

ShenZhen Tellus Holding CO., LTD.

The 1st 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 1st 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 1st 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	833,433,513.66	833,461,433.12	0.00%
Owners' equity (or shareholders' equity)	135,140,338.39	137,483,659.95	-1.70%
Net assets per share	0.613	0.624	-1.76%
	Year begin to end of report period		Increase/decrease of the report period than that of the same period of the last year (%)
Net cash flow arising from operating activities		-25,218,098.63	-584.95%
Net cash flow arising from operating activities per share		-0.114	-585.00%
	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	-2,343,321.56	-2,343,321.56	-425.07%
Basic earnings per share	-0.01	-0.01	
Diluted earnings per share	-0.01	-0.01	
Return on equity	-1.73%	-1.73%	-2.05%
Return on equity after deducting	-2.16%	-2.16%	0.20%

non-recurring gains and losses			
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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
Non-operating income	892,262.49
Non-operating expense	-322,167.83
Total	570,094.66

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	14,725	
Shares held by the top ten shareholders with unrestricted conditions		
Full Name of shareholder	Amount of unrestricted shares held	Type of shares
Xu Liusheng	1,981,109	RMB common share
Yu Aijun	1,022,400	RMB common share
Yu Xiaoping	613,030	Domestically listed foreign share
Xin Xiaohong	426,400	RMB common share
Kong Longying	402,900	RMB common share
LOMBARD ODIER DARIER HENTSCH & CIE	350,000	Domestically listed foreign share
He Xing	327,616	Domestically listed foreign share
Su Baohao	301,400	Domestically listed foreign share
Chen Weiyu	293,500	RMB common share
Huang Jianghua	280,600	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
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I. The Company began to implement the New Accounting Standards in Jan.1, 2007, and all the accounting statement items were compiled according to the requirements of New Accounting Standards. II. In the report period, particulars about the financial indexes' alteration and the reason:

1. The accounts in advance increased 40% over the year-begin; it was mainly because of the increase in the accounts in advance at report-end for purchase of automobiles of Shenzhen Biaoyuan Automobile Co., Ltd., subsidiary enterprise of the Company.
2. The notes payable decreased 56% over the year-begin; it was mainly because of the decrease in bank acceptance of Shenzhen Biaoyuan Automobile Co., Ltd., subsidiary enterprise of the Company at report-end.
3. The accounts collect in advance increased 39% over the year-begin; it was mainly because of the increase in the accounts collect in advance for sales of automobiles of Shenzhen Biaoyuan Automobile Co., Ltd., subsidiary enterprise of the Company at report-end.

4. The long-term loan of RMB 5,000,000 was the newly added loan of the Company from the sales department of the Branch of Construction Bank of China.
5. The decrease in net profit over the same period was mainly because of the income of RMB 6,020,000 from the disposal of Shuibe No.1 factory building last year.

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 Differences between the shareholders' equity in period-begin of 2007 listed in balance sheet of the quarterly report and shareholders' equity in period-begin of 2007 listed in Reconciliation Statement on Differences of Shareholders' Equity Based on Old and New Accounting Standards, and explanations of reasons

Applicable Inapplicable

The Company disclosed in the Annual Report 2006: the amount of the shareholders' equity (New Accounting Standards) on Jan.1, 2007 was RMB 192,266,910.69, and the amount of the shareholders' equity at period-begin was RMB 192,294,364.19 in the First Quarterly Balance Sheet in 2007, forming the difference of RMB 27,453.50; the reason was as follows: in the 2006 Annual Balance Sheet, the listed amount of "Unconfirmed investment losses" was RMB -857,499.68, the actual reported amount was RMB -830,046.18, and the difference was RMB 27,453.5.

§4 Appendix

4.1 Balance sheet

Prepared by ShenZhen Tellus Holding Co., Ltd

Mar.31, 2007

Unit: RMB

Items	Amount of period-end		Amount of period-begin	
	Consolidation	Parent Company	Consolidation	Parent Company
Current assets:				
Monetary funds	69,729,487.31	1,325,210.56	77,658,825.83	1,460,058.16
Settlement provisions				
Capital lent				
Transaction finance asset				
Notes receivable				
Accounts receivable	27,360,266.35	242,401.54	28,265,819.96	242,401.54
Accounts in advance	51,808,478.37	381,271.43	36,989,533.14	381,271.43
Insurance receivable				
Reinsurance receivables				
Contract reserve of reinsurance receivable				
Interest receivable				
Other receivables	69,519,997.67	35,802,861.28	53,674,529.08	30,570,654.37
Purchase restituted finance asset				
Inventories	72,960,599.16		95,020,892.78	
Non-current asset due within one year				
Other current assets	2,671,886.18		120,963.38	
Total current assets	294,050,715.04	37,751,744.81	291,730,564.17	32,654,385.50
Non-current assets:				
Granted loans and advances				
Finance asset available sales				
Held-to-maturity securities				

Long-term receivable				
Long-term equity investment	148,097,617.03	378,680,162.37	145,764,407.03	376,346,952.37
Investment property	129,459,808.14	82,766,223.52	130,724,157.87	83,590,166.80
Fixed assets:	224,980,275.93	24,247,478.09	228,453,623.68	24,537,096.02
Construction in progress	440,486.90		96,294.37	
Engineering material				
Disposal of fixed asset				
Productive biological asset				
Oil and gas asset				
Intangible assets	1,267,133.29	1,267,133.29	1,267,733.29	1,267,733.29
Expense on Research and Development				
Goodwill				
Long-term expenses to be apportioned	4,076,180.68	55,259.77	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	10,587,447.67		10,688,342.98	
Total non-current asset	539,382,798.62	491,602,562.92	541,730,868.95	490,390,960.40
Total assets	833,433,513.66	529,354,307.73	833,461,433.12	523,045,345.90
Current liabilities:				
Short-term loans	239,889,008.55	130,068,670.55	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	40,000,000.00		90,000,000.00	
Accounts payable	42,697,918.33	1,554.00	35,050,627.86	1,554.00
Accounts received in advance	20,443,880.85		14,662,029.70	
Selling financial asset of repurchase				
Commission charge and commission payable				
Wage payable	11,494,975.26	1,422,119.70	12,216,411.17	1,481,989.24
Taxes payable	17,085,134.45	745,053.46	11,992,000.81	1,034,288.86
Interest payable				
Dividend payable	1,674,491.98		1,674,491.98	
Other accounts payable	170,410,243.80	178,642,711.34	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	543,652,382.63	310,880,109.05	546,579,982.89	303,513,399.93
Non-current liabilities:				
Long-term loans	5,000,000.00			
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	99,587,086.04	87,568,728.57	94,587,086.04	87,568,728.57
Total liabilities	643,239,468.67	398,448,837.62	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	7,315,726.38	7,315,726.38	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	-96,066,559.63	-99,289,414.21	-93,723,238.07	-98,231,666.92
Balance difference of foreign currency translation				
Total owner's equity attributable to parent company	135,140,338.39	130,905,470.11	137,483,659.95	131,963,217.40
Minority interests	55,053,706.60		54,810,704.24	
Total owner's equity	190,194,044.99	130,905,470.11	192,294,364.19	131,963,217.40
Total liabilities and owner's equity	833,433,513.66	529,354,307.73	833,461,433.12	523,045,345.90

4.2 Profit statement

Prepared by ShenZhen Tellus Holding Co., Ltd

January-March, 2007

Unit: RMB

Items	This period		The same period of last year	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Total operating income	242,173,558.88	3,505,341.86	270,651,789.68	5,048,045.99
Including: Operating income	242,173,558.88	3,505,341.86	270,651,789.68	5,048,045.99
Interest income				
Insurance gained				
Commission charge and commission income				
II. Total operating cost	246,750,917.81	6,400,299.15	275,969,994.62	7,668,893.95
Including: Operating cost	222,432,125.51	1,016,875.15	245,791,782.10	1,085,232.80
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	1,013,239.51	181,474.59	1,067,249.80	284,165.06
Sales expenses	8,815,006.15		12,261,634.72	
Administration expenses	10,895,469.11	2,963,464.27	13,600,526.93	3,774,661.33
Financial expenses	3,595,077.53	2,238,485.14	3,248,801.07	2,524,834.76
Losses of devaluation of asset				
Add: Changing income of fair value(Loss is listed with "-")				
Investment income (Loss is listed with "-")	2,037,210.00	2,037,210.00		
Including: Investment income on affiliated company and joint venture				
Exchange income (Loss is listed with "-")				
III. Operating profit (Loss is listed with "-")	-2,540,148.93	-857,747.29	-5,318,204.94	-2,620,847.96
Add: Non-operating income	892,262.49		6,194,064.68	6,024,968.67
Less: Non-operating expense	322,167.83	200,000.00	131,596.76	0.00
Including: Disposal loss of non-current asset				
IV. Total Profit (Total loss is listed with "-")	-1,970,054.27	-1,057,747.29	744,262.98	3,404,120.71
Less: Income tax	124,932.49		143,147.26	
V. Net profit (Net loss is listed with "-")	-2,094,986.76	-1,057,747.29	601,115.72	3,404,120.71
Net profit attributable to owner's equity of parent company	-2,343,321.56		720,864.94	
Minority shareholders' gains and losses	248,334.80		-119,749.22	
VI. Earnings per share				
i. Basic earnings per share				
ii. Diluted earnings per share				

4.3 Cash Flow Statement

Prepared by ShenZhen Tellus Holding Co., Ltd

January-March, 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	321,681,395.19	2,266,039.00	321,108,562.48	1,094,463.90
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	21,711.60		134,068.78	
Other cash received concerning operating activities	39,019,514.89	10,570,133.52	73,303,125.95	18,888,467.48
Subtotal of cash inflow arising from operating activities	360,722,621.68	12,836,172.52	394,545,757.21	19,982,931.38
Cash paid for purchasing commodities and receiving labor service	253,105,382.88		249,012,116.62	
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	14,137,325.22	1,412,648.82	18,657,217.25	1,847,596.23
Taxes paid	4,511,169.59	830,276.19	10,705,710.45	4,672,755.96
Other cash paid concerning operating activities	114,186,842.62	3,120,705.34	110,970,554.07	10,005,810.09
Subtotal of cash outflow arising from operating activities	385,940,720.31	5,363,630.35	389,345,598.39	16,526,162.28
Net cash flows arising from operating activities	-25,218,098.63	7,472,542.17	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
Net cash received from disposal of subsidiaries and other				

units				
Other cash received concerning investing activities				
Subtotal of cash inflow from investing activities			8,884,376.00	6,020,000.00
Cash paid for purchasing fixed, intangible and other long-term assets	91,934.00		425,741.40	7,600.00
Cash paid for investment			9,000,000.00	
Net increase of mortgaged loans				
Net cash received from subsidiaries and other units				
Other cash paid concerning investing activities	27,012.00		26,994.00	
Subtotal of cash outflow from investing activities	118,946.00		9,452,735.40	7,600.00
Net cash flows arising from investing activities	-118,946.00		-568,359.40	6,012,400.00
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	59,800,000.00		1,278,016.16	
Cash received from issuing bonds				
Other cash received concerning financing activities	6,839,598.44		5,012,276.43	
Subtotal of cash inflow from financing activities	66,639,598.44		6,290,292.59	
Cash paid for settling debts	32,880,000.00	6,280,000.00	19,295,000.00	7,600,000.00
Cash paid for dividend and profit distributing or interest paying	2,240,925.55	1,327,389.77	1,217,265.40	761,821.20
Including: Dividend and profit of minority shareholder paid by subsidiaries				
Other cash paid concerning financing activities	14,110,774.66		1,979,160.70	
Subtotal of cash outflow from financing activities	49,231,700.21	7,607,389.77	22,491,426.10	8,361,821.20
Net cash flows arising from financing activities	17,407,898.23	-7,607,389.77	-16,201,133.51	-8,361,821.20
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	-192.12			
V. Net increase of cash and cash equivalents	-7,929,338.52	-134,847.60	-11,569,334.09	1,107,347.90
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	69,729,487.31	1,325,210.56	94,234,746.36	1,940,729.53
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4.4 Auditor' report

Auditor's opinions: Un-audited

Chairman of the Board: Zhang Ruili
Board of Directors of
ShenZhen Tellus Holding Co., Ltd.
April 23, 2007