Stock Code: 000025, 200025 Short Form of the Stock: ST Tellus A, B No.: 2003-34

SHENZHEN TELLUS HOLDING CO., LTD.

THE THIRD QUARTERLY REPORT FOR 2003

1. Important notice

1.1 The Board of Directors of Shenzhen Tellus Holding Co., Ltd. (hereinafter referred to as the Company) and its directors individually and collectively accept responsibility for the correctness, accuracy and completeness of the contents of this report and confirm that there are no material omissions nor errors which would render any statement misleading.

1.2 The Quarterly Financial Report has not been audited.

1.3 Director Jiang Qinjian entrusted Director Wang Hailin to attend the Board meeting and exercised the vote right on his behalf; Independent Director Zhang Yuan was absent from the meeting due to on business.

1.4 Chairman of the Board of the Company Mr. Zhang Ruili, General Manager Mr. Mao Songbai, Chief Financial Supervisor Mr. Ren Yongjian and Manager of Financial Department Ms. Li Mingjun hereby confirm that the Financial Report of this Quarterly Report is true and complete.

2. Company profile

2.1 Basic information

Short form of stock	ST Tellus-A, ST Tellus-B	Short form before change	Shen Tellus-A, Shen Tellus-B
Code of stock	000025, 200025		
	Secretary of the Board	Securities Affairs Representative	
Name	Li Chunxiu	Li Mingjun	
Contact address	3/F, Tellus Bldg., No. 56 of Shui Bei Er Road, Luohu District, Shenzhen	3/F, Tellus Bldg., No. 56 of Shui Bei Er Road, Luohu District, Shenzhen	
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2.2 Financial information

2.2.1 Major accounting data and financial indexes

	At the end of the report period	At the end of the previous year	Increase/decrease of the end of report period compared with the end of previous year (%)
Total assets	1,373,539,119.74	1,232,230,347.02	+11.47
Shareholders' equity (excluding minority interests)	201,741,875.18	203,523,567.11	-0.87
Net assets per share	0.916	0.924	-0.86

Net assets per share after adjustment	0.032	0.039	-17.95
	In the report period	Year-begin to the end of report period	Increase/decrease of the report period compared with the same period of previous year (%)
Net cash flow arising from operating activities		112,263,583.88	-25.32
Earnings per share		-0.01	+82.76
Return on equity		-1.09%	+78.33
Return on equity after deducting non-recurring gains and losses		-1.56%	+68.42
Items of non-recurring gains and losses		Amount	
Non-operating income		1,980,351.73	
Non-operating expenditure		1,035,644.06	
Total		944,707.67	

2.2.2 Statement of profit Unit: RMB

Items	The 3rd quarter of 2003		The 3rd quarter of 2002	
	Consolidation	Parent company	Consolidation	Parent company
I. Income from core business	972,616,127.40	10,522,674.13	688,466,782.50	9,979,070.21
Add: Cost of core business	882,459,560.43	1,948,322.60	617,311,647.13	1,968,212.33
Taxes and surcharge of core business	2,779,172.45	548,843.06	2,474,365.97	510,885.29
II. Profit of core business	87,377,394.52	8,025,508.47	68,680,769.40	7,499,972.59
Add: Profit of other business	3,561,565.24	9,913.68	1,267,725.00	
Less: Operating expense	31,087,585.48		23,468,916.45	
Administrative expense	46,430,720.10	11,095,814.94	47,633,414.05	12,321,162.34
Financial expense	12,413,225.29	8,824,211.76	14,032,116.84	9,574,331.23
III. Operating profit	1,007,428.89	-11,884,604.55	-15,185,952.94	-14,395,520.98
Add: Investment earnings	1,735,904.21	5,672,726.30	4,924,977.92	-648,569.94
Subsidy income	136,948.00			
Non-operating income	1,980,351.73	76,409.55	930,535.48	46,755.87
Less: non-operating expenditure	1,035,644.06	101,640.92	1,178,726.49	354,210.11
IV. Total profit	3,824,988.77	-6,237,109.62	-10,509,166.03	-15,351,545.16
Less: Income tax	2,140,475.49		775,836.46	
Less: Minority gains and losses	3,895,103.70		1,589,423.76	
Unconfirmed investment loss				
V. Net profit	-2,210,590.42	-6,237,109.62	-12,874,426.25	-15,351,545.16

2.3 The total number of shareholders at the end of the report period: Ended Sep.30, 2003, the total number of shareholders of A-share was 14,121 persons and the total number of shareholders of B-share was 3,186 persons.

3. Discussions and Analysis of the Management

3.1 Brief analysis of the whole status of operating activities of the Company in the report period

In the report period, the industry involved by the Company and business scope remained unchanged. From Jan. to Sep. 2003, the Company realized a sales income of RMB 972,616,127.40, an increase of 41.27% compared with the same period of the previous year; profit from core business of RMB 87,377,394.52, an increase of 27.22% compared with the same period of the previous year. The main reason of the aforesaid change was that the sales volume of automobiles of Auto Industrial and Trading Co., Ltd. has increased than that of the same period of the previous year; and Huari Auto Company sold the automobiles in this year, while there was no the said business in the same period of previous year.

3.1.1 Particulars about core industries or products taking over 10% of the total amount of income from core business or profit of core business

√Applicable ☐Inapplicable

Industries	Income from core business	Cost of core business	Gross profit ratio (%)
Automobiles trade	849,656,259.01	813,038,076.51	4.31
Checking and servicing of automobiles	71,273,767.84	55,975,754.71	21.46
Lease service industry	51,686,100.55	13,445,729.20	73.99

3.1.2 Seasonal and periodicity characteristics of the operation

☐Applicable √Inapplicable

3.1.3 Profit formation of the report period (Explanation of reason and material change of proportion of profit of core business, profit of other business, period expense, investment earnings, subsidy income and net amount of non-business income and expenditure in the total amount of profit compared with the previous report period)

☐Applicable √Inapplicable

3.1.4 Explanation of reason and material change of core business and its structure compared with the previous report period

☐Applicable √Inapplicable

3.1.5 Explanation of reason and material change of profitability capability of core business (gross profit ratio) compared with the previous report period

☐Applicable √Inapplicable

3.2 Analysis and explanation of significant events and their influence and solutions

☐Applicable √Inapplicable

3.3 Particulars about accounting policies, accounting estimation, change of consolidated scope and significant accounting errors and explanation of reasons
☐Applicable √Inapplicable

3.4 Relevant explanation of the Board of Directors and the Supervisory Committee under the situation of being audited and provided "Non-standardized opinion"
☐Applicable √Inapplicable

3.5 Estimation of accumulative net profit from the beginning of the year to the end of next report period to be loss probably or the warning of its material change compared with the corresponding period of the last year and explanation of reason
☐Applicable √Inapplicable

3.6 Rolling adjustment of annual business plan or budget ever disclosed
☐Applicable √Inapplicable

Board of Directors of
Shenzhen Tellus Holding Co., Ltd.
Oct. 24, 2003

Table 1

Shenzhen Tellus Holding Co., Ltd.
Statement of profit and profit distribution

Accounting period as of Jan. to Sep. 2003 Unit: RMB

Items	Line	Actual amount in the report period		Actual amount at the same period of the last year	
		Parent company	Consolidation	Parent company	Consolidation
I. Sales (operating) income from core business	1	10,522,674.13	972,616,127.40	9,979,070.21	688,466,782.50
Less: Sales (operating) cost	2	1,948,322.60	882,459,560.43	1,968,212.33	617,311,647.13
Taxes and surcharge of sale (operating)	3	548,843.06	2,779,172.45	510,885.29	2,474,365.97
II. Sales (operating) profit from core business	4	8,025,508.47	87,377,394.52	7,499,972.59	68,680,769.40
Add: Profit of other business	5	9,913.68	3,561,565.24		1,267,725.00
Less: Operating expense	6		31,087,585.48		23,468,916.45
Administrative expense	7	11,095,814.94	46,430,720.10	12,321,162.34	47,633,414.05
Financial expense	8	8,824,211.76	12,413,225.29	9,574,331.23	14,032,116.84
III. Operating profit	9	-11,884,604.55	1,007,428.89	-14,395,520.98	-15,185,952.94
Add: Investment earnings (losses is listed with “ -”)	10	5,672,726.30	1,735,904.21	-648,569.94	4,924,977.92
Subsidy income	11		136,948.00		
Non-operating income	12	76,409.55	1,980,351.73	46,755.87	930,535.48
Less: non-operating expenditure	13	101,640.92	1,035,644.06	354,210.11	1,178,726.49
IV. Total profit	14	-6,237,109.62	3,824,988.77	-15,351,545.16	-10,509,166.03
Less: Income tax	15		2,140,475.49		775,836.46
Less: Minority gains and losses	16		3,895,103.70		1,589,423.76
V. Net profit	17	-6,237,109.62	-2,210,590.42	-15,351,545.16	-12,874,426.25
Add: Retained profits at the year-begin	18	-241,422,761.26	-241,422,761.26	-175,353,465.22	-175,353,465.22
Other transfer-in	19	447,430.65	428,898.49	124,131.80	-289,523.12
VI. Profit available for distribution	20	-247,212,440.23	-243,204,453.19	-190,580,878.58	-188,517,414.59
Less: Appropriation of statutory surplus public reserve	21				
Appropriation of statutory public welfare funds	22				
Appropriation of employees’ encouragement and welfare funds	23				
Appropriation of reserve funds	24				
Appropriation of enterprise development funds	25				
Profits’ restoring to investments	26				
VII. Profits available for distribution to investors	27	-247,212,440.23	-243,204,453.19	-190,580,878.58	-188,517,414.59
Less: Dividends of preference share payable	28				
Appropriation of arbitrary surplus public reserve	29				
Dividends of ordinary share payable	30				
Dividends of ordinary share converting into share capital	31				
VIII. Retained profit	32	-247,212,440.23	-243,204,453.19	-190,580,878.58	-188,517,414.59

Table 2

Shenzhen Tellus Holding Co., Ltd.
Statement of profit

Accounting period as of Jul. to Sep. 2003 Unit: RMB

Items	Line	Jul.–Sep. of 2003		Jul.-Sep. of 2002	
		Parent company	Consolidation	Parent company	Consolidation
I. Income from core business	1	3,705,206.76	368,829,155.87	3,425,761.57	313,488,559.17
Add: Cost of core business	2	557,590.89	338,769,367.73	628,216.72	286,095,021.25
Taxes and surcharge of core business	3	194,334.77	1,004,259.57	178,139.58	850,913.70
II. Profit of core business	4	2,953,281.10	29,055,528.57	2,619,405.27	26,542,624.22
Add: Profit of other business	5	9,913.68	1,717,754.63	0.00	565,934.96
Less: Operating expense	6	0.00	10,298,544.36	0.00	10,059,538.12
Administrative expense	7	4,350,491.86	16,216,527.41	4,559,424.61	15,950,035.59
Financial expense	8	2,845,881.87	3,472,095.90	3,034,083.63	3,814,077.59
III. Operating profit	9	-4,233,178.95	786,115.53	-4,974,102.97	-2,715,092.12
Add: Investment earnings (losses is listed with “-”)	10	1,636,780.51	970,637.69	61,500.00	1,949,418.71
Subsidy income	11	0.00	136,948.00	0.00	0.00
Non-operating income	12	210.02	1,440,318.75	0.00	37,252.00
Less: non-operating expenditure	13	130,980.55	449,313.21	353,985.97	591,627.48
IV. Total profit	14	-2,727,168.97	2,884,706.76	-5,266,588.94	-1,320,048.89
Less: Income tax	15	0.00	648,944.03	0.00	337,543.99
Less: Minority gains and losses	16	0.00	936,412.50	0.00	942,204.42
V. Net profit	17	-2,727,168.97	1,299,350.23	-5,266,588.94	-2,599,797.30