SHENZHEN FIYTA HOLDINGS LTD.

2006 3rd Quarterly Report – Full Text

§ 1 Important

1.1 The Board of Directors, the Supervisory Committee, directors, supervisors and senior executives of the Company hereby confirm that there are no important omissions, fictitious statements or serious misleading information carried in this report, and shall take all responsibilities, individually and/or jointly, for the authenticity, accuracy and completion of the whole contents.

1.2 No director, director or any senior executive has expressed that he/she is not sure for the genuineness, accuracy or completeness of this quarterly report or has any different opinion on the same.

1.3 Independent Director Ji Qinzhi failed to attend the Board meeting for business reason and authorized independent Director Guo Wanda to exercise voting at the meeting on behalf.

1.4 The financial report of this report period has not been audited.

1.5. Mr. Wu Guangquan, the Chairman of the Board, Mr. Xu Dongsheng, the Managing Director, Mr. Li Dehua, Deputy General Manager and Chief Financial Officer and Mr. Hu Xinglong, Manager of the Financial Department, hereby ensure the accuracy and completeness of the financial report enclosed in this quarterly report.

§2 Company Information

2.1 Basic Information

Short form of the stock:	S FIYTA A, FIYTA B	Short Form before Change (if any)	FIYTA A
Stock Code:	000026 200026		
	Secretary of the Board	Securities Affairs Representative	
Names	Hao Huiwen	Chen Zhuo	
Liaison Address	20th Floor, FIYTA Technology Building, Gaoxin S. Road One, Nanshan District, Shenzhen	20th Floor, FIYTA Technology Building, Gaoxin S. Road One, Nanshan District, Shenzhen	
Tel.	0755-86013992	0755-86013669	
Fax	0755-83348369	0755-83348369	
E-mail	investor@fiyta.com.cn	investor@fiyta.com.cn	

2.2 Financial Information

2.2.1 Financial Highlights

In RMB

	End of the report period	End of the previous year	Increase/decrease of the end of the report period vs the end of the previous year (%)
Total assets	720,041,182.14	621,275,547.20	15.90%
Shareholders' equity (excluding minority equity)	553,903,095.93	533,371,239.36	3.85%
Net assets per share	2.222	2.139	3.85%
Net assets per share after adjustment	2.156	2.087	3.31%
	Report period	From year beginning to the end of the report period	Increase/decrease of the report period vs the same period of the previous year (%)
Net cash flows arising from operating activities	-15,253,074.91	-41,817,715.37	
Earnings per share	0.028	0.082	69.52%
Earnings per share (Note)	0.028	-	-
Net assets-income ratio	1.25%	3.71%	0.47%
Net assets-income rate after deducting the non-recurring gains and loss	1.26%	3.46%	0.49%

Non-recurring gain and loss items	Amount
Short-term investment	1,418,181.36
Net amount of non-operating income and expenses	-43,804.91
Amount affected by the income tax	6,570.74
Total	1,380,947.19

2.2.2 Financial Statements

2.2.2.1 Balance Sheet

Prepared by: SHENZHEN FIYTA HOLDINGS LTD. September 30, 2006 In RMB

Items	End of the period		End of the previous year	
	Consolidated	Parent company	Consolidated	Parent company
Current assets:				
Monetary funds	63,375,544.70	55,326,311.74	47,710,206.11	29,988,789.99
Short-term investment	2,203,200.00	2,203,200.00	4,949,220.00	4,949,220.00
Notes receivable			550,000.00	550,000.00
Dividend receivable		244,066.90		244,066.90
interest receivable				
Accounts receivable	21,661,480.15	14,514,229.04	27,659,618.52	21,367,150.45
Other receivables	21,836,464.02	126,286,757.74	17,329,135.64	106,055,435.82
Advance to suppliers	4,381,700.72	59,999.99	526,831.60	59,999.99
Subsidies receivable				
Inventories	318,954,855.26	62,208,220.99	233,861,001.05	61,888,807.31
Expenses to be apportioned	1,055,526.91	83,461.58	689,324.14	142,103.53
Long-term debt investment due within a year				
Other current assets				
Total current assets	433,468,771.76	260,926,247.98	333,275,337.06	225,245,573.99
Long-term investment:				
Long-term equity investment	10,385,500.87	169,014,847.02	10,385,500.87	159,145,424.44
Long term bond investment				
Total long-term investments	10,385,500.87	169,014,847.02	10,385,500.87	159,145,424.44
Consolidated price difference				
Fixed assets:				
Fixed assets, cost	329,665,358.39	300,772,450.66	322,125,256.90	291,699,290.65
Less: accumulative depreciation	70,616,649.03	58,464,119.23	63,305,277.38	50,857,649.80
Fixed assets, net	259,048,709.36	242,308,331.43	258,819,979.52	240,841,640.85
Less: Provision for impairment of fixed assets	2,860,323.09	2,600,000.00	2,860,323.09	2,600,000.00
Fixed assets, net	256,188,386.27	239,708,331.43	255,959,656.43	238,241,640.85
Engineering supplies				
Construction-in-progress	316,864.54	316,864.54	134,773.24	134,773.24

Disposal of fixed assets				
Total fixed assets	256,505,250.81	240,025,195.97	256,094,429.67	238,376,414.09
Intangible assets and other assets:				
Intangible assets	11,788,551.30	11,788,551.30	16,242,387.93	16,242,387.93
Long-term expenses to be apportioned	7,893,107.40	5,107,405.14	5,277,891.67	4,062,993.96
Other long term assets				
Total intangible assets and other assets	19,681,658.70	16,895,956.44	21,520,279.60	20,305,381.89
Deferred taxes:				
Deferred taxes and debit				
Total assets	720,041,182.14	686,862,247.41	621,275,547.20	643,072,794.41
Current liabilities				
Short-term Loan	90,000,000.00	90,000,000.00	20,000,000.00	20,000,000.00
Notes payable				
Accounts payable	42,720,134.04	2,790,445.02	28,992,468.45	46,011,182.83
Advance from customers	1,248,757.00	492,457.00	4,235,032.14	3,283,700.14
Salaries payable	976,762.02	33,101.80	1,679,877.40	69,064.40
Welfares payable	3,482,580.53	2,015,628.31	2,871,521.81	1,978,323.61
Dividends payable				
Taxes payable	-12,568,795.43	3,321,349.86	-10,744,164.79	2,571,988.26
Other accounts due	43,910.28	22,689.38	38,460.40	7,282.92
Other payables	26,108,947.10	23,319,867.18	28,918,936.66	25,611,311.27
Expenses withheld	3,747,568.48	1,515,319.62	1,409,493.00	720,408.31
Predicted liabilities				
Long-term liabilities due within one year				
Total other current liabilities				
Total current liabilities	155,759,864.02	123,510,858.17	77,401,625.07	100,253,261.74
Long-term liabilities				
Long-term Loan				
Bonds payable				
Long term accounts payable				
Special accounts payable	3,000,000.00	3,000,000.00	3,000,000.00	3,000,000.00
Other long-term liabilities				
Total long-term liabilities	3,000,000.00	3,000,000.00	3,000,000.00	3,000,000.00
Deferred taxes:				
Deferred taxes and credit items				
Total liabilities	158,759,864.02	126,510,858.17	80,401,625.07	103,253,261.74

Minority shareholders' equity	7,378,222.19		7,502,682.77	
owners'/shareholders' equity				
Paid-up capital (or share capital)	249,317,999.00	249,317,999.00	249,317,999.00	249,317,999.00
Less: Returned investment				
Net paid-up capital (or share capital)	249,317,999.00	249,317,999.00	249,317,999.00	249,317,999.00
Capital Public Reserve	191,847,232.65	191,847,232.65	191,847,232.65	191,847,232.65
Surplus Public Reserve	98,654,301.02	98,654,301.02	98,654,301.02	98,654,301.02
Incl.: Statutory public welfare fund	25,036,994.11	25,036,994.11	25,036,994.11	25,036,994.11
Retained earnings	14,083,563.26	20,531,856.57	-6,448,293.31	
Including: Cash dividend				
Unidentified investment loss				
Foreign currency conversion balance of statement				
Total owners'/shareholders' equity	553,903,095.93	560,351,389.24	533,371,239.36	539,819,532.67
Total liabilities and owners'/shareholders' equity	720,041,182.14	686,862,247.41	621,275,547.20	643,072,794.41

Legal representative: Wu Guangquan Chief Financial Officer: Li Dehua Manager of the Accounting Department: Hu Xinglong

2.2.2.2 Statement of Profit and Profit Distribution

Prepared by: SHENZHEN FIYTA HOLDINGS LTD. July to September, 2006 In RMB

Items	The report period		Same Period of the Previous Year	
	Consolidated	Parent company	Consolidated	Parent company
I. Income from principal businesses	115,548,931.65	40,598,808.67	85,107,021.04	42,633,971.34
Less: Costs of principal business	75,553,635.41	18,050,829.67	52,217,340.46	21,560,270.68
Taxes and surcharges of principal business	801,805.61	700,958.85	738,741.09	638,098.47
II. Profit from principal businesses (loss stated with "-")	39,193,490.63	21,847,020.15	32,150,939.49	20,435,602.19
Plus: Profit from other businesses (loss stated with "-")	101,416.91	-240,534.04	139,587.50	-131,507.11
Less: Operation costs	18,487,973.65	11,019,611.69	15,532,412.35	10,613,837.69
Overheads	11,164,011.44	5,245,779.21	11,858,683.60	6,182,181.71
Financial expenses	939,460.64	-145,547.53	736,475.59	453,710.92
III. Profit from businesses (loss stated with "-")	8,703,461.81	5,486,642.74	4,162,955.45	3,054,364.76
Plus: Investment return (loss stated with "-")	82,989.72	2,435,408.69	1,602,634.40	2,157,256.89
Subsidy income			0.00	0.00
Non-operating income	26,957.00	26,697.00	49,525.00	44,550.00
Less: Non-operating expenses	184,972.06	161,183.74	19,881.55	1,074.63
IV. Total Profit (loss stated with "-")	8,628,436.47	7,787,564.69	5,795,233.30	5,255,097.02
Less: Income tax	1,696,365.56	851,097.18	1,714,152.20	1,163,156.58
Minority shareholders' equity	-4,396.60		-10,859.34	0.00
Plus: Amount of unrecognized investment loss incurred in the report period				
V. Net Profit (loss stated with "-")	6,936,467.51	6,936,467.51	4,091,940.44	4,091,940.44
Plus: Retained earnings at year beginning	7,147,095.75	13,595,389.06	-49,059,143.96	-49,059,143.96
Other transfer-in				
VI. Profit available	14,083,563.26	20,531,856.57	-44,967,203.52	-44,967,203.52

for distribution				
Less: Allotting statutory surplus public reserve				
Allotting statutory public welfare fund				
Allotting staff's reward and welfare fund				
Allotting reserve fund				
Allotting enterprise development fund				
Investment returned with profit				
VII. The profit distributable to the investors	14,083,563.26	20,531,856.57	-44,967,203.52	-44,967,203.52
Less: Dividends of preferential shares payable				
Allotting discretionary surplus public reserve				
Dividend payable for common shares				
Dividends of common shares converted into capital/capital stock				
VIII. Retained earnings	14,083,563.26	20,531,856.57	-44,967,203.52	-44,967,203.52
Additional Information to the Profit Statement				
1. Income from sales and disposal of subsidiaries or investees				
2. Loss from natural disaster				
3. Increase/decrease of the total profit due to change of accounting policy				
4. Increase/decrease of the total profit due to change of accounting estimation				
5. Loss from debts reorganization				

6. Others				

Legal representative: Wu Guangquan Chief Financial Officer: Li Dehua Manager of the Accounting Department: Hu Xinglong

2.2.2.3 Profit from the Year Beginning to the End of the Report Period and Statement of Profit Distribution

Prepared by: SHENZHEN FIYTA HOLDINGS LTD. January to September, 2006 In RMB

Items	From year beginning to the end of the report period		Same Period of the Previous Year	
	Consolidated	Parent company	Consolidated	Parent company
I. Income from principal businesses	345,292,010.97	123,786,882.12	245,263,053.86	115,497,251.43
Less: Costs of principal business	222,778,106.31	55,263,524.73	153,542,859.12	59,615,812.07
Taxes and surcharges of principal business	2,195,246.57	1,900,966.08	2,204,324.41	1,947,817.74
II. Profit from principal businesses (loss stated with "-")	120,318,658.09	66,622,391.31	89,515,870.33	53,933,621.62
Plus: Profit from other businesses (loss stated with "-")	976,922.88	81,616.15	435,257.01	-370,864.43
Less: Operation costs	54,847,068.71	33,183,635.87	40,565,181.56	26,954,862.13
Overheads	39,090,831.76	21,110,153.46	35,066,933.69	18,931,037.69
Financial expenses	3,025,007.83	126,839.62	1,239,032.03	736,356.67
III. Profit from businesses (loss stated with "-")	24,332,672.67	12,283,378.51	13,079,980.06	6,940,500.70
Plus: Investment return (loss stated with "-")	1,418,181.36	11,287,751.94	-1,045,437.64	4,005,871.03
Subsidy income				
Non-operating income	213,825.70	26,697.00	161,840.21	125,907.33
Less: Non-operating expenses	257,630.61	164,740.70	56,519.13	7,543.00
IV. Total Profit (loss stated with "-")	25,707,049.12	23,433,086.75	12,139,863.50	11,064,736.06
Less: Income tax	5,299,653.13	2,901,230.18	2,778,686.83	1,763,156.58
Minority shareholders' equity	-124,460.58		59,597.19	
Plus: Amount of unrecognized investment loss incurred in the report period				
V. Net Profit (loss stated with "-")	20,531,856.57	20,531,856.57	9,301,579.48	9,301,579.48
Plus: Retained earnings at year beginning	-6,448,293.31		-54,268,783.00	-54,268,783.00
Other				

transfer-in				
VI. Profit available for distribution	14,083,563.26	20,531,856.57	-44,967,203.52	-44,967,203.52
Less: Allotting statutory surplus public reserve				
Allotting statutory public welfare fund				
Allotting staff's reward and welfare fund				
Allotting reserve fund				
Allotting enterprise development fund				
Investment returned with profit				
VII. The profit distributable to the investors	14,083,563.26	20,531,856.57	-44,967,203.52	-44,967,203.52
Less: Dividends of preferential shares payable				
Allotting discretionary surplus public reserve				
Dividend payable for common shares				
Dividends of common shares converted into capital/capital stock				
VIII. Retained earnings	14,083,563.26	20,531,856.57	-44,967,203.52	-44,967,203.52
Additional Information to the Profit Statement				
1. Income from sales and disposal of subsidiaries or investees				
2. Loss from natural disaster				
3. Increase/decrease of the total profit due to change of accounting policy				
4. Increase/decrease of the total profit due to change of accounting estimation				

5. Loss from debts reorganization				
6. Others				

Legal representative: Wu Guangquan Chief Financial Officer: Li Dehua Manager of the Accounting Department: Hu Xinglong

2.2.2.4 Statement of Cash Flow from the Year Beginning to the End of the Report Period

Prepared by: SHENZHEN FIYTA HOLDINGS LTD. January to September, 2006 In RMB

Items	From year beginning to the end of the report period	
	Consolidated	Parent company
I. Net cash flows arising from operating activities		
Cash received from sales of products and supply of labor	404,412,853.46	137,198,062.90
Rebated taxes received		
Other business related cash as received	2,979,943.13	1,728,784.53
Subtotal of cash flow in	407,392,796.59	138,926,847.43
Cash paid for purchase of goods and reception of labor services	321,969,749.42	50,578,607.25
Cash paid to and for staff	40,979,598.77	18,929,372.81
Taxes paid	20,318,781.41	13,214,116.74
Other operation related cash payments	65,942,382.36	94,858,652.57
Subtotal of cash flow out	449,210,511.96	177,580,749.37
Net cash flows arising from operating activities	-41,817,715.37	-38,653,901.94
II. Cash flows arising from investment activities:		
Cash received from recovery of investment	3,000,000.00	3,000,000.00
Cash received from investment income		
Net amount of cash received from disposal of fixed assets, intangible assets and other long term assets	168,485.00	10,000.00
Other investment related cash receipts		
Subtotal of cash flow in	3,168,485.00	3,010,000.00
Cash paid for construction/purchase of fixed assets, intangible assets and other long term assets	13,322,731.04	6,655,876.31
Cash paid for investment		
Other investment related cash payments		
Subtotal of cash flow out	13,322,731.04	6,655,876.31
Net cash flow arising from investment activities	-10,154,246.04	-3,645,876.31
III. Cash flows arising from fund raising activities:		
Cash received from absorption of investment		
Cash received from borrowings	110,000,000.00	110,000,000.00
Other fund-raising related cash received		
Subtotal of cash flow in	110,000,000.00	110,000,000.00
Cash paid for liabilities repayment	40,000,000.00	40,000,000.00
Cash paid for dividend/profit distribution or repayment of interest	2,175,500.00	2,175,500.00
Other fund raising related cash payments	187,200.00	187,200.00
Subtotal of cash flow out	42,362,700.00	42,362,700.00
Net cash flow arising from fund-raising	67,637,300.00	67,637,300.00

activities		
IV. Influence upon cash due to change of exchange rate		
V. Net increase of cash and cash equivalents	15,665,338.59	25,337,521.75
Additional Information to the Cash Flow Statement		
1. Net cash flows arising from adjustment of net profit into operating activities		
Net profit	20,531,856.57	20,531,856.57
Plus: Provision for devaluation of assets		
Depreciation of fixed assets	9,170,944.54	7,502,180.57
Amortization of intangible assets	364,375.49	364,375.49
Long-term expenses to be apportioned	4,019,277.78	1,977,945.92
Decrease (less: increase) of expenses to be apportioned	-366,202.77	58,641.95
Increase (less: decrease) of expenses withheld	2,338,075.48	794,911.31
Loss (less: income) from disposal of fixed assets, intangible assets and other long term assets	55,515.28	57,955.66
Losses from rejection of fixed assets		
Financial expenses	2,066,867.09	2,066,867.09
Investment loss (less: income)	-1,418,181.36	-1,418,181.36
Deferred tax loan (less: debit)		
Decrease (less: increase) of inventories	-81,237,283.47	-319,413.68
Decrease (less: increase) of operative items receivable	-2,364,059.13	-13,378,400.51
Increase (less: decrease) of operative items payable	5,145,559.71	-56,892,640.95
Others		
Minority shareholders' equity	-124,460.58	
Net cash flows arising from operating activities	-41,817,715.37	-38,653,901.94
2. Investment and fund-raising activities with no cash income and expenses involved		
Capital converted from liabilities		
Convertible company bonds due within a year		
Fixed assets rented through financing		
3. Net increase of cash and cash equivalents:		
Ending cash balance	63,375,544.70	55,326,311.74
Less: Opening cash balance	47,710,206.11	29,988,789.99
Plus: Ending cash equivalent balance		
Less: Opening cash equivalent balance		
Net increase of cash and cash equivalents	15,665,338.59	25,337,521.75

Legal representative: Wu Guangquan Chief Financial Officer: Li Dehua Manager of the Accounting Department: Hu Xinglong

2.3 Total Shareholders and Shares Held by Top Ten Shareholders of Negotiable Shares at the End of the Report Period (A company that has not yet undergone stock reform).

Total shareholders at the end of the report period		18540 shareholders (including 9351 shareholders of A shares and 9189 shareholders of B shares)	
Shares held by the top ten shareholders of negotiable shares			
Serial No.	Shareholder's name (full name)	Negotiable shares held at the end of the report period	Types (A-, B- or H-shares, or others)
1	Zhejiang International Trust & Investment Co., Ltd.	11550645	A SHARES
2	Henan Fangchen Technology & Trade Co., Ltd.	1513700	A SHARES
3	Bank of Communications – Yuhua Securities Investment Fund	623074	A SHARES
4	Zhengzhou Tengbo Trade Co., Ltd.	509400	A SHARES
5	Wang Haiyang	344803	A SHARES
6	Li Hua	314900	A SHARES
7	Yang Bin	307900	A SHARES
8	Tao Qiying	302200	A SHARES
9	Yang Caixia	297411	A SHARES
10	Zhang Yulan	296500	A SHARES
Shares held by the top ten shareholders of negotiable B shares			
Serial No.	Shareholder's name (full name)	Negotiable shares held at the end of the report period	Types (A-, B- or H-shares, or others)
1	Xue Peiming	444800	B SHARES
2	Ou Yanping	420000	B SHARES
3	Lin Chubin	419854	B SHARES
4	KGI ASIA LIMITED	347000	B SHARES
5	GUOTAI JUNAN SECURIES HONG KONG LIMITED	314970	B SHARES
6	Lin Hongbo	300900	B SHARES
7	CHINA PINGAN INSURANCE(HK)CO.LTD	298330	B SHARES
8	Zeng Ying	283590	B SHARES
9	Chen Aiqun	282200	B SHARES
10	Li Ping	270000	B SHARES

§3 Discussion and Analysis of the Management

3.1 Summary of the Operation Activities in the Report Period

In the report period, the Company has been insisting on the practice of leading various activities with the Brand Strategy. The three leading businesses of sales of FIYTA watches and Harmony World Watches and the properties have been developing continuously and steadily and the profit has grown by a big margin over the same period of the previous year. The leading products, including FIYTA SOARING Watch and Gold Buddha Watch, etc. have been keeping good sales and the gross profit rate of the products has risen somewhat; Harmony World Watches Center has established 48 chain shops in big and medium cities all over China and the earning power has been improving constantly.

In the third quarter, the Company realized a turnover in its principal business by RMB 115.55 million, a 35.77% growth over the same period of the previous year, net profit RMB 6.94 million, a 69.52% growth over the same period of the previous year. From January to September this year, the revenue from the principal business was RMB 345.29 million and net profit was RMB 20.53 million, growing by 40.78% and 120.74% over the same period of the previous year.

3.1.1 Businesses or products with the turnover and profit taking over 10% of the total from the principal businesses

√ Applicable ☐ Inapplicable

In RMB '000

Principal Businesses Based on Sectors			
	Principal business income	Principal business cost	Principal business profit rate (%)
Timepiece manufacture	29,072.00	14,431.90	50.36%
Other wholesale and retail	74,950.10	58,720.30	21.65%
Lease services	11,526.80	2,401.40	79.17%
Incl.: related transactions	0.00	0.00	0.00%
Principal Businesses Based on Products			
Sales of FIYTA watches	29,072.00	14,431.90	50.36%
Sales of foreign famous watches	74,950.10	58,720.30	21.65%
Incl.: related transactions	0.00	0.00	0.00%

3.1.2 Seasonal or Periodical Characteristics of Business Operation

☐ Applicable √ Inapplicable

3.1.3 Profit Compositions in the Report Period (Proportions of profit from principal businesses, profit from the other businesses, expenses in the period, investment income, subsidy income, net non-operating income and expenditure in the total profit and the significant changes and causes in comparison with those of the previous report period)

☐ Applicable √ Inapplicable

3.1.4 Significant Changes in the Principal Business or its Structure and the Causes in Comparison with the Previous Report Period

☐ Applicable √ Inapplicable

3.1.5 Significant Changes in the Earning Power of the Principal Business (Profit Rate) in Comparison with the Previous Report Period and the Causes

☐ Applicable √ Inapplicable

3.2 Significant Events, its Impacts and the Solutions

Implementation of Regular Related Transactions
(1) Both of the Company's FIYTA Building and FIYTA Technology Building have used property management services and a small quantity of property lease services from Shenzhen CATIC Property Management Co., Ltd. The property management price is determined with reference to the market price by both parties. In the report period, the Company's property rental and management service charge payable amounted to RMB 1.93million, which complies with the estimate. (2) The Company sells watches through the franchised counters of the Rainbow Supermarket. In the report period, the sales cost incurred to the franchised counters in the report period was RMB 2.19million, which complies with the estimate at the year beginning. The Announcement on the Regular Related Transactions in 2006 was published on Securities Times, Hong Kong Commercial Daily and http://www.cninfo.com.cn. on April 20, 2006.

Occupancy of non-operating funds and progress of clearing arrears

□ Applicable √ Inapplicable

3.3. Accounting Policies, Accounting Estimation, Change in the Consolidation and Significant Accounting Errors and the Causes

□ Applicable √ Inapplicable

3.4 Relevant explanation of the Board of Directors and the Supervisory Committee on the "opinions on non-compliance" expressed by the auditor in process of auditing

□ Applicable √ Inapplicable

3.5 Prediction of the possibility of the accumulated net profit from the year beginning to the end of the next report period being of loss; or warning for big changes in the net profit in comparison with the same period of the previous year and the reasons

√ Applicable □ Inapplicable

As the Company's income from the principal business grows and the earning power improves, it is predicted that the accumulative net profit of the period from January to December, 2006 shall increase by more than 50% over the same period of the previous year.

3.6 Rolling adjustment of the disclosed annual operation plan or budget

□ Applicable √ Inapplicable

3.7 Special commitments made by the former shareholders of non-negotiable shares in process of the equity separation reform and the implementation of the commitments

□ Applicable √ Inapplicable

3.8 Notice of a Company still not in Process of the Stock Reform by the Date of Publishing this Quaterly Report

√ Applicable ☐ Inapplicable

Specific causes of being unable to conduct the stock reform up to now.	Time schedule for the stock reform
All the stakeholders have not yet determine the specific plan for the equity separation reform.	It is predicted that the Company shall get into again the process of the equity separation reform and disclose the information concerning the equity separation reform before Nov.30,2006