SHENZHEN TELLUS HOLDING CO., LTD.
THE THIRD QUARTERLY REPORT 2005

§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 neither material omissions nor errors which would render any statement misleading.

1.2 No director stated that he (she) could not ensure the correctness, accuracy and completeness of the contents of the Third Quarterly Report or have objection to this report.

1.3 List of directors absent from the Meeting

Name of directors absent	Reasons for absence	Name of assignees
Zhang Yuan	On business trip	Shi Weihong

1.4 The quarterly financial report of the Company has not been audited.

1.5 Mr. Zhang Ruili, Chairman of the Board, Mr. Fu Bin, Chief Financial Officer and Mr. Yang Jianhui, Manager of Plan and Financial Dept. hereby declare that the financial report enclosed in the Third Quarterly report 2005 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（If it has）	
Stock code	000025, 200025		
	Secretary of Board of Directors	Securities Affairs Representative	
Name	Ren Yongjian	Yang Jianhui	
Address	15/F, Zhonghe Bldg, Shennan Road (M) of Shenzhen city	15/F, Zhonghe Bldg, Shennan Road (M) of Shenzhen city	
Tel.	（0755）83989328	（0755）83989363	
Fax	（0755）83989399	（0755）83989399	
E-mail	szryj@tom.com	ndbridge@163.com	

2.2 Financial information

2.2.1 Major accounting data and financial indexes

Unit: RMB

	At the end of this report period	At the end of the last year	Increase/decrease of the end of the report period compared with the end of the last year (%)

Total assets	821533687.98	1063458822.65	-22.75%
Shareholders' equity (excluding minority interests)	222,723,830.47	216276817.86	2.98%
Net assets per share	1.01	0.98	3.06%
Net assets per share after adjustment	0.87	0.14	521.43%
	This report period	**The year-begin to the end of this report period**	**Increase/decrease of this report period compared with the same period of last year (%)**
Net cash flows arising from operating activities	-82,342,367.11	17,415,159.46	118.87%
Earnings per share	0.009	0.011	685.70%
Earnings per share (Note)	0.009	-	-
Return on equity	0.91%	1.10%	0.95%
Return on equity after deducting non-recurring gains and losses	0.86%	1.68%	1.74%

Items of non-recurring gains and losses	**Amount**
Non-operating income	612,893.11
Non-operating expenses	1,915,817.09
Total	-1,302,923.98

2.2.2 Financial statement

2.2.2.1 Balance Sheet

Unit: RMB

Domestic statement

Items	Amount at period-end		Amount in the last year-end	
	Consolidated	Parent company	Consolidated	Parent company
Current assets:				
Monetary fund	72,755,111.96	1,415,521.55	125,339,522.96	6,097,115.83
Short-term investment			0.00	0.00
Notes receivable			0.00	0.00
Dividend receivable			0.00	0.00
Interest receivable			0.00	0.00
Account receivable	28,609,801.57	242,401.54	25,180,824.11	242,401.54
Other receivables	55,066,436.31	49,895,844.53	212,353,236.10	204,952,113.40
Account payable	-3,668,017.36		13,839,707.54	0.00
Subsidy receivable	602,284.46		670,659.95	0.00
Stock in trade	138,820,265.28	176,646.58	163,986,348.16	193,886.58
Fees to be apportioned	1,415,330.92	344,222.05	215,958.26	0.00
Long-term credit investment within one year				

Other current assets				
Total of current assets	293,601,213.14	52,074,636.25	541,586,257.08	211,485,517.35
Long-term investment:				
Long-term investment for share equity	131,300,685.34	379,294,368.11	124,762,267.15	363,738,649.92
Long-term investment for credit	121,300.00		121,300.00	
Total of long-term investment	131,421,985.34	379,294,368.11	124,883,567.15	363,738,649.92
Consolidated price balance				
Fixed assets:				
Original price of fixed assets	559,658,327.98	183,911,513.36	555,377,239.45	182,898,372.76
Less: accumulated depreciation	174,379,702.14	54,204,322.76	161,320,306.48	50,736,398.56
Net value of fixed assets	385,278,625.84	129,707,190.60	394,056,932.97	132,161,974.20
Less: Provision for depreciation of fixed assets	4,231,301.32	3,555,385.70	4,231,301.32	3,555,385.70
Net fixed assets	381,047,324.52	126,151,804.90	389,825,631.65	128,606,588.50
Engineering materials				
Construction in progress	4,719,338.98		1,361,199.72	
Check-up of fixed assets	-18,000.00			
Total of fixed assets	385,748,663.50	126,151,804.90	391,186,831.37	128,606,588.50
Intangible assets and other assets:				
Intangible assets	1,325,259.55	1,325,259.55	1,325,259.55	1,325,259.55
Long-term fees to be apportioned	9,436,566.45	1,622,871.14	4,476,907.50	1,192,603.67
Other long-term assets				
Total of intangible assets and other assets	10,761,826.00	2,948,130.69	5,802,167.05	2,517,863.22
Deferred tax:				
Debt item of deferred tax				
Total assets	821,533,687.98	560,468,939.95	1,063,458,822.65	706,348,618.99
Current debts:				
Short-term loans	203,616,123.52	148,135,123.52	387,462,130.41	311,197,130.41
Notes payable	74,753,261.86		100,174,500.00	
Account payable	32,826,134.97	1,554.00	38,269,043.42	1,554.00
Account receive in advance	40,879,252.08		47,091,893.33	
Salary payable	5,450,996.66		7,398,692.89	644,200.00
Welfare fees payable	4,645,900.61	600,092.93	5,837,824.23	992,285.50

Share equity payable	174,491.98		1,674,491.98	
Tax payable	969,192.65	3,237,668.76	63,448.89	2,267,754.00
Other account payable	6,612,739.01	2,483.22	6,657,775.56	2,245.73
Other account payable	127,683,056.01	163,546,565.65	153,461,153.36	147,607,621.21
Drawing expenses in advance	12,202,212.02	1,668,341.16	11,982,484.10	2,088,702.67
Estimated debts	24,567,240.00	24,567,240.00	25,088,400.00	25,088,400.00
Long-term debts within one year				
Other current debts				
Total of current debts	534,380,601.37	341,759,069.24	785,161,838.17	489,889,893.52
Long-term debts:				
Long-term loans				
Bonds payable				
Long-term account payable	5,873,236.66		6,612,736.66	
Special account payable				
Other long-term debts				
Total of long-term debts	5,873,236.66	0.00	6,612,736.66	0.00
Deferred tax:				
Credit item of deferred tax	4,327,749.24		5,632,598.65	
Total of debts	544,581,587.27	341,759,069.24	797,407,173.48	489,889,893.52
Minority equity	54,228,270.24		49,774,831.31	
Ownership interest (shareholders' interest):				
Paid-up capital (share equity)	220,281,600.00	220,281,600.00	220,281,600.00	220,281,600.00
Less: returned investment				
Net amount of paid-up capital (or share equity)	220,281,600.00	220,281,600.00	220,281,600.00	220,281,600.00
Capital reserve	177,683,080.25	177,485,615.57	173,809,370.57	173,809,370.57
Surplus reserve	54,295,698.45	54,295,698.45	54,295,698.45	54,295,698.45
Including: legal welfare fund	3,210,576.83	3,218,372.66	3,210,576.83	3,218,372.66
Undistributed profit	-229,354,640.62	-233,353,043.31	-231,927,943.55	-231,927,943.55
Including: cash dividend				
Unconfirmed investment losses				
Exchange balance in foreign monetary statement	-181,907.61		-181,907.61	0.00
Total of ownership' interest (or shareholder's	222,723,830.47	218,709,870.71	216,276,817.86	216,458,725.47

interest)				
Total of debts and ownership's interest (or shareholders' equity)	821,533,687.98	560,468,939.95	1,063,458,822.65	706,348,618.99

2.2.2.2 Statement of profit distribution in the report period

Unit: RMB

Domestic statement

Items	In this period		The same period of last year	
	Consolidated	Parent company	Consolidated	Parent company
I. Income from main operations	247,829,869.29	4,206,660.38	266,468,091.03	3,348,452.18
Less: cost of main operation	222,111,263.02	2,017,554.50	236,309,553.14	770,353.52
Tax and its affixation of main operation	1,301,748.38	218,746.34	1,543,931.42	174,119.52
II. Profit from main operation (loss listed as "-")	24,416,857.89	1,970,359.54	28,614,606.47	2,403,979.14
Add: profit from other operation (listed as "-")	744,012.86		1,068,619.67	-35,604.26
Less: operating expenses	9,831,707.53		13,225,845.47	0.00
Administrative expenses	10,225,451.32	1,442,025.88	10,955,718.76	3,073,394.92
Financial expenses	3,414,595.22	1,780,704.96	1,865,744.11	1,047,447.51
III. Profit from operation (listed as "-")	1,689,116.68	-1,252,371.30	3,635,917.80	-1,752,467.55
Add: investment income (listed as "-")	1,034,513.19	-2,481.81	151,057.06	151,057.06
Subsidy income				0.00
Non-operating income	165,907.05	0.00	1,483,349.96	22,732.54
Less: non-operating expenses	34,989.47	143,825.25	1,450,229.95	261,791.39
IV. Total amount of profit (listed as "-")	2,854,547.45	-1,398,678.36	3,820,094.87	-1,840,469.34
Less: income tax	247,234.52		270,463.59	0.00
Gains and	571,231.19		299,242.21	0.00

losses from minority				
Add: unconfirmed occurred in the period				
V. Net profit (listed as "-")	2,036,081.74	-1,398,678.36	3,250,389.07	-1,840,469.34
Add: undistributed profit at year-begin	-231,175,505.65	-231,954,364.95	-239,847,318.95	-238,828,330.81
Other transfer-ins	-215,216.71		-2,668.00	
VI. Distributable profit	-229,354,640.62	-233,353,043.31	-236,599,597.88	-240,668,800.15
Less: withdrawal of legal surplus reserve				
Withdrawal of legal welfare fund				
Withdrawal of employ's reward and welfare fund				
Withdrawal of reserve fund				
Withdrawal of enterprise development fund				
Profit return investment				
VII. Profit available for distribution to investors	-229,354,640.62	-233,353,043.31	-236,599,597.88	-240,668,800.15
Less: equity payable for preferred stock				
Withdrawal of free surplus reserve				
Dividends for ordinary shares				
Ordinary shares converted into (capital) share equity				
VIII. Undistributed profit	-229,354,640.62	-233,353,043.31	-236,599,597.88	-240,668,800.15
Profit statement (supplementary information)				
1. Income from selling				

or disposal branch and investee enterprise				
2. Losses from natural disaster				
3.Increase/decrease in total profits due to the changes of accounting policies				
4. Increase/decrease in total profits from the changes of accounting estimation				
5. Losses on debts restructure				
6. Others				

2.2.2.3 Statement of profit distribution from year beginning to the end of report period

Unit: RMB

Domestic statement

Items	Year-begin to the end report period		The same period of last year	
	Consolidated	Parent company	Consolidated	Parent company
I. Income from main operations	778,482,557.91	12,943,973.36	923,634,535.97	10,046,020.00
Less: cost of main operation	697,560,589.30	3,556,295.97	837,975,115.58	2,535,876.91
Tax and its affixation of main operation	4,312,770.89	673,086.61	4,364,091.28	522,393.04
II. Profit from main operation (loss listed as “-”)	76,609,197.72	8,714,590.78	81,295,329.11	6,987,750.05
Add: profit from other operation (listed as “-”)	2,405,822.29		2,195,378.19	-91,963.42
Less: operating expenses	27,535,139.36		34,058,840.02	0.00
Administrative expenses	36,489,354.02	8,857,268.31	37,751,443.20	11,878,076.35
Financial expenses	7,194,363.63	5,088,600.75	8,363,849.89	5,388,530.59
III. Profit from operation (listed as “-”)	7,796,163.00	-5,231,278.28	3,316,574.19	-10,370,820.31
Add: investment	526,396.09	3,683,001.09	1,091,976.96	5,579,176.96

income (listed as "-")				
Subsidy income				0.00
Non-operating income	612,893.11	21,924.63	1,907,864.77	25,987.37
Less: non-operating expenses	1,915,817.09	346,177.84	1,472,253.07	102,876.99
IV. Total amount of profit (listed as "-")	7,019,635.11	-1,872,530.40	4,844,162.85	-4,868,532.97
Less: income tax	1,179,888.36		1,561,671.33	0.00
Gains and losses from minority	3,394,077.03		2,963,433.10	0.00
Add: unconfirmed occurred in the period				
V. Net profit (listed as "-")	2,445,669.72	-1,872,530.40	319,058.42	-4,868,532.97
Add: undistributed profit at year-begin	-231,927,943.55	-231,927,943.55	-236,247,697.83	-236,247,697.83
Other transfer-ins	127,633.21	447,430.64	-670,958.47	447,430.65
VI. Distributable profit	-229,354,640.62	-233,353,043.31	-236,599,597.88	-240,668,800.15
Less: withdrawal of legal surplus reserve				
Withdrawal of legal welfare fund				
Withdrawal of employ's reward and welfare fund				
Withdrawal of reserve fund				
Withdrawal of enterprise development fund				
Profit return investment				
VII. Profit available for distribution to investors	-229,354,640.62	-233,353,043.31	-236,599,597.88	-240,668,800.15
Less: equity payable for preferred stock				
Withdrawal of free surplus reserve				

Dividends for ordinary shares				
Ordinary shares converted into (capital) share equity				
VIII. Undistributed profit	-229,354,640.62	-233,353,043.31	-236,599,597.88	-240,668,800.15
Profit statement (supplementary information)				
1. Income from selling or disposal branch and investee enterprise				
2. Losses from natural disaster				
3.Increase/decrease in total profits due to the changes of accounting policies				
4. Increase/decrease in total profits from the changes of accounting estimation				
5. Losses on debts restructure				
6. Others				

2.2.2.4 Cash flow statement from year beginning to the end of the report period

Unit: RMB

Domestic statement

Items	Year beginning to the end of report period	
	Consolidated	Parent company
I. Cash flows arising from operating activities:		
Cash received from selling products and providing services	899,437,730.33	15,930,147.15
Tax refund received	120,548.45	
Other cash received relating to operating activities	229,154,976.80	43,100,952.14
Subtotal of cash inflow	1,128,713,255.58	59,031,099.29
Cash paid for purchase of products and services	724,187,588.76	
Cash paid to / for employees	50,451,991.60	4,752,895.35
Taxes paid	23,963,087.49	1,238,118.00

Other cash paid relating to operating activities	312,695,428.27	35,607,856.74
Subtotal of cash outflow	1,111,298,096.12	41,598,870.09
Net cash flows arising from operating activities	17,415,159.46	17,432,229.20
II. Cash flows arising from investing activities:		
Cash received from withdrawal of investment	3,461,000.00	3,341,000.00
Cash received from investment income	5,623,593.66	2,505,982.90
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	21,414.26	6,414.26
Other cash received relating to investment activities	13.49	
Subtotal of cash inflow	9,106,021.41	5,853,397.16
Net cash paid for the purchase of fixed assets, intangible assets and other long-term assets	2,627,591.88	92,823.00
Cash paid for investments	7,000,000.00	7,000,000.00
Including: Cash paid for other related investment activities	4,809,557.40	
Subtotal of cash outflow	14,437,149.28	7,092,823.00
Net cash flows arising from investing activities	-5,331,127.87	-1,239,425.84
III. Cash flows arising from financing activities:		
Cash received from obtaining investment	150,000.00	
Cash received from loan	58,600,000.00	7,000,000.00
Other cash received relating to financing activities	14,666,978.04	
Subtotal of cash inflow	73,416,978.04	7,000,000.00
Cash paid for debts repayment	94,236,676.00	21,214,826.00
Cash paid for dividends, profit distribution or of interest payment	9,482,263.95	6,652,085.76
Other cash paid relating to financing activities	34,356,701.36	603.83
Subtotal of outflow	138,075,641.31	27,867,515.59
Net cash flows arising from financing activities	-64,658,663.27	-20,867,515.59
IV. Influence on cash from fluctuation in exchange rate	-9,779.32	-6,882.05
V. Net increase in cash and cash equivalents	-52,584,411.00	-4,681,594.28
Supplementary information		
1. Adjusting net profit to cash flows from operating activities		

Net profit	2,445,669.72	-1,872,530.40
Add: withdrawal provision for depreciation of assets	3,394,077.03	
Depreciation of fixed assets	1,361,049.24	
Amortization of intangible assets	15,204,609.61	4,062,300.68
Amortization of long-term fees to be apportioned		
Decrease of fees to be apportioned (less: increase)	3,324,228.81	568,682.51
Increase of drawing expenses in advance (less: decrease)	-1,216,674.38	-344,222.05
Losses from disposal of fixed assets, intangible assets and other long-term assets (less: gains)	-138,016.51	-420,361.51
Losses from rejection of fixed assets	43,747.70	
Finance expenses	76,409.00	
Investment losses (less: gains)	7,450,139.99	5,088,600.75
Deferred tax liabilities (less: debit)	-526,396.09	-3,683,001.09
Decrease of inventories (Less: increase)	1,924,352.70	
Decrease in operating receivables (Less: increase)	25,022,056.43	17,240.00
Increase in operating payables (Less: decrease)	131,450,226.58	162,146,344.59
Others	-172,399,384.37	-148,130,824.28
Gains and losses of minority	-936.00	
Net cash flows arising from operating activities	17,415,159.46	17,432,229.20
2. Investment and financing activities without cash movement		
Capital converted from debts		
Convertible bonds due within one year		
Financing leased fixed assets		
3. Net increase in cash and cash equivalents		
Ending balance of cash	72,755,111.96	1,415,521.55
Less: Beginning balance of cash	125,339,522.96	6,097,115.83
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-52,584,411.00	-4,681,594.28

2.3 Total number of shareholders at the end of the report period and particulars about shares held by the top ten shareholders of circulation

Total amount of shareholders in the end of the report period	15,012	
Particulars about shares held by the top ten shareholders of circulation		
Full name of shareholders	Amount of circulating shares in period-end	Types (A, B,H and others)
LAI SHI HUA	431,259.00	B-share
WANG FU CHANG	330,000.00	B-share
LIU ZI XIAN	303,487.00	A-share
WANG XUE FENG	271,400.00	B-share
HE KE BING	267,299.00	B-share
ABN AMBO BANK NV	240,000.00	B-share
MEI ZHENG SHUI	201,000.00	A-share
SUN LI LAN	193,440.00	B-share
DING JING JIA	191,080.00	A-share
JIA WEN JUN	188,400.00	A-share

§3. Discussion and Analysis of the Management

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

In the report period, income from main operation of the Company has decrease comparing with the same period of last year accounting for 15.72%, which mainly due to the decrease of sale volume. Cost from main operation descended with the decrease of the income from main operation, accounting for 16.76% comparing with corresponding period of last year. Period expenses in the report period occurred RMB 71 million and decreased RMB 8.95 million comparing with the corresponding period of last year accounting to 11.16%, including: operating expenses, administrative fees and financial fees respectively decreased accounting for 19.14%, 3.34% and 14%. Because of strict control of period expenses, total profit in this period increased amounting to RMB 2.18 million comparing with RMB 4.84 million of the same period of last year and accumulatively realized net profit amounting to RMB 2.45 million and increased profit amounting to RMB 2.13 million comparing with RMB 0.32 million of the same period of last year.

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

√Applicable ☐Inapplicable

Unit: RMB’0000

Main operation classified by industries			
	Income from main operations	Cost of main operations	Gross profit ratio
Other wholesale and retails	65,050.29	62,071.84	4.58%
Other social service industry	5,443.46	4,091.46	24.84%

Renting services	4,885.71	2,219.37	54.57%
Other property industries	2,468.79	1,373.39	44.37%
Including: related transaction	0.00	0.00	0.00%
Main operation classified by products			
Motor business	65,050.29	62,071.84	4.58%
Automobile examination and maintenance	5,443.46	4,091.46	24.84%
Renting services	4,885.71	2,219.37	54.57%
Property industries	2,468.79	1,373.39	44.37%
Including: related transaction	0.00	0.00	0.00%

3.1.2 Seasonal or periodic characteristic of the operation of the Company
□Applicable √Inapplicable

3.1.3 Profit structure in the report period (material changes in proportions of profit from main operations, profit from other operations, period expense, investment income, subsidy income and net income and expense of non-operating in total profits than those of the last report period and reasons)
□Applicable √Inapplicable

3.1.4 Explanation on reason and material change in main operations and its structure compared with the previous report period
□Applicable √Inapplicable

3.1.5 Explanation on reason and material change in profitability capability of main operations (gross profit ratio) compared with the previous report period
□Applicable √Inapplicable

3.2 Analysis and explanation on significant events and their influence and solutions
√Applicable □Inapplicable
On Sep., 30, 2005, controlling shareholder of the Company, Shenzhen Tefa (Group) Co., Ltd. (hereinafter referred to as Tefa Group) signed the Agreement on compensating for debts with the Company. Because Tefa Group has finished the work on debts transferring into shares, original debts owned by the Company to bank has transferred into share equity of assets operation company to Tefa Group, the related debts has transferred into arrears of the Company to Tefa Group. The two parties agreed unanimously the liabilities owned by Tefa Group to the Company and the contrary debts amounting to RMB 155,147,205.84 to offset. After the agreement works, the profession of funds by Tefa Group to the Company has paid off and formed the debts amounting to RMB 6,679,686.89 owned by the Company to Tefa Group at the same time. The relevant public notice has been published on Securities Times and Ta Kung Pao dated October 10, 2005.

3.3 Particulars about changes in accounting policies, accounting estimate, consolidated scope and significant accounting errors and explanation on reasons
□Applicable √Inapplicable

3.4 Relevant explanation on the Board of Directors and the Supervisory Committee under the situation of being audited and provided “Qualified opinion”
□Applicable √Inapplicable

3.5 Estimation on 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 on reason
□Applicable √Inapplicable

3.6 Rolling adjustment to annual business plan or budget ever disclosed
□Applicable √Inapplicable

3.7 Special commitment made by original shareholders of circulation during the period of Share Merger Reform and its implementation
□Applicable √Inapplicable

Signature of Chairman of the Board:
October 26, 2005