

Shenzhen International Enterprise Co., Ltd.

The Third Quarterly Report 2010

§1 Important Notice

1.1 The Board of Directors and directors of Shenzhen International Enterprise Co., Ltd. (hereinafter referred to as the Company) guarantee that there are no any omissions, fictitious or serious misleading statements carried in the report and will take all responsibilities, individual and/or joint for the authenticity, accuracy and completeness of the whole contents.

1.2 Other than the following director, other directors attended the Board meeting in person, at which the third quarterly report 2010 is reviewed.

Name	Office title	Reason	Name of assignee
Sun Changxing	Independent Director	On official business trip	Xie Ruxuan

1.3 The Financial Report in this quarterly report has not been audited by a CPA firm.

1.4 Zheng Kanghao, Person-in-charge of the Company, Chen Xiaohai, Person-in-charge of the accounting work, and Xu Xiaoyun, Person-in-charge of the accounting organ hereby confirm the factuality and completeness of the Financial Report in this quarterly report.

§2 Company Profile

2.1 Main accounting data and financial indicators

Unit: (RMB) Yuan

	China (RMB) Yuan							
	As at 30 Sep. 2010		As at 31 Dec. 2009		Increase/decrease (%)			
Total assets (RMB)	1,650,914,726.01		1,451,667,225.56		13.73%			
Owners' equity attributable to shareholders of listed company (RMB)	152,230,545.87		225,778,093.67		-32.58%			
Share capital (share)	220,901,184.00		220,901,184.00		0.00%			
Net assets per share attributable to shareholders of listed company (RMB/share)	0.69		1.02		-32.35%			
	Jul.-Sep. 2010		Increase/decrease year-on-year (%)		Jan.-Sep. 2010		Increase/decrease year-on-year (%)	
Total operation income (RMB)	3,716,741.18		-3.95%		9,720,337.51		-25.83%	
Net profit attributable to shareholders of listed company (RMB)	-51,806,731.36		-		-73,547,547.80		-906.98%	
Net cash flows generated from operating activities (RMB)	-		-		-670,424,449.31		532.00%	
Net cash flows per share generated from operating activities (RMB/share)	-		-		-3.03		-	
Basic earnings per share (RMB/share)	-0.2345				-0.33		-925.00%	

Diluted earnings per share (RMB/share)	-0.2345		-0.33	-925.00%
Weighted average return on net assets (%)	-29.08%	-28.24%	-38.91%	-42.91%
Weighted average return on net assets after deducting extraordinary gains and losses (%)	-22.27%	-21.11%	-32.20%	-28.76%

Items of non-recurring gains and losses	Amount from year-begin to the end of this report period	Notes
Gains and losses from disposal of non-current assets	2,294,779.72	
Other non-operating income and expenditure	-22,042,234.19	
Impact on minority interest	8,819,246.26	
Total	-10,928,208.21	-

2.2 Total number of shareholders at period-end and shareholding of top ten shareholders holding tradable shares

Unit: share

Total number of shareholders at the period-end	18,620	
Shareholding of top ten shareholders holding tradable shares		
Full name of shareholder	Number of tradable shares held at period-end	Type of share
Multi Profit Asia Pacific Investment Ltd	30,264,192	Domestically listed foreign shares
Shenzhen Special Economic Zone Development (Group) Co., Ltd.	21,566,857	RMB Ordinary Shares
UOB Investment (China) Limited	15,528,941	Domestically listed foreign shares
Shenzhen Maoye Emporium Ltd	13,577,548	RMB Ordinary Shares
Zhong Zhiqiang	8,215,594	Domestically listed foreign shares
Shenzhen Taitian Industrial Development Co., Ltd.	5,651,012	RMB Ordinary Shares
Chen Qiaoling	3,109,255	RMB Ordinary Shares
Fang Ruiping	2,534,800	RMB Ordinary Shares
Chen Shaolan	2,528,341	RMB Ordinary Shares
Chen Shu	2,149,327	Domestically listed foreign shares

§ 3 Significant Events

3.1 Particulars about major changes of main accounting statement items and financial indicators, as well as reasons for the changes

☒ Applicable ☐ Inapplicable

Monetary capital at the end of report period increased 1102.10% over the year-begin, mainly because the Company received borrowings.

Short-term borrowings at the end of report period increased RMB 1,294,000,000.00 over the year-begin, mainly because the Company received borrowings.

Accounts payable at the end of report period decreased 91.42% over the year-begin, which was mainly due to reception of payment for Fanhua and IA Mall Project.

Other payables at the end of report period decreased 23.93% over the year-begin, due to return the borrowings.

Long-term borrowings at the end of report period decreased 86.22% over the

year-begin, which was mainly due to return the loan.

Administrative expenses from the year-begin to the end of report period increased 83.37% year-on-year, mainly because rent and wage increased, and expense stop capitalizing.

Financial expenses from the year-begin to the end of report period increased RMB 78,423,455.32 year-on-year, which was mainly because borrowings increased, interest for arrearage has been paid and interest for capitalization was paid.

Non-operating income from the year-begin to the end of report period decreased 82% year-on-year, mainly because the assets activating decreased in this year.

Net cash flow from financing activities from the year-begin to the end of report period increased RMB 872,581,619.18 year-on-year, mainly due to receipt of borrowings.

3.2 Progress and influence of significant events, as well as the analysis on solutions

☐ Applicable ☒ Inapplicable

3.2.1 About non-standard opinion

☒ Applicable ☐ Inapplicable

In the 2009 Annual Audit Report, Reanda Certified Public Accountants Co., Ltd. issued the Statement on Issuing Unqualified Audit Opinion with Pinpointed Matters for 2009 Annual Financial Report to Shenzhen International Enterprise Co., Ltd., pointing out that the Company's ability to pay was weak and its going-concern capability for the future was uncertain.

In order to solve the aforesaid problems, the Company focused on pushing forward financing in the first half of this year. In Jul. 2010, Rongfa Company obtained a financing of RMB 1.3 billion from Bohai International Trust Co., Ltd.. (For more details, please refer to the public notice published on Securities Times, Ta Kung Pao (HK) and <http://www.cninfo.com.cn> dated 3 Jul. 2010.) Such a move greatly eased the Company's short-term liability pressure.

3.2.2 The Company offer capital to the controlling shareholder or other related parties and provide external guarantees in violation of the prescribed procedures.

☐ Applicable ☒ Inapplicable

3.2.3 Signing contract and execution of contract on routine operation

☐ Applicable ☒ Inapplicable

3.2.4 Others

☒ Applicable ☐ Inapplicable

No new significant lawsuit or arbitration occurred during the report period, and the progress in the report period of significant lawsuits and arbitrations of previous years was as follows:

(I) The case on house-leasing dispute between subsidiary of the Company-Shenzhen Rongfa Investment Co., Ltd. (hereinafter called "Rongfa Investment") and Shenzhen Baotian Investment Co., Ltd. (hereinafter called "Baotian Investment")

On 31 Jan. 2007, Rongfa Investment entered into the Contract on Transfer of Use Right of Housing with Baotian Investment. Due to dispute in the execution of the contract, Baotian Investment has not yet paid the fees for use right of housing to Rongfa Investment by now.

Shenzhen Municipal Intermediate People's Court of Guangdong Province made the civil ruling paper with (2008) SZFMWZ Zi No. 2867, which has took effect on 11 Sep. 2009. (For details, please refer to the public notice with serial number 2009-39 disclosed in Securities Times, Ta Kung Pao and <http://www.cninfo.com.cn> on 29 Oct. 2009).

Up till now, Baotian Investment failed to pay the fees for use right of housing to Rongfa Investment according to the clauses of the ruling. Presently, the case is being executed.

(II)The case on Construction Contract for Construction Project between Rongfa Investment and Shenzhen Fanhua Engineering Group Co., Ltd. (hereinafter called "Fanhua Company")

Rongfa Investment entered into the Construction Contract for Construction Project with Fanhua Company on 12 Jan. 2005, in which Fanhua Company contracted to build the IA Mall Project developed by Rongfa Investment. Rongfa Investment paid the part of construction costs, and the rest costs failed to be paid to Fanhua Company. In Dec. 2009, Fanhua Company brought an action against Rongfa Investment to ask for paying unpaid construction costs, overdue interests and other expenses. In Feb. 2010, through mediation of Higher People's Court of Guangdong Province, the both parties negotiated a settlement, and the Higher People's Court of Guangdong Province issued the paper of civil mediation with (2009) YGFMYC Zi No. 7 (For more details, please refer to public notice published on Securities Times, Hong Kong Ta Kung Pao and www.cninfo.com.cn on 12 Feb. 2010).

Since the paper of civil mediation became effective, Rongfa Investment actively raised money to repay the debt. Up until 26 Aug. 2010, Rongfa Investment had paid off all the payables as agreed upon in the civil mediation and the execution of all clauses in the civil mediation had been accomplished.

3.3 Fulfillment of commitments made by the Company, shareholders and the actual controller

√ Applicable

☐ Inapplicable

Commitment	Commitment maker	Contents of commitment	Execution
Commitments concerning the share merger reform	—	—	All relevant shareholders have fulfilled their commitments concerning the share merger reform.
Commitments made in the Acquisition Report or the Report on Equity Changes	Zheng Kanghao	The information disclosure obligor shall not reduce the shares of Multi Profit Asia Pacific Investment Ltd. held by the obligor through the relevant acquisition or reduce the shares of SZIEC directly held by the obligor through the said acquisition within the coming 60 months.	The execution of the commitment continued.
Commitments made in significant asset reorganization	—	—	—
Commitments made when issuing	—	—	—

shares			
Other commitments (including supplementary commitments)	—	—	—

3.4 Warnings of possible losses or major changes of the accumulative net profit achieved during the period from year-begin to the end of the next report period compared with the same period of last year, as well as explanation on reasons

☐ Applicable ☒ Inapplicable

3.5 Other significant events that need to be explained

3.5.1 Securities investment

☐ Applicable ☒ Inapplicable

3.5.2 Researches, interviews and visits received in the report period

No field researches, phone calls or written inquiries from investors were received in the report period.

3.6 Investments into derivatives

☐ Applicable ☒ Inapplicable

3.6.1 Positions of derivatives investments held at period-end

☐ Applicable ☒ Inapplicable

§4 Appendix

4.1 Balance sheet

Prepared by Shenzhen International Enterprise Co., Ltd 30 Sep. 2010 Unit: RMB Yuan

Items	Closing balance		Opening balance	
	Consolidation	Parent company	Consolidation	Parent company
Current assets:				
Monetary funds	224,473,452.55	472,624.01	18,673,470.06	252,948.06
Settlement funds				
Dismantle				
Transaction financial assets				
Notes receivable				
Account receivable	821,338.70		1,399,439.55	
Account paid in advance	977,258.80	180,000.00	381,095.00	180,000.00
Insurance receivable				
Receivables from reinsurers				
Reinsurance contract reserve receivables				
Interest receivable				
Dividend receivable				
Other receivables	5,701,508.94	37,259,126.81	8,271,682.45	175,779,689.75
Financial assets purchased under agreements to resell				
Inventories	1,357,697,312.69		1,347,795,365.80	
Non-current assets due within 1 year				

Other current assets				
Total current assets	1,589,670,871.68	37,911,750.82	1,376,521,052.86	176,212,637.81
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	1,186,699.60	850,553.78	1,445,567.83	1,084,763.51
Fixed asset	53,351,891.89	4,907,975.99	66,950,342.03	16,311,714.31
Project in construction				
Engineering material				
Fixed asset disposal				
Bearer biological asset				
Oil assets				
Intangible assets				
Development expense				
Goodwill				
Long-term expense to be apportioned	135,000.00	135,000.00	180,000.00	180,000.00
Deferred tax assets				
Other non-current assets				
Total of non-current assets	61,243,854.33	71,837,783.64	75,146,172.70	83,520,731.69
Total assets	1,650,914,726.01	109,749,534.46	1,451,667,225.56	259,733,369.50
Current liabilities:				
Short-term loans	1,300,000,000.00		6,000,000.00	
Loans from central bank				
Deposits received and hold for others				
Placements From Banks Other Financial Institutions				
Transaction financial liabilities				
Notes payable				
Account payable	48,941,581.66		570,599,631.60	
Account received in advance	47,126,971.75	80,000.00	46,073,971.75	80,000.00
Financial assets sold under agreements to repurchase				
Handling charges and commission payable				
Employee's compensation payable	3,619,610.71	1,425,680.63	4,034,257.43	1,385,993.95
Tax payable	-454,384.61	2,401,153.71	4,782.62	2,497,675.52

Interest payable	3,315,000.00		768,248.25	
Dividend payable	5,127,701.36	5,127,701.36	5,127,701.36	5,127,701.36
Other account payable	181,761,019.23	46,545,533.14	238,935,399.95	68,613,377.28
Due to reinsurers				
Insurance contract reserve				
Customer deposits				
Amount payables under security underwriting				
Non-current liabilities due within 1 year	16,590,000.00		184,000,000.00	
Other current liabilities				
Total current liabilities	1,606,027,500.10	55,580,068.84	1,055,543,992.96	77,704,748.11
Non-current liabilities:				
Long-term borrowings	35,000,000.00		254,000,000.00	
Bonds payable				
Long-term payables				
Specific purpose account payables				
Provisions for contingent liabilities			6,000,000.00	6,000,000.00
Deferred tax liabilities				
Other non-current liabilities				
Deferred income	720,497.48		1,029,282.11	
Total non-current liabilities	35,720,497.48		261,029,282.11	6,000,000.00
Total liabilities	1,641,747,997.58	55,580,068.84	1,316,573,275.07	83,704,748.11
Owner's equity (or shareholders' equity)				
Paid-in capital (or 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				
Special reserves				
Surplus reserve	125,929,834.48	96,841,026.39	125,929,834.48	96,841,026.39
General risk provision				
Retained earnings	-266,915,819.67	-328,524,189.36	-193,368,271.87	-206,665,033.59
Foreign exchange difference				
Total owners' equity attributable to holding company	152,230,545.87	54,169,465.62	225,778,093.67	176,028,621.39
Minority interest	-143,063,817.44		-90,684,143.18	
Total owner's equity	9,166,728.43	54,169,465.62	135,093,950.49	176,028,621.39
Total liabilities and owner's equity	1,650,914,726.01	109,749,534.46	1,451,667,225.56	259,733,369.50

4.2 Income statement during the reporting period

Items	Amount of this period		Amount of last period	
	Consolidation	Parent company	Consolidation	Parent company
I. Total operating income	3,716,741.18	24,100.00	3,869,779.07	25,450.00
Including: Operating income	3,716,741.18	24,100.00	3,869,779.07	25,450.00
Interest income				
Premium income				
Handling charges and commissions income				
II. Total operating cost	72,370,852.34	83,410,636.15	8,306,045.67	2,997,626.47
Including: Operating	2,883,585.84	1,249.61	3,843,221.33	1,922.96
Interest cost				
Handling charges and commissions cost				
Cash surrender value				
Net claim cost				
Provision for insurance contract reserves-net				
Insurance policy dividend paid				
Reinsurance expense				
Business taxes and surcharges	182,849.63		156,774.21	
Distribution expenses	317,621.43			
Administrative expenses	12,190,797.62	3,936,021.66	4,908,728.18	2,520,537.06
Financial costs	56,788,197.17	-4,184,538.01	247,969.53	-3,656,250.28
Impairment loss	7,800.65	83,657,902.89	-850,647.58	4,131,416.73
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)	-68,654,111.16	-83,386,536.15	-4,436,266.60	-2,972,176.47
Add: non-business income	2,300.00		749,283.80	593,535.60
Less: non-business expense	17,500,866.35		2,066.34	
Including: loss from non-current asset disposal				
IV. Total profit (“-” means loss)	-86,152,677.51	-83,386,536.15	-3,689,049.14	-2,378,640.87
Less: Tax expense				
V. Net profit (“-” means loss)	-86,152,677.51	-83,386,536.15	-3,689,049.14	-2,378,640.87

-Attributable to parent company	-51,806,731.36	-83,386,536.15	-1,908,255.04	-2,378,640.87
-Minority interest	-34,345,946.15		-1,780,794.10	
VI. Earnings per share				
(I) Basic earnings per share	-0.2345		-0.0086	
(II) Diluted earnings per share	-0.2345		-0.0086	
VII. Other comprehensive income				
VIII. Total comprehensive income	-86,152,677.51	-83,386,536.15	-3,689,049.14	-2,378,640.87
Total comprehensive income attributable to owner of parent company	-51,806,731.36	-83,386,536.15	-1,908,255.04	-2,378,640.87
Minority interest	-34,345,946.15		-1,780,794.10	

4.3 Income statement from the year-begin to the end of reporting period

Prepared by Shenzhen International Enterprise Co., Ltd Jan.-Sep. 2010 Unit: RMB Yuan

Items	Amount of current period		Amount of last period	
	Consolidation	Parent company	Consolidation	Parent company
I. Total sales	9,720,337.51	195,900.00	13,105,582.18	992,460.00
Including: Sales	9,720,337.51	195,900.00	13,105,582.18	992,460.00
Interests income				
Premium income				
Handling charges and commission income				
II. Total cost of sales	115,980,149.88	124,959,109.52	27,770,854.27	-974,828.28
Including: Cost of sales	8,539,310.05	203,993.19	11,830,885.33	225,203.38
Interests expenses				
Service charge and commission income				
Cash surrender value				
Claim expenses-net				
Provision for insurance contract reserves-net				
Insurance policy dividend paid				
Reinsurance expense				
Business taxes and surcharges	563,493.28		555,338.42	
Distribution expenses	978,631.60		661,010.65	
Administrative expenses	25,894,186.07	9,688,525.94	14,121,549.55	6,730,075.08
Financial costs	80,017,106.39	-12,597,295.08	1,593,651.07	-10,656,140.88
Impairment loss	-12,577.51	127,663,885.47	-991,580.75	2,726,034.14
Add: gain/(loss) from change in fair value ("-" means loss)				
Gain/(loss) from investment ("-" means loss)			750,000.00	750,000.00
Including: income form				

investment on affiliated enterprise and jointly enterprise				
Foreign exchange difference (“-” means loss)				
III. Business profit (“-” means loss)	-106,259,812.37	-124,763,209.52	-13,915,272.09	2,717,288.28
Add: non-business income	3,001,552.66	2,910,912.64	16,427,891.35	16,183,174.89
Less: non-business expense	22,668,962.35	6,858.89	69,247.54	4,235.95
Including: loss from non-current asset disposal				
IV. Total profit (“-” means loss)	-125,927,222.06	-121,859,155.77	2,443,371.72	18,896,227.22
Less: Tax expense			-9,427.98	
V. Net profit (“-” means loss)	-125,927,222.06	-121,859,155.77	2,452,799.70	18,896,227.22
-Attributable to parent company	-73,547,547.80	-121,859,155.77	9,113,934.35	18,896,227.22
-Minority interest	-52,379,674.26		-6,661,134.65	
VI. Earnings per share				
(I) Basic earnings per share	-0.33		0.04	
(II) Diluted earnings per share	-0.33		0.04	
VII. Other comprehensive income				
VIII. Total comprehensive income	-125,927,222.06	-121,859,155.77	2,452,799.70	18,896,227.22
Total comprehensive income attributable to owner of parent company	-73,547,547.80	-121,859,155.77	9,113,934.35	18,896,227.22
Minority interest	-52,379,674.26		-6,661,134.65	

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

Prepared by Shenzhen International Enterprise Co., Ltd Jan.-Sep. 2010 Unit: RMB Yuan

Items	Amount of this period		Amount of last period	
	Consolidation	Parent company	Consolidation	Parent company
I. Cash flows from operating activities				
Cash received from sales of goods or rendering of services	10,285,237.31	75,900.00	13,052,541.04	992,460.00
Net increase of deposits received from customers and held for others				
Net increase of loans from central bank				
Net increase of inter-bank loans from other financial assets				
Cash received against original insurance contract				
Net Cash received from				

reinsurance				
Net increase of client deposits and investment				
Net increase of disposal of tradable financial assets				
Cash received as Interests, fees and commissions received				
Net increase of inter-bank fund received				
Cash received under repurchasing, net				
Tax returned				
Other cash received from operating activities	29,343,876.55	7,186,006.95	19,826,000.95	5,036,374.74
Sub-total of cash inflow from operating activities	39,629,113.86	7,261,906.95	32,878,541.99	6,028,834.74
Cash paid for purchase of goods and acceptance of services	522,783,653.05		40,919,091.15	
Net increase of loans and advances				
Net increase of deposit in central bank, banks and other financial institutions				
Cash paid for original contract claim				
Cash paid for interests, fees and commission				
Cash paid for policy dividend				
Cash paid to and for employees	13,925,129.86	4,748,292.51	11,067,966.16	3,355,466.57
Cash paid for various taxes	1,401,111.36	203,646.62	3,214,031.79	1,218,307.30
Other cash paid relating to operating activities	171,943,668.90	15,876,902.87	21,415,789.55	34,913,498.60
Sub-total of cash outflows	710,053,563.17	20,828,842.00	76,616,878.65	39,487,272.47
Net cash outflow in operating activities	-670,424,449.31	-13,566,935.05	-43,738,336.66	-33,458,437.73
II. Cash Flows from Investing Activities				
Cash received from return of investments			20,000.00	20,000.00
Cash received from investment income				
Net cash received from	13,846,125.00	13,843,825.00	8,339,798.60	8,339,798.60

disposal of fixed assets, intangible assets and other long-term assets				
Net cash received from disposal of subsidiaries and other operating units				
Other cash received relating to investing activities				
Sub-total of cash inflows of investing activities	13,846,125.00	13,843,825.00	8,359,798.60	8,359,798.60
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	117,777.00	57,214.00	78,319.00	9,750.00
Cash paid for investments				
Net increase of pledge loans				
Net cash paid for acquisition of subsidiaries and other operating units				
Other cash paid relating to investing activities				
Sub-total of cash outflows of investing activities	117,777.00	57,214.00	78,319.00	9,750.00
Net cash inflow from investing activities	13,728,348.00	13,786,611.00	8,281,479.60	8,350,048.60
III. Cash Flows from Financing Activities:				
Cash received from investment				
Including: Cash received from minority shareholders of subsidiaries				
Cash received from borrowings	1,335,000,000.00	5,000,000.00	26,000,000.00	
Cash received from bonds issuing				
Cash received relating to financing activities	270,000.00			
Sub-total of cash inflows of financing activities	1,335,270,000.00	5,000,000.00	26,000,000.00	
Cash paid for repayments of borrowings	427,410,000.00	5,000,000.00	8,000,000.00	
Cash paid for dividends, profit distribution or interest	45,363,916.20		24,325,535.38	668,940.53
Including: dividends or profits paid to minority shareholders by				

subsidiaries				
Other cash paid relating to financing activities			3,760,000.00	
Sub-total of cash outflows of financing activities	472,773,916.20	5,000,000.00	36,085,535.38	668,940.53
Net cash inflow from financing activities	862,496,083.80		-10,085,535.38	-668,940.53
IV. Effect of foreign exchange rate changes				
V. Net decrease in cash and cash equivalents	205,799,982.49	219,675.95	-45,542,392.44	-25,777,329.66
Add : Opening amount of cash and cash equivalents	18,673,470.06	252,948.06	68,414,884.06	26,129,141.95
Cash paid for investments	224,473,452.55	472,624.01	22,872,491.62	351,812.29

4.5 Auditor's report

Audit opinion: Un-audited