ShenZhen Tellus Holding Co., Ltd.
The 3rd Quarterly Report for 2007

(Full Text)

§1 Important Notes

1.1 Board of Directors and the Supervisory Committee of ShenZhen Tellus Holding Co., Ltd. (hereinafter referred to as the Company) and its directors, supervisors and senior executives hereby confirm that there are no any fictitious statements, misleading statements, or important omissions carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents.
1.2 No directors stated any objection for the reality, accuracy and completion of the contents of this report.
1.3 All directors presented the meeting.
1.4 The financial report of the 3rd Quarterly Report is unaudited in the report period.
1.5 Chairman of the Board of the Company Mr. Zhang Ruili, General Manager Mr. Cheng Peng, Chief Financial Officer Mr. Fu Bin and Manager of Planning and Financial Department Mr. Yang Jianhui hereby confirm that the Financial Report of the 3rd Quarterly Report of 2007 is authentic and complete.

§2 Company Profile

2.1 Main Accounting Highlights and Financial Indexes:

Unit: RMB

	At the end of the report period	At the end of the last year	Increase/decrease of the end of report period than that of the end of the last year (%)
Total assets	818,864,186.76	833,461,433.12	-1.75%
Owners' equity (or Shareholders' equity)	151,827,487.54	137,483,659.95	10.43%
Net assets per share	0.69	0.62	11.29%
	Year begin to end of report period		Increase/decrease over the same period of the last year (%)
Net cash flow arising from operating activities	-18,743,666.51		69.76%
Net cash flow arising from operating activities per share	-0.085		69.76%
	In the report period	Year begin to end of report period	Increase/decrease of the report period than that of the same period of the last year (%)
Net profit	779,580.66	-111,113.13	-75.05%
Basic earnings per share	0.0035	-0.0005	-75.05%
Basic earnings per share after deducting non-recurring gains and losses	0.0038	-0.0152	428.7%
Diluted earnings per share	0.0035	-0.0005	-75.05%
Return on equity	0.51%	-0.07%	-0.84%

Return on equity after deducting non-recurring gains and losses	0.55%	-2.21%	0.66%

Items of non-recurring gains and losses

Unit: RMB

Items of non-recurring gains and losses	Amount from year-begin to end of report period
Income from disposal of financial assets held available for sales	2,955,281.86
Non-operating income	884,146.15
Non-operating expense	-592,124.43
Total	3,247,303.58

2.2 Total number of shareholders in the end of the report period and shares held by the top ten shareholders with unrestricted conditions

Unit: Share

Total number of shareholders	12,727	
Shares held by the top ten shareholders with unrestricted conditions		
Full Name of shareholder	Amount of unrestricted shares held	Type of shares
KGI ASIA LIMITED	1,550,049	Domestically listed foreign share
BOCI SECURITIES LIMITED	1,111,292	Domestically listed foreign share
SHENZHEN XINTIAN TIMES INVESTMENT CO., LTD.	991,298	RMB common share
YU AI JUN	850,000	RMB common share
CHEN WEI YU	790,000	RMB common share
WANG CUI XIA	561,200	RMB common share
CHEN WEI JIAN	483,800	Domestically listed foreign share
LIANG JING QIN	474,300	RMB common share
DAI RUI YING	470,000	RMB common share
ZHANG LAN LAN	465,198	RMB common share

§3 Significant events

3.1 Particulars about material changes in items of main accounting statement and financial index, and explanations of reasons

√Applicable □Inapplicable

Overall operation of the Company in the report period: I. Decrease in operating income: During this report period, the whole operating income accumulatively realized by the Company was RMB 741,510,000, which has decreased RMB 94,950,000 compared with the same period of last year amounting to RMB 836,460,000. And the decrease scope was 11.35%. Fierce competition in the car market and falling-down sales performance directly leads to the decrease in income. II. Operating cost also decreases as the operating income decreases: During this period, the accumulative operating cost was RMB 675,730,000, which has decreased by RMB 90,250,000 compared with RMB 765,980,000 in the same period of last year. And this scope for decrease was 11.78%. The operating cost accordingly decreases as the income decreases. III. Less profit has made compared with the

same period of last year: The company has accumulatively realized a total profit of RMB 684,000 in the report period. This has decreased RMB 7,111,000 compared with RMB 7,795,000 in the same period of last year. The net profit accumulatively realized was RMB-111,000, a decrease of RMB 5,551,000 compared with RMB 5,440,000 in the same period of last year. The main causes for the decrease are as follows: i. The decline of gross profit for the business in the auto market, which leads to a total decrease of RMB 4,380,000 in the operating gross profit from January to September as compared with the same period of last year. ii. In the same period of last year, a gain of RMB11, 970,000 has happened when disposing some properties. The properties include: profit of RMB 6,020,000 from the No.1 house ware in Shuibei area; a net profit of RMB 3,810,000 from the No.12 building in Hongbao road; gain of RMB 2,140,000 from the House Fuyiya; and a net loss of RMB 800,000 from the disposal of Huatong packing equipment. iii. Gains from investment have increased by RMB 8,340,000, which was mainly because of the selling of 230,000 shares of Shanghai Raw Water amounting to RMB 2,960,000 and withdrawing investment income from the shareholding enterprises which increased RMB 6,010,000.

3.2 Analysis and explanation of significant events and their influence and solutions
□Applicable √Inapplicable

3.3 Implementations of commitments by the Company, shareholders and actual controller
√Applicable □Inapplicable

(I) SDG, the shareholder of non-circulating shares, made the following commitments during the work of Share Merger Reform of the Company: 1. Commitments on Lock-up period (1) In accordance with the Measures for the Administration of the Share Merger Reform of Listed Companies, SDG would abide by the various laws, regulations and rules, and perform its statutory commitment duty. (2) Apart from the above-mentioned statutory commitment, SDG also made the following special commitment: with 36 months since the day the reform plan starts to take effect, SDG would not list at Shenzhen Stock Exchange and sell the ST Tellus it held (except for the shares used to promote the administration level of ST Tellus). (3) The administration level would abide by the laws, regulations and rules, and perform its statutory commitment duty. (4) SDG made the commitment: “The Promiser hereby promises that, if the Promiser failed to fulfill its commitment or not fully fulfill its commitment, it would compensate other shareholders for their losses suffered thereafter”. (5) SDG declared: “The Promiser would dutifully fulfill its commitments and shoulder corresponding legal responsibilities. The Promiser would transfer the shares held by it only if the assignee agree and have the ability to shoulder the commitment responsibility.” 2. Special commitment concerning the promoting system To effectively boost the core management level and business backbones for long, SDG would take out its shares, not exceeding 10% in total number after the Share Merger Reform, and apply them to the boost of the administration level. The shares would be sold to the Company’s administrative level over 3 years, with the selling price being the net asset value per share audited during the period nearest to the implementation. Before the implementation of the promoting plan by share selling each year, the administration level must prepay the Company a risk responsibility fund, i.e. 20% of the planned selling price; Should the work of the performance examination set by the Board failed to be finished, the paid risk responsibility fund would not be refunded and shall be owned by the Company. Detailed rules concerning the limitations on the administration level, such as the subscription conditions and risk responsibility fund, and boost plans would be set by the Board and submitted to relevant departments for approval. The implementation of the shares for promoting would be conducted strictly according to relevant laws and regulations, and the circulation conditions of these shares would be in conformity with relevant regulations set by the Shenzhen Stock Exchange. 3. Relevant expenses of this Share Merger Reform of ST Tellus would be paid by SDG. (II) The aforesaid commitments are in process of implementation by SDG. The shares held by SDG are still in limited period.

3.4 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

3.5 Other significant events needed for explanations
3.5.1 Particulars about securities investment
□Applicable √Inapplicable

3.5.2 Equity of other listed companies held
√Applicable □Inapplicable

Unit: RMB

Stock code	Short form of the stock	Initial investment amount	Proportion in equity of the Company	Book value at period-end	Gains and losses in report period	Changes on owners' equity in the report period
600649	Raw Water Stock	2,761,422.92	0.07%	16,700,000.00	2,955,281.86	17,410,222.58
Total			-	16,700,000.00	2,955,281.86	17,410,222.58

3.5.3 Equity of non-listed financial enterprises and planned listed companies held
□Applicable √Inapplicable

3.5.4 Registration form for receiving research, communication and interview in the report period.
In the report period, there were no spot research, telephone communication and written enquiry received from investors.

§4 Appendix

4.1 Balance sheet

Prepared by ShenZhen Tellus Holding Co., Ltd. Sep.30, 2007 Unit: RMB

Items	Amount of period-end		Amount of period-begin	
	Consolidation	Parent Company	Consolidation	Parent Company
Current assets:				
Monetary funds	73,837,380.50	867,086.94	77,658,825.83	1,460,058.16
Settlement provisions				
Capital lent				
Transaction finance asset				
Notes receivable				
Accounts receivable	28,821,053.15	242,401.54	28,265,819.96	242,401.54
Accounts in advance	31,362,984.79	381,271.43	36,989,533.14	381,271.43
Insurance receivable				
Reinsurance receivables				
Contract reserve of reinsurance receivable				

Interest receivable				
Other receivables	72,211,268.35	33,275,569.61	53,674,529.08	30,570,654.37
Purchase restituted finance asset				
Inventories	60,038,952.16		95,020,892.78	
Non-current asset due within one year				
Other current assets	6,228,025.14		120,963.38	
Total current assets	272,499,664.09	34,766,329.52	291,730,564.17	32,654,385.50
Non-current assets:				
Granted loans and advances				
Finance asset held available for sales	16,700,000.00	16,700,000.00		
Held-to-maturity securities				
Long-term account receivable				
Long-term equity investment	144,920,048.75	381,501,279.45	145,764,407.03	376,346,952.37
Investment property	126,939,633.17	81,118,336.96	130,724,157.87	83,590,166.80
Fixed assets:	221,336,869.47	23,619,584.33	228,453,623.68	24,537,096.02
Construction in progress	352,727.14		96,294.37	
Engineering material				
Disposal of fixed asset	-3,000.00			
Productive biological asset				
Oil and gas asset				
Intangible assets	1,265,933.29	1,265,933.29	1,267,733.29	1,267,733.29
Expense on Research and Development				
Goodwill				
Long-term expenses to be apportioned	3,983,204.82	40,367.23	4,262,460.75	62,706.04
Deferred income tax asset	20,473,848.98	4,586,305.88	20,473,848.98	4,586,305.88
Other non-current asset	10,395,257.05		10,688,342.98	
Total non-current asset	546,364,522.67	508,831,807.14	541,730,868.95	490,390,960.40
Total assets	818,864,186.76	543,598,136.66	833,461,433.12	523,045,345.90
Current liabilities:				
Short-term loans	248,047,888.35	115,426,300.55	224,318,670.55	136,348,670.55
Loan from the Central Bank of China				
Absorbing deposit and interbank deposit				
Capital borrowed				
Transaction financial				

liabilities				
Notes payable	15,000,000.00		90,000,000.00	
Accounts payable	44,660,490.36	1,554.00	35,050,627.86	1,554.00
Accounts received in advance	5,144,103.58		14,662,029.70	
Selling financial asset of repurchase				
Commission charge and commission payable				
Wage payable	9,793,848.54	307,507.08	12,216,411.17	1,481,989.24
Taxes payable	12,694,216.83	1,309,293.73	11,992,000.81	1,034,288.86
Interest payable				
Dividend payable	1,674,491.98		1,674,491.98	
Other accounts payable	176,942,962.54	188,824,952.88	155,167,168.73	164,646,897.28
Reinsurance payables				
Insurance contract reserve				
Security trading of agency				
Security sales of agency				
Long-term liabilities due within 1 year				
Other current liabilities	-43,270.59		1,498,582.09	
Total current liabilities	513,914,731.59	305,869,608.24	546,579,982.89	303,513,399.93
Non-current liabilities:				
Long-term loans	3,950,000.00			
Bonds payable				
Long-term account payable	5,002,455.16		5,002,455.16	
Special accounts payable				
Projected liabilities	87,568,728.57	87,568,728.57	87,568,728.57	87,568,728.57
Deferred income tax liabilities	2,015,902.31		2,015,902.31	
Other non-current liabilities				
Total non-current liabilities	98,537,086.04	87,568,728.57	94,587,086.04	87,568,728.57
Total liabilities	612,451,817.63	393,438,336.81	641,167,068.93	391,082,128.50
Owner's equity (or shareholders' equity):				
Paid-in capital (or share capital)	220,281,600.00	220,281,600.00	220,281,600.00	220,281,600.00
Capital public reserve	21,770,667.10	21,770,667.10	7,315,726.38	7,315,726.38
Less: Inventory shares				
Surplus public reserve	3,609,571.64	2,597,557.94	3,609,571.64	2,597,557.94

Provision of general risk				
Retained profit	-93,834,351.20	-94,490,025.19	-93,723,238.07	-98,231,666.92
Balance difference of foreign currency translation				
Total owner's equity attributable to parent company	151,827,487.54	150,159,799.85	137,483,659.95	131,963,217.40
Minority interests	54,584,881.59		54,810,704.24	
Total owner's equity	206,412,369.13	150,159,799.85	192,294,364.19	131,963,217.40
Total liabilities and owner's equity	818,864,186.76	543,598,136.66	833,461,433.12	523,045,345.90

4.2 Profit statement in the report period

Prepared by ShenZhen Tellus Holding Co., Ltd. July-Sep., 2007 Unit: RMB

Items	This period		The same period of last year	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Total operating income	251,686,952.180	3,845,442.460	255,334,665.600	3,692,707.430
Including: Operating income	251,686,952.180	3,845,442.460	255,334,665.600	3,692,707.430
Interest income				
Insurance gained				
Commission charge and commission income				
II. Total operating cost	254,729,825.780	5,207,290.180	256,487,355.820	5,867,434.660
Including: Operating cost	228,347,108.840	1,016,875.150	234,512,107.470	1,030,363.420
Interest expense				
Commission charge and commission expense				
Cash surrender value				
Net amount of expense of compensation				
Net amount of withdrawal of insurance contract reserve				
Bonus expense of guarantee slip				
Reinsurance expense				
Operating tax and extras	1,040,351.660	200,766.200	1,035,646.760	192,020.780
Sales expenses	10,934,308.910		7,674,124.560	
Administration expenses	11,086,602.840	2,273,031.440	10,872,257.720	2,705,884.600
Financial expenses	3,321,453.530	1,716,617.390	2,393,219.310	1,939,165.860
Losses of devaluation of asset				
Add: Changing income of fair value(Loss is listed				

with “-”)				
Investment income (Loss is listed with “-”)	3,722,976.700	3,659,453.230	992,666.600	382,688.000
Including: Investment income on affiliated company and joint venture				
Exchange income (Loss is listed with “-”)				
III. Operating profit (Loss is listed with “-”)	680,103.100	2,297,605.510	-160,023.620	-1,792,039.230
Add: Non-operating income	46,719.430		3,832,201.200	3,810,383.080
Less: Non-operating expense	127,883.110	326.000	454,845.610	24,591.600
Including: Disposal loss of non-current asset				
IV. Total Profit (Total loss is listed with “-”)	598,939.420	2,297,279.510	3,217,331.970	1,993,752.250
Less: Income tax	228,105.870		246,651.600	
V. Net profit (Net loss is listed with “-”)	370,833.550	2,297,279.510	2,970,680.370	1,993,752.250
Net profit attributable to owner’s equity of parent company	779,580.660		3,124,519.070	
Minority shareholders’ gains and losses	-408,747.110		-153,838.700	
VI. Earnings per share				
i. Basic earnings per share				
ii. Diluted earnings per share				

4.3 Profit statement from year-begin to end of report period

Prepared by ShenZhen Tellus Holding Co., Ltd. Jan.-Sep., 2007 Unit: RMB

Items	This period		The same period of last year	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Total operating income	741,514,852.590	11,041,448.130	836,458,613.340	11,956,047.930
Including: Operating income	741,514,852.590	11,041,448.130	836,458,613.340	11,956,047.930
Interest income				
Insurance gained				
Commission charge and commission income				
II. Total operating cost	751,469,139.260	17,161,582.120	841,135,475.800	18,110,904.540
Including: Operating cost	675,734,530.630	3,050,625.430	765,984,758.600	3,145,959.620
Interest expense				
Commission charge and commission expense				
Cash surrender value				
Net amount of expense				

of compensation				
Net amount of withdrawal of insurance contract reserve				
Bonus expense of guarantee slip				
Reinsurance expense				
Operating tax and extras	3,215,377.040	574,155.290	3,042,700.940	621,714.480
Sales expenses	29,279,143.330		29,636,917.480	
Administration expenses	32,771,443.230	7,787,923.070	35,095,152.680	8,700,971.230
Financial expenses	10,468,645.030	5,748,878.330	7,375,946.100	5,642,259.210
Losses of devaluation of asset				
Add: Changing income of fair value(Loss is listed with "-")				
Investment income (Loss is listed with "-")	10,345,863.270	10,208,489.300	2,004,830.460	300,015.920
Including: Investment income on affiliated company and joint venture				
Exchange income (Loss is listed with "-")				
III. Operating profit (Loss is listed with "-")	391,576.600	4,088,355.310	-2,672,032.000	-5,854,840.690
Add: Non-operating income	884,146.150	-100,000.000	12,216,632.190	9,844,751.750
Less: Non-operating expense	592,124.430	246,713.580	1,749,978.550	1,033,147.860
Including: Disposal loss of non-current asset				
IV. Total Profit (Loss is listed with "-")	683,598.320	3,741,641.730	7,794,621.640	2,956,763.200
Less: Income tax	547,891.910		868,124.380	
V. Net profit (Net loss is listed with "-")	135,706.410	3,741,641.730	6,926,497.260	2,956,763.200
Net profit attributable to owner's equity of parent company	-111,113.130		5,440,392.670	
Minority shareholders' gains and losses	246,819.540		1,486,104.590	
VI. Earnings per share				
i. Basic earnings per share				
ii. Diluted earnings per share				

4.4 Cash flow statement from year-begin to end of report period

Prepared by ShenZhen Tellus Holding Co., Ltd. July-Sep., 2007 Unit: RMB

Items	This period		The same period of last year	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Cash flows arising from operating activities:				

Cash received from selling commodities and providing labor services	954,815,880.14	7,994,865.73	932,442,611.68	1,461,903.90
Net increase of customer deposit and interbank deposit				
Net increase of loan from the Central Bank of China				
Net increase of capital borrowed from other financial institution				
Cash received from original insurance contract fee				
Net cash received from reinsurance business				
Insured savings and net increase of investment				
Net increase of disposal of transaction financial asset				
Cash received from interest, commission charge and commission				
Net increase of capital borrowed				
Net increase of returned business capital				
Write-back of tax received	123,945.40		291,207.21	
Other cash received concerning operating activities	138,349,239.10	32,722,353.98	208,617,191.11	54,493,048.34
Subtotal of cash inflow arising from operating activities	1,093,289,064.64	40,717,219.71	1,141,351,010.00	55,954,952.24
Cash paid for purchasing commodities and receiving labor service	741,817,532.33		790,141,076.60	
Net increase of customer loans and advances				
Net increase of deposits in the Central Bank of China and interbank				
Cash paid for original insurance contract compensation				
Cash paid for interest, commission charge and commission				

Cash paid for bonus of guarantee slip				
Cash paid to/for staff and workers	38,298,106.28	3,704,061.13	42,939,105.78	3,972,042.62
Taxes paid	18,435,157.48	1,651,507.11	25,653,000.83	6,022,828.89
Other cash paid concerning operating activities	313,481,935.06	16,659,527.92	344,594,487.88	54,792,260.47
Subtotal of cash outflow arising from operating activities	1,112,032,731.15	22,015,096.16	1,203,327,671.09	64,787,131.98
Net cash flows arising from operating activities	-18,743,666.51	18,702,123.55	-61,976,661.09	-8,832,179.74
II. Cash flows arising from investing activities:				
Cash received from recovering investment	6,471,645.50	3,471,645.50	3,684,465.40	141,000.00
Cash received from investment income	9,457.44	9,457.44	2,769,490.76	589,215.92
Net cash received from disposal of fixed, intangible and other long-term assets	21,416.20		29,854,557.00	10,390,181.00
Net cash received from disposal of subsidiaries and other units				
Other cash received concerning investing activities	4,949.70			
Subtotal of cash inflow from investing activities	6,507,468.84	3,481,102.94	36,308,513.16	11,120,396.92
Cash paid for purchasing fixed, intangible and other long-term assets	352,418.00		1,361,899.00	16,500.00
Cash paid for investment			12,015,100.00	
Net increase of mortgaged loans				
Net cash received from subsidiaries and other units				
Other cash paid concerning investing activities	55,338.00		10,618,080.27	
Subtotal of cash outflow from investing activities	407,756.00		23,995,079.27	16,500.00
Net cash flows arising from investing activities	6,099,712.84	3,481,102.94	12,313,433.89	11,103,896.92
III. Cash flows arising from financing activities				
Cash received from				

absorbing investment				
Including: Cash received from absorbing minority shareholders' investment by subsidiaries				
Cash received from loans	168,700,786.04	8,500,000.00	106,180,286.04	37,000,000.00
Cash received from issuing bonds				
Other cash received concerning financing activities	29,195,181.68		39,145,595.39	
Subtotal of cash inflow from financing activities	197,895,967.72	8,500,000.00	145,325,881.43	37,000,000.00
Cash paid for settling debts	148,660,767.68	28,330,000.00	66,460,454.35	32,482,240.00
Cash paid for dividend and profit distributing or interest paying	6,002,835.38	2,946,197.71	8,796,636.32	5,853,734.89
Including: Dividend and profit of minority shareholder paid by subsidiaries				
Other cash paid concerning financing activities	34,410,479.92		28,920,642.44	
Subtotal of cash outflow from financing activities	189,074,082.98	31,276,197.71	104,177,733.11	38,335,974.89
Net cash flows arising from financing activities	8,821,884.74	-22,776,197.71	41,148,148.32	-1,335,974.89
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	623.60		-605.85	
V. Net increase of cash and cash equivalents	-3,821,445.33	-592,971.22	-8,515,684.73	935,742.29
Add: Balance of cash and cash equivalents at the period -begin	77,658,825.83	1,460,058.16	105,804,080.45	833,381.63
VI. Balance of cash and cash equivalents at the period -end	73,837,380.50	867,086.94	97,288,395.72	1,769,123.92

4.5 Auditor' report

Auditor's opinions: Un-audited

Chairman of the Board: Zhang Ruili

Board of Directors of

ShenZhen Tellus Holding Co., Ltd.

October 22, 2007