

SHENZHEN SEG CO., LTD.

THIRD QUARTERLY REPORT 2002

Important Note:

Board of Directors of SHENZHEN SEG CO., LTD. and its directors individually and collectively accept responsibility for the correctness, accuracy and completeness of the content of this report and confirm that there are no material omissions nor errors which would render any statement misleading.

Due to business trip, Director Sun Shengdian was absent from the Board meeting, in which the third quarterly report 2002 was examined, with entrusted Director Zhang Weiming in written form to attend the meeting and vote on his behalf.

The quarterly financial report has not been audited.

This report was prepared in both Chinese and English. In the event of difference in interpretation between the two versions, the Chinese version shall prevail.

I. Company Profile

(I) Stock Exchange Listed with: Shenzhen Stock Exchange

Short Form of the Stock: A-share Shen SEG Stock Code: 000058

Short Form of the Stock: B-share Shen SEG-B Stock Code: 200058

(II) Secretary of the Board of Directors: Ms. Zheng Dan

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(III) Major financial data and indexes

1. Profit indexes of the Company in the report period (Unit: RMB)

Item	Jan.– Sep. 2002
Net Profit	68,678,537.44
Net profit after deducting non-recurring gains and losses*	52,656,605.13
Return on equity (fully diluted) (%)	5.78
Return on equity (weighted average) (%)	5.95
Earnings per share (fully diluted)	0.0946
Earnings per share (weighted average)	0.0946
Earnings per share after deducting non-recurring gains and losses	0.0725

Items	Sep. 30, 2002	Dec. 31, 2001
Shareholders' equity (excluding minority interest)	1,187,281,286.74	1,120,309,434.69
Net assets per share (RMB/share)	1.635	1.543
Net assets per share after adjustment (RMB/share)	1.558	1.468

* Items of non-recurring gains and losses and the relevant amount:

Item	Amount (RMB)
Net income / expenditure of non-operating	17,596,128.14
Income from short-term investment	-1,574,195.83
Total	16,021,932.31

(IV) There were no differences in the net profit as of the report period and net assets at the end of report period as audited according to CAS and IAS respectively.

II. Change in Share Capital and Particulars about Shares Held by Main Shareholders

(I) In the report period, the Company's total shares and its structure of share capital remained unchanged.

(II) Total shareholders at the end of report period

Based on shareholder's beadroll of the Company provided by China Securities Registration and Clearing Co., Ltd., Shenzhen Branch, ended Sep. 30, 2002, the Company has 87,668 shareholders in total, including 58,652 shareholders of A-share and 29,016 shareholders of B-share.

(III) About shares held by main shareholders

1. About shares held by shareholders holding over 5% (including 5%) of the total shares at end of the report period

Name	Amount at the period-begin	Increase / decrease in the report period (+,-)	Amount at the period-end	Proportion of holding shares at the period-end	Type	Pledged or frozen
Shenzhen SEG Group Co., Ltd. ("SEG Group")	367,327,898	0	367,327,898	50.59%	State-owned legal person share	In the report period, 265,268,232 shares were frozen due to the lawsuit

Note 1: The situation of the aforesaid shareholder holding over 5% of the total shares was provided by China Securities Registration and Clearing Co., Ltd., Shenzhen Branch.

Note 2: On July 26, 2002, the Company received (2001) YGFZZ No. 37 Civil Judgment Letter issued by Guangdong Province Supreme People's Court dated Feb. 26, 2002, in which it was ruled that 129,968,232 state-owned juristic person's shares of the Company (taking 17.9% of the total shares of the Company) held by SEG Group were compensated the overdue debts owed by SEG Group to China Everbright Bank, Guangzhou Branch ("Guangzhou Everbright"). By the end of the report period, Guangzhou Everbright couldn't transact the equity transfer procedure in Shenzhen Stock Exchange.

(2) Ended Sep. 30, 2002, the top ten shareholders of the Company are as following:

No.	Shareholders' name	Amount at the period-begin (share)	Increase / decrease (+,-)	Amount at the period-end (share)	Proportion in total shares at the period-end	Type
1	Shenzhen SEG Group Co., Ltd.	367,327,898	0	367,327,898	50.59%	State-owned shares
2	Shanghai Zhongnan Investment Holdings Co., Ltd.	6,300,000	0	6,300,000	0.87%	Juristic person's share
3	Shanghai Qile Economic and trading Co., Ltd.	6,000,000	0	6,000,000	0.83%	Juristic person's share
4	Shenzhen Shengyi Industrial Development Co., Ltd.	5,000,000	0	5,000,000	0.69%	Juristic person's share
5	Shanghai Taili Science and Technology Development Co., Ltd.	4,000,000	0	4,000,000	0.55%	Juristic person's share
6	Shanghai Xinyuan Investment Co., Ltd.	3,600,000	0	3,600,000	0.5%	Juristic person's share
7	Qinhuangdao Sanyuan Co., Ltd.	3,100,000	0	3,100,000	0.43%	Juristic person's share
8	Shanghai Wantong Painting and Chemical Co., Ltd.	2,450,000	0	2,450,000	0.34%	Juristic person's share
9	Zheng Shaosheng	2,048,538	0	2,048,538	0.28%	Domestically listed foreign shares (B share)
10	Wuxi Hongyu Department Store	2,000,000	0	2,000,000	0.28%	Juristic person's share

Note 1: The name list of the aforesaid top ten shareholders and situation of shares held by them were provided by China Securities Registration and Clearing Co., Ltd., Shenzhen Branch.

Note 2: Among the top ten shareholders as listed above, there existed no association relationship between SEG Group and other shareholders. The Company consulted other shareholders by means of the telecommunication, and the fifth and the seventh shareholders confirm that there existed no association relationship between them and other shareholders. For other shareholders, the Company is not aware of the relationships.

(IV) In the report period, the holding shareholder of the Company remained unchanged, and is still Shenzhen SEG Group Co., Ltd.

III. Statement and Analysis of Operation

(I) Operation in the report period

1. Scope of key business

The Company is mainly engaged in the R&D, production and sales of high-tech

electronic information products including CPT, glass shell for CPT and display, electronic system projects, network projects, communication products, etc., provision of information service, operation and management of the market of electronic products and accessories, bonded storage and warehousing, foreign-related transportation, etc.

2. Operation highlights

In the report period, the operation environment of the Company's leading industry changed greatly. Due to the factors including the strong demand of domestic sales and export of the products of color TV enterprises, the structural adjustment of global CPT industry and the reduction of CPT production line, CPT was in short supply and the relationship between demand and supply changed remarkably. The price of CPT stopped falling for the first time in more than two years and somewhat rose. Meanwhile, according to the characteristics of the warehousing and transportation business, the third quarter is the busy season for this business. In the report period, the Company had sufficient transportation business. With the increase of the volume of circular flow, the warehousing business also obtained obvious results by developing new businesses including "package in circulation". In the report period, the market competition of electronic market operation and communication business in which the Company was engaged was still keen.

In the report period, the Company strengthened operation management, all-roundly reduced cost, constantly enhanced product quality and completely fulfilled all operation tasks. As at the end of the report period, the income from the key business, the profit from the key business and the net profit earned by the Company were RMB 1,584.28 million, RMB 313.40 million and RMB 68.68 million respectively.

As for CPT manufacturing: In the report period, both the production and sales of Shenzhen SEG-HITACHI Color Display Devices Co., Ltd. ("SEG-HITACHI") of which the Company holds 54.93% equity thrived. The output/sales ratio of 21" and 34" CPT reached 99.97% and 100% respectively. The products of SEG-HITACHI continued to keep high market share. The domestic market share of 21" and 34" CPT ranked the second and the first in the industry respectively. (Source: the statistics of National Association of CPT Industry). In the period from January to September 2002, the sales income of this company was RMB 1,378.81 million, an increase of 17.5% over the same period of the previous year. It earned total profit of RMB 60.72 million.

The statement of the output, sales volume and export volume of CPT in the period from January to September 2002

Product type	Output Unit (million)	Change (+/-)	SalesUnit (million)	Change (+/-)	ExportUnit (million)	Change (+/-)
21" CPT	2.3592	+1.34%	2.3587	+1.22%	1.5118	+77.5%
34" CPT	0.4887	+426%	0.4907	+192.6%	0.108	--

As for foreign-related transportation and bonded warehousing: In the report period, Shenzhen SEG Storage and Transport Co., Ltd. ("SEG Storage and Transport") of which the Company owns 99.59% equity seized opportunities, elaborately conduct dispatch and hit a historic record in terms of transportation volume under the situation

of sharp increase of the transportation volume of Shenzhen, Hong Kong and inland areas. By the end of the report period, its operating income was RMB 28.84 million, an increase of 23% over the same period of the previous year. Its total profit was RMB 5.7 million, which increased by 5.8% over the same period of the previous year.

As for the operation of electronic market: Facing fierce market competition, SEG Electronics Market directly operated by the Company has constantly enhanced its management level, actively and steadily implemented brand strategy and external expansion strategy and continued to maintain its leading position in the industry. However, due to the influence of keen competition from surrounding similar markets, its rental income was RMB 44.96 million in the period from January to September 2002, which decreased by 1.5% over the same period of the previous year.

3. Other operating activities having material influence on the net profit of the report period

In the period from January to September 2002, Shenzhen SEG Samsung Co., Ltd. ("SEG Samsung") of which the Company holds 21.44% equity produced 5.76 million sets glass panels and sold 5.86 million. Its output and sales volume of glass funnels were 8.63 million and 9.58 million respectively. Its sales income and net profit were RMB 805.17 million and RMB 106.33 million. The amount of the influence on the net profit of the Company for the period from January to September 2002 is RMB 22.72 million.

(II) Actual progress of main investment projects

1. The PRT project of Shenzhen Hitachi SEG Monitor Co., Ltd. disclosed in the semi-annual report of the Company made smooth progress in the report period. All capital construction has been completed and the production line was in place and started limited production. It is expected the production line will be put into official production in November 2002.

2. Regarding the approval of the establishment of Xi'an SEG Electronics Market Co., Ltd. ("Xi'an SEG") by the board of directors disclosed in the semi-annual report of the Company, the procedure for the registration of Xi'an SEG was under handling by the end of the report period and is expected to be completed by the end of November 2002.

3. The renovation project of making 34" CPT production line with HS compatible for S-HS CPT disclosed in the semi-annual report of the Company officially produced S-HS CPT at the beginning of October, 2002 as scheduled.

(III) The operating result for the report period and financial position at the end of the period

1. Analysis of operating result

(1) Material change of income from the key business, profit and net profit from the key business in the period from January to September 2002 as compared with the same period of the previous year and the reasons

Table 1: (RMB'000)

Item	Amount		Increase/decrease (%)
	Jan – Sept 2002	Jan – Sept 2001	
Income from the key business	1,584,280	1,365,800	16.00
Profit from the key business	313,400	174,540	79.56
Net profit	68,680	15,610	339.97

①. The income from key business increased by 16% mainly due to the sharp increase of sales amount of the key products of the Company, i.e., CPT, especially the export volume.

②. The profit from key business increased by 79.56% mainly due to sharp increase of the sales volume of CPT of SEG-HITACHI.

③. The net profit increased by 339.97% mainly due to the enhancement of the profit making ability of CPT of the Company.

(2) Material change of the proportion of profit from the key business, profit from other businesses, period expenses, investment income, subsidy income and net non-operating income and expenses to total profit as compared with the same period of the previous year and reasons:

Table 2 (RMB'000)

Items	Amount		Proportion of total profit (%)	
	Jan – Sept 2002	Jan. – June 2002	Jan – Sept 2002	Jan. - June 2002
Total profit	113,150	57,470	100	100
Profit from the key business	313,400	192,500	276.98	334.96
Profit from other businesses	990	480	0.88	0.84
Period expenses	239,690	158,760	211.83	276.25
Investment income	20,850	13,750	18.43	23.93
Net non-operating income and expenses	17,590	9,500	15.55	16.53

①. The profit from key business and total profit increased mainly due to the sharp increase of the sales volume of CPT and the realization of result of scale operation in the report period.

②. The period expenses increased due to the sharp increase of operating expenses as a result of increase of income from key business by big margin in this period.

③. The investment income increased due to the calculation of the profit of SEG Samsung on equity basis in this period.

④. The net non-operating income and expenses increased due to the local sales of CPT of SEG-HITACHI.

(3) Material seasonal income and expenses

There were no material seasonal income and expenses in the report period.

(4) Material non-recurring gains and losses

The material non-recurring gains and losses in the report period are mainly:

①. Net non-operating income and expenses arising from the outward transfer of the output VAT and the input VAT as a result of local sales of CPT of SEG-HITACHI: RMB17.6 million.

②. Investment loss of RMB 1.57 million incurred by securities investment in this period.

2. Financial position

(1) Main asset items and material change

Table 3: (RMB'000)

Item	Amount		Proportion of the total assets (%)	
	Sept 30, 2002	December 31, 2001	Sept 30, 2001	Dec 31, 2001
Total assets	3,620,310	3,459,290	100	100
Monetary capital	753,860	536,570	20.82	15.51
Accounts receivable	802,740	830,530	22.17	24.01
Inventory	172,370	162,730	4.76	4.70
Long-term investment	388,290	377,330	10.73	10.91
Fixed assets	1,286,310	1,236,000	35.53	35.73

Monetary capital increased by 40.5% in the report period over the end of the previous year due to strong sales of the key product of the Company and good recovery of payment for goods. Total inventory at the end of the period increased by 5.92% over the end of the previous year due to increase of stock of raw materials as a result of output growth. There was no material change to other assets in the report period.

(2) Entrustment of material asset management and lender, amount and term of loans

A. The Company did not entrust others to manage its material assets in the report period.

B. The Company was involved in the following financing activities in the report period:

According to the financing budget approved by the 7th shareholders' general meeting of the Company, the Company conducted the following financing activities in the report period:

①. The Company renewed the loan of RMB 50 million extended by Merchant Bank Shenzhen Shangbu Sub-branch. The term of the loan: July 15, 2002 to January 15, 2003.

②. The Company renewed the loan of RMB 50 million extended by Bank of China Shenzhen Branch. The term of the loan: September 26, 2002 to September 26, 2003.

③. The Company borrowed a loan of RMB 20 million from Fujian Industrial Bank as working capital. The term of the loan: September 25, 2002 to April 25, 2003.

④. The Company renewed the loan of RMB 45 million extended by China Minsheng Bank Shenzhen Branch. The term of the loan: Sept 11, 2002 to March 11, 2003.

⑤. The Company drew a banker's acceptance draft of RMB 50 million at China Minsheng Bank Shenzhen Branch. The maturity date of the draft is December 25, 2002.

⑥. The Company paid matured acceptance draft of RMB 50 million to China Minsheng Bank Shenzhen Branch.

⑦. The Company repaid mortgage loan of RMB 1.707 million to CITIC Industrial Bank Shenzhen Baoan Sub-branch.

(3) The Company had no material overdue debts in the report period.

3. Contingent and subsequent events

(1) In the report period, the Company neither got involved in any material lawsuit or arbitration.

(2) Amount and term of important guarantee provided to other companies

I. Guarantee provided to non-related parties

After the approval of the board of directors, the Company signed Mutual Loan Guarantee Contract with Shenzhen Nanguang (Group) Co., Ltd. ("Shen Nanguang") on August 11, 2001. The term is one year. The limit of mutual guarantee in 2002 is RMB 0.13 billion, which can be converted into equivalent HKD or USD.

Refer to Page 4 of Securities Times and No. C7 Page of Ta Kong Pao on August 11, 2001 for the details of the above matters.

By the end of the report period, the Company provided guarantee to Shen Nanguang for loans of RMB 75 million. The loans will mature in February 2003 and April 2003 respectively. The type of guarantee is joint liability guarantee.

II. Guarantee provided to related parties

① After the approval of the board of directors, the Company provided guarantee to Shenzhen SEG Dasheng Co., Ltd. ("Shen Dasheng") for the loans of RMB 67 million. The loans will mature in December 2002 and February 2003 respectively. The loan of RMB 10 million to mature in December 2002 is guaranteed by the pledge of the self-owned HKD deposit of the Company. The guarantee for other loans is joint liability guarantee.

② After the approval of the board of directors, the Company provided guarantee to SEG Samsung for the loans of RMB 47.25 million. The loans will mature in December 2002 and May 2004 respectively. The type of guarantee is joint liability guarantee.

③ For continuing to support the debt restructuring of Shenzhen SEG Samsung Industrial Co.,Ltd.(“Samsung Industrial”), protect the interests of all shareholders including minority ones to the greatest extent and avoiding its asset loss, the Company, after the approval of the board of directors, provided guarantee to Samsung Industrial for the bank loans of RMB 84 million. The loans will mature in December 2002 and September 2003 respectively. In the report period, the Company provided guarantee to Samsung Industrial for 30% of the loan of RMB 0.18 billion (i.e., RMB 54 million) extended by Bank of China. The term of the loan is from September 27, 2002 to September 27, 2003. This guaranteed loan has been specially applied to repay the consortium loan of USD 6.51 million originally guaranteed by the Company. This issue was disclosed on page 20 of Securities Times and page B3 of Ta Kong Pao on September 7, 2002.

(3) There were no important events subsequent to the date of balance sheet in the report period.

4. Other important matters

(1) The existing or imminent material influence of the change of production and operation environment, policies, laws and regulations on the financial position and operating result of the Company

Refer to “2. Operation highlights” of “(I) Operation in the report period” hereof for details.

(2) Progress of the sales of material assets

By the end of the report period, the Company had not obtained the final reply of the Ministry of Finance of the People’s Republic of China in respect of the transfer by the Company of 28% equity (state-owned shares) of Shen Dasheng held by it at the end of 2000.

5. Continuous disclosure of important matters

(1) Important related transactions

① SEG-HITACHI of which the Company indirectly holds 54.93% equity purchased glass panels & glass funnels from SEG Samsung of which the Company holds 21.44% equity in the report period. The accumulated purchase amount was RMB 12,219,101.62.

②. Subject to the prior consent of independent directors, the 21st meeting of the second board of directors of the Company examined and adopted the proposal for purchasing 31/F, Block A, Stars Plaza developed by Shenzhen SEG Engineering Industrial Co., Ltd. at the price of RMB13,765,838 as new office on September 11, 2002 (Refer to page 6 of Securities Times and page B3 of Ta Kong Pao of September 13, 2002 for details).

(2) Commitments of the Company or shareholders

The Company disclosed the accounts receivable from the controlling shareholder and related parties and the plan of collection in 2002 semi-annual report. The progress of the collection in the report period was as follows:

① By the end of the report period, the accounts receivable from the controlling shareholder SEG Group totaled RMB 126.94 million, including accounts of RMB 107.56 million receivable from SEG Group by the head office of the Company and RMB 19.38 million by SEG-HITACHI indirectly held by the Company. SEG Group promised to set off the sum of RMB 107,557,139.98 owed to the Company with the equity of SEG Samsung held by it (Refer to page 6 of Securities Times and page B3 of Ta Kong Pao of September 13, 2002 for details). The Company has appointed special personnel to be in charge of this work and is actively coordinating with SEG Group for promoting this matter. SEG Group planned to set off the sum of RMB 19.38 million owed by it to SEG-HITACHI with its property.

② The Company disclosed the matters concerning the Debt Restructuring Agreement respectively signed by the Company and Shenzhen SEG Industrial Investment Co., Ltd. (SEG Industrial) of which the Company holds 91.79% equity with Shen Dasheng on May 4, 2002 and June 28, 2002 in its 2002 semi-annual report. According to the agreement, Shen Dasheng is to set off the debt of RMB 131.40 million owed by it to the Company and SEG Industrial with the properties in “Modern Window” Building respectively covering floorage of 10,602.78 square meters and 238.65 square meters. (Refer to page 19 of Securities Times and page C3 of Ta Kong Pao of September 13, 2002 as well as page 32 of Securities Times and page B7 of Ta Kong Pao of June 29, 2002 for details).

In the report period, the Company signed Shenzhen Real Estate Purchase and Sale Contract with Shen Dasheng in respect of the properties covering floorage of 10,602.78 square meters to be applied to set off debt. The Company has appointed special personnel to urge Shen Dasheng to quicken the handling of the procedure of title transfer of relevant properties. As of September 30, 2002, the real estate contract for the property covering 5,881.53 square meters to be applied to set off debts was registered at Shenzhen Land Planning Bureau for record. The Company handled the accounts according to the invoice of real estate sales issued by Shenzhen SEG Dasheng Real Estate Co., a share-held subsidiary of Shen Dasheng and the real estate purchase agreement. The procedure of the registration of the contract for other properties to be applied to set off debts for record is under handling.

In addition, Shen Dasheng planned to set off the debt of RMB 21,615,343.95 owed by it to SEG-HITACHI with the properties covering floorage of 2,228.09 square meters in “Modern Window” Building. By the end of the report period, the procedure of registration at Shenzhen Land Bureau for record had been settled.

③ The accounts receivable by the Company from other related parties are being collected as scheduled.

(3) Other matters

The Company disclosed the matter concerning the auction of 129,968,232 state-owned shares of the Company on page 16 of Securities Times and page C1 of Ta Kong Pao of July 26, 2002, page 3 of Securities Times and page C3 of Ta Kong Pao of July 30, 2002 as well as the “subsequent matters” in its 2002 semi-annual report in details (refer to page 26 of Securities Times and page A10 of Ta Kong Pao of August 16, 2002 for details). The above announcements were published on the website

designated by CSRC (<http://www.cninfo.com.cn>) at the same time. As of the date of the disclosure of this report, the procedure for the transfer of share title to the said state-owned shares at Shenzhen Stock Exchange had not been settled.

(IV) There were neither change of accounting policies and accounting estimation nor correction of material accounting errors in the report period.

(V) Shenzhen Pengcheng Certified Public Accountants responsible for domestic audit of the Company in 2001 issued unqualified domestic auditors' report with explanatory notes. The particulars about the handling of relevant matters in the third quarter of 2002 are as follows:

Shenzhen Pengcheng Certified Public Accountants, the domestic accountants' firm engaged by the Company in 2001, issued unqualified domestic auditors' report with explanatory notes. The matter referred to in the explanatory notes is as follows: "Your company transferred 28% equity of Shen Dasheng held by it, totaling 40,206,226 state-owned shares, to Xinjiang Hongda Real Estate Development Co., Ltd. in lump sum in 2000. The confirmed income from the transfer was RMB 16,895,491.78. According to the transfer agreement, the effective date of transfer refers to the date of the registration of the transfer of share title at Shenzhen Securities Registration Co., Ltd. At present, the procedure for the registration of share title transfer has not been settled.

The particulars of the handling of this matter in the report period are as follows: Due to the reason in respect of the policy on the transfer of the title to state-owned shares, the Ministry of Finance suspended the examination and approval of the matters concerning the transfer of the title to state-owned shares for a time. The title of the equity transferred by the Company to Xinjiang Hongda Real Estate Development Co., Ltd. was not transferred as scheduled due to not being examined and approved by the Ministry of Finance. The Company learned that relevant department of the Ministry of Finance had started to restore the examination and approval of the matters concerning the transfer of the title to state-owned shares not long ago. The Company is now resubmitting relevant documents according to the requirements of the Ministry of Finance, awaiting written reply.

(VI) According to the macro-economic environment and the development trend of its key business, the Company expects it will make profit in 2002.

(VII) The Company did not make great adjustment to the 2002 operation plan disclosed in 2001 Annual Report.

IV. Financial Report (Un-Audited)

(I) Accounting Statement

Brief Consolidated Balance Sheet

Company: Shenzhen SEG Co., Ltd.

Unit: RMB'000

Items	Amount at the period-end (Sep. 30, 2002)	Amount at the year-begin (Dec. 31, 2001)	Items	Amount at the period-end (Sep. 30, 2002)	Amount at the year-begin (Dec. 31, 2001)
Current assets	1,886,990	1,780,670	Current liabilities	1,714,690	1,631,870
Long-term investment	388,290	377,330	Long-term liabilities	283,770	312,260
Fixed assets, net	1,286,310	1,236,000	Minority interest	434,570	394,850
Intangible assets and other assets	58,620	65,290	Shareholders' equity	1,187,280	1,120,310
Total assets	3,620,310	3,459,290	Total liabilities and shareholders' equity	3,620,310	3,459,290

Brief Consolidated Statement of Profit

Company: Shenzhen SEG Co., Ltd.

Unit: RMB'000

Items	In the report period (Jul.-Sep. 2002)	From year-begin to period-end (Jan.-Sep. 2002)
Income from main business lines	568,780	1,584,280
Profit from main business lines	120,900	313,400
Profit from other business lines	510	990
Expenses in the third quarter	80,930	239,690
Investment income	7,100	20,850
Net income/expenditure of non-operating	8,100	17,590
Income taxes	6,820	9,720
Net profit	28,210	68,680

(II) Notes to the financial statement

1. Comparing with the 2002 semi-annual report, there were no changes in the accounting policies, accounting estimates and consolidation scope of financial statement of the Company in the report period.
2. Comparing with the 2001 annual financial report, there was no material difference in the accounting policies (mainly referring to reorganization and calculation method of irregular cost) adopted in preparing this quarterly financial report.
3. There is no unconsolidated subsidiary company, which needs to be brought into the consolidation scope of financial statement of the Company.

This report has been prepared in Chinese version and English version respectively. In the event of difference in interpretation between the two versions, the Chinese report shall prevail.

**Board of Directors of
SHENZHEN SEG CO., LTD.**

Oct. 25, 2002