Stock Code: 000025, 200025 Short Form of the Stock: G Tellus A, Tellus B No.: 2006-008

SHENZHEN TELLUS HOLDING CO., LTD.
THE FIRST QUARTERLY REPORT FOR 2006

§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 No directors stated that they couldn't ensure the correctness, accuracy and completeness of the contents of the Quarterly Report or had any objection for this report.
1.3 Director Yang Feng asked for leave bussiness.
1.4 The Quarterly Financial Report has not been audited.
1.5 Chairman of the Board of the Company Mr. Zhang Ruili, CFO Mr. Fu Bin and Manager of Planning Financial Dept. Mr. Yang Jianhui hereby confirm that the Financial Report of this Quarterly Report is true and complete.

§2. Company profile

2.1 Basic information

Short form of the stock	G Tellus A, Tellus B	Short form before change (if have)	ST Tellus A,ST Tellus B
Stock code	000025, 200025		
	Secretary of the Board	Securities Affairs Representative	
Name	Ren Yongjian	Yang Jianhui	
Contact address	15/F, Zhonghe Building, Shennan Middle Road, Futian District, Shenzhen	15/F, Zhonghe Building, Shennan Middle Road, Futian District, Shenzhen	
Telephone	83989338	83989363	
Fax	83989399	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 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	896,116,512.58	859,358,659.13	4.28%
Shareholders' equity (excluding minority interests)	226,447,732.24	225,872,478.83	0.25%
Net assets per share	1.028	1.025	0.29%
Net assets per share after adjustment	0.88	0.89	-1.12%
	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	5,200,158.82	5,200,158.82	-84.65%
Earnings per share	0.0006	0.0006	
Earnings per share (note)	0.0006	-	-

Return on equity	0.06%	0.06%	0.31%
Return on equity after deducting non-recurring gains and losses	-2.36%	-2.36%	-2.20%

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

Items of non-recurring gains and losses	Amount
Non-operating income	6,194,064.68
Non-operating expenditure	724,638.93
Total	5,469,425.75

2.2.2 Financial statement

2.2.2.1 Balance sheet

Prepared by: Shenzhen Tellus Holding Co., Ltd. Mar. 31, 2006 Unit: RMB

Items	Amount at the period-end		Amount at the period-begin	
	Consolidation	Parent company	Consolidation	Parent company
Current assets:				
Monetary funds	94,234,746.36	1,940,729.53	105,804,080.45	833,381.63
Short-term investment				
Notes receivable				
Dividends receivable				
Interests receivable				
Accounts receivable	29,670,647.19	242,401.54	23,910,250.18	242,401.54
Other receivable	66,839,188.37	26,320,627.51	52,311,978.58	28,888,125.17
Accounts in advance	49,304,526.70		21,153,640.77	
Subsidy receivable	602,284.46		602,284.46	
Inventories	97,101,338.40		101,769,734.83	
Prepaid expense	2,311,013.39	181,314.00	402,116.70	168,330.00
Long-term debt investment due within 1 year				
Other current assets				
Total current assets	340,063,744.87	28,685,072.58	305,954,085.97	30,132,238.34
Long-term investment:				
Long-term equity investment	147,197,572.90	384,839,745.16	138,197,572.90	384,839,745.16
Long-term debt investment	121,300.00		121,300.00	
Total long-term investment	147,318,872.90	384,839,745.16	138,318,872.90	384,839,745.16
Consolidation difference				
Fixed assets				
Fixed assets-at cost	567,733,588.57	166,722,635.46	571,365,232.98	170,748,363.03
Less: Accumulated depreciation	178,739,344.77	49,787,088.97	175,531,932.02	50,258,055.77
Fixed assets-net book value	388,994,243.80	116,935,546.49	395,833,300.96	120,490,307.26
Less: impairment loss	4,231,301.32	3,555,385.70	4,231,301.32	3,555,385.70
Fixed assets-net book amount	384,762,942.48	113,380,160.79	391,601,999.64	116,934,921.56
Construction materials				
Construction in	9,790.00			

project				
Disposal of fixed assets				
Total fixed assets	384,772,732.48	113,380,160.79	391,601,999.64	116,934,921.56
Intangible and other assets:				
Intangible assets	1,283,424.95	1,283,424.95	1,283,424.95	1,283,424.95
Long-term prepaid expenses	11,675,893.77	1,411,991.94	11,127,551.45	1,432,721.54
Other long-term assets	11,001,843.61		11,072,724.22	
Total intangible and other assets	23,961,162.33	2,695,416.89	23,483,700.62	2,716,146.49
Deferred tax:				
Deferred tax assets				
Total assets	896,116,512.58	529,600,395.42	859,358,659.13	534,623,051.55
Current liabilities:				
Short-term loans	202,633,190.01	137,013,190.01	223,491,173.85	144,613,190.01
Notes payable	101,918,581.20		86,498,377.80	
Accounts payable	46,277,260.72	1,554.00	40,805,353.93	1,554.00
Advance from customers	38,852,528.75		37,095,598.94	
Salary payable	5,048,518.81		6,871,896.79	
Welfare payable	4,461,091.69	297,169.65	4,761,668.91	469,973.22
Dividends payable	1,674,491.98		1,674,491.98	
Taxes payable	3,189,034.41	799,926.32	6,557,071.92	4,294,079.65
Other payments	6,678,743.78	15,235.55	6,631,159.35	2,379.10
Other payables	163,938,662.39	135,274,509.80	124,154,084.91	132,660,988.96
Accrued expenses	9,036,177.62	1,598,341.16	9,105,677.14	1,798,341.16
Foreseeable liabilities	24,452,100.00	24,452,100.00	24,452,100.00	24,452,100.00
Long-term liabilities due within 1 year				
Other current liabilities				
Total current liabilities	608,160,381.36	299,452,026.49	572,098,655.52	308,292,606.10
Long-term liabilities:				
Long-term loans				
Bonds payable				
Long-term payable	5,548,531.66		5,548,531.66	
Special payable				
Other long-term liabilities				
Total long-term liabilities	5,548,531.66		5,548,531.66	
Deferred tax:				
Deferred tax liabilities	4,494,155.45		4,494,155.45	
Total liabilities	618,203,068.47	299,452,026.49	582,141,342.63	308,292,606.10
Minority interests	51,465,711.87		51,344,837.67	
Owner’s equity (Shareholders’ equity):				
Paid-up capital (or share capital)	220,281,600.00	220,281,600.00	220,281,600.00	220,281,600.00

Less: investment returned				
Net paid-up capital (or share caital)	220,281,600.00	220,281,600.00	220,281,600.00	220,281,600.00
Capital reserve	5,780,685.92	5,780,685.92	5,780,685.92	5,780,685.92
Surplus public reserve	3,218,372.66	3,218,372.66	3,218,372.66	3,218,372.66
Including: Statutory public welfare funds	3,218,372.66		3,218,372.66	3,218,372.66
Retained profit	-2,374,959.72	867,710.35	-2,950,213.13	-2,950,213.13
Including: cash dividends				
Unconfirmed investment losses	-457,966.62		-457,966.62	
Cumulative translation adjustments				
Total owner's equity (or shareholders' equity)	226,447,732.24	230,148,368.93	225,872,478.83	226,330,445.45
Total liabilities and owner's equity (shareholder's equity)	896,116,512.58	529,600,395.42	859,358,659.13	534,623,051.55

Legal representative: Zhang Ruili CFO: Fu Bin Principal of accounting organ: Yang Jianhui

2.2.2.2 Statement of Profit and Profit Distribution

Prepared by: Shenzhen Tellus Holding Co., Ltd. Jan.-Mar.2006 Unit: RMB

Items	In this report period		The same period of last year	
	Consolidation	Parent company	Consolidation	Parent company
I. Income from main operations	269,350,181.30	5,048,045.99	252,836,473.67	3,130,629.01
Less: Cost of main operations	245,144,674.72	1,085,232.80	227,538,874.50	806,375.49
Taxes and extras of main operations	1,067,249.80	284,165.06	1,559,749.17	162,792.70
II. Profit from main operations (listed with "-")	23,138,256.78	3,678,648.13	23,737,850.00	2,161,460.82
Add: Profit from other operations (listed with "-")	654,501.00		795,337.30	
Less: Operating expense	12,261,634.72		8,773,858.13	
Administrative expense	13,600,526.93	3,774,661.33	13,555,549.92	3,652,539.31
Financial expense	3,248,801.07	2,524,834.76	2,166,566.49	1,351,929.19
III. Operating profit (listed with "-")	-5,318,204.94	-2,620,847.96	37,212.76	-2,843,007.68
Add: Investment income (listed with "-")				
Subsidy income				
Non-operating income	6,194,064.68	6,024,968.67	375,570.78	21,924.63
Less: Non-operating expenses	724,638.93	33,627.87	576,308.22	399,866.30
IV. Total profit	151,220.81	3,370,492.84	-163,524.68	-3,220,949.35
Less: Income taxes	143,147.26		108,502.50	
Minority interests	-119,749.22		273,844.48	
Add: Unconfirmed investment losses				
V. Net profit (listed with "-")	127,822.77	3,370,492.84	-545,871.66	-3,220,949.35
Add: Retained earnings at the year-begin	-2,950,213.13	-2,950,213.13	-231,927,943.55	-231,927,943.55
Other transfer-ins	447,430.64	447,430.64	447,430.64	447,430.64
VI. Profit available for distribution	-2,374,959.72	867,710.35	-232,026,384.57	-234,701,462.26
Less: appropriating statutory surplus reserve				

Appropriating statutory public welfare reserve				
Appropriating employees' bonus and welfare funds				
Appropriating reserve funds				
Appropriating enterprise's development funds				
Investment returned from profit				
VII. Profit available for distribution to investors	-2,374,959.72	867,710.35	-232,026,384.57	-234,701,462.26
Less: Dividend for preferred shares payable				
Appropriating discretionary reserve				
Dividend for ordinary shares				
Dividend for ordinary shares converted to capital (share capital)				
VIII. Retained earnings	-2,374,959.72	867,710.35	-232,026,384.57	-234,701,462.26
Profit statement (Supplemental information)				
1. Profit from selling or disposing branch or investee				
2. Losses from natural disaster				
3. Increase (or decrease) in total profit due to the changes of accounting policies				
4. Increase (or decrease) in total profit due to the changes of accounting estimation				
5. Loss on debts restructure				
6. Others				

Legal representative: Zhang Ruili CFO: Fu Bin Principal of accounting organ: Yang Jianhui

2.2.2.3 Cash Flow Statement

Prepared by: Shenzhen Tellus Holding Co., Ltd. Jan.-Mar.2006 Unit: RMB

Items	In this report period	
	Consolidation	Parent Company
Ⅰ. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	321,108,562.48	1,094,463.90
Write-back of tax received	134,068.78	
Other cash received concerning operating activities	73,303,125.95	18,888,467.48
Subtotal of cash inflows:	394,545,757.21	19,982,931.38
Cash paid for purchasing commodities and receiving labor service	249,012,116.62	
Cash paid to/for staff and workers	18,657,217.25	1,847,596.23
Taxes paid	10,705,710.45	4,672,755.96
Other cash paid concerning operating activities	110,970,554.07	10,005,810.09
Subtotal of cash outflows:	389,345,598.39	16,526,162.28
Net cash flows arising from operating activities	5,200,158.82	3,456,769.10
II. Cash flows arising from investing activities:		

Cash received from recovering investment		
Cash received from investment income		
Net cash received from disposal of fixed, intangible and other long-term assets	8,884,376.00	6,020,000.00
Other cash received concerning investing activities		
Subtotal of cash inflows:	8,884,376.00	6,020,000.00
Cash paid for purchasing fixed, intangible and other long-term assets	425,741.40	7,600.00
Cash paid for investment	9,000,000.00	
Other cash paid concerning investing activities	26,994.00	
Subtotal of cash outflows:	9,452,735.40	7,600.00
Net cash flows arising from investing activities	-568,359.40	6,012,400.00
Ⅲ. Cash flows arising from financing activities		
Cash received from absorbing investment		
Cash received from loans	1,278,016.16	
Other cash received concerning financing activities	5,012,276.43	
Subtotal of cash inflows:	6,290,292.59	
Cash paid for settling debts	19,295,000.00	7,600,000.00
Cash paid for dividend and profit distributing or interest paying	1,217,265.40	761,821.20
Other cash paid concerning financing activities	1,979,160.70	
Subtotal of cash outflows:	22,491,426.10	8,361,821.20
Net cash flows arising from financing activities	-16,201,133.51	-8,361,821.20
IV. Influence on cash due to fluctuation in exchange rate		
V. Net increase of cash and cash equivalents	-11,569,334.09	1,107,347.90
Supplemental information		
1. Adjusting net profit to cash flows for operating activities		
Net profit	127,822.77	3,370,492.84
Add: Appropriated reserve for devaluation of assets	41,883.48	
Depreciation of fixed assets	5,277,255.80	1,265,823.67
Amortization of intangible assets		
Amortization of long-term prepaid expense	1,143,798.21	190,149.60
Decrease of deferred and prepaid expenses (less: increase)	-1,942,148.66	-12,984.00
Increase of accrued expenses (less: decrease)	-1,992,714.90	-200,000.00
Loss on disposal of fixed, intangible and other long-term assets (Less: income)	-5,948,352.03	-6,024,968.67
Loss on rejection of fixed assets		
Financial expenses	3,259,490.01	2,524,834.76
Investment loss (Less: income)	-118,132.56	
Deferred tax liabilities (Less: assets)	77,773.66	
Decrease of inventories (Less: increase)	12,903,129.66	
Decrease of receivables in operating (Less: increase)	-29,344,351.42	11,184,000.51
Increase of payables in operating (Less: decrease)	21,834,454.02	-8,840,579.61

other		
Minority interests	-119,749.22	
Net cash flows arising from operating activities	5,200,158.82	3,456,769.10
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 of cash and cash equivalents:		
Balance of cash at the period-end	94,234,746.36	1,940,729.53
Less: Balance of cash at the period-begin	105,804,080.45	833,381.63
Add: Balance of cash equivalents at the period-end		
Less: Balance of cash equivalents at the period-begin		
Net increase of cash and cash equivalents	-11,569,334.09	1,107,347.90

Legal representative: Zhang Ruili CFO: Fu Bin Principal of accounting organ: Yang Jianhui

2.3 Total number of shareholders in the end of the report period and shares held by the top ten shareholders

Total number of shareholders at the end of report period		14,808
Particulars about shares held by the top ten tradable shareholders without conditional sales		
Shareholders' name (full name)	The number of tradable shares with conditional sales at the end of report period	Type (A, B, H or other）
LAI SHI HUA	575,279.00	A-share, B-share
BNP PARIBAS ARBITRAGE(HONG KONG)LTD	461,635.00	B-share
LIU ZI XIAN	392,882.00	A-share
WANG FU CHANG	330,000.00	B-share
LI HONG JUN	309,700.00	B-share
HE KE BING	283,299.00	B-share
MEI ZHENG SHUI	281,400.00	A-share
DING JING JIA	267,512.00	A-share
JIA WEN JUN	266,958.00	A-share
XU JIE	258,080.00	A-share

§3. Discussion and analysis of the Management

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

In the report period, the Company's income from main operations increased by 6.53 percent compared with the same period of the last year, which was due to increase of the sales volume of automobile. The Company's cost of main operations increased by 7.74 percent over the same period of the last year, which was due to increased of income from main operations. In the report period, period expenses was RMB 29.11 million, an increase of RMB 4.61 million year-on-year, up 18.84 percent; of which, operating expenses increased by 3.49 million (deducting RMB 2.01 million occurred due to the difference of statement basis, and actually increased by 13.64 percent year-on-year), administrative expenses and financial expenses increased by 0.04 million and 1.08 million year-on-year respectively. The total profit for the report period increased by 0.31 million compared with the same period of the last year, and accumulatively realized net profit amounting to RMB 0.13 million, an increase of 0.67 million compared with RMB -0.54 million realized in the same period of the last year.

3.1.1 Particulars about main 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 operations classified according to industries			
	Income from main operations	Cost of main operations	Gross profit ratio (%)
Other social service	1,405.82	1,087.33	22.66%
Other wholesale and retail trade	23,588.40	22,644.32	4.00%
Lease service	1,923.33	775.71	59.67%
Other real estate	17.47	7.10	59.36%
Including: related transaction	0.00	0.00	0.00%
Main operations classified according to products			
Automobile inspection and maintenance	1,405.82	1,087.33	22.66%
Automobile trade	23,588.40	22,644.32	4.00%
Lease service	1,923.33	775.71	59.67%
Real estate	17.47	7.10	59.36%
Including: related transaction	0.00	0.00	0.00%

3.1.2 Seasonal and periodicity characteristics of the operation

☐Applicable √ Inapplicable

3.1.3 Profit structure in the report period (Explanation of reason and material change of proportion of profit of main operations, other operating profit, period expense, investment income, subsidy income and non-operating income/expenses in the total amount of profit compared with of the previous report period)

☐Applicable √ Inapplicable

3.1.4 Explanation on material change of main operation and its structure and the reason compared with the previous report period

☐Applicable √ Inapplicable

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

☐Applicable √ Inapplicable

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

☐Applicable √ Inapplicable

Non-operating capital occupation and clearing progress:

√ Applicable ☐Inapplicable

Unit: RMB'0000

Balance of non-operating capital of listed companies occupied by the largest shareholder and its affiliated enterprise		Total amount	Way of clearing	Amount of clearing	Date of clearing
Period-begin	Period-end				

75.63	100.34	-24.71	Other	-24.71	Dec. 2006
Explanation on non-operating capital of listed companies occupied by the largest shareholder and its affiliated enterprise and clearing	The Company would negotiate with the SDG, and offset the arrearage owed by SDG before the end of the year.				

3.3 Particulars about accounting policy, 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 issued “Qualified 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

3.7 Special commitment made by original shareholders of nontradable share in course of share merger reform and its implementation

√ Applicable □Inapplicable

Name of shareholder	Special commitment	Implementation situation	Commitment implementation
Shenzhen SDG Co., Ltd.	Within 36 months since the date that the Company implement the share merger reform plan, SDG would not list with Shenzhen Stock Exchange and sell Tellus it held (except for the shares used to promote the administration level of Tellus).	In implementing	SDG was implementing the commitment in share merger reform plan of the Company.

Shenzhen Tellus Holding Co., Ltd.
Chairman of the Board: Zhang Ruili

Apr. 15, 2006