Short Form of Stock: ST Tellus A, ST Tellus B No.: 2006-004
Stock Code: 000025, 200025

SHENZHEN TELLUS HOLDING CO., LTD.
SUMMARY OF ANNUAL REPORT 2005

§1. Important Notes

1.1 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. The summary of annual report 2005 is abstracted from the annual report; the investors are suggested to read the full text of annual report to understand more details. This report was prepared in both Chinese and English, should there be any difference in interpretation between the two versions, the Chinese version shall prevail.
1.2 No director stated that they couldn’t ensure the correctness, accuracy and completeness of the contents of the Annual Report or have objection for this report.
1.3 All directors attended the Meeting.
1.4 Shenzhen Nanfang Minhe Certified Public Accountants and Moore Stephens (Shenzhen) Nanfang Minhe Certified Public Accountants issued a standard unqualified Auditors’ Report for the Company.
1.5 Chairman of the Board of the Company Mr. Zhang Ruili, Chief Financial Officer Mr. Fu Bin and Manager of Financial Department Ms. Yang Jianhui hereby confirm that the Financial Report enclosed in the Annual Report is true and complete.

§2. Company Profile

2.1 Basic information

Short form of the stock	ST Tellus A, ST Tellus B
Stock code	000025, 200025
Listed stock exchange	Shenzhen Stock Exchange
Registered address and office address	Registered address: 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	Post code of registered address: 518020 Post code of office address: 518031
Internet web site of the Company	www.tellus.cn
E-mail of the Company	sztljtgf@public.szptt.net.cn

2.2 Contact person and method

	Secretary of the Board	Securities Affairs Representative
Name	Ren Yongjian	Yang Jianhui
Contact address	the 15/F, Zhonghe Building, Shennan Middle Road, Futian District, Shenzhen	the 15/F, Zhonghe Building, Shennan Middle Road, Futian District, Shenzhen
Telephone	(86) 755-83989338	(86) 755-83989363
Fax	(86) 755-83989399	(86) 755-83989399
E-mail	szryj@tom.com	

§3. Summary of Accounting Data and Financial Indexes

3.1 Major accounting data Unit: RMB

	2005	2004	Increase/decrease over last year（%）	2003
Income from main operations	1,043,810,667.42	1,124,745,615.76	-7.20%	1,436,382,877.72
Total profit	10,435,983.82	13,903,513.53	-24.94%	13,630,669.73
Net profit	5,676,304.77	4,319,754.28	31.40%	5,175,063.43
Net profit after deducting non-recurring gains and losses	3,759,441.57	-2,056,290.71		-5,157,990.61
Net cash flow arising from operating activities	35,943,414.04	-79,921,661.82		100,750,071.64
	At the end of 2005	**At the end of 2004**	**Increase/decrease from the end of previous year（%）**	**At the end of 2003**
Total assets	859,358,659.13	1,063,458,822.65	-19.19%	1,274,704,955.23
Shareholder's equity (excluding minority interests)	225,872,478.83	216,276,817.86	4.44%	211,162,165.06

3.2 Major financial indexes Unit: RMB

	2005	2004	Increase/decrease over last year（%）	2003
Earnings per share	0.0258	0.02	29.00%	0.02
Earnings per share (note)	0.0258	-	-	-
Return on equity	2.51%	2.00%	0.51%	2.45%
Return on equity calculated based on net profit after deducting non-recurring gains and losses	1.66%	-0.95%	2.61%	-2.44%
Net cash flow per share arising from operating activities	0.16	-0.36		0.46
	At the end of 2005	**At the end of 2004**	**Increase or decrease from the end of previous year（%）**	**At the end of 2003**
Net assets per share	1.025	0.98	4.59%	0.96
Net assets per share after adjustment	0.89	0.14	535.71%	0.10

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

Items of non-recurring gains and losses
√Applicable ☐Inapplicable

Unit: RMB

Items of non-recurring gains and losses	Amount
Income from disposal of long-term investment	911,762.04
Funds occupied capital received from non-finance enterprises reckoned into this period	317,860.63
Non-operating income	529,562.79
Non-operating expenses after deducting reserve for impairment losses	-2,241,429.30
Previous reserve for impairment losses switched back	2,326,770.46
Impact on income tax	72,336.58
Total	1,916,863.20

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

Unit: RMB

	CAS	IAS
Net profit	5,676,304.77	9,858,000.00
Explanation on the difference	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.	

§4. Changes in Share Capital and Particulars about Shareholders

4.1 Statement of change in share (Unit: share)

Type of shares	Before the change		Increase/decrease in this time (+, -)	After the change	
	Number of shares	Proportion	Subtotal	Number of shares	Proportion
I. Unlisted Shares	159,588,000	72.45%	0	159,588,000	72.45%
1. Sponsors' shares	159,588,000	72.45%	0	159,588,000	72.45%
Including:					
Shares held by the State	159,588,000	72.45%	0	159,588,000	72.45%
Shares held by domestic legal persons	0	0.00%	0	0	0.00%
Shares held by foreign	0	0.00%	0	0	0.00%

legal persons					
Others	0	0.00%	0	0	0.00%
2. Raised legal person's shares	0	0.00%	0	0	0.00%
3. Inner employees' shares	0	0.00%	0	0	0.00%
4. Preference shares or others	0	0.00%	0	0	0.00%
II. Listed Shares	60,693,600	27.55%	0	60,693,600	27.55%
1. RMB ordinary shares	34,284,100	15.56%	0	34,284,100	15.56%
2. Domestically listed foreign shares	26,400,000	11.98%	0	26,400,000	11.98%
3. Overseas listed foreign shares	0	0.00%	0	0	0.00%
4. Others	9,500	0.00%	0	9,500	0.00%
III. Total shares	220,281,600	100.00%	0	220,281,600	100.00%

4.2 Statement of shares held by the top ten shareholders and the top ten shareholders of circulation share (Unit: share)

Total number of shareholders	**14,575**				
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%	159,588,000	159,588,000	0
LAI SHI HUA	Foreign shareholder	0.20%	451,059	0	
WANG FU CHANG	Foreign shareholder	0.15%	330,000	0	
LIU ZI XIAN	Foreign shareholder	0.14%	303,487	0	
WANG XUE FENG	Foreign shareholder	0.12%	271,400	0	
HE KE BING	Foreign shareholder	0.12%	267,299	0	
JIA WEN JUN	Foreign shareholder	0.11%	236,183	0	
MEI ZHENG SHUI	Foreign shareholder	0.10%	201,000	0	
DING JING JIA	Foreign shareholder	0.09%	191,080	0	
ZHUANG GONG DONG	Foreign shareholder	0.08%	180,088	0	

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	451,059	Domestically listed foreign shares
WANG FU CHANG	330,000	Domestically listed foreign shares
LIU ZI XIAN	303,487	RMB ordinary shares
WANG XUE FENG	271,400	Domestically listed foreign shares
HE KE BING	267,299	Domestically listed foreign shares
JIA WEN JUN	236,183	RMB ordinary shares
MEI ZHENG SHUI	201,000	RMB ordinary shares
DING JING JIA	191,080	RMB ordinary shares
ZHUANG GONG DONG	180,088	RMB ordinary shares
LIANG GUI LAN	180,000	Domestically listed foreign shares
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.	

4.3 Particulars about controlling shareholders and actual controller of the Company

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

√Applicable ☐Inapplicable

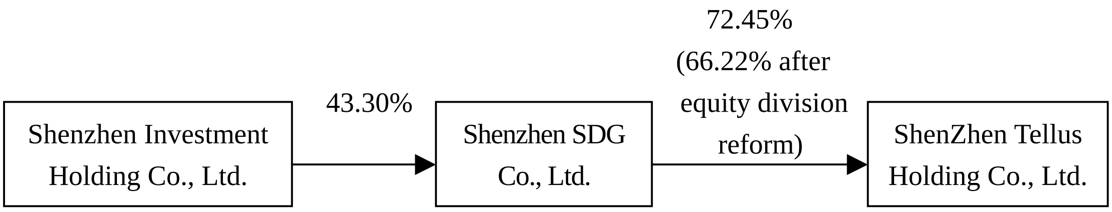
Name of new controlling shareholder	Shenzhen SDG Co., Ltd.
Name of new actual controller	Shenzhen Investment Holding Co., Ltd.
Changing date	Changing date of new controlling shareholder: Mar. 31, 2005
Disclosure date and newspaper of the changing of controlling shareholder	Apr. 2, 2005 Securities Times and Ta Kung Pao
Disclosure date and newspaper of the changing of actual controller	

4.3.2 Introduction of situation on the controlling shareholder and actual controller

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.
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.

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



§5. Particulars about Directors, Supervisors and Senior Executives

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

Name	Title	Sex	Age	Office term	Number of holding shares at the year-begin	Number of holding shares at the year-end	Reasons on change	Drawing the total payment from the Company in the report period (RMB'000)	Drawing the payment from the Shareholding Company (Yes / No)
Zhang Ruili	Chairman of the Board	Male	42	Apr. 18, 2003-Apr. 18, 2006	0	0		222	No
Wang Hailin	Director	Male	45	Apr. 18, 2003-Apr. 18, 2006	0	0		0	Yes
Yang Feng	Director	Male	51	Apr. 18, 2003-Apr. 18, 2006	0	0		0	Yes
Jiang Qinjian	Director	Male	43	Apr. 18, 2003-Apr. 18, 2006	9,000	9,000		0	Yes
Cheng Peng	Director , Standing Deputy General Manager	Male	42	Jun. 3, 2005-Apr. 18, 2006	0	0		173	No
Fu Bin	Director, CFO	Male	43	Jun. 3, 2005-Apr. 18, 2006	0	0		120	No
Zhou	Independent	Male	50	Apr. 18, 2003-	0	0		30	No

Chengxin	Director			Apr. 18, 2006					
Shi Weihong	Independent Director	Female	38	Apr. 18, 2003-Apr. 18, 2006	0	0		30	No
Zhang Yuan	Independent Director	Male	45	Jun. 19, 2003-Apr. 18, 2006	0	0		30	No
Li Binxue	Supervisor	Male	47	Apr. 18, 2003-Apr. 18, 2006	0	0		207	No
Luo Tao	Supervisor	Male	44	Apr. 18, 2003-Apr. 18, 2006	0	0		0	Yes
Feng Yu	Supervisor	Male	38	Jun. 8, 2004-Apr. 18, 2006	0	0		0	Yes
Hu Xiaomei	Supervisor	Female	45	Apr. 18, 2003-Apr. 18, 2006	500	500		154	No
Yang Jianhui	Supervisor	Male	35	Jul. 21, 2005-Apr. 18, 2006	0	0		125	No
Guo Dongri	Deputy General Manager	Male	40	Apr. 18, 2003 to now	0	0		177	No
Ren Yongjian	Deputy General Manager, Secretary of the Board	Male	42	Apr. 27, 2005 to now	0	0		177	No
Luo Bojun	Deputy General Manager	Male	43	Apr. 27, 2005 to now	0	0		153	No
Total	-	-	-	-	9,500	9,500	-	1598	-

§ 6. Report of the Board of Directors

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

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.

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.

6.2 Statement of main operations classified according to industries or products

Unit: RMB'0000

Main operations classified according to industries						
Classified according to industries or products	Income from main operations (RMB)	Cost of main operations (RMB)	Gross profit ratio (%)	Increase/decrease in income from main operations over the last year (%)	Increase/decrease in cost of main operations over the last year (%)	Increase/decrease in gross profit ratio over the last year (%)
Other social service	7,397.02	4,349.25	41.20%	-24.26%	-32.39%	7.07%
Other wholesale and retail trade	90,230.55	86,611.26	4.01%	-7.89%	-7.63%	-0.27%
Lease service	6,753.50	3,111.67	53.93%	42.36%	104.00%	-13.92%
Main operations classified according to Products						
Automobile inspection and maintenance	7,397.02	4,349.25	41.20%	-24.26%	-32.39%	7.07%
Automobile trade	90,230.55	86,611.26	4.01%	-7.89%	-7.63%	-0.27%
Lease service	6,753.50	3,111.67	53.93%	42.36%	104.00%	-13.92%

6.3 Particulars about main operations classified according to areas

Unit: RMB’0000

Areas	Income from main operations (RMB)	Increase/decrease in income from main operations over the last year (%)
Shenzhen	104,381.07	-7.20%

6.4 Application of the raised proceeds

□Applicable √Inapplicable

Particulars about the changed projects

□Applicable √Inapplicable

6.5 Application of the non-raised proceeds through shares offering

√Applicable □Inapplicable

Name of projects	Amount of projects	Progress of projects	Earnings of projects
Shenzhen Renfu Tellus Automobile Service Co., Ltd.	1,050.00	To start the business Formally from July 2005	110
Total	1,050.00	-	-

6.6 Explanation of the Board of Directors on the “Qualified Opinion” made by the Certified Public Accountants

□Applicable √Inapplicable

6.7 The preplan on the profit distribution and capitalization of capital public reserve of the Board of Directors

□Applicable √Inapplicable

The Company did not appropriate share distribution preplan though the Company achieved the profit in the report period

√Applicable ☐Inapplicable

The reasons why the Company did not appropriate share distribution preplan though the Company achieved the profit in the report period	Usage and plan of undistributed profit
In 2005, the Company realized net profit amounting to RMB 5,676,304.77. By the end of the report period, the Company's undistributed profit was RMB -2,950,231.13. The Company would neither distribute profits nor convert capital reserve into share capital this year. The undistributed profit will be used to make good the loss in the previous years.	The undistributed profit will be used to make good the loss in the previous years.

§ 7. Significant Events

7.1 Purchase of assets

☐Applicable √Inapplicable

7.2 Sales of assets

☐Applicable √Inapplicable

7.3 Important guarantees

√Applicable ☐Inapplicable

Unit: RMB'0000

External guarantees of the Company (excluding guarantees for shareholding subsidiaries)						
Name of companies guaranteed	**Date of occurrence (agreement signing day)**	**Guarantee amount**	**Guarantee type**	**Guarantee term**	**Accomplished or not**	**For related parties or not (yes or no)**
Gintian Industry (Group) Co., Ltd	Aug. 1, 1997	1,614.00	Joint responsibility guarantee	1 year	No	No
Shenzhen Auto Industry Import & Export Company	Mar. 25, 2005	800.00	Credit	1 year	No	Yes
Shenzhen Auto Industry Import & Export Company	Aug. 17, 2005	1,000.00	Credit	1 year	No	Yes
Shenzhen Auto Industry Import & Export Company	Jul. 6, 2005	1,000.00	Credit	1 year	No	Yes
Shenzhen Auto Industry Import & Export Company	Jul. 18, 2005	7.94	Letter of credit	60 days	No	Yes
Shenzhen Auto Industry Import & Export Company	Sep. 14, 2005	237.59	Letter of credit	50 days	No	Yes
Shenzhen Auto	Sep. 22, 2005	329.57	Letter of credit	120 days	No	Yes

Industry Import & Export Company						
Shenzhen Auto Industry Import & Export Company	Sep. 29, 2005	49.70	Letter of credit	120 days	No	Yes
Shenzhen Auto Industry Import & Export Company	Oct. 28, 2005	91.88	Letter of credit	60 days	No	Yes
Shenzhen Auto Industry Import & Export Company	Oct. 14, 2005	240.41	Letter of credit	36 days	No	No
Shenzhen Auto Industry Import & Export Company	Oct. 28, 2005	268.53	Letter of credit	60 days	No	Yes
Total guarantee amount occurred in the report period				4,025.62		
Total guarantee balance at the end of the report period				5,639.62		
Guarantees for shareholding subsidiaries by the Company						
Total guarantee amount occurred in the report period for shareholding subsidiaries				2,850.00		
Total guarantee balance at the end of the report period for shareholding subsidiaries				3,315.60		
Total guarantee amount of the Company (including guarantees for shareholding subsidiaries)						
Total guarantee amount				8,955.22		
Proportion of the Company's net assets taken by the total guarantee amount				39.65%		
Including:						
Guarantee amount for shareholders, the actual controller or its related parties				0.00		
Guarantee amount for the debts of the guaranteed companies with an asset-liability ratio of over 70%, directly or indirectly				4,025.62		
The amount by which the total guarantee amount exceeded 50% of the net assets				0.00		
Total amount of the above three guarantees				4,025.62		

7.4 Significant related transactions

7.4.1 Related transaction concerning routine operation

□Applicable √Inapplicable

Including: an amount of RMB 0.00 that occurred during the related transactions of the Listed Company selling products or providing labor service to the controlling shareholder or its subsidiaries in the report period.

7.4.2 Related credits and liabilities current

√Applicable □Inapplicable

Unit: RMB'0000

Related Parties	Capital provided to related parties		Capital provided to the Listed Company by related parties	
	Amount occurred	**Balance**	**Amount occurred**	**Balance**
Shenzhen SDG Co., Ltd	-14,846.34	0.00	-236.39	5,052.00
Shenzhen SDG Swan Industrial Company	-2,261.01	10.36	0.00	0.00
Shenzhen Xinglong Machinery Mould Company	7.60	134.95	0.00	0.00
Shenzhen Machinery Equipment Import & Export Company	-484.76	9.64	0.00	0.00
Shenzhen Telongfa Industrial Co., Ltd	0.00	55.50	0.00	847.74
Shenzhen Zhenhai Kitchen Control Machinery Co., Ltd	-51.84	0.00	0.00	0.00
Tellus (Jinbian) Development Co., Ltd	-36.00	0.00	0.00	0.00
Shenzhen Tellus Real Estate Yueyang Company	-25.42	0.13	0.00	0.00
Worker's Union of Shenzhen Tellus Holding Co., Ltd	0.00	120.00	0.00	0.00
Shenzhen Xiandao New Materials of Chemical Industry Co., Ltd	0.00	70.81	0.00	0.00
Shenzhen Huatong Automobile Company	0.00	45.41	-101.50	178.81
Shenzhen Chihe Automobile Co., Ltd.	-140.00	360.00	0.00	0.00
Shenzhen Tellus Auto Service Development Company	309.11	309.11	0.00	0.00
Construction and Supervision Co., Ltd of Shenzhen SDG Development Center	0.00	0.00	33.02	684.52
Shenzhen Automobile Industry Import & Export Company	0.00	0.00	-792.20	0.00
Shenzhen Longgang Tellus Real Estate Company	0.00	0.00	0.00	109.57
Shenzhen Biaoyuan GM Automobile Co., Ltd	0.00	0.00	0.00	469.37
Shenzhen Biaoyuan Investment Company	0.00	0.00	1,806.17	2,805.17
Shenzhen Tellus Yangchun Real Estate Company	0.00	0.00	7.47	40.53
Hong Kong Yujia Investment Co., Ltd	0.00	0.00	-4.88	249.70
Shenzhen Zung Fu Tellus Auto Service Co., Ltd	0.00	0.00	500.00	500.00
Total	-17,528.66	1,115.91	1,211.69	10,937.41

Including: In the report period, the amount of capital of the Listed Company provided for the controlling shareholder and its subsidiaries was RMB -176.5353 million, and the balance was RMB 0.7563 million.

Capital occupation and plan for clearing:

√Applicable ☐Inapplicable

The Company would negotiate with SDG, and write off the capital occupied with the debts owed to SDG by the Company before the end of 2006.

Clearing plan can surely solve the capital occupation problem before the end of 2006 or not:

√Yes ☐No ☐Inapplicable

7.5 Financing entrustment

□Applicable √Inapplicable

7.6 Implementation of commitments

7.6.1 Commitments on the Share-Trading Reform

1. Contents of the commitments

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

2. Implementation of the commitments

By the report date, SDG, the shareholder of non-circulating shares, has kept and implemented its commitments, and has no cases against the commitments on the Share-Trading Reform.

3. Cases against the commitments

□Applicable √Inapplicable

7.6.2 Other commitments

√Applicable □Inapplicable

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.

7.7 Significant lawsuits and arbitrations

√Applicable □Inapplicable

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.

§8.Report of the Supervisory Committee

√Applicable ☐Inapplicable

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.

§9. Financial Report

9.1 Auditor's opinions

Auditor's opinions: Standard unqualified auditor's opinions

9.2 Financial statement

SHENZHEN TELLUS HOLDING CO., LTD.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005 RMB'000	2004 RMB'000
Turnover	4	1,043,811	1,124,746
Cost of sales		(944,852)	(1,020,822)
Gross profit		**98,959**	**103,924**
Other operating income		42,768	55,700
Distribution costs		(48,617)	(50,953)
Administrative expenses		(49,259)	(52,440)
Other operating expenses		(25,925)	(35,418)
Profit from operations	5	**17,926**	**20,813**
Finance costs	6	(12,561)	(15,406)
Income from associates		2,799	2,550
Dividend income from investments		5,824	1,699
Gain from disposal of associates			--
Gain from disposal of investments		912	4,805
Loss from disposal of a subsidiary		0	--
Profit before tax		**14,900**	**14,461**
Income tax expense	7	(2,998)	(4,430)
Profit after tax		**11,902**	**10,031**
Minority interest		(2,038)	(5,293)
Net profit for the year		**9,864**	**4,738**
Profit per share	8		
Basic		RMB0.04	RMB 0.02
Diluted		N/A	N/A

SHENZHEN TELLUS HOLDING CO., LTD.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2005

	Note	2005 RMB'000	2004 RMB'000
Non-current assets			
Goodwill	9	10,567	11,119
Property, plant & equipment	10	91,682	120,500
Investment properties	11	299,875	270,532
Interests in associates	13	61,029	12,715
Long-term investments	14	65,307	88,405
		528,460	**503,271**
Current assets			
Properties held for sale	15	14,514	37,258
Inventories	16	98,328	126,728
Accounts receivable and prepayments		99,293	105,477
Amount due from ultimate holding company	17	-	95,203
Pledged bank deposits	18	30,265	38,599
Cash and bank balances		75,539	86,740
		317,939	**490,005**
Current liabilities			
Accounts payable		77,901	77,439
Accruals and other payables		186,030	164,922
Provision for staff welfare		4,762	5,838
Bills payable	18	86,498	100,175
Bank loans	19	205,547	207,132
Other loans	20	10,200	172,586
Tax payable		4,700	5,805
		575,638	**733,897**
Net current liabilities		**(257,699)**	**(243,892)**
		270,761	**259,379**
Capital and reserves			
Share capital	21	220,282	220,282
Reserves	22	(866)	(10,677)
Minority interests		51,345	49,774
		270,761	**259,379**

SHENZHEN TELLUS HOLDING CO., LTD.
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005	2004
		RMB'000	RMB'000
OPERATING ACTIVITIES			
Cash received from sale of goods or rendering of services		1,205,588	1,327,288
Other cash received relating to operating activities		27,898	28,848
Cash paid for goods and services		(1,058,216)	(1,212,148)
Cash paid to and on behalf of employees		(63,449)	(60,344)
Tax paid		(28,457)	(34,107)
Cash paid relating to other operating activities		(47,420)	(129,459)
Interest paid		(11,441)	(13,903)
Net cash from operating activities		24,503	(93,825)
INVESTING ACTIVITIES			
Cash received from disposal of investments		3,461	3,567
Dividends received and interest received		5,931	1,845
Net cash received from the sale of fixed assets, intangible assets and other long-term assets		61	5,857
Other cash received relating to investing activities		8,334	140,517
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(6,622)	(4,347)
Cash paid to acquire investments		(13,454)	(18,879)
Cash paid relating to other investing activities			-
Net cash used in investing activities		(2,289)	128,560
FINANCING ACTIVITIES			
Cash received from disposal of investments		150	-
Proceeds from borrowings		109,122	201,870
Other cash received relating to financing activities		24,504	-
Repayments of borrowings		(122,687)	(236,376)
Cash paid relating to other financing activities		(44,504)	-
Net cash used in financing activities		(33,415)	(34,506)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(11,201)	229
Cash and cash equivalents at beginning of year		86,740	86,511
Cash and cash equivalents at end of year		75,539	86,740

SHENZHEN TELLUS HOLDING CO., LTD.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2005

	Share capital	Share premium	Asset revaluation reserve	Staff welfare fund	General reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1/1/2004	220,282	124,248	36,389	3,218	55,472	(234,742)	204,867
Profit for the Year						4,738	4,738
Addition							
At 31/12/2004	220,282	124,248	36,389	3,218	55,472	(230,004)	209,605
Profit for the Year						9,864	9,864
Reserves make up for a loss		(124,248)	(36,389)		(55,472)	216,056	(53)
At 31/12/2005	220,282	0	0	3,218	0	(4,084)	219,416

a. The PRC laws and regulations restrict the distribution of share premium and asset revaluation reserve in the form of cash dividends to shareholders.

b. The PRC laws and regulations require companies to make appropriations to certain statutory reserves from net profit after taxation as reported in the statutory accounts. These statutory reserves include the staff welfare fund and the general reserve which are designated for specific purposes and are not distributable in the form of cash dividends.

Asset revaluation reserve represents surplus of revaluation of assets acquired.

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

□Applicable √Inapplicable

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

□Applicable √Inapplicable

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

□Applicable √Inapplicable

Board of Directors of

Chairman of the Board: Zhang Ruili

ShenZhen Tellus Holding Co., Ltd.

Feb. 17, 2006