

Shenzhen International Enterprise Co., Ltd

The Third Quarterly Report 2008

§1. Important Notice

1.1 The Board of Directors, the Supervisory Committee as well as directors, supervisors and senior management 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 quarterly report.

1.3

Name of unattended director	Reason	Name of trustee
Xiao guangsheng	On a business trip	Li jinquan

1.4 The Financial Report of the Third Quarterly Report has not been audited.

1.5 Mr. Li Jinquan, Chairman of the Board Directors, Ms. Song Shengjun, General Manager, Mr. Zhou Xiaoliang, Person in charge of Finance, hereby confirmed that the Financial Report enclosed in the Quarterly Report is true and complete.

§2. Company Profile

2.1 Main accounting data and financial indexes

Unit: RMB Yuan

	At the end of the report period	At the end of the last year	Increase/decrease at the end of the report period compared with that at the end of the last year (%)
Total assets	1,109,008,563.63	1,035,265,567.86	7.12%
Owners' equity (or shareholders' equity)	243,858,471.88	244,353,284.66	-0.20%
Net assets per share	1.10	1.11	-0.90%
	From the beginning of the year to the end of the report period		Increase/decrease compared with the same period of the last year (%)
Net cash flow from operating activities		-61,765,067.82	65.79%
Net cash flow from operating activities per share		-0.28	65.85%
	In the report period	From the beginning of the year to the end of the report period	Increase/decrease in the report period compared with the same period of the last year (%)
Net profit	-1,209,982.97	-494,812.78	70.70%
Basic earnings per share	-0.005	-0.002	90.00%
Basic earnings per share deducted non-recurring gain/loss	-	-0.030	-
Diluted earnings per share	-0.005	-0.002	90.00%
Net return on equity	-0.50%	-0.20%	2.21%

Net return on equity deducted non-recurring gain/loss	-0.85%	-2.73%	-1.91%
---	--------	--------	--------

Items of non-recurring gains and losses

Unit: RMB Yuan

Items of non-recurring gains and losses	Amount from the beginning of the year to the end of report period
Gains and losses from fixed assets disposal	5,216,653.21
Income from claim for compensation	3,690,238.01
Other	392,137.89
Effect on minority equity	-3,140,243.79
Total	6,158,785.32

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

Unit: Share

Total number of shareholders	21,647	
Shares held by the top ten shareholders not subject to trading moratorium		
Name of shareholders	Number of shares held not subject to trading moratorium	Type of share
MALAYSIA FOH CHONG & SONS SDN.BHD.	30,264,192	Domestically listed foreign share
SHENZHEN SDG GROUP CO., LTD.	14,318,024	Renminbi ordinary share
F.C. (ASIA) HOLDINGS SDN. BHD.	8,684,194	Domestically listed foreign share
SHENZHEN TAITIAN INDUSTRIAL DEVELOPMENT CO. LTD	8,012,725	Renminbi ordinary share
HONG KONG MENGXING INDUSTRIAL CO.LTD.	2,170,200	Domestically listed foreign share
DAPU FOH CHONG CHEMICAL CO., LTD.	1,877,800	Renminbi ordinary share
YANG JUN	1,560,000	Renminbi ordinary share
LETSCON HOLDINGS SDN. BHD.	1,497,172	Domestically listed foreign share
CREDIT SUISSE SINGAPORE	1,399,673	Domestically listed foreign share
SHANGHAI HONG KONG WANGUO SECURITIES	1,335,549	Domestically listed foreign share

§3. Significant events

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

Applicable Inapplicable

Operating income and operating cost decreased compared with the same period of last year, mainly because income from commerce and real estate decreased.

Net profit increased compared with the same period of last year, mainly because gains from fix assets disposal increased.

Sales tax and associate charge decreased compared with the same period of last year, mainly because income from commerce and real estate decreased.

Subtotal of cash flows from operating activities and net cash flows from operating activities decreased compared with the same period of last year, mainly because income from commerce and real estate decreased.

3.2 Progress and influence of significant events as well as explanation and analysis of resolving proposal

Applicable Inapplicable

Relevant events on Share Transfer Contract and Contract on Transfer of the Use Right of House, which was signed by controlling subsidiary of the Company —Shenzhen Rongfa Investment Co., Ltd (hereinafter referred to as “Rongfa Company”) & Shenzhen International Commercial Property Management Co. Ltd (hereinafter referred to as “Property Company”) and Shenzhen Baotian Investment and Development Co., Ltd (hereinafter referred to as “Baotian Company”), published in the Third Quarterly Report 2007, Securities Times, Hong Kong Ta Kung Pao dated 30 Jan. 2008 as well as internet website www.cninfo.com.cn.

Rongfa Company and Property Company sued Baotian Company to Shenzhen Luohu District the People’s Court due to dissension when carried out the contract. Shenzhen Luohu District the People’s Court made judgment of the first instance in Sep. 2008: which terminated contract on transfer of the use right of house between Rongfa Company and Baotian Company, judged that Baotian Company pay various expense approximating RMB 7 million. The Company appealed from the first instance judgment.

3.3 Implementation on commitments made by the Company, shareholders and the actual controller

Applicable Inapplicable

Commitment on share merger reform by Shenzhen SDG Group Co., Ltd: promised not to trade or transfer the non-circulating shares held within 12 months since the day those shares were authorized with listing and circulating rights. After the expiration of the aforesaid commitment, the total former non-circulating shares of SDG Group sold through listing at the Stock Exchange shall not exceed 5 percent of the Shenzhen International Enterprise’s total share number within 12 months, and not exceed 10 percent within 24 months.

In the report period, SDG Group strictly fulfilled commitment on listing trade or transfer.

3.4 Warnings of possible loss or great 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

3.5 Other significant events need to be explained

1. The Company neither offered capital to controlling shareholder or related party, nor offered outward guarantee violating procedure;
2. Up to the end of report period, no major shareholders or person acting-in-concert proposed to increase shares held.

3.5.1 Securities investment

Applicable Inapplicable

3.5.2 Equity of other listed companies held by the Company

Applicable Inapplicable

3.5.3 Reception of investigation, communication and interview of the Company in the report period

There was no reception of field investigation, telephone communication and written consultation of the Company in the report period.

§4. Attachment

4.1 Balance sheet

Prepared by Shenzhen International Enterprise Co., Ltd

30 Sep. 2008

Unit: RMB (Yuan)

Items	Amount at period-end		Amount at period-begin	
	Consolidation	Parent company	Consolidation	Parent company
Current Assets:				
Monetary funds	105,295,609.70	181,243.81	61,342,998.09	11,369,551.37
Settlement reserve				
Dismantle fund				
Transaction financial asset				
Notes receivable				
Account receivable	1,250,293.33		1,328,901.67	
Account paid in advance	1,319,295.00	180,000.00	1,309,621.00	180,000.00
Premiums receivable				
Reinsurance premiums receivable				
Receivable reinsurance contract reserves				
Interest receivable				
Other account receivable	19,518,299.61	252,871,853.48	34,582,967.95	257,258,130.51
Buying back the sale of financial assets				
Inventories	880,793,384.06	164,920.02	826,728,755.33	164,920.02
Including: expendable biological assets	50,875,929.06			
Non-current assets due within 1 year				
Other current assets				
Total current liabilities	1,008,176,881.70	253,398,017.31	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	7,426,900.80	7,029,108.73	9,684,331.58	7,744,828.67
Fixed assets	77,246,107.76	25,219,855.50	80,372,214.68	26,680,701.23
Construction in progress				

Engineering material				
Disposal of fixed assets				
Production biological assets				
Oil-gas assets				
Intangible assets				
Development expense				
Goodwill				
Long-term deferred expenses	9,588,410.53	178,500.00	13,345,514.72	210,000.00
Deferred tax assets				
Other non-current assets				
Total of non-current assets	100,831,681.93	98,371,718.10	109,972,323.82	100,579,783.77
Total assets	1,109,008,563.63	351,769,735.41	1,035,265,567.86	369,552,385.67
Current liabilities:·				
Short-term borrowings	8,000,000.00			
Borrowing from Central Bank				
Deposits and sue to banks and other financial institutions				
Call loan received				
Transaction financial liabilities				
Notes payable				
Account payable	251,195,879.86		253,682,750.53	
Account received in advance	53,587,505.75	7,588,534.00	46,068,971.75	70,000.00
Financial assets sold for repurchase				
Handling charges and commissions payable				
Employee 's compensation payable	2,401,800.19	1,000,689.54	3,287,503.55	1,621,727.06
Tax payable	302,972.18	2,454,618.37	394,064.95	2,624,676.14
Interest payable	501,875.00		562,100.00	
Dividend payable	5,127,701.36	5,127,701.36	5,127,701.36	5,127,701.36
Other account payable	201,884,953.34	84,091,222.32	222,645,749.05	72,695,222.70
Reinsurance premiums payable				
Insurance contract reserves				
Money received for acting trading of securities				
Money paid for acting underwriting of securities				
Non-current liabilities due within 1 year			17,229,760.00	17,229,760.00
Other current liabilities				
Total current liabilities	523,002,687.68	100,262,765.59	548,998,601.19	99,369,087.26
Non-current liabilities:·				
Long-term borrowings	382,900,500.00	14,900,500.00	274,918,800.00	15,918,800.00
Bonds payable				
Long-term payables				
Specific payables				
Accrued liabilities	11,018,984.16	11,018,984.16	11,018,984.16	11,018,984.16
Deferred tax liabilities				

Deferred income	1,543,923.16		1,852,707.79	
Other non-current liabilities				
Total non-current liabilities	395,463,407.32	25,919,484.16	287,790,491.95	26,937,784.16
Total liabilities	918,466,095.00	126,182,249.75	836,789,093.14	126,306,871.42
Owner's equity (or shareholder's equity)				
Paid-up capital (or share capital)	220,901,184.00	220,901,184.00	220,901,184.00	220,901,184.00
Capital reserves	72,315,347.06	64,951,444.59	72,315,347.06	64,951,444.59
Less: Treasury Stock				
Surplus reserves	125,929,834.48	96,841,026.39	125,929,834.48	96,841,026.39
Provisions for general risks				
Retained profits	-175,287,893.66	-157,106,169.32	-174,793,080.88	-139,448,140.73
Foreign exchange difference				
Total owners' equity attributable to parent company	243,858,471.88	225,587,485.66	244,353,284.66	243,245,514.25
Minority interest	-53,316,003.25		-45,876,809.94	
Total owner's equity	190,542,468.63	225,587,485.66	198,476,474.72	243,245,514.25
Total liabilities and owner's equity	1,109,008,563.63	351,769,735.41	1,035,265,567.86	369,552,385.67

4.2 Income statement in this report period

Prepared by Shenzhen International Enterprise Co., Ltd

Jul.-Sep. 2008

Unit: RMB (Yuan)

Items	In current period		The same period of last year	
	Consolidation	Parent company	Consolidation	Parent company
I. Total sales	3,736,459.52	146,562.00	8,871,176.15	209,203.00
Including: Sales income	3,736,459.52	146,562.00	8,871,176.15	209,203.00
Interest income				
Premium income				
Handling charges and commission income				
II. Total cost of sales	10,588,566.37	6,405,427.68	14,904,199.13	-2,917,211.93
Including: Cost of sales	2,510,880.20	8,665.10	7,533,936.86	12,142.56
Interests expenses				
Handling charges and commission expenses				
Cash surrender value				
Net amount of claims				
Net amount of withdrawn from the insurance contract reserve				
Expenditure on policy dividends				
Reinsurance premium				
Taxes and associate charges	135,092.85		266,913.19	
Selling expenses	3,381,910.73		2,735,028.98	
Administrative expenses	3,716,473.34	1,558,937.77	3,604,575.09	573,523.92
Financial expenses	844,209.25	-6,070,303.86	763,745.01	-3,502,878.41
Impairment loss		10,908,128.67		
Add: gain from change in fair value ("-" means loss)				

Gain from investment ("-" means loss)				
Including: income from investment on affiliated enterprise and jointly enterprise				
Foreign exchange difference ("-" means loss)				
III. Business profit ("-" means loss)	-6,852,106.85	-6,258,865.68	-6,033,022.98	3,126,414.93
Add: non-operation income	1,020,915.67	1,009,753.03	2,507,761.28	2,045,660.67
Less: non-business expense	269,048.28	62,813.00	622,090.04	19,634.18
Including: loss from non-current asset disposal				
IV. Total profit ("-" means loss)	-6,100,239.46	-5,311,925.65	-4,147,351.74	5,152,441.42
Less: Tax expense	7,934.69		882,958.29	
V. Net profit ("-" means loss)	-6,108,174.15	-5,311,925.65	-5,030,310.03	5,152,441.42
Attributable to owners of parent company	-1,209,982.97		-4,128,951.79	
Minority interest	-4,898,191.18		-901,358.24	
VI. Earnings per share				
(I) Basic earnings per share	-0.005	-0.024	-0.019	0.023
(II) Diluted earnings per share	-0.005	-0.024	-0.019	0.023

4.3 Income statement from the year-beginning to the end of report period

Prepared by Shenzhen International Enterprise Co., Ltd Jul.-Sep. 2008

Unit: RMB (Yuan)

Items	In current period		The same period of last year	
	Consolidation	Parent company	Consolidation	Parent company
I. Total sales	10,898,306.98	422,392.00	33,752,374.65	579,882.00
Including: Sales income	10,898,306.98	422,392.00	33,752,374.65	579,882.00
Interest income				
Premium income				
Handling charges and commission income				
II. Total cost of sales	27,889,226.92	19,416,839.95	50,835,515.11	4,221,504.39
Including: Cost of sales	7,566,900.66	33,136.31	25,550,630.90	35,376.86
Interests expenses				
Handling charges and commission expenses				
Cash surrender value				
Net amount of claims				
Net amount of withdrawn from the insurance contract reserve				
Expenditure on policy dividends				
Reinsurance premium				
Taxes and associate charges	425,419.89		1,281,458.38	
Selling expenses	8,649,686.48		12,302,072.88	
Administrative expenses	12,943,838.10	5,752,373.04	11,634,906.29	1,980,185.07
Financial expenses	-732,315.32	-17,584,260.04	968,599.67	-10,460,435.73
Impairment loss	-964,302.89	31,215,590.64	-902,153.00	12,666,378.19
Add: gain from change in fair value ("-" means loss)				

Gain from investment ("-" means loss)				
Including: income from investment on affiliated enterprise and jointly enterprise				
Foreign exchange difference ("-" means loss)				
III. Business profit ("-" means loss)	-16,990,919.94	-18,994,447.95	-17,083,140.46	-3,641,622.39
Add: non-operation income	9,687,594.26	1,502,932.36	2,698,212.81	2,048,026.30
Less: non-business expense	388,565.15	166,513.00	1,554,119.16	23,036.43
Including: loss from non-current asset disposal				
IV. Total profit ("-" means loss)	-7,691,890.83	-17,658,028.59	-15,939,046.81	-1,616,632.52
Less: Tax expense	242,115.26		1,143,970.66	
V. Net profit ("-" means loss)	-7,934,006.09	-17,658,028.59	-17,083,017.47	-1,616,632.52
Attributable to owners of parent company	-494,812.78		-10,232,871.33	
Minority interest	-7,439,193.31		-6,850,146.14	
VI. Earnings per share				
(I) Basic earnings per share	-0.002	-0.080	-0.046	-0.007
(II) Diluted earnings per share	-0.002	-0.080	-0.046	-0.007

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

Prepared by Shenzhen International Enterprise Co., Ltd Jul.-Sep. 2008

Unit: RMB (Yuan)

Items	In current period		The same period of last year	
	Consolidation	Parent company	Consolidation	Parent company
I. Cash flows from operating activities:				
Cash received from sale of commodities and rendering of service	14,294,615.53	422,392.00	46,410,473.01	579,882.00
Net increase of deposits from customers and dues from banks				
Net increase of loans from the central bank				
Net increase of funds borrowed from other financial institutions				
Cash received from premium of original insurance contracts				
Net cash received from reinsurance business				
Net increase of savings of policy holders and investment fund				
Net increase of disposal of tradable financial assets				
Cash received from interest, handling charges and commissions				
Net increase of borrowed inter-bank funds				
Net increase of buy-back funds				
Tax refunds received				
Other cash received relating to operating activities	21,489,985.85	40,968,550.87	46,811,884.57	124,141,175.52
Subtotal of cash inflows from operating activities	35,784,601.38	41,390,942.87	93,222,357.58	124,721,057.52

Cash paid for purchase of commodities and reception of service	36,101,038.72		234,346,829.29	2,059.00
Net increase of customer lending and advance				
Net increase of funds deposited in the central bank and amount due from banks				
Cash for paying claims of the original insurance contract				
Cash for paying interest, handling charges and commissions				
Cash for paying policy dividends				
Cash paid to and for employees	10,947,198.69	2,546,688.00	9,970,983.08	2,330,576.57
Various taxes paid	2,511,796.69	791,306.47	4,771,271.75	1,492,496.05
Payment of cash relating to operating activities	47,989,635.10	53,630,852.59	24,654,370.52	82,176,406.51
Subtotal of cash outflows from operating activities	97,549,669.20	56,968,847.06	273,743,454.64	86,001,538.13
Net cash flows from operating activities	-61,765,067.82	-15,577,904.19	-180,521,097.06	38,719,519.39
II. 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	6,256,311.44	6,254,941.44	5,672,566.30	13,260.00
Net cash received from disposal of subsidiary or other operating business units	16,000,000.00	16,000,000.00		
Other cash received relating to investment activities				
Subtotal of cash inflows from investment activities	22,256,311.44	22,254,941.44	5,672,566.30	13,260.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets	200,905.00	92,916.00	863,470.89	126,090.00
Cash paid to investment				
Net increase of pledged loans				
Net cash paid by subsidiaries and other operating business units				
Payment of cash relating to other investment activities				
Subtotal of cash outflows from investment activities	200,905.00	92,916.00	863,470.89	126,090.00
Net cash flows from investment activities	22,055,406.44	22,162,025.44	4,809,095.41	-112,830.00
III. Cash flows from Financing Activities:				
Cash received from absorbing investment				
Including: Cash received from increase in minority interest				
Cash received from borrowings	117,000,000.00		259,000,000.00	
Cash received from issuance of bonds				
Other cash received relating to financing activities				
Subtotal of cash inflows from financing activities	117,000,000.00		259,000,000.00	
Cash repayments of amounts borrowed	16,823,322.57	16,823,322.57	1,890,000.00	
Cash paid interest expenses and distribution of	16,514,404.44	949,106.24	11,360,599.44	4,027,581.61

dividends or profit				
Including: dividends or profit paid to minority interest				
Other cash payments relating to financing activities				
Sub-total of cash outflows from financing activities	33,337,727.01	17,772,428.81	13,250,599.44	4,027,581.61
Net cash flow from financing activities	83,662,272.99	-17,772,428.81	245,749,400.56	-4,027,581.61
IV. Effect of foreign exchange rate changes on cash and cash equivalents				
V. Increase in cash and cash equivalents	43,952,611.61	-11,188,307.56	70,037,398.91	34,579,107.78
Add : Cash and cash equivalents at year-begin	61,342,998.09	11,369,551.37	26,046,276.70	908,794.60
VI. Cash and cash equivalents at the end of the year	105,295,609.70	181,243.81	96,083,675.61	35,487,902.38

4.5 Audit report

Audit opinion: un-audited