

# Shenzhen International Enterprise Co., Ltd.

## The First Quarterly Report 2008

### §1. Important Notes

1.1 The Board of Directors, the Supervisory Committee, directors, supervisors and senior executives of Shenzhen International Enterprise Co., Ltd. (hereinafter referred to as the Company) warrant that this report does not contain any false or misleading statements or omit any material facts and all information set forth herein are true, accurate and complete.

1.2 None of the directors, supervisors, senior management demonstrated uncertainty or disagreement about the truthfulness, accuracy, and completeness of this annual report.

1.3

Name of absent director	Reason	Name of assignee
Xiao Guangsheng	He went abroad due to business trip	Song Shengjun
Zhi Guozhen	Business trip	Zhao Lijin

1.4 The Financial Report of the first quarterly report period has not been audited.

1.5 Chairman of the Board of the Company Mr. Li Jinquan, General Manager Ms. Song Shengjun and Person in charge of Accounting and Chief Financial Officer Mr. Zhou Xiaoliang hereby confirm that the Financial Report of the Quarterly Report is true and complete.

### § 2 Company Profile

#### 2.1 Main accounting data and financial indicators

Unit: RMB

	At the period-end of this report period	At the period-end of last year	Increase/decrease (+,-)
Total assets	1,003,515,412.85	1,035,265,567.86	-3.07%
Owner's equity (or shareholders equity)	242,540,876.83	244,353,284.66	-0.74%
Net assets per share	1.098	1.106	-0.72%
	This period	Same period of last year	Increase/decrease (+,-)
Net profit	-1,812,407.83	-3,206,116.23	-62.80%
Net cash flow arising from operating activities	-37,998,557.67	-99,291.90	38,169.54%
Net cash flow per share arising from operating activities	-0.17	-0.0004	38,169.54%
Basic earnings per share	-0.0054	-0.145	
Diluted earnings per share	-0.0054	-0.145	
Return on equity	-0.75%	-1.96%	1.21%
Return on equity after deducting non-recurring gains and losses	-1.16%	-1.46%	0.30%

#### Items of non-recurring gains and losses

Unit: RMB

Items of non-recurring gains and losses	From the beginning of the year to the end of the report period
Non-operating income	1,008,216.30
Total	1,008,216.30

2.2 Total number of shareholders at the end of the report period and statement on shares held by the top ten shareholders with shares not subject to trading moratorium

Unit: Share

Total number of shareholders	21,839	
Shares held by the top ten shareholders holding shares not subject to trading moratorium		
Name of shareholder (full name)	Number of shares not subject to trading moratorium	Type of share
FOH CHONG & SONS SDN. BHD.	30,264,192	Domestically listed foreign shares
Shenzhen Special Economic Zone Development (Group) Co., Ltd.	14,432,044	RMB ordinary shares
F.C. (ASIA) HOLDINGS SDN. BHD.	8,684,194	Domestically listed foreign shares
Shenzhen Taitian Industrial Development Co., Ltd.	8,567,525	RMB ordinary shares
Dapu Foh Chong Chemical Co., Ltd.	2,880,000	RMB ordinary shares
Hong Kong Mengxing Industrial Co.	2,170,200	Domestically listed foreign shares
YANG JUN	1,547,460	RMB ordinary shares
LETSCON HOLDINGS SDN. BHD.	1,497,172	Domestically listed foreign shares
CREDIT SUISSE SINGAPORE	1,426,173	Domestically listed foreign shares
Shanghai Wanguo (Hong Kong) Securities Co., Ltd.	1,335,549	Domestically listed foreign shares

### §3 Significant Events

3.1 Particular about large-margin change of main accounting statement item and financial index and its reason

Applicable  Inapplicable

Monetary fund decreased by 159%, which was due to returning loan;
Accounts prepaid decreased by 100%, which was due to decrease of payment in advance for project;
Accounts receivable decreased by 226%, which was because the Company withdrew accounts receivable;
Other receivables decreased by 64%, which was because the Company received payment for equity transfer;
Operating revenue and sales expense has decreased by a big margin, which was mainly because the Company transferred International Arcade as at the end of last year;
Financial expense decreased by 130%, which was due to decrease of bank loan;
Non-operating income increased by 98%, which was because the Company gained payment for case execution from the Court.

3.2 The progress and influence of significant events and the analysis and explanation on resolving proposal

Applicable  Inapplicable

3.3 The fulfillment of the commitment made by the Company, shareholders and the actual controller

Applicable  Inapplicable

In share merger reform, non-tradable shareholders made the following commitments:

(1) Besides the lowest commitment, Taitian Industrial also made the special commitment as follows: In these three non-tradable shareholders of the Company, Dapu Hechang Chemical Co., Ltd. (hereinafter referred to as Hechang Chemical) was failed to show clearly that approve to take part in this share merger reform or not.

Therefore, Taitian Industrial approved that consideration arrangement shouldered by Hechang Chemical shall be paid by Taitian Industrial in advance, in accordance with regulation of this share merger reform plan. After advance payment, Hechang Chemical shall pay back advance payment to Taitian Industrial or get the agreement of Taitian Industrial if shares held by Hechang Chemical need to be listed and traded.

(2) SDG Group and Taitian Industrial made the following special commitment:

They would undertake financial consulting expenses, sponsor expenses, legal expenses, communicating media expenses, media promotion expenses and other expenses relevant to this share merger reform.

Till now, there was no violation of the foresaid commitment for all shareholders.

3.4 Warnings of possible loss or large-margin change of the accumulated net profit made during the period from the beginning of the year to the end of the next report period compared with the same period of the last year according to prediction, as well as explanations on the reasons

Applicable  Inapplicable

It is estimated that the accumulative net profit from the year- begin to the end of report peirod is deficit. The project of "Jingdao International Shopping Mall" developed by the Company will be still under input stage up to the end of next reporting period according to project progress. The project of "forest" fails to reach cutting cycle because growth cycle of economic fast- growing forestry has a limit, which unable to produce direct economic benefits. The traditional department store has completely exited from the Company, resulting in the decrease of main operation revenue.

### 3.5 Other significant events

#### 3.5.1 Securities investment

Applicable  Inapplicable

#### 3.5.2 Equity of other listed companies the Company held

Applicable  Inapplicable

#### 3.5.3 Interviews and visits in the reporting period

In the reporting period, the Company did not receive field investigation, communication by telephone and written inquisition from investors.

## §4 Attachment

### 4.1 Balance Sheet

Prepared by Shenzhen International Enterprise Co., Ltd..

31 Mar. 2008

Unit: RMB Yuan

Items	Amount at the period-end		Amount at the period-begin	
	Consolidation	Parent company	Consolidation	Parent company
Current Assets:				
Monetary funds	23,662,957.55	4,962,735.37	61,342,998.09	11,369,551.37
Settlement fund reserve				
Dismantle fund				
Transaction financial asset				
Notes receivable				
Account receivable	408,120.98		1,328,901.67	

Account paid in advance		180,000.00	1,309,621.00	180,000.00
Premium receivables				
Receivables from reinsurers				
Reinsurance contract reserve receivables				
Interest receivable				
Other account receivable	21,068,994.49	260,782,711.54	34,582,967.95	257,258,130.51
Financial assets purchased under agreements to resell				
Inventories	852,290,004.34	164,920.02	826,728,755.33	164,920.02
Non-current assets due within 1 year				
Other current assets				
Total current assets	897,430,077.36	266,090,366.93	925,293,244.04	268,972,601.90
Non-current assets:				
Loans and advance				
Available for sale financial assets				
Held to maturity investments				
Long-term account receivable				
Long-term equity investment	6,570,262.84	65,944,253.87	6,570,262.84	65,944,253.87
Investing property	8,052,087.43	7,639,500.26	9,684,331.58	7,744,828.67
Fixed asset	79,342,212.75	26,267,879.82	80,372,214.68	26,680,701.23
Project in construction				
Engineering material				
Fixed asset disposal				
Bearer biological asset				
Oil assets				
Intangible assets				
Development expense				
Goodwill				
Long-term expense to be apportioned	12,120,772.47	210,000.00	13,345,514.72	210,000.00
Deferred tax assets				
Other non-current assets				
Total of non-current assets	106,085,335.49	100,061,633.95	109,972,323.82	100,579,783.77
Total assets	1,003,515,412.85	366,152,000.88	1,035,265,567.86	369,552,385.67
Current liabilities:				
Short-term borrowings	8,000,000.00			
Borrowing from Central Bank				
Deposits and due to banks and other financial institutions				
Placements from banks and other financial institutions				
Transaction financial liabilities				
Notes payable				
Account payable	252,230,063.03		253,682,750.53	
Account received in advance	46,738,971.75	740,000.00	46,068,971.75	70,000.00
Financial assets sold under agreements to repurchase				

Handling charges and commission payable				
Employee 's compensation payable	2,214,421.65	1,068,193.85	3,287,503.55	1,621,727.06
Tax payable	294,196.61	2,466,074.18	394,064.95	2,624,676.14
Interest payable			562,100.00	
Dividend payable	5,127,701.36	5,127,701.36	5,127,701.36	5,127,701.36
Other account payable	206,243,988.43	82,123,130.07	222,645,749.05	72,695,222.70
Due to reinsurers				
Insurance contract reserve				
Customer deposits				
Amount payables under security underwriting				
Non-current liabilities due within 1 year			17,229,760.00	17,229,760.00
Other current liabilities				
Total current liabilities	520,849,342.83	91,525,099.46	548,998,601.19	99,369,087.26
Non-current liabilities:				
Long-term borrowings	274,918,800.00	15,918,800.00	274,918,800.00	15,918,800.00
Debentures payable				
Long-term payables				
Specific purpose account payables				
Provisions for contingent liabilities	11,018,984.16	11,018,984.16	11,018,984.16	11,018,984.16
Deferred income	1,749,779.58		1,852,707.79	
Deferred tax liabilities				
Other non-current liabilities				
Total non-current liabilities	287,687,563.74	26,937,784.16	287,790,491.95	26,937,784.16
Total liabilities	808,536,906.57	118,462,883.62	836,789,093.14	126,306,871.42
Owner's equity				
Share capital	220,901,184.00	220,901,184.00	220,901,184.00	220,901,184.00
Capital surplus	72,315,347.06	64,951,444.59	72,315,347.06	64,951,444.59
Less: Treasury Stock				
Reserved fund	125,929,834.48	96,841,026.39	125,929,834.48	96,841,026.39
General risk provision				
Retained earnings	-176,605,488.71	-135,004,537.72	-174,793,080.88	-139,448,140.73
Foreign exchange difference				
Total owners' equity attributable to holding company	242,540,876.83	247,689,117.26	244,353,284.66	243,245,514.25
Minority interest	-47,562,370.55		-45,876,809.94	
Total owner's equity	194,978,506.28	247,689,117.26	198,476,474.72	243,245,514.25
Total liabilities and owner's equity	1,003,515,412.85	366,152,000.88	1,035,265,567.86	369,552,385.67

#### 4.2 Income Statement

Prepared by Shenzhen International Enterprise Co., Ltd...

Jan.- Mar .2008

Unit: RMB Yuan

Items	Amount of this period		Amount of last period	
	Consolidation	Parent company	Consolidation	Parent company

I. Total sales	3,449,058.92	126,962.00	13,912,807.62	169,968.00
Including: Sales	3,449,058.92	126,962.00	13,912,807.62	169,968.00
Interests income				
Premium income				
Handling charges and commission income				
II. Total cost of sales	7,872,222.75	-3,308,424.71	19,858,531.83	-1,721,243.61
Including: Cost of sales	2,229,555.61	16,390.01	8,475,909.66	8,838.33
Interests expenses				
Handling charges and commission expenses				
Claim expenses-net				
Provision for insurance liability reserve				
Expenses for reinsurance accepted				
Payments on surrenders				
Policyholder dividends				
Taxes and associate charges	142,411.72		486,187.35	
Selling and distribution expenses	2,425,847.46		6,938,833.45	
Administrative expenses	4,804,320.49	3,130,432.79	3,782,717.20	1,044,366.94
Financial expense	-1,729,912.53	-6,455,247.51	174,884.17	-2,774,448.88
Impairment loss				
Add: gain/(loss) from change in fair value ("-" means loss)				
Gain/(loss) from investment ("-" means loss)				
Including: income from investment on affiliated enterprise and jointly enterprise				
Foreign exchange difference ("-" means loss)				
III. Business profit ("-" means loss)	-4,423,163.83	3,435,386.71	-5,945,724.21	1,891,211.61
Add: non-business income	1,008,216.30	1,008,216.30	18,535.22	
Less: non-business expense	6,985.00		823,061.77	
Including: loss from non-current asset disposal				
IV. Total profit ("-" means loss)	-3,421,932.53	4,443,603.01	-6,750,250.76	1,891,211.61
Less: Tax expense	76,035.91		112,609.35	
V. Net profit ("-" means loss)	-3,497,968.44	4,443,603.01	-6,862,860.11	1,891,211.61
Attributable to parent company	-1,812,407.83		-3,206,116.23	
Minority interest	-1,685,560.61		-3,656,743.88	
VI. Earnings per share				
(I) basic earnings per share	-0.0054		-0.145	
(II) diluted earnings per share	-0.0054		-0.145	

#### 4.3 Cash Flow Statement

Prepared by Shenzhen International Enterprise Co., Ltd...

Jan.- Mar .2008

Unit: RMB Yuan

Items	Amount of this period	Amount of last period
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	Consolidation	Parent company	Consolidation	Parent company
1. Cash flows for operating activities:				
Cash received from sales of goods or rendering of services	3,449,058.92	126,962.00	14,025,756.94	
Cash received on deposits and from banks and other financial institutions				
Net increased cash received on borrowings from central bank				
Cash received on placements from other financial institutions				
Premium received				
Cash received from reinsurance				
Net increased amount received on policyholder deposit and investment				
Cash received from disposal of held for trading financial assets				
Interests, handling charges and commission received				
Cash received on placements from bank, net				
Cash received under repurchasing, net				
Refund of tax and fare received				
Other cash received relating to operating activities	5,807,295.35	38,253,141.54	22,158,500.09	15,342,644.23
Sub-total of cash inflows	9,256,354.27	38,380,103.54	36,184,257.03	15,342,644.23
Cash paid for goods and services	4,331,721.26		15,171,791.03	
Loans and advances drawn				
Cash paid to central bank, banks and other financial institutions, net				
Claims paid				
Interests, handling charges and commission paid				
Dividends paid to policyholders				
Cash paid to and on behalf of employees	3,829,579.66	972,445.10	4,135,022.59	717,664.58
Tax and fare paid	678,074.35	372,065.54	2,099,758.42	234,745.68
Other cash paid relating to operating activities	38,415,536.67	40,546,908.81	14,876,976.89	7,913,239.85
Sub-total of cash outflows	47,254,911.94	41,891,419.45	36,283,548.93	8,865,650.11
Net cash flow from operating activities	-37,998,557.67	-3,511,315.91	-99,291.90	6,476,994.12
2. Cash Flows from Investment Activities:				
Cash received from return of investments				
Cash received from investment income				
Net cash received from disposal of fixed assets, intangible assets				

and other long-term assets				
Proceeds from sale of subsidiaries and other operating units	16,000,000.00	16,000,000.00		
Other cash received relating to investment activities				
Sub-total of cash inflows	16,000,000.00	16,000,000.00		
Cash paid for acquiring fixed assets, intangible assets and other long-term assets	84,253.00	59,160.00	122,310.00	58,670.00
Cash paid for acquiring investments				
Net cash used in loans				
Net cash used in acquiring subsidiaries and other operating units				
Other cash paid relating to investment activities			415.00	
Sub-total of cash outflows	84,253.00	59,160.00	122,725.00	58,670.00
Net cash flow from investing activities	15,915,747.00	15,940,840.00	-122,725.00	-58,670.00
3. Cash Flows from Financing Activities:				
Cash received from absorbing investment				
Including: Cash received from increase in minority interest				
Cash received from borrowings	8,000,000.00			
Cash received from issuing debentures				
Other proceeds relating to financing activities				
Sub-total of cash inflows	8,000,000.00			
Cash paid for settling debt	18,481,075.00	18,481,075.00	1,890,000.00	1,890,000.00
Cash paid for distribution of dividends or profit or reimbursing interest	5,116,154.87	438,634.02	1,877,174.77	1,877,174.77
Including: dividends or profit paid to minority interest				
Other cash payments relating to financing activities				
Sub-total of cash outflows	23,597,229.87	18,919,709.02	3,767,174.77	3,767,174.77
Net cash flow from financing activities	-15,597,229.87	-18,919,709.02	-3,767,174.77	-3,767,174.77
4. Effect of foreign exchange rate changes				
5. Increase in cash and cash equivalents	-37,680,040.54	-6,490,184.93	-3,989,191.67	2,651,149.35
Add : Cash and cash equivalents at year-begin	61,342,998.09	11,452,920.30	26,046,276.70	908,794.60
6.Cash and cash equivalents at the end of the year	23,662,957.55	4,962,735.37	22,057,085.03	3,559,943.95

#### 4.4 Auditor's report

Auditor's opinion: un-audited