



SHENZHEN TELLUS HOLDING CO., LTD.

ANNUAL REPORT 2005

February 17, 2006

Important Notes: Board of Directors, Supervisory Committee, directors, supervisors and senior executives of ShenZhen Tellus Holding Co., Ltd. (hereinafter referred to as the Company) individually and collectively accept responsibility for the correctness, accuracy and completeness of the contents of this report and confirm that there are no material omissions nor errors which would render any statement misleading. This report has been prepared in Chinese version and English version respectively. In the event of difference in interpretation between the two versions, the Chinese report shall prevail.

Chairman of the Board of the Company, General Manager, Chief Financial Officer and Manager of Financial Department hereby confirm that the Financial Report enclosed in the Annual Report is true and complete.

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Section I. Company Profile

1. Legal Name of the Company in Chinese: 深圳市特力（集团）股份有限公司
Legal Name of the Company in English: ShenZhen Tellus Holding Co., Ltd.
2. Legal Representative: Zhang Ruili
3. Secretary of the Board of Directors: Ren Yongjian
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Securities Affairs Representative: Yang Jianhui
Contact Tel: (86)755-83989363
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E-mail: ndbridge@163.com
4. Registered Address: the 3/F, Tellus Building, Shui Bei Er Road, Luohu District, Shenzhen
Office Address: the 15/F, Zhonghe Building, Shennan Middle Road, Futian District, Shenzhen
Post Code: 518031
E-mail: sztljtgf@public.szptt.net.cn
5. Newspapers Chosen by the Company for Disclosing the Information:
Securities Times (Shenzhen) and Hong Kong Ta Kung Pao
Internet Website for Publishing the Annual Report: <http://www.cninfo.com.cn>
The Place Where the Annual Report is Prepared and Placed: Secretariat of the Board of Directors of ShenZhen Tellus Holding Co., Ltd.
6. Stock Exchange Listed with: Shenzhen Stock Exchange
Short Form of the Stock and Stock Code: ST Tellus-A (000025)
ST Tellus-B (200025)
7. Other related information:
(1) Initial registration date: Nov. 10, 1986
Registration place: No. 104, Shui Bei Er Road, Luohu District, Shenzhen
Registration number of enterprise legal person's business license: 19219221-0
(2) Registered number of taxation: SDS Zi 440303192192210
GS Zi 440301192192210
(3) Certified Public Accountants engaged by the Company:
Domestic: Shenzhen Nanfang Minhe Certified Public Accountants
Address: the 8/F, Electronics Building, No. 2072 Shennan Middle Road, Shenzhen
International: Moore Stephens (Shenzhen) Nanfang Minhe Certified Public Accountants
Address: the 8/F, Electronics Building, No. 2072 Shennan Middle Road, Shenzhen

Section II. Summary of Financial Highlight and Business Highlight

(I) Accounting data and financial indexes as of the year 2005

Unit: RMB

Total profit	10,435,983.82
Net profit	5,676,304.77
Net profit after deducting non-recurring gains and losses	3,759,441.57
Profit from main operations	98,958,389.57
Other operating profit	13,627,562.37
Operating profit	4,784,235.14
Investment income	7,363,615.19
Subsidy income	
Net non-operating income/expenses	-1,711,866.51
Net cash flow arising from operating activities	35,943,414.04
Net increase in cash and cash equivalents	-11,201,137.32
Note: Items of non-recurring gains and losses and the relevant amount	
1. Income from disposal of long-term investment	911,762.04
2. Funds occupied capital received from non-finance enterprises reckoned into this period	317,860.63
3. Non-operating income	529,562.79
4. Non-operating expenses after deducting reserve for impairment losses	-2,241,429.30
5. Previous reserve for impairment losses switched back	2,326,770.46
6. Impact on income tax	72,336.58
7. Subtotal amounts involved of the above items	1,916,863.20

Note: As audited by domestic certified public accountants, the Company's net profit as of the year 2005 was RMB 5,680,000, while as audited by international certified public accountants, the net profit was RMB 9,860,000, which has increased by RMB 4,180,000 than the domestic result. The reasons are as follows:

The evaluation and amortization of long-term investment has decreased by RMB 483,000, valuation with object investment has decreased by RMB 269,000, excess deficit of subsidiaries has decreased by RMB 276,000, occupied capital received from the related transaction has increased by RMB 380,000 and income from debts reorganization has increased by RMB 3,870,000.

(II) Major accounting data and financial indexes over the past three years at the end of

report period (Unit: RMB)

Items	2005	2004	2003
Income from main operations	1,043,810,667.42	1,124,745,615.76	1,436,382,877.72
Net profit	5,676,304.77	4,319,754.28	5,175,063.43
Total assets	859,358,659.13	1,063,458,822.65	1,274,704,955.23
Shareholders' equity	225,872,478.83	216,276,817.86	211,162,165.06
Fully diluted earnings per share	0.0258	0.02	0.02
Weighted average earnings per share	0.0258	0.02	0.02
Fully diluted earnings per share after deducting non-recurring gains and losses	0.0171	-0.0093	-0.02
Weighted average earnings per share after deducting non-recurring gains and losses	0.0171	-0.0093	-0.02
Net assets per sharer	1.025	0.98	0.96
Net assets per share after adjustment	0.89	0.14	0.10
Net cash flow per share arising from operating activities	0.16	-0.36	0.46
Fully diluted return on equity (%)	2.51	2.00	2.45
Weighted average return on equity (%)	2.59	2.02	2.51
Fully diluted return on equity after deducting non-recurring gains and losses (%)	1.66	-0.95	-2.44
Weighted average return on equity after deducting non-recurring gains and losses (%)	1.72	-0.96	-2.50

(III) Supplemental statement of profit as of year 2005

Return on equity and earnings per share are calculated according to Preparing Regulations on the Information Disclosure of Companies Publicly Issuing Securities (No. 9) released by China Securities Regulatory Commission

Items	2005			
	Return on equity (%)		Earnings per share (RMB/share)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from main operations	43.81	45.16	0.4492	0.4492
Operating profit	2.12	2.18	0.0217	0.0217
Net profit	2.51	2.59	0.0258	0.0258
Net profit after deducting non-recurring gains and losses	1.66	1.72	0.0171	0.0171

(IV) Changes in shareholders' equity (Unit: RMB)

Items	Share capital	Capital reserve	Surplus reserve	Statutory welfare fund	Retained profit	Unconfirmed investment losses	Total shareholders' equity
Amount at the period-begin	220,281,600.00	173,809,370.57	51,077,325.79	3,218,372.66	-231,927,943.55	-181,907.61	216,276,817.86
Increase in the report period		4,195,415.21			228,977,730.42		233,173,145.63
Decrease in the report period		172,224,099.86	51,077,325.79			276,059.01	223,577,484.66
Amount at the period-end	220,281,600.00	5,780,685.92		3,218,372.66	-2,950,213.13	-457,966.62	225,872,478.83

Explanation on reason for change: increase of shareholders' equity was mainly due to realization of profit as of the report period and debts reorganization.

1. Reason for increase of capital reserve:

(1) Other capital reserve as of the report period has increased by RMB 3,870,050.60 due to the debts reduction of RMB 3,676,245, from which the Company came to an agreement of debts exemption with the debtee in the year 2005.

(2) Difference price due to related transaction as of the report period has increased by RMB 379,833.59, which was mainly because the Company received the occupied capital exceeding interest rate of fixed deposit for one year from the related parties.

(3) The capital reserve has decreased by RMB 172,224,099.86 (including premium on share capital of RMB 166,646,999.40 and other capital reserve of RMB 5,577,100.46), which was mainly because the Company offset the losses.

2. Surplus reserve has decrease by RMB 51,077,325.79 in the report period, which was mainly because the Company offset the losses.

3. Unconfirmed investment losses has decreased by RMB 276,059.01, which was mainly because the increased investment of the subsidiaries with the negative in owners' equity in this report period exceeded the investment loss.

Section III. Changes in Share Capital and Particulars about Shareholders

I. Changes in share capital

(I) Ended Dec. 31, 2005, the Company's structure of share capital remained unchanged compared with the same period of the year 2004 (for details, please refer to the following table)

Unit: share

Type of shares	Before the change		Increase/decrease in this time (+, -)					After the change	
	Number of shares	Proportion	Issuance of new shares	Bonus shares	Capitalization of public reserve	Other	Subtotal	Number of shares	Proportion
I. Unlisted Shares	159588000	72.45	0	0	0	0	0	159588000	72.45
1. Sponsors' shares	159588000	72.45	0	0	0		0	159588000	72.45
Including:									
Shares held by the State	159588000	72.45	0	0	0	0	0	159588000	72.45
Shares held by domestic legal	0	0	0	0	0	0	0	0	0

persons									
Shares held by foreign legal persons	0	0	0	0	0	0	0	0	0
Others	0	0	0	0	0	0	0	0	0
2. Raised legal person's shares	0	0	0		0	0	0	0	0
3. Inner employees' shares	0	0	0	0	0	0	0	0	0
4. Preference shares or others	0	0	0	0	0	0	0	0	0
II. Listed Shares	60693600	27.55	0	0	0	0	0	60693600	27.55
1. RMB ordinary shares	34284100	15.56	0	0	0	0	0	34284100	15.56
2. Domestically listed foreign shares	26400000	11.98	0	0	0	0	0	26400000	11.98
3. Overseas listed foreign shares	0	0	0	0	0	0	0	0	
4. Shares held by senior executives	9500	0	0	0	0	0	0	9500	
III. Total shares	220281600	100	0	0	0	0	0	220281600	100

(II) Ended Jan. 4, 2006, the change in the Company's structure of share capital after implementation of equity division reform plan was as follows:

Statement of Change in Share Capital

Unit: share

Type of shares	Before the change		Increase/decrease in this time (+, -)					After the change	
	Number of shares	Proportion	Issuance of new shares	Bonus shares	Capitalization of public reserve	Other	Subtotal	Number of shares	Proportion
I. Shares with conditions of restricted sale	159597500	72.45	0	13713640(-)	0	0	13713640(-)	145883860	66.23
1. Shares held by the State	0	0	0	0	0	0	0	0	0
2. Shares held by the State-owned legal persons	159588000	72.45	0	13717440(-)	0	0	13717440(-)	145870560	66.22
3. Other domestic shares	0	0	0	0	0	0	0	0	0
Including:	0	0	0	0	0	0	0	0	0
Shares held by domestic legal	0	0	0	0	0	0	0	0	0

persons									
Shares held by domestic natural persons	0	0	0	0	0	0	0	0	0
4. Foreign shares	0	0	0	0	0	0	0	0	0
Including:	0	0	0	0	0	0	0	0	0
Shares held by foreign legal persons	0	0	0	0	0	0	0	0	0
Shares held by foreign natural persons	0	0	0	0	0	0	0	0	0
5. Shares held by senior executives	9500		0	3800(+)	0	0	3800(+)	13300	0.01
II. Shares without conditions of restricted sale	60684100	27.55	0	13713640(+)	0	0	13713640(+)	74397740	33.77
1. RMB ordinary shares	34284100	15.56	0	13713640(+)	0	0	13713640(+)	47997740	21.79
2. Domestically listed foreign shares	26400000	11.98	0	0	0	0	0	26400000	11.98
3. Overseas listed foreign shares	0	0	0	0	0	0	0	0	0
4. Others	0	0	0	0	0	0	0	0	0
III. Total shares	220281600	100	0	0	0	0	0	220281600	100

Schedule of Listing for Trading of Shares with Conditions of Restricted Sale

Unit: share				
Date	Number of new shares could list for trading after expiration of restricted sale	Balance of numbers of shares with conditions of restricted sale	Balance of numbers of shares without conditions of restricted sale	Explanation
Jan. 4, 2009	145870560		220268300	With the exception of using encouragement mechanism of equity

Numbers of shares held by the top ten shareholders with conditions of restricted sale and conditions of restricted sale

Unit: share

No.	Name of shareholders with conditions of restricted sale	Numbers of holding shares with conditions of restricted sale	Date of listing for trading	Number of new shares could list for trading	Conditions of restricted sale
1	Shenzhen SDG Co., Ltd.	145870560	Jan. 4, 2009	145870560	Within 36 months since Jan. 4, 2006 (the date that the Company implement the equity division reform plan), SDG would not list with Shenzhen Stock Exchange and sell the ST Tellus it held (except for the shares used to promote the administration level of ST Tellus). To effectively boost the core management level and business backbones for long, SDG would take out its shares, not exceeding 10% in total number after the share-trading reform, and apply them to the boost of the administration level. The shares would be sold to the Company's administrative level over 3 years, with the selling price being the net asset value per share audited during the period nearest to the implementation.
2	JIANG QIN JIAN	12600	Unconfirmed		Shares held by senior executives
3	HU XIAO ZHENG	700	Unconfirmed		Shares held by senior executives

II. Issuance and listing of shares

(I) Particulars about issuance of share and its derivative securities in the recent three years: the Company had issued neither additional shares nor derivative securities in recent three years.

(II) On Dec. 19, 2005, the Company held the Shareholder's Meeting related with the A-share Market, in which the Company's Equity Division Reform Plan was examined and passed. Namely, based on the number of circulation shares registered in the book on the registration date of shares change, the shareholder of non-circulation share paid 13,717,440 shares to the shareholder of circulation A-share registered in the book on the registration date of implementation of equity division reform plan, namely, the shareholder holding 10 circulation A shares would obtain 4 consideration shares paid by the shareholder of non-circulation share. After implementing the plan, the Company's total share capital remained unchanged.

Except for the aforesaid plan, the Company had never been involved in any events which may cause change of the total shares and the equity structure such as bonus shares, share capital converted, rationed share, additional issuance, absorption and combination, transferring convertible company bonds into shares, reduction of capital, listing of inner employees' shares or company's employees' shares, etc..

(III) The company had no present inner employees' share.

III. About shareholders

1. Ended Dec. 31, 2005, the Company had totally 14575 shareholders, including 10810 shareholders of A-share and 3765 shareholders of B-share.

2. Ended Dec. 31, 2005, particulars about shares held by the top ten shareholders

Number of Shareholders and Particulars about Shares Held

Unit: share

Total number of shareholders		14575 shareholders (including 10810 shareholders of A-share and 3765 shareholders of B-share)			
Particulars about shares held by the top ten shareholders					
Full name of Shareholder	Type of shareholders	Proportion (%)	Total number of shares held	Number of non-circulation shares held	Share pledged or frozen
Shenzhen SDG Co., Ltd.	State-owned shareholder	72.45	159588000	159588000	0
LAI SHI HUA	Foreign shareholder	0.20	451059	0	Unknown
WANG FU CHANG	Foreign shareholder	0.15	330000	0	Unknown
LIU ZI XIAN	Foreign shareholder	0.14	303487	0	Unknown
WANG XUE FENG	Foreign shareholder	0.12	271400	0	Unknown
HE KE BING	Foreign shareholder	0.12	267299	0	Unknown
JIA WEN JUN	Foreign shareholder	0.11	236183	0	Unknown
MEI ZHENG SHUI	Foreign shareholder	0.10	201000	0	Unknown
DING JING JIA	Foreign shareholder	0.09	191080	0	Unknown
ZHUANG GONG DONG	Foreign shareholder	0.08	180088	0	Unknown
Particulars about shares held by the top ten shareholders of circulation share					
Name of shareholders	Numbers of circulation share held		Type of share		
LAI SHI HUA	451059		B-share		
WANG FU CHANG	330000		B-share		
LIU ZI XIAN	303487		A-share		
WANG XUE FENG	271400		B-share		
HE KE BING	267299		B-share		
JIA WEN JUN	236183		A-share		
MEI ZHENG SHUI	201000		A-share		
DING JING JIA	191080		A-share		
ZHUANG GONG DONG	180088		A-share		
LIANG GUI LAN	180000		B-share		

Explanation on associated relationship among the top ten shareholders or consistent action	Among the top ten shareholders, there exists no associated relationship between Shenzhen Special Economic Zone Development (Group) Company and other shareholders, and they do not belong to the consistent actionist regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Companies. For the shareholders of circulation share, the Company is unknown whether there exists associated relationship or not.
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(III) About the controlling shareholder of the Company

1. Name of the controlling shareholder of the Company: Shenzhen SDG Co., Ltd.
(state-owned shareholder)

Legal representative: Liu Aiqun

Date of establishment: In June 1982

Registered capital: RMB 1,582,820,000

Company type: Limited Company

Business scope: development and operation of real estates, domestic trading, supply and marketing of materials (excluding monopoly products), consultant of economic information (excluding limit items), operating import and export business, industry traffic and transportation, tourism, finance and trust, issuance of securities and so on.

During the report period, the controlling shareholder of the Company, Shenzhen Special Economic Zone Development (Group) Company (hereinafter referred to as "SDG") accomplished the Agreement of Debt-to-Equity Swap and change of the Company's registration, and its company name, company type, registered assets and shareholders were changed, namely, company name was changed into Shenzhen SDG Co., Ltd. from the original name Shenzhen Special Economic Zone Development (Group) Company, company type was changed into limited company from the original municipal state-owned sole enterprise. The relevant public notice has published on Securities Times and Ta Kung Pao dated Apr. 2, 2005.

Ended Dec. 31, 2005, the shares held by the shareholder of SDG: 43.30% equity of Shenzhen SDG Co., Ltd. was held by Shenzhen Investment Holding Co., Ltd..

2. About the controlling shareholder or actual controller the of the Company's controlling shareholder:

Name of shareholder: Shenzhen Investment Holding Co., Ltd.

Legal representative: Chen Hongbo

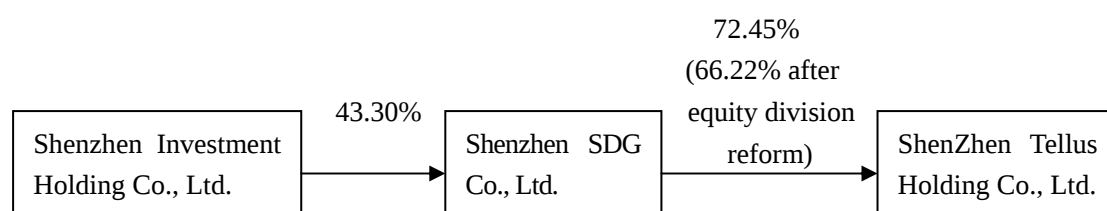
Date of foundation: Oct. 13, 2004

Registered capital: RMB 4 billion

Company type: Limited Company (State-owned Sole Corporation)

Business scope: providing guarantee for municipal state-owned enterprises; management of state-owned equity except for enterprises supervised by the State-owned Assets Supervision and Administration Commission of Shenzhen; assets reorganization, reformation and capital operation of enterprises; investment; and other operations authorized by Municipal SASAC.

The controlling relationship between the Company and the actual controller is as follows:



(IV) Ended Dec. 31, 2005, the Company exist no shareholder of legal person' share holding 10% equity (including 10%).

Section IV. Particulars about directors, supervisors, senior executives and employees

I. Basis infomration of directors, supervisors and senior executives

Name	Gender	Age	Title	Office term	Number of holding shares (share)	
					At the period-begin	At the period-end
Zhang Ruili	Male	42	Director, Chairman of the Board	Apr. 18, 2003- Apr. 18, 2006	0	0
Wang Hailin	Male	45	Director	Apr. 18, 2003- Apr. 18, 2006	0	0
Yang Feng	Male	51	Director	Apr. 18, 2003- Apr. 18, 2006	0	0
Jiang Qinjian	Male	43	Director	Apr. 18, 2003- Apr. 18, 2006	9000	9000
Cheng Peng	Male	42	Director , Standing Deputy General Manager	Jun. 3, 2005- Apr. 18, 2006	0	0
Fu Bin	Male	43	Director, CFO	Jun. 3, 2005- Apr. 18, 2006	0	0
Zhou Chengxin	Male	50	Independent Director	Apr. 18, 2003- Apr. 18, 2006	0	0
Shi Weihong	Female	38	Independent Director	Apr. 18, 2003- Apr. 18, 2006	0	0
Zhang Yuan	Male	45	Independent Director	Jun. 19, 2003- Apr. 18, 2006	0	0
Li Binxue	Male	47	Supervisor, Chairman of the Supervisory Committee	Apr. 18, 2003- Apr. 18, 2006	0	0
Luo Tao	Male	44	Supervisor	Apr. 18, 2003- Apr. 18, 2006	0	0
Feng Yu	Male	38	Supervisor	Jun. 8, 2004- Apr. 18, 2006	0	0
Hu Xiaomei	Female	45	Employee Supervisor	Apr. 18, 2003- Apr. 18, 2006	500	500

Yang Jianhui	Male	35	Employee Supervisor	Jul. 21, 2005- Apr. 18, 2006	0	0
Guo Dongri	Male	40	Deputy General Manager	Apr. 18, 2003 to now	0	0
Ren Yongjian	Male	42	Deputy General Manager, Secretary of the Board	Apr. 27, 2005 to now	0	0
Luo Bojun	Male	43	Deputy General Manager	Apr. 27, 2005 to now	0	0

II. Main work experience of directors, supervisors and senior executives in the recently five years and particulars about holding the post in Shareholding Company

Name	Main work experience and holding the post
Zhang Ruili	He ever took the posts of Divisional Manager of Financial Company of Shenzhen Special Economic Zone Development (Group) Company and Manager of Assets Department of Shenzhen Special Economic Zone Development (Group) Company; from Mar. 2003 to now, he took the post of Chairman of the Board of the Group. At the same time, he concurrently Chairman of the Board in Shenzhen Auto Industries & Trading Corporation (the controlling subsidiaries of the Company), Chairman of the Board in Shenzhen Huari Automobile Co. Ltd. (the controlling subsidiaries of the Company) and Vice Chairman of the Board in Shenzhen Renfu Tellus Automobile Service Co., Ltd. (the share-holding company of the Company).
Wang Hailin	He ever took the posts of Director Section Chief of Shenzhen Municipal Government Industry Office and Economic Development Bureau, Researcher deputy division class of Shenzhen Municipal Government Economic Development Bureau and Trade Development Bureau. Now he acts as Deputy Chief Economist of Shenzhen SDG Co., Ltd..
Yang Feng	He successfully took the posts of Head of Marketplace Dept. in Shenzhen World-copy Trading Co., Ltd., Director of General Office and Deputy Manager of HR in Shenzhen Special Economic Zone Development Center Co., Ltd.. He now acts as Minister of Organization and HR department in Shenzhen SDG Co., Ltd., at the same time, he concurrently took the post of Supervisor in Shenzhen SDG Information Co., Ltd..
Jiang Qinjian	He ever took the posts of Clerk of Auditing Dept. in Shenzhen Shirble Group, CFO of Management Company of Shenzhen Zhongnan Hotel, and Assistant Director of Financing Training Center of People's Bank of China Shenzhen Branch. He now acts as Manager of Planning & Financial Dept. of Shenzhen SDG Co., Ltd..
Cheng Peng	He ever took the post of Director of General Office in Shenzhen Kaifeng Special Automobile Industry Co., Ltd., and successfully took the posts of Deputy Ministry and Ministry of Enterprist Management Department, General Manger and Vice Secretary of Party Committee in Shenzhen Auto Industries & Trading Corporation. He now acts as Director and Standing Deputy General Manager of the Group. At the same time, he concurrently took the post of Director of Shenzhen Auto Trading Corporation (the controlling subsidiaries of the Company), Director of Shenzhen Huari Automobile Co. Ltd. (the controlling subsidiaries of the Compan) and Director of China Pufa Machinery Industry Corporation (the share-holding company of the Company).
Fu Bin	He ever took the post of lecturer in Hunan College of Finance and Economics, Business Manager of Assets Operation Department in Shenzhen SDG Co., Ltd., CFO of Shenzhen SDG Xiaomeisha Tourism Center. He now acts as Director and CFO of the Group. At the same time, he concurrently took the post of Director Shenzhen Auto Trading Corporation (the controlling subsidiaries of the

	Company).
Zhou Chengxin	He successfully took the posts of Lector and Associate Professor in Wuhan University (during this period, he went to Law College of U.S.A Michigan University for advanced studies with U.S Commercial Law and Commercial Arbitration law as visiting scholar), Deputy Director, Director, Deputy Researcher and Researcher of Institute of Shenzhen Legal System. Now he acts Director and Law Professor of Institute of Shenzhen Legal System (Shenzhen WTO Affairs Center Law Service Department). At the same time, he concurrently holds the posts of Standing President of Chinese Society of International Economy Law, Intercessor of China International Economic and Trade Arbitration Commission, Intercessor of Shenzhen Arbitration Commission, of Zhuhai Arbitration Commission, of Nanjing Arbitration Commission and of Shanghai Arbitration Commission, and Lawyer of Guangdong Law Firm Shenzhen Branch. He now acts as Independent Director of the Group and concurrently holds the post of Independent Director of Shenzhen Nanshan Power Station Co., Ltd. simultaneity.
Shi Weihong	She successfully took the post of Accountant in Shenzhen Sunshine Certified Public Accountants, Head of Sunshine Certified Public Accountants, as a convener of Sunshine Certified Public Accountants, she reformed the said CPA into a partnership with corporation responsibility system and acted as chief partner. She obtained certificate for CPA, Certificate for Chinese Certified Assets Appraiser, Certificate for Chinese Certified Tax Agents and Certificate for Professional of Budgetary Estimation and Budget of Guangdong Province Construction Engineering. She took charge the auditing, evaluation and liquidation of all kind of enterprises early and late, and accumulated a plenty of experiences. She now acts as Independent Director of the Group.
Zhang Yuan	He successfully took the posts of Assistant Economist of Economic Forecast Center of State Development Planning Commission, Deputy Division Chief of State Information Center Economic Information Dept., Deputy General Manager of Shenzhen International Commerce Co., Ltd., and Assistant of Chairman of the Board of Shenzhen SEG Group Corporation. He now acts as Chairman of the Board in Huayi Commerce Co., Ltd., Chairman of the Board in Beijing Yingpin Digital Technology Co., Ltd. and concurrently holds Guest Professor of Management College of Beijing University of Aeronautics and Astronautics. He now acts as Independent Director of the Company.
Li Binxue	He successfully took the posts of Manager of Technology Dept. and Production Dept. of Shenzhen Shengguang Industrial Company, Business Manager of Enterprise Dept. in Shenzhen Special Economic Zone Development (Group) Company, Deputy Director of Technology Development Center and Deputy Manager of Investment Development Dept. of Shenzhen Special Economic Zone Development (Group) Company. He took the post of Chairman of the Supervisory Committee of the Group since Mar. 2003. He now concurrently acts as Secretary of Discipline Inspection Commission of the Group and Director of Shenzhen Tellus Automobile Service Development Co., Ltd. the share-holding company of the Company).
Feng Yu	He ever took the posts of Deputy General Manager of Shenzhen Xianke Real Estate Company, and Manager of Investment Dept. of Zhongti Industrial Co., Ltd.. He now acts as Director of General Office of Shenzhen SDG Co., Ltd. and Supervisor of the Group.
Luo Tao	He ever took the posts of Deputy Chief Engineer of Shenzhen Changhong Communication Equipment Co., Ltd., Deputy Manager of Development Dept. and Deputy Manager of Enterprise Dept. of Shenzhen Special Economic Zone Development (Group) Company. He now acts as Manager of the No. 2 Enterprise Dept. of Shenzhen SDG Co., Ltd. and Supervisor of the Group. At the same time, he concurrently holds the post of Director of Shenzhen SDG Information Co., Ltd..
Hu Xiaomei	She ever took the posts of Director of General Office of Shenzhen Auto

	Industrial Trading Corporation, Deputy Secretary of Party Committee and Secretary of Discipline Inspection Commission in Shenzhen Auto Industrial Trading Corporation. She now acts as Chairman of the Trade Union of the Group. She took the post of Employee Supervisor of the Group from 2003 to now.
Yang Jianhui	He ever took the post of Head of Auditing Dept. and of Enterprise Management Dept. in Shenzhen Auto Industrial Trading Corporation. He now acts as Manager of Planning and Planning & Financial Dept. in Shenzhen Tellus Holding Co., Ltd.. From 2005 to now, he took the post of Employee Supervisor of the Group, at the same time, he concurrently took the post of Director of Shenzhen Tellus New Yongtong Automobile Development Co., Ltd. (the controlling subsidiaries of the Company), of Shenzhen SDG Tellus Property Management Co., Ltd. (the controlling subsidiaries of the Company) and of Shenzhen Zhongtian Industrial Co., Ltd. (the controlling subsidiaries of the Company).
Guo Dongri	He ever took the posts of Manager in charge of products in Dalian Pfizer Pharmaceuticals Limited, Senior Representative of Chinese American International Partner Incorporation, Manager of Chinamarketing Department of Shanghai Pepsi Food Co., Ltd. and Assistant General Manager of the Group. He now acts as Deputy General Manager of the Group. At the same time, he concurrently took the posts of Director in Shenzhen Tellus Automobile Service Development Co., Ltd. (the controlling subsidiaries of the Company) and of Shenzhen Renfu Tellus Automobile Service Co., Ltd. (the share-holding company of the Company).
Ren Yongjian	He ever took the posts of Director of Cost Office of Financial Division in the No. 221 Factory of Ministry of Aviation, Financial Manager of Investment Company under China Aviation Technology General Company; Deputy Manager of Planning & Financial Dept. and Manager of Auditing Dept. in Shenzhen Special Economic Zone Development (Group) Company. He now acts as Deputy General Manager of the Group and concurrently holds the post of Secretary of the Board. At the same time, he concurrently takes the posts of Director of Shenzhen Auto Industrial Trading Corporation (the controlling subsidiary of the Company) and of Shenzhen Xinglong Mould Company (the share-holding company of the Company).
Luo Bojun	He ever took the post of Deputy Manager of HR Dept. and Director of Human Resource Communication Training Center in Tellus Group, and Deputy General Manager of Shenzhen Auto Industrial Trading Corporation. He took the post of Deputy General Manager of the Group since 2005, at the same time, he concurrently took the posts of Director of Shenzhen Auto Industrial Trading Corporation (the controlling subsidiary of the Company), Director of Shenzhen Huari Automobile Co. Ltd. (the controlling subsidiaries of the Company), Chairman of the Board of Shenzhen SDG Tellus Real Estates Co., Ltd. (the controlling subsidiaries of the Company) and Chairman of the Board of Shenzhen Teyao Investment Development Co., Ltd. (the controlling subsidiaries of the Company).

Note: Particulars about directors and supervisors holding the post in Shareholding Company

Name	Name of Shareholding Company	Title in Shareholding Company	Office term
Wang Hailin	Shenzhen SDG Co., Ltd.	Deputy Chief Economist	Nov. 2001 to now
Yang Feng	Shenzhen SDG Co., Ltd.	Head of Organization & Human Resource Dept.	Jun. 2000 to now
Jiang Qinjian	Shenzhen SDG Co., Ltd.	Head of Planning & Financial Dept.	Jan. 2004 to now

Luo Tao	Shenzhen SDG Co., Ltd.	Head of the 2 nd Dept. of the Group	Jul. 1996 to now
Feng Yu	Shenzhen SDG Co., Ltd.	Director of General Office	Jan. 2004 to now

III. Particulars about the annual recompense of directors, supervisors and senior executives in office at present

(I) In the report period, the remuneration and welfare of directors, supervisors and senior executives taking the position in the Company were determined in accordance with the present distribution system, welfare system of the Nation and the Company and work position in the Company. As decided by the extraordinary shareholders' general meeting 2002 of the Company, the allowance of three independent directors of the Company was respectively RMB 30,000 per year.

(II) In the report period, the Company has 17 directors, supervisors and senior executives in office at present, among them, 12 persons drew the remuneration from the Company. The total annual remuneration received from the Company was RMB 1,598,000.

Unit: RMB'000

Name	Total remuneration	Name	Total remuneration
Zhang Ruili	222	Li Binxue	207
Cheng Peng	173	Hu Xiaomei	154
Fu Bin	120	Yang Jianhui	125
Zhou Chengxin	30	Guo Dongri	177
Shi Weihong	30	Ren Yongjian	177
Zhang Yuan	30	Luo Bojun	153

(III) Directors and supervisors taking the position in the Company received their remuneration according to their position in the Company, Wang Hailin, Yang Feng, Jiang Qinjian, Luo Tao, Feng Yu took the positions in the shareholding companies of the Company and drew their remuneration from these companies, while received no payment from the Company.

IV. During the report period, name of directors, supervisors and senior executives leaving the office and the reason

(I) In the report period, the Company held the 11th Extraordinary Meeting of the 4th Board of Directors dated Apr. 27, 2005, in which Mr. Cheng Peng was engaged as Standing Deputy General Manager, Mr. Ren Yongjian and Mr. Luo Bojun were engaged as Deputy General Manager respectively, and Mr. Fu Bin was engaged as CFO of the Company. Due to work demand, the Company removed Mr. Wu Yonggang and Mr. Ren Yongjian from the post of Deputy General Manager and CFO respectively. The relevant public notice has published on Securities Times and Ta Kung Pao dated Apr. 29, 2005.

(II) In the report period, the 12th Extraordinary Meeting of the Board examined and passes the proposal on electing Cheng Peng and Fu Bin as Director Candidate and removing Guo Dongri from the post of Director, and the said proposal has been passed by the Shareholders' General Meeting 2004 dated on Jun. 3, 2005. The relevant public notices on resolutions of shareholders' general meeting were published on Securities Times and Ta Kung Pao respectively dated Jun. 4, 2005.

(III) In the report period, due to work adjustment, Ms. Li Mingjun applied for resigning from the post of Employee Supervisor. On Jul. 21, 2005, the Company's

Enlarged Meeting of Trade Union Committee reelected Mr. Yang Jianhui as Employee Supervisor. The relevant public notice of supervisory committee was published on Securities Times and Ta Kung Pao respectively dated Jul. 30, 2005.

(IV) In the report period, the 11th Meeting of the 4th Board of Directors examined and passed the proposals on removing Ms. Li Mingjun from the post of Securities Affairs Representative due to work adjustment and engaging Mr. Yang Jianhui replaced her as Securities Affairs Representative. The relevant public notice on resolution was published on Securities Times and Ta Kung Pao respectively dated Aug. 4, 2005.

V. About employees

By the end of the year 2005, the Group had totally 938 on-the-job employees, including 445 production personnel, 99 salepersons, 87 technical personnel, 70 financial personnel and 160 administration personnel; the Company has 13 master, 90 bachelor, 163 persons graduated from 3-years regular college and 672 persons graduated from senior higher or lower. The Company needs bear the expenses of 451 retirees.

Section V. Administrative Structure

I. The Company's Administrative Structure

The Company established and perfected a series of regulations and rules strictly in accordance with the Company Law, Securities Law and the standardized documents related with Administration Rules of Listed Companies promulgated by CSRC in order to further perfect the Company's administrative structure. In accordance with Company Law, Securities Law and the relevant regulations of CSRC, the Company revised the Articles of Association of the Company, Rules of Procedure of Shareholders' General Meeting, Rules of Procedure of Board of Directors, Management Measure on Classification Authorization, and set down the Implementation Detailed Rules and Rules of Procedure of Supervisory Committee and Working System of Independent Director in the report period. The Company's administrative situation was basically unanimous with the standardized documents related with administration rules of listed companies promulgated by CSRC.

II. Performance of Independent Directors:

In the report period, three independent directors performed their duties in line with the relevant laws and regulations, actively knew the Company's business and operation situations and issued independent opinion to the significant events of the Company, and gave full play to active function in order to ensure the benefit of the Company and medium and small shareholders.

(I) Particulars about independent directors' presenting the Board meeting:

Name of independent directors	Times that should be attend the Board meeting	Times of personal presence	Times of commission presence	Times of absence	Remark
Shi Weihong	10	10	0	0	
Zhou Chengxin	10	6	3	1	Business trip in a foreign country
Zhang Yuan	10	7	2	1	Business trip in a foreign country

(II) In the report period, the Company's independent directors did not propose the

objection on the relevant matters.

III. The Company is separated from the controlling shareholder in terms of Business, Personnel, Assets, Organization and Finance, the Company possessed the whole business and independent operating capability.

(I) Separation in Business: The Company was an independent a corporate body. The Company was absolutely independent from its controlling shareholder in business, and had an independent and complete business system and independent management capability. The Company has independent production, sales and service system and own leading industry. There exists no competition in the same line among the Company, controlling shareholders and related parties.

(II) Separation in Personnel: The Company was absolutely independent in management of labor, human affairs, and salaries, enacted a independent administration systems. All the senior executives of the Company receive their payments from the Company and have taken no office concurrently in the Shareholder Company.

(III) Separation in Assets: The Company was strictly separated from its controlling shareholder, and they conducted completely independent management. The Company has complete and independent purchase system, production system, marketing system and the relevant service systems. The Company exclusively owns such intangible assets as industrial property rights, trademarks and non-patent technologies.

(IV) Separation in Finance: The Company set up an independent financial accounting department, and established a complete set of accounting systems and financial administration systems. The controlling shareholder has never interfered the Company in fund operation; The Company has opened independent bank account and has never been involved in such activities as depositing funds in the accounts of the financial company or the clearing center controlled by any of the principal shareholders or other related parties. The Company independently pays taxes according to the law.

(V) Separation in Organization: The Board of Directors and the Supervisory Committee and the other inner organization operate independently. The Organization of the Company was set up according to the standardized requirements of listed company and actual business features, and has the independent office address.

IV. At the end of report period, the Company's Board of Directors evaluated senior executives aiming at work outstanding achievement.

Section VI. Brief of the Shareholders' General Meeting

During the report period, the Company held once annual shareholders' general meeting 2004, once Shareholder's Meeting related with A-share Market and once 1st extraordinary shareholders' general meeting.

I. Annual Shareholders' General Meeting 2004

The Board of Directors of the Company published the notification on holding Annual Shareholders' General Meeting 2004 on the designated newspapers namely Securities Times and Ta Kung Pao dated Apr. 29, 2005. On the morning of June 3, 2005, the Company held the Annual Shareholders' General Meeting 2004 of Shenzhen Tellus Holding Co., Ltd. at the meeting room on 5/F, Yongtong Building, Renmin North Road, Shenzhen.

The Public Notice on Resolutions of the Annual Shareholders' General Meeting 2004

was published on Securities Times and Ta Kung Pao respectively dated Jun. 4, 2005.

II. Shareholders' Meeting related with Equity Division Reform in A-share Market

The Board of Directors of the Company published the notification on holding Shareholders' Meeting related with Equity Division Reform in A-share Market on the designated newspapers namely Securities Times and Ta Kung Pao dated Nov. 14, 2005. Date of the network voting of the Company's Shareholders' Meeting related with Equity Division Reform in A-share Market is from Dec. 15 to 19, 2005. On the afternoon of Dec. 19, 2005, the Company held the field meeting of Shareholders' Meeting related with Equity Division Reform in A-share Market at the meeting room on 1/F of East Lake Hotel, Shenzhen.

The Public Notice on Resolutions of Shareholders' Meeting Related with Equity Division Reform in A-share Market of Shenzhen Tellus Holding Co., Ltd. was published on Securities Times and Ta Kung Pao respectively dated Dec. 20, 2005.

III. The 1st Extraordinary Shareholders' General Meeting 2005

The Board of Directors of the Company published the notification on holding the 1st Extraordinary Shareholders' General Meeting 2005 on the designated newspapers namely Securities Times and Ta Kung Pao dated Nov. 30, 2005. On the afternoon of Dec. 30, 2005, the Company held the 1st Extraordinary Shareholders' General Meeting 2005 of Shenzhen Tellus Holding Co., Ltd. at the meeting room on 5/F, Yongtong Building, Renmin North Road, Shenzhen.

The Public Notice on Resolutions of the 1st Extraordinary Shareholders' General Meeting 2005 was published on Securities Times and Ta Kung Pao respectively dated Dec. 31, 2005.

Section VII. Report of the Board of Directors

I. Operating Review of the Company

In the report period, under the correct lead of the Board of Directors, after collective efforts of all employees, the Company achieved 3-year continuous profit and ascended the Top 100 Shenzhen Enterprises.

In the whole year of 2005, the Company realized sales income amounting to about RMB 1.079 billion, and achieved total profit and net profit amounting to RMB 10.44 million and RMB 5.68 million respectively.

(I) The whole operation of the Company in the report period

In the report period, the Company's income from main operations was RMB 1043.81 million, a decrease of 7.2% year-on-year, which was mainly due to the decrease of sales volume of automobiles. The Company's profit from main operations was RMB 98.96 million, a decrease of 3.92% year-on-year.

In the report period, the Company realized net profit of RMB 5.68 million, up 31.4% year-on-year. On the one hand, although the situations in home and overseas automobile sale and maintenance is competing intensely day by day, but the Company fully used the various advantaged resources and surmounted all kinds of disadvantage factors, thereby, made gross profit from main operations rising; on the other hand, three-item expense has decreased by RMB 7.85 million year-on-year, down 6.79%. The Company will keep on controlling cost strictly, reduce expenses and strive for improving the Company's benefits.

(II) Main operations of the Company and particulars about business status in the report period

1. Scope of main operations and particulars about business

The Company was mainly engaged in automobile inspection and maintenance, automobile trade and lease service etc..

(1) In the report period, the Company's income from main operations and profit from main operations was RMB 1043.81 million and RMB 98.96 million respectively. The Company's main operations was classified as follows according to industrial and products:

Unit: RMB

Products	Income from main operations	Cost of main operations	Profit rate of main operations (%)
Automobile inspection and maintenance	73,970,178.46	43,492,451.47	41.20
Automobile trade	902,305,497.85	866,112,553.69	4.01
Lease service	67,534,991.11	31,116,743.77	53.93

(2) The operating activities of the Company's business or main products taking over 10% in income from main operations or profit from main operations:

Products	Income from main operations	Increase/decrease year-on-year (%)	Cost of main operations	Increase/decrease year-on-year (%)	Profit rate of main operations (%)
Automobile inspection and maintenance	73,970,178.46	-24.26	43,492,451.47	-32.39	41.20
Automobile trade	902,305,497.85	-7.89	866,112,553.69	-7.63	4.01
Lease service	67,534,991.11	42.36	31,116,743.77	104.00	53.93

2. Main supplier and customers of the Company

In the report period, the Company's total purchase amount from the top five suppliers was RMB 700 million, accounting for 90% in total purchase amount in the whole year. The Company's main sales customers were terminal consumers and the sales income from the top five customers occupied no more than 3% in the income from main operations.

3. In the report period, there was no relatively great change in the Company's main operations and their structure and capability of main operations.

(III) In the report period, particulars about the great change situation in the Company's assets structure, operating expense, administrative expense, financial expense and income tax compared with the same period of last year and main influencing factors:

1. In the report period, particulars about the great change situation in the Company's assets structure compared with the same period of last year and main influence factors:

Unit: RMB

Items	Dec. 31, 2005	Proportion in total assets (%)	Dec. 31, 2004	Proportion in total assets (%)
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Accounts receivable	23,910,250.18	2.78	25,180,824.11	2.37
Other receivable	52,311,978.58	6.09	212,353,236.10	19.97
Inventories	101,769,734.83	11.84	154,856,013.18	14.56
Long-term equity investment	138,197,572.90	16.08	124,762,267.15	11.73
Fixed assets	391,601,999.64	45.57	391,186,831.37	36.78
Short-term loans	223,491,173.85	26.01	387,462,130.41	36.43
Notes payable	86,498,377.80	10.07	100,174,500.00	9.42
Other payable	124,154,084.91	14.45	153,461,153.36	14.43

(1) The work of debt-to-equity swap of SDG, the controlling shareholder of the Company, has been accomplished in March 2005. The Company signed the agreement with SDG on Sep. 30, 2005, the principal and interests of loan amounting to RMB 155,147,205.84 that the Company owed China Great Wall Asset Management Corporation, China Orient Asset Management Corporation and Cinda Asset Management Corporation original was transferred into investment of the said three Assets Management Companies to SDG, namely, SDG became the Company's creditor. The relevant interests transferred were negotiated separately. At the same time, the debts owed by the Company was wrote off with credit receivable of the Company amounting to RMB 148,463,360.95 from SDG, the redundant amount was regarded as debt charge accounts of SDG. Thus, the proportion of other receivable, short-term loans taking in total assets has decreased compared with the same period of last year.

(2) The Company and Renfu Automobile Management (Shenzhen) Co., Ltd. jointly invested RMB 30 million to establish Shenzhen Renfu Tellus Automobiles Service Co., Ltd., of which the Company invested RMB 10.5 million in it, holding 35% equity, and Renfu Automobile Management (Shenzhen) Co., Ltd. invested RMB 19.5 million in it, holding 65% equity. Shenzhen Bit Automobile Co., Ltd. (subsidiary of the Company) and Shenzhen Bit Auto Club Co., Ltd. jointly invested RMB 5 million to establish Shenzhen Bit Driver Training Company, of which Shenzhen Bit Automobile Co., Ltd. and Shenzhen Bit Auto Club Co., Ltd. invested RMB 2.5 million and holding 50% equity respectively. Thus, the proportion of long-term equity investment taking in total assets has increased compared with the same period of last year.

2. In the report period, particulars about the great change situation in the Company's operating expense, administrative expense, financial expense and income tax compared with the same period of last year and main influencing factors:

Unit: RMB

Items	2005	2004	Increase/decrease	Increase/decrease (%)
operating expense	48,616,595.68	50,953,500.83	-2,336,905.15	-4.59
administrative expense	49,259,499.37	52,440,210.15	-3,180,710.78	-6.07
financial expense	9,925,621.75	12,258,147.71	-2,332,525.96	-19.03
income tax	2,997,959.92	4,430,085.45	-1,432,125.53	-3.23

(1) Operating expense has decreased compared with the same period of last year because the Company strictly controlled cost;

(2) Administrative expense has decreased compared with the same period of last year because the Company reinforced the internal management force and strictly controlled cost;

(3) Financial expense has decreased compared with the same period of last year because the Company decreased loan and strictly control financing cost.

(IV) Particulars about structure of cash arising from Operating activities, investing activities and financing activities of the Company, change situation and reasons:

Unit: RMB

Items	2005	2004	Increase/decrease	Increase/decrease (%)
Net cash flows arising from operating activities	35,943,414.04	-79,921,661.82	115,865,075.86	144.97
Net cash flows arising from investing activities	-2,288,536.54	128,560,388.89	-130,848,925.43	-101.78
Net cash flows arising from financing activities	-44,847,721.46	-48,409,299.14	3,561,577.68	7.36

(1) Settlement method of the Company's auto sales is mainly bank acceptance bill. Net cash flows arising from operating activities has increased greatly due to timeliness difference.

(2) Cash inflows arising from investing activities of the Company in last year was RMB 140.52 million, which was mainly because the Company decreased fixed deposit impawned, but the real foreign investment scale cut short compared with the same period of last year. At the same period, cash received from investment income has increased;

(3) In recent two years, in order to ensure the exist production and operation, on this basis, the Company refunded the previous matured debts, thus, cash outflows arising from financing activities was more than cash inflows.

(V) Operations and achievements of main holding companies and share-holding companies

In the report period, the main holding and share-holding companies of the Company were: Shenzhen Auto Industries Trading Corporation (hereinafter referred to as Auto Industrial Trading), Shenzhen Tellus New Yongtong Automobile Development Co., Ltd. (hereinafter referred to as New Yongtong Company), Shenzhen SDG Tellus Property Management Co., Ltd. (hereinafter referred to as Property Company), Shenzhen SDG Tellus Real Estate Co., Ltd. (hereinafter referred to as Real Estate Company), Shenzhen Zhongtian Industrial Co., Ltd. (hereinafter referred to as Zhongtian Company), Shenzhen SDG Huari Automobile Co. (hereinafter referred to as Huari Automobile) and Shenzhen New Yongtong Motor Vehicle Inspecting Equipments Company (hereinafter referred to as Inspecting Equipments), Shenzhen Huari Toyota Auto Sales Co., Ltd. (Huari Auto Trading) and Shenzhen Tellus Real Estates Trade Co., Ltd. (Trade Company). The main operations and business of the aforesaid holding enterprises was as follows:

Unit: RMB'0000

	Auto Industrial Trading	New Yongtong	Property Company	Zhongtian Company	Huari Automobile	Inspecting Equipments	Real Estate	Huari Auto Trade	Trade Company
Main products or service	Sale of auto and its fittings, development of real estates	Maintain of auto	Lease and management of properties	Lease and of properties	Maintain of auto, production and sale of auto fittings	Production and sale of inspecting equipments of auto	Development of land, operating commercial housing	Sale of auto	Agency of real estates
Registered capital	5,896	3,290	705	725	USD500	1,000	3,115	200	200
Scale of assets	43,293	13,053	3,163	1,683	7,736	2,413	4,426	3,126	331
Net profit	1,267	-339	27	95	332	9	255	254	64

Particulars about controlling subsidiaries taking over 10% in the Company's net profit

Name of companies	Income form main operations	Increase/decrease year-on-year (%)	Profit from main operations	Increase/decrease year-on-year (%)	Net profit	Increase/decrease year-on-year (%)
Auto Industrial Trading	72,653	-7.82	3,484	-17.13	1,267	-17.80
Huari Automobile	4,362	-15.47	1,301	-18.09	332	-24.21
Huari Auto Trade	18,752	-3.75	1,168	52.39	254	191.17
Real Estate					255	919.06
Zhongtian Company	473	10.61	404	9.93	95	-5.39
Trade Company	172	147.62	121	142.37	64	572.46

II. Future development of the Company

(I) Right now, the automotive aftermarket service industry has entered a fast-growing period. Meanwhile it faces fierce competition as well. To further strengthen its competitive advantage in the automotive aftermarket service industry, the Company launched the program of acting as the agent of Mercedes-Benz in the report period, and founded Shenzhen Zung Fu Tellus Automobile Service Co., Ltd, a joint venture co-founded with Hong Kong Zung Fu Company, with the Company holding 35% shares of the new company. According to the plan, Zung Fu Tellus Company would be the largest Benz maintaining, selling and training base authorized by Benz Company in the south China area. Thus far, the Company's automotive aftermarket service business has covered Benz, BMW, GM and TOYOTA, four international first-class brands, and upgraded the Company's market share and competitiveness. In 2006, the Company will keep on advancing the management of the 4S stores of the four automobile brands, further enlarge operation scale and seek for more comprehensive cooperation with the partners.

(II) In the year 2004, the Company launched the program of auto care chain stores, so as to effectively integrate the resources of the automotive aftermarket service industry presently owned by the Company, make full use of the Company's business chain of auto sales, survey, maintenance and training links, upgrade the Company's market share and develop new profit-growth point. By the end of 2005, the Company has 9

auto care chain stores in Shenzhen district, the fundamental frame of the auto care chains of Tellus Group has basically been shaped, and the operation modes have become more and more mature, which have laid a solid foundation for the large-scale nationwide chain operation of the Tellus brand. In the year 2006, the Company will continue to build the Tellus auto chain frame, and further improve the chain operation system. The main job is to do well the standardization work of the chain operation, and make use of chain operation's advantage of purchase system, so as to put the chain system into the development track of benign cycle as quick as possible. Our ultimate goal is to establish the first brand of auto care chain business in Shenzhen as well as to become a nationwide famous brand.

(III) As to property management, the Company now has self-owned properties totaling 0.2 million square meters and 9 thousand square meters land in Pinghu Swan Industrial Zone. In the mean time, the Company also conducts management work over properties amounting to about 1 million square meters. Shuibei Industrial Zone and the surrounding areas, where the main properties of Tellus Group are, have attracted around 300 jewelry businesses and gathered nearly seventy percent of the manufacture and transaction quantity in Shenzhen's jewelry industry. Shenzhen government has placed these areas as the jewelry transaction, research and development and exhibition base. To support the government's plan, the Company has made the reconstruction and development of Shuibei Industrial Zone one important work for the development in the coming years. In 2005, the Company basically finished the preparation work of the early stage prior to the reconstruction and development of Shuibei Industrial Zone. As planned, the Company would gradually start and implement the reconstruction and development work to the Group's properties in 2006, as well as the land development and use. Once the reconstruction finished, both the market value and the overall image of Shuibei Industrial Zone would have great advance, and the contribution by property operation and management to the Company's profit would also increase distinctively.

III. Investments made by the Company in the report period

1. In the report period, the Company has not raised any fund, nor does the Company have any fund raised in previous periods and used in the report period;
2. Main projects invested by the Company with non-raised funds, their progress and profit-making status in the report period

On Mar. 3, 2005, Zung Fu Auto Management (Shenzhen) Co., Ltd (hereinafter referred to as Zung Fu Shenzhen) and the Company officially signed the Articles of Association of Shenzhen Zung Fu Tellus Auto Service Co., Ltd (hereinafter referred to as the Articles of Association) at the Zung Fu Shenzhen meeting room in the Development Building at Caiwuwei, and planned to found a joint venture Shenzhen Zung Fu Tellus Auto Service Co., Ltd (hereinafter referred to as Zung Fu Tellus) in Luohu district of Shenzhen, China. The company's businesses include auto maintenance, exhibition, sales of spare parts for automobiles, as well as the consultation and training of auto techniques, especially the maintenance and the sales of entire car and spare parts of Benz automobiles. This company boasts a registered capital of RMB 20 million, of which RMB 7 million were provided by the Company,

taking up 35% of the company's total registered capital, while the remaining RMB 13 million were paid by Zung Fu Shenzhen, taking up 65% of this company's registered capital. Relevant public notices were published in Securities Times and Ta Kung Pao on Mar. 5, 2005.

On Jun. 22, 2005, the Board of the Company decided after deliberation that: it approved to increase the registered capital of Shenzhen Zung Fu Tellus Automobile Service Co., Ltd by RMB 10 million; According to equity proportion, the Company would increase the registered capital by RMB 3.5 million and Zung Fu Shenzhen by RMB 6.5 million. Thus, the original equity proportion of Zung Fu Tellus remained intact.

On Jul. 16, 2005, Zung Fu Tellus Company was formally launched into operation. During the year 2005, this company gained a net profit of approximately RMB 3.14 million. According to the investment proportion, the Company's investment yield amounted to about RMB 1.1 million.

IV. Shenzhen Nanfang Minhe Certified Public Accountants Ltd. And Moore Stephens (Shenzhen) Nanfang Minhe Certified Public Accountants have furnished the Company with unqualified Auditor's Reports.

V. Routine work of the Board

(I) Meetings held by the Board and contents of the resolutions passed

In the year 2005, the Board of Directors of the Company held 10 meetings in total:

1. The 9th provisional meeting of the 4th Board of Directors was held on Jan. 12, 2005 at Shenzhen Yongtong Hotel. 6 directors attended the meeting. Director Jiang Qinjian entrusted Director Yang Feng to attend the meeting and exercise his voting right, and Independent Director Zhou Chengxin entrusted Independent Director Shi Weihong to attend the meeting and exercise his voting right. Following provisions were examined and approved at the meeting: Provision on Auto Industry & Trade Company's fitting up its premises; Provision on the temporary salary administration rules at the Headquarter of Tellus Group; At the meeting, the Board checked and evaluated the performance of the members of the management team on their work for the year 2004.

2. The 10th provisional meeting of the 4th Board of Directors was held through telecommunications on Mar. 2, 2005. 8 directors should have been present at the meeting, and actually 7 did. Due to work need, Independent Director Zhang Yuan had asked for leave. Public notices on the resolutions of meeting were published in Securities Times and Hong Kong Ta Kung Pao on Mar. 8, 2005.

3. The 9th meeting of the 4th Board of Directors was held at Shenzhen Nan'ao Century Seaview Hotel on Mar. 11, 2005. 8 directors should have attended the meeting, and all 8 did. 4 supervisors and relevant senior administrators were also present at the meeting. Public notices on the resolutions of meeting were published in Securities Times and Hong Kong Ta Kung Pao on Mar. 15, 2005.

4. The 10th meeting of the 4th Board was held through telecommunications on Apr. 18, 2005. 8 directors should have joined the meeting, and actually all 8 did. Public notices on the resolutions of meeting were published in Securities Times and Hong Kong Ta Kung Pao on Apr. 19, 2005.

5. The 11th provisional meeting of the 4th Board of Directors was held at Shenzhen Yongtong Hotel on Apr. 27, 2005. 8 directors should have been present at the meeting, and actually 5 did. Director Guo Dongri entrusted Chairman of the Board Zhang Ruili to attend the meeting and exercise the voting right on his behalf, and Independent Director Zhou Chengxin entrusted Independent Director Shi Weihong to join the meeting and exercise his voting right. Director Jiang Qinjian had asked for leave due to work reason. 4 supervisors and relevant senior administrators also attended the meeting. Public notices on the resolutions of meeting were published in Securities Times and Hong Kong Ta Kung Pao on Apr. 29, 2005.
6. The 12th provisional meeting of the 4th Board of Directors was held through telecommunications on May 13, 2005. 8 directors should have joined the meeting, and actually 7 directors did. Public notices on the resolutions of meeting were published in Securities Times and Hong Kong Ta Kung Pao on May 18, 2005.
7. The 11th meeting of the 4th Board was held at Shenzhen Nan'ao Century Seaview Hotel on Aug. 2, 2005. 9 directors should have been present at the meeting, and actually 8 did. Independent Director Zhang Yuan entrusted Independent Director Shi Weihong to attend the meeting and exercise his voting right. 4 supervisors and relevant persons in charge from the Audit & Finance Department also attended the meeting. Following provisions were examined and approved at the meeting: Semi-Annual Report 2005 and Summary (Domestic and overseas versions); Report System of the Property Right Representative; Administration Rules of the Economic Contracts at the Headquarter; Provision on changing the Securities Affairs Representative. Public notices on the resolutions of meeting were published in Securities Times and Hong Kong Ta Kung Pao on Aug. 4, 2005.
8. The 12th meeting of the 4th Board was held at Shenzhen Hotel Kapok on Oct. 24, 2005. 9 directors should have attended the meeting, and actually 8 did. Independent Director Zhang Yuan entrusted Independent Director Shi Weihong to join the meeting and exercise his voting right. Following provisions were examined and approved at the meeting: The 3rd Quarterly Report 2005; Administration Rules on the Examination of the Personnel at the Headquarter of the Group; Provisional Regulations on the Administration of the Persons in Charge of Finance at the Wholly Owned Enterprises; Administration Rules on the Infrastructure Construction at the Headquarter of the Group. Public notices on the resolutions of meeting were published in Securities Times and Hong Kong Ta Kung Pao on Oct. 26, 2005.
9. The 13th provisional meeting of the 4th Board was held through telecommunications on Nov. 28, 2005. 9 directors should have joined the meeting, and all 9 did. Public notices on the resolutions of meeting were published in Securities Times and Hong Kong Ta Kung Pao on Nov. 30, 2005.
10. The 14th provisional meeting of the 4th Board was held on Dec. 30, 2005 through telecommunications. 9 directors should have joined the meeting, and actually 8 did. Independent Director Zhou Chengxin entrusted Independent Director Shi Weihong to join the meeting and exercise the voting right on his behalf. Public notices on the resolutions of meeting were published in Securities Times and Hong Kong Ta Kung Pao on Jan. 25, 2006.

(II) Implementation of the resolutions made at the General Shareholders' Meeting by the Board of Directors

According to the resolutions passed at the General Shareholders' Meeting 2004, the Board of the Company did not distribute any profit or transfer any reserve fund into share capital in 2005.

VI. Profit distribution preplan

In the year 2005, the Company gained a net profit of RMB 5,676,304.77 and it is planned that no profit made by the Company in 2005 would be distributed or transferred. The undistributed profit would be used to make up the accumulated losses occurred in previous years. This profit distribution plan is still needed to be examined and approved by the General Shareholders' Meeting 2005.

No independent opinions had been given by the independent directors on reasons of the cash profit distribution preplan: Independent Directors Zhou Chengxin, Shi Weihong and Zhang Yuan agreed with the Board of the Company on the resolution concerning profit distribution for the year 2005. The undistributed profit of the Company would be used to make up losses occurred in previous years.

VII. Other events

The Company did not change the newspapers for information disclosure in the report period.

VIII. Report of the Supervisory Committee

The Supervisory Committee held 4 meetings in total in the report period, with main contents as follows: 1. Examination and deliberation on the significant events of the Company. Examined and approved successively were the Proposal on the Merger of the Headquarter of the Group and the Headquarter of Auto Industry & Trade and the Adjustment to the Administration Team, the Proposal on the Modification of Part of the Clauses of the Articles of Association, the Proposal on the Modification of Relevant Contents of the Rules of Procedure of the General Shareholders' Meeting, the Detailed Implementation Rules and Rules of Procedure of the Supervisory Committee of Tellus Holding Co., Ltd, the Report System of the Property Right Representative of Tellus Holding Co., Ltd, the Administration Rules on Bid Invitation of Tellus Holding Co., Ltd, the Provisional Rules on the Administration of the Persons in Charge of Finance of the Wholly Owned Enterprises of Tellus Group, and the Administration Rules on the Examination of the Personnel of Tellus Group. 2. Examination and deliberation on the Board's Work Reports, Performance Reports of the Administration Team, Quarterly and Annual Financial Reports of the Company, as well as the profit distribution plan, etc. 3. Approval of the Work Report 2005 of the Supervisory Committee and resolutions made.

During the past year, members of the Supervisory Committee had attended each meetings held by the Board, and, with the rights authorized by relevant laws, regulations and the Articles of Association, conducted surveys and supervision over the Company's operation according to laws and the work and behaviors of members of the Board and other senior administration personnel, etc, through the attendance at meetings of the Board and other various means. They had strictly and dutifully

performed their responsibilities.

Independent opinions of the Supervisory Committee on relevant events of the Company in 2005:

1. Operation according to laws of the Company

In accordance with the rules of relevant laws and regulations such as the Company Law, the Administration Rules of Listed Companies and the Articles of Association, etc, the Supervisory Committee of the Company had conducted supervision over the convening procedures and resolutions of the General Shareholders' Meeting and the Board meetings, the Board's implementation of the resolutions made by the General Shareholders' Meeting, the work performance of the Company's senior administration personnel, and the management system of the Company, etc. The Committee believed that, in the report period, the operation of the Board and the administration team as well as the procedures of each resolution had all been in conformity with the Company Law, the Administration Rules of Listed Companies and the Articles of Association, and that resolutions of the General Shareholders' Meeting had been implemented. No wrong doings against laws or regulations was detected that directors or senior administrative personnel had committed while performing their duties.

2. Opinions after the inspection of the Company's financial status

The Supervisory Committee had conducted careful and prudent inspection over the financial system and status of the Company. It believed that the Company's inner-controlling system is complete and healthy, and the management is perfect. The Financial Report of this year can truly reflect the Company's financial status and operation achievements. Shenzhen Nanfang Minhe Certified Public Accountants Ltd and Moore Stephens (Shenzhen) Nanfang Minhe Certified Public Accountants had furnished unqualified Auditors' Reports.

3. No fund was raised in the report period.

4. The Company had made no purchases or sales of assets during this accounting year.

5. In the report period, the Company and its controlling shareholder Shenzhen SDG Co., Ltd signed an Agreement in Shenzhen. The two parties reached common agreements on the cash liabilities between the Company and the SDG's subsidiaries, as well as those between the Company's shareholding subsidiaries and SDG. This related transaction basically resolved the Company's long-term fund occupation problem caused by the subsidiaries of the related party, the controlling shareholder, and had no other significant influence.

IX. Significant Events

I. Significant lawsuits and arbitrations

In the report period, the Company had some new significant lawsuits and arbitrations, with details as follows:

(I) Since the loan amounting to RMB 13 million borrowed by the Company from Luohu Sub-Branch of Shenzhen Development Bank Co., Ltd had not been paid after the expiration date, Luohu Sub-Branch filed an petition to Shenzhen Intermediate People's Court for property attachment before the institution of an action. On Jan. 27,

2005, Shenzhen Intermediate People's Court sequestrated and froze the 50% equity of Shenzhen Xinglong Machinery Moulds Co., Ltd and the 60% equity of Shenzhen SDG Huari Automobile Enterprise Co., Ltd that were held by the Company. Right now, the Company has almost reached a loan transfer agreement with Luohu Sub-Branch. Relevant public notices were published in Securities Times and Ta Kung Pao on Feb. 2, 2005.

(II) In October 2005, the Company filed a suit to Luohu People's Court of Shenzhen, asking for a ruling requiring Gintian Industry (Group) Co., Ltd to pay the Company the fund deducted through compulsory execution due to the Company's guarantee for Gintian Industry (Group) Co., Ltd's bank loans, and the amount totaled RMB 4,081,830 (Of this, RMB 3 million was the principal, RMB 1,051,380 was the interest, RMB 25,160 was the legal cost and RMB 5,290 was the execution cost. The Company had classified the deducted amount as loss accounts in previous report years.). The Court has accepted the case. By the disclosure date of this report, the Court has not opened court sessions to hear the case.

(III) In October 2005, the Company filed a suit to Shenzhen Intermediate People's Court, asking for a ruling requiring Shenzhen Zhonghao (Group) Ltd to pay the Company RMB 16.62 million, including the bank interest amounting to RMB 5 million paid by the Company on Zhonghao Company's behalf due to the Company's guarantee for Zhonghao Company's bank loans, the bank loan of RMB 11.5 million taken up by the Company, as well as the legal costs and the appraisal charges paid by the Company to the court totaling RMB 0.12 (The Company had classified the above-mentioned amount as loss accounts in previous report years.). The Court has accepted the case. By the disclosure date of this report, the Court has not opened sessions to hear the case.

Results of the previous important lawsuits and arbitrations of the Company are as follows:

(I) As to the case concerning Shenzhen Development Bank Co., Ltd's suing Gintian Industry (Group) Co., Ltd for its overdue loan totaling USD 2 million with guarantees provided by the Company, Shenzhen Intermediate People's Court froze the Company's 95% equity in New Yongtong Industrial Company, besides part of the equity and assets of Gintian Industry (Group) Co., Ltd in Guangzhou and Shenzhen. Right now, the Company has reached a loan transfer agreement with Shenzhen Development Bank Co., Ltd, taken up this overdue loan, and step up the debt-recovering work on Gintian.

(II) Concerning the case of Shenzhen Shangbu Sub-Branch of Agricultural Bank of China suing Shenzhen Petrochemical Industry (Group) Co., Ltd on its overdue loan of RMB 57.6 million with the Company providing guarantees, the Company is now actively responding to the suits. The case is under sessions right now.

(III) As to the case about the dispute Tellus Real Estate Company, the Company's subsidiary, suing Shenzhen Jinlu Industry & Trade Company (hereinafter referred to as Jinlu Company) over the cooperation contract on the construction of buildings, Shenzhen Intermediate People's Court heard the case on Mar. 18, 2003, and ruled that the claim of Tellus Real Estate Company be dismissed, the original cooperation

contract on building construction was still valid, and the two parties should continue to carry out the contract. In March 2005, Tellus Real Estate Company together with Jinlu Company filed a suit against the Branch Office of the Housing Management Bureau and the 75731 Army, requiring that the two defendants perform the cooperation contract and deliver the property of Liyehui Food Street of 11,845 square meters (worth about RMB 11,851,357) to the two plaintiffs as the contract required, and that the two defendants compensate the plaintiffs for the receivable rents since 1998 amounting to RMB 5,034,664.94. In the mean time, Tellus Real Estate Company and Jinlu Company signed an agreement that, once the property of Liyehui Food Street is recovered due to this lawsuit through either voluntary implementation or compulsory execution by the court, Tellus Real Estate Company should be given a fixed proportion of 6 thousand square meters and the remaining property would be owned by Jinlu Company; Should the property not reach 6 thousand square meters, the whole property should be owned by Tellus Real Estate Company; As to the receivable income recovered in this case, the two parties should divide 5:5. The court has accepted this case. By the disclosure date of this report, the Court has not opened sessions to hear the case. Tellus Real Estate Company has withdrawn a 50% bad debt reserve for this receivable amount.

II. In the report period, the Company made no significant purchases, sales of assets, nor mergers.

III. Important related transactions

1. In the report period, the Company had no related transactions of buying or selling goods, or providing labor services with the related parties.

2. In the report period, the Company had no related transactions of assets or equity transfer with the related parties.

3. In the report period, the Company had no related transactions of co-investment with the related parties.

4. For details on the financial claims, liabilities and guarantees between the Company and the related parties, please refer to Note VIII of the Accounting Statement.

In the report period, the Company and its controlling shareholder SDG signed an Agreement. The two parties had reached agreements on the cash liabilities between SDG's subsidiary and the Company, and those between the Company's shareholding subsidiary and SDG. Since the parties involved in the financial claims and liabilities included the Company, the Company's shareholding subsidiary, as well as SDG and SDG's shareholding subsidiary, this transaction should be classified as a related transaction.

This transaction had been conducted by the Company strictly in accordance with the requirement of the Notice on the Standardization of the Fund Transaction between the Listed Companies and the Related Parties and the Problems on the External Guarantees of the Listed Companies (ZJF [2003] No. 56) issued by China Securities Regulatory Commission, so as to solve the long-term capital occupation problem caused by the controlling shareholder's subsidiary, the related party. The Board of the Company believed that this related transaction had basically resolved the long-term capital occupation problem caused by the controlling shareholder's subsidiary, the

related party, and that it had generated no other significant influences. Relevant public notices were published in Securities Times and Hong Kong Ta Kung Pao on Feb. 15, 2006.

In the report period, SDG took up the bank loans borrowed by the Company by the means of transferring debts into shares, and wrote off its debts owed to the Company. Therefore, by the end of the report period, the debts owed by the controlling shareholder SDG to the Company have been completely cleared. Relevant public notices were published in Securities Times and Hong Kong Ta Kung Pao on Oct. 8, 2005.

In the report period, the amount provided by the Listed Company to the controlling shareholder SDG and its subsidiaries totaled RMB -176.5353 million, and by the end of the report period, the balance of the amount occupied by SDG and its subsidiaries totals RMB 0.7563 million. This balance is mainly part of the interests generated from the financial claims and liabilities transactions, etc. The Company would negotiate with SDG and write off the debt owed to SDG with this balance before the end of the year 2006.

5. Other significant transactions

IV. Important contracts and their implementation

(I) In the report period, events of the significant entrustment, contracting, lease of other companies' assets by the Company or vice versa:

In March 2005, the Company and Zung Fu Tellus signed a lease agreement. Zung Fu Tellus would rent the Company's land and the 5-story workshop at No. 3, Buxin Industrial Zone, Luohu District, Shenzhen. The area of the land totaled around 7705.25 square meters, and the total floor space of the workshop was 13891.24 square meters. The rent would be RMB 5 million per year, and the term would be 20 years, starting from Jan. 1, 2005. This lease agreement would guarantee the Company with an annual steady income of RMB 5 million.

(II) Significant guarantees:

1. Guarantee contracts implemented in the report period and those with implementation not finished

By the day Dec. 31, 2005, the Company has provided letters of loan guarantee for the following companies:

Item	Property right relation	Amount guaranteed	Content	Term	Guarantee mode
Gintian Industry (Group) Co., Ltd	Naught	USD 2 million	Short-term loan	Aug. 1, 1997 - Aug. 1, 1998	Joint responsibility

By Dec. 31, 2005, Auto Industry & Trade, the Company's subsidiary, has provided letters of bank loan guarantee for Auto Import & Export Company:

Item	Amount guaranteed	Content	Term	Guarantee mode
Shenzhen Auto Industry Import & Export Company	RMB 8,000,000.00	Short-term loan	Mar. 25, 2005 – Mar. 25, 2006	Credit
Shenzhen Auto Industry	RMB 10,000,000.00	Short-term loan	Aug. 17, 2005 –	Credit

Import & Export Company			Aug. 17, 2006	
Shenzhen Auto Industry Import & Export Company	RMB 10,000,000.00	Short-term loan	Jul. 6, 2005 – Jul. 5, 2006	Credit

Apart from these, Auto Industry & Trade Company also provided guarantee for this company's line of credit of not more than USD 2 million. Auto Industry & Trade Company provided credit guarantee for this line of credit before the year 2000, and that had not actually been used in the past few years. By Dec. 31, 2005, under this line of credit, letters of credit amounting to YEN 103,866,224.00 and USD 630,645.00 have been issued.

2. Guarantee amount provided to shareholding subsidiaries in the report period

Guarantor	Name of the company guaranteed	Property right relation	Amount guaranteed	Content	Term	Guarantee mode
Shenzhen Tellus Holding Co., Ltd	Shenzhen Tellus New Yongtong Company	Wholly-owned	RMB 1.54 million	Short-term loan	Jul. 21, 2004 – Apr. 20, 2005	Credit
Shenzhen Tellus Holding Co., Ltd	Shenzhen Tellus New Yongtong Company	Wholly-owned	RMB 2.741 million	Short-term loan	Jun. 28, 2004 – Feb. 28, 2005	Credit
Shenzhen Tellus Holding Co., Ltd	Shenzhen Tellus New Yongtong Company	Wholly-owned	RMB 3.6 million	Short-term loan	Feb. 28, 2005 – Nov. 17, 2005	Credit
Shenzhen Tellus Holding Co., Ltd	Shenzhen SDG Tellus Property Management Company	Wholly-owned	RMB 0.375 million	Short-term loan	Aug. 26, 2004 – Aug. 25, 2006	Credit
Shenzhen Auto Industry & Trade Corporation	Shenzhen Biaoyuan Investment Company	Wholly-owned	RMB 24.9 million			

By Dec. 31, 2005, the total guarantee amount of the Company was RMB 89.55 million, taking up 39.65% of the Company's net assets. In the report period, the Company had not provided guarantees for shareholders, the actual controller or its related parties, and the guarantee amount provided to the guaranteed with an asset-liability ratio of over 70% totaled RMB 40.26 million.

Of the above-mentioned guarantees, the initial guarantee for Import & Export Company provided by the Company's subsidiary Auto Industry & Trade occurred in 1996, when Import & Export Company had not changed its system and was still a wholly-owned subsidiary of Auto Industry & Trade. In July 2002, Import & Export Company conducted system transformation. Before the system transformation, the guarantee amount for Import & Export Company provided by Auto Industry & Trade totaled RMB 84 million. After the transformation, according to the agreement reached among the shareholders of Import & Export Company, the loans of Import & Export Company would be guaranteed by all the shareholders in accordance with their proportions, and the amount guaranteed by Auto Industry & Trade was reduced to RMB 36 million and a line of credit totaling USD 2 million. Besides, the other shareholders of Import & Export Company should place their equity as pledge to Auto Industry & Trade. In the report period, the Board of the Company had asked Auto Industry & Trade Company to reduce its guarantee amount for Import & Export

Company.

The Company's decision-making procedures on the guarantees for shareholding subsidiaries were conducted strictly in conformity with the Company's relevant regulations.

The Company would actively take effective measures to control and evade guarantee risks.

3. In the report period, the Company had not entrusted others with cash management or loans borrowing.

4. In the report period, the Company had no other significant contracts.

V. Commitments

(I) Concerning the irrevocable commitment made by the Company's controlling shareholder SDG to the Company on its debts owed to the Company, SDG had finished its work of transferring debts into shares in March 2005, so the Company and SDG signed an Agreement to write off the debts on Sep. 30, 2005. The two parties agreed that the debts owed by the Company to SDG be wrote off with the debts owed by SDG to the Company. After the Agreement taking effect, the Company's capital occupation by SDG was cleared.

(II) SDG, the shareholder of non-circulating shares, made the following commitments during the Company's reform of non-tradable shares:

1. Commitments on moratorium

(1) In accordance with the Measures for the Administration of the Share-Trading Reform of Listed Companies, SDG would abide by the various laws, regulations and rules, and perform its statutory commitment duty.

(2) Apart from the above-mentioned statutory commitment, SDG also made the following special commitment: with 36 months since the day the reform plan starts to take effect, SDG would not list at Shenzhen Stock Exchange and sell the ST Tellus it held (except for the shares used to promote the administration level of ST Tellus).

(3) The administration level would abide by the laws, regulations and rules, and perform its statutory commitment duty.

(4) SDG made the commitment: "The Promisor hereby promises that, should the Promisor failed to fulfill its commitment or not fully fulfill its commitment, it would compensate other shareholders for their losses suffered thereafter".

(5) SDG declared: "The Promisor would dutifully fulfill its commitments and shoulder corresponding legal responsibilities. Only if the assignee agree and have the ability to shoulder the commitment responsibility, the Promisor would never transfer the shares held by it."

2. Special commitment concerning the promoting system

To effectively boost the core management level and business backbones for long, SDG would take out its shares, not exceeding 10% in total number after the share-trading reform, and apply them to the boost of the administration level. The shares would be sold to the Company's administrative level over 3 years, with the selling price being the net asset value per share audited during the period nearest to the implementation. Before the implementation of the promoting plan by share selling each year, the administration level must prepay the Company a risk responsibility

fund, i.e. 20% of the planned selling price; Should the work of the performance examination set by the Board failed to be finished, the paid risk responsibility fund would not be refunded and shall be owned by the Company. Detailed rules concerning the limitations on the administration level, such as the subscription conditions and risk responsibility fund, and boost plans would be set by the Board and submitted to relevant departments for approval. The implementation of the shares for promoting would be conducted strictly according to relevant laws and regulations, and the circulation conditions of these shares would be in conformity with relevant regulations set by the Shenzhen Stock Exchange.

3. Relevant expenses of this share-trading reform of ST Tellus would be paid by SDG.

VI. CPAs engaged

In the report period, the Company continued to hire Shenzhen Nanfang Minhe Certified Public Accountants Ltd as the domestic financial auditing agency for the year 2005, while Moore Stephens (Shenzhen) Nanfang Minhe Certified Public Accountants as the overseas financial auditing agency for the year 2005. The amount of domestic and overseas auditing charges totaled RMB 0.55 million. Up to now, the two CPAs have provided the Company with auditing services for 5 successive years.

VII. In the report period, neither the Company, nor its Board or directors had been inspected by the CSRC, received any administrative punishments or circulating criticism from the CSRC, or publicly criticized by the Stock Exchange.

VIII. Other significant events

Significant events disclosed by the Company:

1. Shenzhen Luohu Sub-Branch of Shenzhen Development Bank Co., Ltd sued the Company on overdue loans and filed a petition to the Court for attachment before the institution of an action. Relevant public notices were published in Securities Times and Hong Kong Ta Kung Pao on Feb. 2, 2005;
2. The Company founded Shenzhen Zung Fu Tellus Auto Service Co., Ltd together with investments from Zung Fu Automobile Management (Shenzhen) Co., Ltd. Relevant public notices were published in Securities Times and Hong Kong Ta Kung Pao on Mar. 8, 2005;
3. The Company engaged and dismissed some senior administration personnel. Relevant public notices were published in Securities Times and Hong Kong Ta Kung Pao on Apr. 30, 2005;
4. The Company modified relevant clauses of the Articles of Association. Relevant public notices were published in Securities Times and Hong Kong Ta Kung Pao on Jun. 4, 2005;
5. Some of the directors were changed. Relevant public notices were published in Securities Times and Hong Kong Ta Kung Pao on Jun. 4, 2005;
6. It was predicted that the Company would gain a profit during the half year. Relevant public notices were published in Securities Times and Hong Kong Ta Kung Pao on Jul. 13, 2005;
7. Former Workers' Supervisor Li Mingjun resigned from his supervisor post, and Yang Jianhua was elected as the new Workers' Supervisor. Relevant public notices were published in Securities Times and Hong Kong Ta Kung Pao on Jul. 30, 2005;

8. On Nov. 14, 2005, the Company published the Plan on the Share-Trading Reform in Securities Times and Hong Kong Ta Kung Pao. After communications with the general investors, the modified plan was published on Nov. 23 in the above-mentioned newspapers. On Dec. 19, 2005, the Company held the relevant shareholders' meeting for the A-share market, at which the aforesaid Plan of Share-Trading Reform had been examined and approved. Relevant resolutions of the shareholders' meeting were published in Securities Times and Hong Kong Ta Kung Pao respectively on Dec. 20, 2005. On Jan. 4, 2006, the Company published the Public Notice on the Change of Stock Abbreviation and the Relevant Issues on the Implementation of the Share-Trading Reform in both Securities Times and Hong Kong Ta Kung Pao respectively.

X. Financial Report

(See the attachments)

XI. Documents for Reference

Various documents have been prepared and ready for China Securities Regulatory Commission, Shenzhen Stock Exchange, relevant administration agencies and the general investors to refer to. Documents available include:

1. Original of the Financial Report 2005 with the signatures and seals of the Legal Representative, Finance Chief, and Manager of the Finance and Accounting Department;
2. Text of the Auditors' Report with the seal of the domestic Certified Public Accountants, as well as the signatures and seals of the CPAs; Texts of both Chinese and English versions of the Auditors' Report on the Financial Report compiled in accordance with International Accounting Standards, carrying the seal of the overseas Certified Public Accountants;
3. Texts of all the Company's files and originals of public notices ever disclosed in the newspapers designated by China Securities Regulatory Commission in the report period;
4. Annual Report (Summary) disclosed in other securities markets.

Signature of the Chairman of the Board:

Board of Directors
Shenzhen Tellus Holding Co., Ltd
Feb. 17, 2006