
Total amount occurred guarantees for the controlling subsidiaries in the report period	3311.1
Balance of guarantees for the Controlling subsidiaries in the report period	3362.2
Total amount of guarantees of the Company (including guarantees for the controlling subsidiaries)	
Total amount of guarantees	8618.2
The ratio of total amounts to net profit of the Company	39.71%
Particulars about the Company's guarantees out of line	
Amount of guarantees for controlling shareholders and other related parties holding shares below 50% of the Company	3600
Amount of debts guarantees for warrantees with over 70% assets liability ratio directly or indirectly	3600
Guarantee amounts exceeds 50% of net assets	0
Total amount of guarantees out of line	3600

Notes: Amount of guarantees for controlling shareholders and other related parties holding shares below 50% of the Company and Amount of debts guarantees for warrantees with over 70% assets liability ratio directly or indirectly belong to the one guarantee.

VI. 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 VII (III) 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. Tefa Group has formally finished work of debt transferring into equity on Mar. 31, 2005, the current fund on account between Tefa Group and the Company is checked at present, it estimated to form the Company owing Tefa Group after finishing this work.
4. Survey of capital occupies by controlling shareholder and its subsidiaries
Unit: RMB

	Dec. 31, 2004	**Jun. 30, 2005**
Net amount of capital occupies by controlling shareholder and its subsidiaries	105,066,595.24	105,530,622.00

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:
1. The accumulated amount of external guarantee of the Company amounted to RMB 86.182 million (including guarantee for Gintian amounting to USD 2 million, guarantee for controlling subsidiaries amounting to RMB 33.622 million and guarantee amounting to RMB 36 million for Shenzhen Automobile Industry Import & Export Company (hereinafter referred to as Import & Export) provided by the subsidiary of the Company, Shenzhen Automobile Industry & Trade Company (hereinafter referred to as Auto I & T)), accounting for 39.71% to net assets of consolidated financial statement amounting to RMB 217.03 million, which not exceed limit below 50% required by supervisory department document.
2. The aforesaid external guarantees, the Company’s guarantee for Gintian amounting to RMB 2 million occurred in 1997, which belongs to guarantee issue left over the past, the Company undertook joint and several obligation for repayment till now, and is moving along the negoniation with bank party just present, striving for come to an agreement on loan transfer.
3. Among the abovementioned guarantees, Auto I & T provided guarantee for Import and Export amounting to RMB 36 million, the original date for the guarantee was in 1996, Import & Export was sole subsidiary of Auto I & T at that time. In July 2002,

after institutional reform of Import & Export, Auto I & T processed 35% share equity from Import and Export, according to the agreement among the shareholders of Import & Export, changed into shareholders providing guarantee for Import & Export as per proportion. The Company should decrease this term of guarantee year on year in accordance with policy.

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 2005 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) The 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 4, 2005

Attachment I

Shenzhen Tellus Holding Co., Ltd.
Balance Sheet

June 30, 2005 Unit: RMB

Assets		Amount at the period-begin		Amount at the period-end	
		parent company	consilidated	parent company	consolidated
Current Assets：					
Monetary fund	1	6,097,115.83	125,339,522.96	6,712,500.91	164,524,685.78
Short-term Investment	2	0.00	0.00	0.00	0.00
Notes receivable	3	0.00	0.00	0.00	94,160.00
Dividend receivable	4	0.00	0.00	0.00	0.00
Interest income	5	0.00	0.00	0.00	0.00
Account receivable	6	242,401.54	25,180,824.11	242,401.54	29,169,635.18
Other receivables	7	204,952,113.40	212,353,236.10	198,991,169.48	201,738,706.93
Paying in advance	8	0.00	13,839,707.54		20,249,873.78
Subsidy receivable	9	0.00	670,659.95	0.00	602,284.46
Inventory	10	193,886.58	163,986,348.16	193,886.58	125,210,958.63
Fees to be apportioned	11	0.00	215,958.26	579,754.91	1,383,289.39
within one year	12				
other current assets	13				0.00
Total current assets	14	211,485,517.35	541,586,257.08	206,719,713.42	542,973,594.15
Long-term investment:					
Long-term equity investment	15	363,738,649.92	124,762,267.15	380,075,849.92	131,203,717.15
Long-term debt investment	16		121,300.00		121,300.00
Total long-term investment	17	363,738,649.92	124,883,567.15	380,075,849.92	131,325,017.15
Including: consolidation variance	18				
Fixed assets:					
Fixed assets-at cost	19	182,898,372.76	555,377,239.45	182,971,465.76	556,478,257.36
Less: accumulated depreciation	20	50,736,398.56	161,320,306.48	53,436,356.37	170,795,376.58
Fixed assets-net book value	21	132,161,974.20	394,056,932.97	129,535,109.39	385,682,880.78
Less: impairment loss	22	3,555,385.70	4,231,301.32	3,555,385.70	4,231,301.32
Fixed assets-net book amount	23	128,606,588.50	389,825,631.65	125,979,723.69	381,451,579.46
Construction materials	24				
Construction in process	25		1,361,199.72		3,135,937.06
Disposal of fixed assets	26				-18,000.00
Total fixed assets	27	128,606,588.50	391,186,831.37	125,979,723.69	384,569,516.52
Intangible and other assets:					
Intangible assets	28	1,325,259.55	1,325,259.55	1,325,259.55	1,325,259.55
Long-term prepaid expense	29	1,192,603.67	4,476,907.50	1,674,393.61	8,680,181.17
Other long-term assets	30				
assets	31	2,517,863.22	5,802,167.05	2,999,653.16	10,005,440.72
Deferred tax:					
Deferred tax assets	32				
Total assets	33	706,348,618.99	1,063,458,822.65	715,774,940.19	1,068,873,568.54

Attachment I

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

June 30, 2005 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
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
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
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
reserve	65				
losses	66	-42,511.29	-42,511.29	-42,511.29	-42,511.29
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
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. 2005 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	8,737,312.98	530,652,688.62	6,697,567.82	657,166,444.94
Less: sales (operating) income	2	1,538,741.47	475,449,326.28	1,765,523.39	601,665,562.44
Sales (operating) taxes and plus	3	454,340.27	3,011,022.51	348,273.52	2,820,159.86
main operations	4	6,744,231.24	52,192,339.83	4,583,770.91	52,680,722.64
Add: other operating profit	5	0.00	1,661,809.43	-56,359.16	1,126,758.52
Less: selling expenses	6		17,703,431.83		20,832,994.55
Administrative expenses	7	7,415,242.43	26,263,902.70	8,804,681.43	26,795,724.44
Financial expenses	8	3,307,895.79	3,779,768.41	4,341,083.08	6,498,105.78
III. Operating profit	9	-3,978,906.98	6,107,046.32	-8,618,352.76	-319,343.61
negative	10	3,685,482.90	-508,117.10	5,428,119.90	940,919.90
Subsidy income	11				0.00
Non-operating income	12	21,924.63	446,986.06	3,254.83	424,514.81
Less: non-operating expenses	13	202,352.59	1,880,827.62	-158,914.40	22,023.12
IV. Total profit	14	-473,852.04	4,165,087.66	-3,028,063.63	1,024,067.98
Less: income tax	15		932,653.84		1,291,207.74
Minority interests	16		2,822,845.84		2,664,190.89
V. Net profit	17	-473,852.04	409,587.98	-3,028,063.63	-2,931,330.65
beginning	18	-231,927,943.55	-231,927,943.55	-236,247,697.83	-236,247,697.83
Other transferred-ins	19	447,430.64	342,849.92	447,430.65	-668,290.47
distribution	20	-231,954,364.95	-231,175,505.65	-238,828,330.81	-239,847,318.95
Less: statutory surplus reserve	21				
Statutory public welfare reserve	22				
Employee bonus and welfare funds	23				
Reserve funds	24				
Enterprise development funds	25				
Returned investment from profit	26				
distribution to investors	27	-231,954,364.95	-231,175,505.65	-238,828,330.81	-239,847,318.95
preferred shares	28				
Discretionary reserves	29				
Dividends for ordinary shares	30				
converted to share capital	31				
VIII. Retained earnings	32	-231,954,364.95	-231,175,505.65	-238,828,330.81	-239,847,318.95

Accompanying III

Shenzhen Tellus Holding Co., Ltd.

Cash Flows Statement

Jan.-Jun. 2005 Unit: RMB

Items	Consolidation	Parent Company
I. Cash flows arising from operating activities		
Cash received from selling products and providing services	605,723,191.93	10,549,871.15
Tax refund received	2,836.66	
Other cash received relating to operating activities	148,730,635.29	31,525,733.23
Subtotal of cash inflow	754,456,663.88	42,075,604.38
Cash paid for the purchase of products and services	406,319,047.86	
Cash paid to/for employees	36,480,148.41	3,960,618.09
Taxes paid	18,739,301.11	622,895.51
Other cash paid relating to operating activities	193,160,639.93	27,771,468.29
Subtotal of cash outflow	654,699,137.31	32,354,981.89
Net cash flows arising from operating activities	**99,757,526.57**	**9,720,622.49**
II. Cash flows arising from investing activities		
Cash received from withdrawal of investment	3,320,000.00	3,200,000.00
Cash received from investment income	64,432.90	2,005,982.90
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	15,000.00	0.00
Other cash received relating to investing activities	0.00	
Subtotal of cash inflow	3,399,432.90	5,205,982.90
Cash paid for the purchase of fixed assets, intangible assets and other long-term assets	2,252,157.14	92,823.00
Cash paid for investment	7,000,000.00	7,000,000.00
Other cash paid relating to investing activities	4,595,431.68	
Subtotal of cash outflow	13,847,588.82	7,092,823.00
Net cash flows arising from investing activities	**-10,448,155.92**	**-1,886,840.10**
III. Cash flows arising from financing activities		
Cash received from obtaining investment	150,000.00	
Cash received from loans	48,600,000.00	7,000,000.00
Other cash received relating to financing activities	14,621,855.43	0.00
Subtotal of cash inflow	63,371,855.43	7,000,000.00
Cash paid for debts repayment	66,263,850.00	9,546,000.00
Cash paid for dividends, profit distribution or interest payment	7,353,682.25	4,671,681.99
Other cash paid relating to financing activities	39,878,327.99	455.32
Subtotal of outflow	113,495,860.24	14,218,137.31
Net cash flows arising from financing activities	**-50,124,004.81**	**-7,218,137.31**
IV. Influence on cash due to fluctuation in exchange rate	-203.02	-260.00
V. Net increase in cash and cash equivalents	**39,185,162.82**	**615,385.08**

Shenzhen Tellus Holding Co., Ltd.

Cash Flows Statement

Jan.-Jun. 2005 Unit: RMB

1. Adjusting net profit to cash flows from operating activities		
Net profit	409,587.98	-473,852.04
Add: minority shareholders' interest	2,822,845.84	
Impairment charge	297,271.38	0.00
Depreciation of fixed assets	10,489,513.64	2,725,000.49
Amortization of intangible assets		
Amortization of long-term prepaid expenses	2,004,650.84	336,534.04
Decrease in prepaid expenses (Less: increase)	-1,184,632.85	-579,754.91
Increase in accrued expenses (Less: decrease)	-248,744.44	-320,361.51
Loss on disposal of fixed assets, intangible assets and other long-term assets (Less: income)	43,747.70	0.00
Loss on disposal of fixed assets	12,800.00	
Financial expenses	4,767,921.84	3,307,895.79
Investment loss (Less: income)	508,117.10	-3,685,482.90
Deferred tax liabilities (Less: assets)	1,924,352.70	
Decrease in inventories (Less: increase)	38,613,841.71	0.00
Decrease in operating receivables (Less: increase)	-29,604,683.65	-1,042,099.07
Increase in operating payables (Less: decrease)	68,914,225.13	9,452,742.60
Others	-13,288.35	
Net cash flows arising from operating activities	**99,757,526.57**	**9,720,622.49**
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	164,524,685.78	6,712,500.91
Less: beginning balance of cash	125,339,522.96	6,097,115.83
Add: ending balance of cash equivalents		
Less: beginning balance of cash equivalents		
Net increase in cash and cash equivalents	**39,185,162.82**	**615,385.08**