SHENZHEN TELLUS HOLDING COMPANY LIMITED
(Incorporated in the People's Republic of China)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

CONTENTS	PAGES

REPORT OF AUDITORS TO THE SHAREHOLDERS OF SHENZHEN TELLUS HOLDING COMPANY LIMITED

(Incorporated in the People's Republic of China with limited liability)

We have audited the accompanying consolidated balance sheet of Shenzhen Tellus Holding Company Limited (the "Company") and its subsidiaries (the "Group") as of 31 December 2005 and the related consolidated statements of income, cash flows and changes in equity for the year then ended. These financial statements as set out on pages 3 to 25 are the responsibility of the Group's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2005 and of the results of operations and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion, we draw attention to note 4 to the financial statements which indicates that the Group's current liabilities exceeded its current assets by RMB257,699, 000 as at 31 December 2005. This condition, along with other matters as set out in note 4 to the financial statements, indicates the existence of a material uncertainty, which may cast significant doubt about the Group's ability to continue as a going concern.

Moore Stephens Shenzhen Nanfang Minhe
Certified Public Accountants

15.02.2006

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005	2004
		RMB'000	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

The accompanying notes form part of these financial statements.

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**

Director Director

The accompanying notes form part of these financial statements.

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

The accompanying notes form part of these financial statements.

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.

c. Asset revaluation reserve represents surplus of revaluation of assets acquired.

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

1.GENERAL INFORMATION OF THE COMPANY

Shenzhen Tellus Machinery Co. Ltd. was established in Shenzhen, the People's Republic of China (the "PRC") on 18 March 1982 as a state-owned enterprise. On 11 December 1992, the Shenzhen Municipal People's Government approved the reorganization of Shenzhen Tellus Machinery Co. Ltd. to become a public limited stock company. Shenzhen Tellus Machinery Co. Ltd. changed its name to Shenzhen Tellus Holding Company Limited (the "Company") on 30 June 1994. The Company and its subsidiaries are collectively referred to as the "Group".

On 31 March 1997, with the approval of Shenzhen Municipal People's Government and China Security Regulatory Commission, Shenzhen Investment Administrative Company transferred 159,588,000 shares of the Company to Shenzhen Special Economic Zone Development (Group) Company. The shares transferred represent 72.45% of the issued shares of the Company.

In 2001, the Group had undergone large scale company restructuring and exchange of assets with its majority shareholder namely Shenzhen Special Economic Zone Development (Group) Company.

The principal activities of the Group are automobile repairing, inspection and other services, the manufacture and sale of machinery, electronic and electrical appliances, property development and management, and import and export trading businesses.

A scheme to allocate the shares of the company has been decided on 09.12.2005, which is voted by the meeting of shareholder. The following are the details of this scheme, 1. Te Fa (Group) Company, as the one and only sharehelder of non-negotiable shares in the Company, in order to let all the non-negotiable shares get the right of circulating in the A share market, pays 13,717,440 shares to the sharehelders (Per 10 shares-4 shares), who are helding the shares (A shares) that circulating in the market. This payment was finished on 04. 01. 2006.

2. Meanwhile, Te Fa (Group) Company such particular promise, the Company shares held by Te Fa (Group) Company would not be exchanged at ShenZhen Bourse in 36 months from the day of that scheme carried out (without the part of the shares sold to management staff).

3. In order to the prompting given to the core management and operation staff being in effect for a long time, Te Fa (group) Company sell less than 10% of the shares held by them to the management staff in 3 years, and the price of the shares is the equity per share audited last year.

2. BASIS OF PREPARATION

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board under the historical cost basis except as disclosed in the accounting policies set out below. The accounting policies adopted by the Company under IFRS differ from the accounting policies used in the financial statements of the Group which were prepared in accordance with Accounting Standards for Enterprise Business and Accounting Systems for Enterprise Business in the PRC. Adjustments to restate the

2. BASIS OF PREPARATION(continued)

results of operations and the net assets in compliance with IFRS will not be taken up in the accounting books of the companies in the Group. Details of impacts of such adjustments on the net assets as at 31 December 2005 and net profit for the year are included in note 27 to the financial statements.

The directors have prepared the financial statements on the going concern basis. However, the Group's current liabilities exceeded its current assets by RMB257,699,000 as at 31 December 2005. The management has made agreement, which is about deadline of the loan with the bank and other creditors. Meanwhile the directors The have successfully negotiated with the Group about the allocation of the loan owing to the ultimate holding company totaling RMB24,375,798, inclusive of interest of RMB5,910,682.

The ability of the Company and the Group to continue as a going concern is dependent upon their future profitable operations, the continuing support of the bankers and the ultimate holding company. If the Company and the Group were not a going concern, non-current assets will not realize their full values and further liabilities will arise. In addition, non-current assets and non-current liabilities will be reclassified as current. The directors believe that it is appropriate with the available information for the financial statements to be prepared as a going concern basis.

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year. The results of subsidiaries acquired or disposed of during the year, if any, are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The results of operations of subsidiaries are included in the consolidated income statement and the share attributable to minority interests is excluded from the consolidated net profit. All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost less provision, if necessary, for impairment. The Company on the basis of dividends accounts for the results of subsidiaries received and receivable.

Associates

An associate is a company over which the Group is in a position to exercise significant influence, but not control, through participation in the financial and operating policy decisions of the investor.

The consolidated income statement includes the Group's share of the post-acquisition results of associates for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associates plus the unamortized goodwill less capital reserves on acquisition of the associates.

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the Company's balance sheet the investment in associates are stated at cost less provision, if necessary, for impairment.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is recognized as an asset and amortized on a straight-line basis over its estimated useful life of 10 years.

Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries and jointly controlled entities is presented separately in the balance sheet.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of unamortized goodwill is included in the determination of the profit or loss on disposal.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition over the cost of acquisition. Negative goodwill is released to income based on an analysis of the circumstances from which the balance resulted. To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognized as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognized as income immediately.

Negative goodwill (continued)

Negative goodwill arising on the acquisition of an associate is deducted from the carrying amount of that associate. Negative goodwill arising on the acquisition of subsidiaries and jointly controlled entities is presented separately in the balance sheet as a deduction from assets.

Intangible assets

Intangible assets represent the cost of acquisition of taxi licenses and computer software and are stated at cost less amortization and provision, if any, for impairment. Amortization is provided to write off the cost of taxi licenses over the license period granted by relevant authorities, namely 10 years, by equal instalments. Amortization is provided to write off the cost of computer software over 5 years.

Property, plant & equipment

Property, plant & equipment except for construction in progress is stated at cost less accumulated depreciation and any impairment losses.

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The cost of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalized as an additional cost of the asset. When an asset is sold, its cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from the disposal, being the difference between the net disposal proceeds and the carrying amount of the asset, is included in the profit and loss account.

Depreciation is provided to write off the cost of property, plant & equipment over their estimated useful lives on a straight-line basis. Estimated useful lives are summarized as follows:

Land and buildings	35 years
Furniture, fixture and office equipment	7 years
Motor vehicles	7 years
Plant and machinery	10 to 13 years

Construction-in-progress represents plant and properties under construction and includes the costs of construction plus interest charges arising from borrowings used to finance the construction during the construction period. No depreciation is provided for construction-in-progress until they are completed and put in use.

Investment property

Investment property is land and/or buildings held to earn rentals or for capital appreciation or both. Investment property is stated at fair value. Fair value is the price at which the property could be exchanged between knowledgeable, willing parties in an arm’s length transaction. Movements in fair value are recognised immediately in profit or loss.

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Properties held for sale

Properties held for sale and properties under development are stated at costs including the cost of land use rights, construction and interest charges arising from borrowings used to finance the development of these properties during the construction period. Provision for impairment is made when it is expected that the total costs will exceed the sale proceeds.

When land use rights designated for property development are sold, the related transfer fee payable thereon is accrued. Provisions for these amounts are made based on management assessment of the ultimate amounts payable, after taking into account advice from the Shenzhen Land Bureau.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-term investments

Long-term investments where the Group is not in a position to exercise significant influence or exert control are stated at cost less provision for impairment losses recognized, where investments' carrying amounts exceed their estimated recoverable amounts.

Long-term investments are recognized on a trade-date basis and are initially measured at cost, including transaction costs.

Long-term investments in equity and debt securities are classified as either held-for-trading or available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognized directly in equity, until the security is deposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the net profit or loss for the period.

Retirement benefit cost

In accordance with local government regulations, the Group is required to make contributions to a retirement insurance fund which is a defined contribution scheme and is administered by the local social security bureau in accordance with government regulations. The amount of contributions is determined at a fixed percentage of the basic salaries of the Group's existing PRC staff.

Retirement benefits are paid directly from the fund and are calculated based upon a retired employee's basic monthly salary and their number of years' service.

The amount charged to the income statement represents the amount of contribution payable to the scheme by the Group.

Foreign currency translation

Foreign currency transactions are converted at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising in these transactions are dealt with in the income statement.

Turnover and revenue recognition

Turnover represents the invoiced value of goods supplied and services performed, and properties sold to customers outside the Group, net of discounts, return and sale taxes.

Sales of goods are recognized when goods are delivered and title has passed.

Service income is recognized when the services are rendered.

Income from sales of properties together with the interest earned on deposits from the installment sales of flats are recognized upon the execution of a binding sales agreement or upon the issuance of an occupation permit completion certificate by the relevant authority, whichever is the later. Deposits received from forward sales of properties are carried in the balance sheet under current liabilities. Installment sales of developed properties are recognized to the extent that installments are received or become due under the relevant sales contracts.

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Rental income, including rental invoiced in advance from properties under operating leases, is recognized on a straight-line basis over the terms of the relevant leases.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

Deferred income tax

Deferred taxation is provided, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. It is recognized in the financial statements to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized.

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is land or buildings other than investment property carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from borrowing costs eligible for capitalization.

All other borrowing costs are recognized in net profit or loss in the period in which they are incurred.

Provisions, contingent liabilities and contingent assets

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognized but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognized.

Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, bank balances and time deposits within three months of maturity when acquired.

4.TURNOVER AND SEGMENT INFORMATION

Turnover represents the aggregate of the invoiced value of goods sold, after allowances for goods returned, trade discounts, value added tax and sales returns. All of the Group's operations are conducted in the PRC.

Segment analysis by principal activities:

	Manufacturing and others		Property development and management		Import and export trading		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	76,650	107,833	53,112	33,963	914,049	982,950	1,043,811	1,124,746
Segment results	2,049	2,968	2,508	5,626	8,441	21,371	12,998	29,965
Unallocated Corporate expense							(4,928)	(9,152)
Profit / (loss) from operations							17,926	20,813
Finance costs							(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								--
Profit / (loss) before tax							14,900	14,461
Income tax expense							(2,998)	(4,430)
Profit / (loss) after tax							11,902	10,031
Minority interest							(2,038)	(5,293)
Net Profit / (loss) for the year							9,864	4,738

4.TURNOVER AND SEGMENT INFORMATION (continued)

	Manufacturing and others		Property development and management		Import and export trading		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
OTHER INFORMATION								
Segment assets	232,020	269,951	37,056	173,466	456,387	448,740	725,463	892,157
Interests in associates	--	--	--		12,715	12,715	12,715	12,715
Unallocated corporate assets							108,221	88,404
Consolidated total assets							846,399	993,276
Segment liabilities		143,313		337,886		252,697	575,638	733,896
Capital expenditure	2,973	706	11,607	1,922	5,638	20,598	20,218	23,226
Depreciation	10,745	6,635	7,245	7,394	5,289	4,363	23,279	18,392
Non-cash expenses other than depreciation	2,479	1,502	954	953	658	658	4,091	3,113

5. PROFIT FROM OPERATIONS

Profit from ordinary activities is stated after charging / (crediting):-

	2005	2004
	RMB'000	RMB'000
Amortization	2,091	1,689
Staff costs	63,449	60,343
Depreciation	20,202	21,560
Provision for doubtful debts		--
Provision for impairment losses of assets:		
- long-term investments	0	974
- inventories	(2,094)	29
- property, plant & equipment	3	650
Exchange losses	522	87

6. FINANCE COSTS

	2005	2004
	RMB'000	RMB'000
Interest expenses	12,561	15,406

7. INCOME TAX EXPENSE

	2005 RMB'000	2004 RMB'000
Income tax for the year	2,998	4,430

Income tax is calculated in accordance with applicable income tax regulations and at 15% (2004: 15%) of the estimated assessable profit determined in accordance with the accounting principles and the relevant financial regulations applicable to enterprises in the PRC.

Reconciliation to the domestic tax expense is as follows:

	2005 RMB' 000	2004 RMB' 000
Accounting profit before tax under IFRS	14,900	14,461
Difference arising from accounting policies based on IFRS	4,464	557
Accounting profit before tax under Accounting Standards for Enterprise Business of the PRC	10,436	13,904
Tax at the domestic rate of 15%	1,565	2,085
Net tax effect of expenses not deductible for tax purposes and other factors	1,433	2,345
Tax expense	2,998	4,430

8. PROFIT PER SHARE

(a) The calculation of basic profit per share is based on the consolidated profit of RMB9, 864,000 (2004: profit of RMB4,738,000) and on the 220,281,600 shares (2004: 220,281,600 shares) in issue during the year.

(b) During the year ended 31 December 2005, there were no dilutive potential shares. Fully diluted profit per share are not disclosed.

9. GOODWILL

	RMB'000
Cost	
At January 1, 2005	16,891
Disposals	1,539
At December 31, 2005	18,430
Amortization	
At January 1, 2005	5,772
Charge for the year	2,091
On disposals	
At December 31, 2005	7,863

9. GOODWILL (continued)

Net book value

At December 31, 2005	10,567
At December 31, 2004	11,119

10. PROPERTY, PLANT & EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Furniture fixture, plant and machinery	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost							
At January 1, 2005	143,876	34,096	34,581	16,253	9,421	--	238,227
Additions	19,922	2,011	447	1,367	896		24,643
Disposals	(45,987)	(3,550)	(2,681)	(1,933)	(491)		(54,642)
At December 31, 2005	117,811	32,557	32,347	15,687	9,826		208,228
Depreciation							
At January 1, 2005	45,867	26,502	23,209	11,467	6,451	--	113,496
Charge for the year	14,340	2,151	1,442	1,140	1,129		20,202
On disposals	(16,644)	(1,126)	(1,578)	(1,702)	(333)		(21,383)
At December 31, 2005	43,563	27,527	23,073	10,905	7,247		112,315
Provision for impairment							
At January 1, 2005	3,555	--	676	--	--	--	4,231
Additions					0	0	0
On disposals					0	0	0
At December 31, 2005	3,555		676	0	0	0	4,231
Net book value							
At December 31, 2005	70,693	5,030	8,598	4,782	2,579		91,682
At December 31, 2004	94,432	7,594	10,718	4,786	2,970	--	120,500

11.INVESTMENT PROPERTY

	Investment properties
	RMB'000
Fair value	299,875
At January 1, 2005	270,532
Additions	29,343
At December 31, 2005	299,875

The group's investment properties were remeasured at fair value as of the balance sheet date. The fair value reflected the actual market state and circumstances. The evidence of fair value is given by current prices on an active market for similar property in the same location and condition and subject to similar lease and other contracts.

12. SUBSIDIARIES

Subsidiaries held at 31 December 2005

Company name	Registered capital RMB'000	Proportion of shares held 2005	2004	Principal activities	Consolidated or not
Shenzhen Te Fa Tellus Property Management Co. Ltd.	7,050	100%	100%	Provision of services and management of industrial districts and employees' residential quarters	Yes
Shenzhen Te Fa Tellus Real Estate Development Co. Ltd.	31,150	100%	100%	Property development and sale of properties	Yes
Shenzhen Tellus Xin Yong Tong Automobile Dev. Co. Ltd.	32,900	100%	100%	Manufacturing and sale of automobile testing equipment, provision of repairs and inspection services	Yes
Shenzhen Zhong Tian Industry Co. Ltd.	7,250	100%	100%	Leasing of property	Yes
Shenzhen Automobile Machinery Industry and Trading Co. Ltd.	58,960	100%	100%	Sale of automobile and fittings, property development	Yes
Shenzhen Te Fa Hua Ri Automobile Co. Ltd.	USD5,000	60%	60%	Provision of automobile repairs and inspection services, manufacturing and sale of automobile fittings	Yes
Shenzhen Tellus Real Estate Trading Co. Ltd.	2,000	100%	100%	Properties trading agency	Yes
Shenzhen Hua ri Toyota Automobile Vendition Co. Ltd.	2,000	60%	60%	Sale of automobile	Yes

13. INTERESTS IN ASSOCIATES

	2005 RMB'000	2004 RMB'000
Share of net assets	61,141	23,840
Amount due from associates	4,581	1,490
Amount due to associates	(4,693)	(12,615)
	61,029	12,715

13. INTERESTS IN ASSOCIATES(continued)

As at 31 December 2005, associates were:

Company name	Principal activities	Proportion of shares held 2005
Shenzhen Xing Long Mechanical Models Co.	Manufacturing and sale of steel moulds for plastic products	50%
Shenzhen Automobile Industry Import and Export Co.	Automobile import and export	35.75%
Shenzhen Biao Yuan Automobile Maintenance Co. Ltd.	Provision of automobile repairs and inspection services	22.71%
Shenzhen Biao Yuan General Automobile Co. Ltd.	Sale of automobile	28.83%
Shenzhen Zung Fu Te Li Automobile Services Co. Ltd.	Prvision of Benz Automobile repairs	35%
Shenzhen Te Li Automobile Services Development Co. Ltd.	Provision of automobile repairs and inspection services	40%
Shenzhen Hua Tong Automobile Co. Ltd.	Leasing of automobile, sale of automobile fittings	30%

During this report term, the Company together with Zung Fu Automobile Management Co. Ltd. (ShenZhen) has invested 2000million Yuan, which the Company invested 700million Yuan, and occupied 35% of the shares, in founding ShenZhen Zung Fu Te Li automobile services co. Ltd that would run 20years. The Company increased the investment by 350 million Yuan later, but still held 35% of the shares.

14. LONG-TERM INVESTMENTS

	2005 RMB'000	2004 RMB'000
Unlisted shares, at cost	95,377	119,776
Listed shares, at cost	3,522	3,522
Debt securities	121	121
Less: provision for impairment	(33,713)	(35,014)
	65,307	88,405

The unlisted shares are not available for sale to the public. In the opinion of the directors, the carrying values of them are not less than their fair values. Therefore, further provision for impairment losses for the investments is not necessary.

15. PROPERTIES HELD FOR SALE

	2005 RMB'000	2004 RMB'000
Developed properties held for sale, at cost	3,442	28,128
Properties under development, at cost	11,072	11,457
Less: provision for impairment	-	(2,327)
	14,514	37,258

16. INVENTORIES

	2005 RMB'000	2004 RMB'000
Raw materials, at cost	7,846	8,874
Work in progress, at cost	4,476	4,333
Finished goods, at cost		--
Merchandise purchased, at cost	101,308	128,591
Less: provision for impairment	(15,302)	(17,396)
	98,328	126,728

17. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

	2005 RMB'000	2004 RMB'000
Shenzhen Special Economic Zone Development (Group) Company ("SDG")		
- current account, net	(24,376)	102,947
- unsecured and interest bearing	(26,144)	(7,744)
	(50,520)	95,203

It is has been finished during March of 2005 that turn the credit held by Te Fa (Group) company into share. 30. 09. 2005, the Company made an agreement with Te Fa (Group) Company that the amount of corpus and interest (155,147,205,84 Yuan) owed to Great Wall asset management CO. Ltd, East asset management CO. Ltd and Xin Da asset management Co. Ltd turn into the investment to Te Fa (Group) Company, which means that Te Fa (Group) Company got the creditor's right of the Company, and the interest of it would be consulted in the future, meanwhile the loan owed by the Company to Te Fa (Group) Company counteract the loan receivable from Te Fa (Group) Company, the balance would be keep on the book.

18. BILLS PAYABLE

	2005 RMB'000	2004 RMB'000
Balance at December 31	86,498	100,175

Bank deposits totaling RMB 30,265,000.00 (2003: RMB 38,599,000.00) have been pledged as security for the Group's general banking facilities in respect of bills payable (see note 22).

19. BANK LOANS

	2005 RMB'000	2004 RMB'000
Secured and interest bearing	65,313	75,740
Unsecured and interest bearing	140,234	131,392
	205,547	207,132

20. OTHER LOANS

	2005 RMB'000	2004 RMB'000
Unsecured and non-interest bearing	10,200	146,186
Unsecured and interest bearing	--	6,000
Secured and interest bearing	--	--
Secured and non-interest bearing	--	20,400
	10,200	172,586

It is has been finished during March of 2005 that turn the bond held by Te Fa (Group) company into share. The Company made an agreement with Te Fa (Group) Company that the amount of corpus and interest (155,147,205,84 Yuan) owed to Great Wall asset management CO. Ltd, East asset management CO. Ltd and Xin Da asset management Co. Ltd turn into the investment to Te Fa (Group) Company, which means that Te Fa (Group) Company got the creditor's right of the Company, and the interest of it would be consulted in the future, meanwhile the loan owed by the Company to Te Fa (Group) Company counteract the loan receivable from Te Fa (Group) Company, the balance would be keep on the book.

21. SHARE CAPITAL

	2005 RMB'000	2004 RMB'000
Registered, issued and paid-up (220,281,600 shares in total)		
193,881,600 "A" shares of RMB 1.00 per share	193,882	193,882
26,400,000 "B" shares of RMB 1.00 per share	26,400	26,400
	220,282	220,282

A and B shares have the same par value of RMB 1 per share and rank pari passu.

Te Fa (Group) Company such particular promise, the Company shares held by Te Fa (Group) Company would not be exchanged at ShenZhen Bourse in 36 months from the day of that scheme carried out (without the part of the shares sold to management staff).

22. RESERVES

	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
At 1/1/2004	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	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	0	0	3,218	0	(4,084)	(866)

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.

c. Asset revaluation reserve represents surplus of revaluation of assets acquired.

d. The decrease in this term is result from that the capital surplus and surplus accumulation fund made up for accumulation loss, which is according to the decision made by the first provisional shareholder meeting in 2005.

23. PLEDGE OF ASSETS

1. The Company book value is 13,197 million Yuan (net value is 8,960million Yuan) non-current asset was pledged to bank, which as the guaranty for the loan of 6,531million Yuan.
2. As shown in the note 13, we know that 95% of the ShenZhen Te Li Xin Yong Tong Automobile Development Co. Ltd.'s shares held by the Company has been sealed up.
3. We know that 50% of ShenZhen Xing Long Mechanical Models Co.'s shares and 60% of Te Fa Hua Ri Automobile Co.'s shares held by the Company have been sealed up in note 13.
4. 35% of ShenZhen Zung Fu Te Li Automobile Services Co. Ltd.'s shares held by the Company were pledged to bank, which as the guaranty for the loan of 1,500million Yuan.
5. 25.23% of ShenZhen Biao Yuan Automobile Co. Ltd.'s shares held by the Company were pledged to bank, which as the guaranty for the loan of 1,500million Yuan.
6. ShenZhen Biao Yuan Automobile Co. Ltd and ShenZhen Style Automobile Vendition Co. Ltd., these two subsidiaries of the Company pledge fixed deposit (3,026.47 million Yuan) to bank until 31.12.2005, which as the guaranty for the underwrite draft of 8,649.84 million Yuan.

24. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

In addition to interests in associates and amount due from ultimate holding company stated in notes 12 and 16 respectively, the following entities have also been defined as related parties with whom the Group has had significant transactions during the year or with whom a significant balance exists at the year end.

	Nature of relationship
Shenzhen Te Fa Swan Industry Co.	Fellow subsidiary
Shenzhen Te Fa Hua Tong Packing Industry Co. Ltd.	Fellow subsidiary
Shenzhen Mechanical Equipment Import & Export Co.	Fellow subsidiary
Shenzhen Te Long Fa Industry Co. Ltd.	Fellow subsidiary
Hong Kong Yu Jia Investment Co. Ltd.	Fellow subsidiary
Tellus (Jinbian) Development Co. Ltd.	Fellow subsidiary
Shenzhen Tellus Real Estate Dev. (Yue Yang) Co.	Fellow subsidiary
Shenzhen Te Fa Development Center Construction Management Co. Ltd.	Fellow subsidiary
Shenzhen Tellus Yang Chun Property Dev. Co. Ltd.	Fellow subsidiary
Shenzhen Long Gang Tellus Property Dev. Co. Ltd.	Fellow subsidiary
Shenzhen Machine Trade Co. Ltd.	Fellow subsidiary

25. MATERIAL LAWSUIT AND ARBITRATION

(a). Shenzhen Tellus Real Estate Development Co. Ltd. ("Real Estate Co."), a wholly-owned subsidiary of the Company, entered into a Joint Property Construction Contract with Shenzhen Jinlu Industrial and Trade Company ("Jinlu Company") on 29 November 1994 to build a real estate in Shenzhen. Real Estate Co. paid RMB9.8 million to Jinlu Company as of 31 December 1996. However, Jinlu Company breached the contract and cooperated with Guangzhou Military Area Shenzhen Property Administrative Department ("GMAA") to develop the real estate and paid the RMB9.8 million received from Real Estate Co. to GMAA. Therefore, Real Estate Co. lodged a claim against Jinlu Company. The Futian District People's Court admitted GMAA as the third party of this case according to the law of the PRC. It was ruled by the Futian District People's Court that the contract was of no effect; GMAA shall repay Jinlu Company the principal of RMB9.8 million plus interest, which shall be transferred to Real Estate Co. within three days of the reception by Jinlu Company. GMAA applied for further trial that was allowed, and the original judgement was suspended during the retrial. Since the target of the litigation was located out of Futian District, the second trial was undertaken by the Shenzhen Intermediate People' Court on 18 March 2003, which overruled the judgement of the Futian District People's Court. The Shenzhen Intermediate People's Court admitted that the original contract entered between Real Estate Co. and Jinlu Company is still effective. The Group has made provision of RMB4.9 million. As Real Estate Co. is still under negotiation with Jinlu Company, in the opinion of directors, no further provision is deemed necessary as of the balance sheet date.

(b). Shenzhen Development Bank submitted a lawsuit against Shenzhen Jintian Industry (Group) Co. Ltd. (“Jintian”) for failure in repaying the loan amounting to USD 2 million, guaranteed by the Company, when Jintian failed its assets reorganization for which the bank has granted a prolonged repayment period of 3 years to Jintian. Up to 31 December 2003, Shenzhen Intermediate People’s Court has sealed up 95% equity of Shenzhen Tellus Xin Yong Tong Automobile Dev. Co. Ltd. owned by the Company and the Company has made provision of USD3.03 million thereon.

(c). The Company signed a “Guarantee Contract for a limited loan” with Shenzhen Petroleum & Chemical Limited Company (“Petroleum & Chemical Limited”) and China Agricultural Bank Shenzhen Shangbu Subbranch in 14 December 1995. Our company guaranteed Petroleum & Chemical Limited to borrow a loan of RMB57.6 million from China Agricultural Bank Shenzhen Shangbu Subbranch, which would expire on 14 December 2000.

On 29 December 2000, China Agricultural Bank Shenzhen Branch, China Grate wall Asset Management Corporation Shenzhen Branch (“Grate wall Corporation Shenzhen Branch”) and Petroleum & Chemical Limited signed an “Loan for Investment & Stock Transfer Agreement ”. Three parties agreed that China Agricultural Bank Shenzhen Branch would transfer a loan of RMB 270 million (the above-mentioned RMB 57.6 million loan included), that he extended to Petroleum & Chemical Limited, to Great Wall Corporation Shenzhen Branch, as a way of investment. In the agreement, they promised that “From the date on which the contract become effective, Party A, Grate wall Corporation Shenzhen Branch, will be entitled with the rights as a investor; Party B, China Agricultural Bank Shenzhen Branch, will not be a lender again.” The agreement “ will become effective with the signitures of the representatives or agents from the three parties”.

On the same date, Great wall Corporation Shenzhen Branch, Petroleum & Chemical Limited and Shenzhen Petroleum & Chemical Group Limited Company (“Petroleum & Chemical Group”) signed an “Agreement”. Three parties agreed that Grate wall Corporation Shenzhen Branch changed his investor’s equity of RMB 270 million in Petroleum & Chemical Limited as the investment returns in Petroleum & Chemical Group.

Meanwhile, Petroleum & Chemical Group and Great Wall Corporation Shenzhen Branch signed a “Stock Tranfer Contract”. They agreed that Great Wall Corporation Shenzhen Branch would use his investment returns of RMB 270 million in Petroleum & Chemical Group to invest as a stockholder in a new-regsitered company of Petroleum & Chemical Group. The contract “ will become effective with the signatures and chops from the two parties”.
On 20 August 2004, the China Agricultural Bank Shenzhen Branch claimed that Agreement”, “Loan for Investment & Stock Transfer Agreement ” and “Stock Transfer Contract” have not been carried out. They appealed to the Shenzhen Municipal Court and required the borrower, Petroleum & Chemical Limited, to repay the loan of RMB 57.6 million, interest of RMB 16,652,286.37 and other overdued penalty. He also required our company to assure the guarantee responsibility.

The Company thought that the guarantee responsibility had been of no effect after series contracts were signed and became effective among China Agricultural Bank Shenzhen Branch, Great Wall Corporation Shenzhen Branch, Petroleum & Chemical Limited and Petroleum & Chemical Group. The Company will attend this lawsuit and expose the development of it immediately.

(d) October of 2005, a lawsuit was brought before Shenzhen Fu Tian District People's court by the Company, which is the recognizor of Jintian Industry (Group) Co. Ltd. ("Jintian") to require Jintian to redress 4,081,830 Yuan (corpus: 300million Yuan, interest: 1,051,380 Yuan, legal fare: 25,160 Yuan, and executive fare: 5,290 Yuan, which all deal as a loss in last report term.). It is the amount money that was distrained forcibly.

(e) October of 2005, a lawsuit was brought to Shenzhen Fu Tian District People's court by the Company, which is the recognizor of Shenzhen Jin Hao(group) Co. Ltd.("Jin Hao") to require Jin Hao to redress 1,662 million Yuan (corpus: 1,150 million Yuan, interest: 500 million Yuan, legal fare and evaluating fare:12 million Yuan, which all deal as a loss in last report term.). The court does not inquisite this lawsuit yet.

(f) 29.06.2003, the Company got a loan from Shenzhen Development Bank Renmin subbranch (1,300 million Yuan), which was maturity on 29. 08. 2003. 18.01.2005 Shenzhen Development Bank ask for a bail guarantee (the bottom line is 1,460 million Yuan) from Shenzhen Intermediate Court because it was not repaid. The court judged this lawsuit as following, 50% of ShenZhen Xing Long Mechanical Models Co.'s shares and 60% of Te Fa Hua Ri Automobile Co.'s shares held by the Company should be sealed up. Now the Company is negotiating a treaty with bank.

26.IMPACT OF DIFFERENCES BETWEEN IFRS AND PRC ACCOUNTING STANDARDS ON FINANCIAL STATEMENTS

	Net profit for the year RMB'000	Net assets RMB'000
As reported in the statutory consolidated financial statements in PRC	5,676	225,872
Adjustment for interest capitalized as cost of property, plant & equipment	--	(4,617)
Reversed amortization of investments in associates	483	(3,496)
Revaluation of workshops invested	(269)	1,612
Profit from subsidiaries not recognized previously	(276)	45
Interest received from the related parties	380	--
Gain from waiver of accounts payable	3,870	--
Gain from addition of investment properties' fair value		
As reported in the consolidated financial statements prepared in accordance with IFRS	9,864	219,416

27. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board of Directors on 15.02.2006.