SHENZHEN FIYTA HOLDINGS LTD.

2007 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 annual report or has any different opinion on the same.

1.3 All the directors attended the meeting.

1.4 The Company's financial report of the third quarter has not been audited by the certified public accountants.

1.5. Mr. Wu Guangquan, the Company leader, Mr. Li Dehua, chief financial officer, and Mr. Hu Xinglong, the manager of the accounting department (accounting supervisor) hereby confirm the authenticity and completeness of the financial report enclosed in this quarterly report.

§2 Company Information

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	944,793,432.07	775,110,230.56	21.89%
Owners'/shareholders' equity	612,761,109.56	564,828,187.41	8.49%
Net assets per share	2.458	2.265	8.49%
	From year beginning to the end of the report period		Year-on-year increase/ decrease (%)
Net cash flows arising from operating activities	-41,145,343.66		-
Net cash flows per share arising from operating activities	-0.165		-
	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 profit	20,932,891.78	47,932,922.15	138.36%
Basic earnings per share	0.084	0.192	138.36%

Basic earnings per share after deducting the non-recurring gains and loss	0.079	0.181	141.43%
Diluted earnings per share	0.084	0.192	138.36%
Net assets-income ratio	3.42%	7.82%	128.74%
Net assets-income rate after deducting the non-recurring gains and loss	3.24%	7.41%	132.49%

Non-recurring gain and loss items

In RMB

Non-recurring gain and loss items	From year beginning to the end of the report period
Net amount of non-operating income and expenses	803,640.49
Earnings from short term investment	1,579,659.84
Amount affected by the income tax	333,147.58
Total	2,716,447.91

2.2 Total Number of Shareholders and Shares without Sales Restriction Held by Top Ten Shareholders at the End of the Report Period

In shares

Total Number of Shareholders		23,009
Shares held by the top ten shareholders of negotiable shares		
Names of Shareholders	Q'ty of Negotiable Shares Held	Share Type
Shenzhen Xinglun Network Technology Co., Ltd.	4,700,157	RMB ordinary shares
China Minsheng Banking Corp., Ltd. – Oriental Carefully Selected Mixed Open-End Securities Investment Fund	4,500,974	RMB ordinary shares
HSBC MULTIALPHA CHINA FUND	2,899,860	Foreign shares listed domestically
Henan Fangchen Technology & Trade Co., Ltd.	2,640,806	RMB ordinary shares
Industrial and Commercial Bank of China – E Fund Value Based Growth Mixed Securities Investment Fund	2,075,248	RMB ordinary shares
Bank of China – Huabao Xingye Advance Growth Stock Type Securities Investment Fund	1,800,000	RMB ordinary shares
SBCI FINANCE ASIA LTD A/C SBC HONG KONG	926,580	Foreign shares listed domestically
GUOTAI JUNAN SECURIES HONG KONG LIMITED	912,431	Foreign shares listed domestically
National Social Security Fund 601 Portfolio	781,739	RMB ordinary shares
Bank of China – Guotai Golden Deer Breakeven Value-Added Mixed Securities Investment Fund	692,200	RMB ordinary shares

§3 Important Events

3.1 Big Changes in Principal Accounting Statement Items and Financial Indexes and the Causes

√ Applicable ☐ Inapplicable

1. Growth of other receivables over the year beginning by 83.46% was due to increase of normal business cooperative activities. 2, Growth of inventories over the year beginning by 33.37% was mainly due to expansion of Harmony Famous Brand Watches Chain Shops and increase of shops.

3.2 Progress of Significant Events, its Impacts and the Solutions

☐ Applicable √ Inapplicable

3.3 Implementation of the Commitments of the Company, Shareholders, and Eventual Controller

☐ Applicable √ Inapplicable

3.4 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 January to December 2007 shall increase by 100%-150% over the same period of the previous year.

3.5 Other Significant Events Necessary to be Explained

3.5.1 About Securities Investment

☐ Applicable √ Inapplicable

3.5.2 Equity in other listed companies held by the Company

☐ Applicable √ Inapplicable

3.5.3 Equity in non-listed financial enterprises and companies to be listed held by the Company

☐ Applicable √ Inapplicable

3.5.4 Statement of such activities as reception, research, communication, interview in the report period

Reception time	Reception place	Way of reception	Visitors received	Matters discussed and information provided
July 6,2007	The Company	Site research	Li Yue from No 1 Shanghai Securities Co., Ltd.: Libingshan-Hongjing Consulting (Shenzhen) Co., Ltd.	Development trend of the domestic luxury goods sector, some measures concerning the Company's strategic development, brand construction, terminal management in the past three years. Handing out 2006 Annual Report and published promotion brochures
August 9, 2007	The Company	Site research	You Jingcheng and Wang Ping from Japan based Naito Securities Co., Ltd.	Development trend of the domestic luxury goods sector, some measures concerning the Company's strategic development, brand construction, terminal management in the past three years. Handing out 2006 Annual Report and published promotion brochures
August 30, 2007	The Company	Site research	Wang Qinghua from SINOLINK SECURITIES CO., LTD.	Development trend of the domestic luxury goods sector, some measures concerning the Company's strategic development, brand construction, terminal management in the past three years. Handing out 2006 Annual Report and published promotion brochures.

§ 4 Appendix

4.1. Balance Sheet

Prepared by: SHENZHEN FIYTA HOLDINGS LTD. September 30, 2007 In RMB

Items	Ending balance		Opening balance	
	Consolidated	Parent company	Consolidated	Parent company
Current assets:				
Monetary funds	90,832,032.28	51,428,282.70	60,226,078.54	48,521,282.16
Settlement funds				
Offered fund				
Transaction based financial assets			2,138,400.00	2,138,400.00
Notes receivable				
Accounts receivable	32,741,330.57	17,805,515.13	29,949,363.85	12,258,698.48
Advance to Suppliers	11,530,888.28		7,785,252.34	59,999.99
Receivable premium				
Reinsurance accounts receivable				
Reserve for reinsurance contract receivable				
Interest receivable			244,066.90	2,770,434.88
Other receivables	25,433,983.91	321,151,306.78	13,863,209.85	214,996,031.04
Buy of resold financial assets				
Inventories	495,079,179.27	63,402,649.60	371,196,239.94	55,072,650.67
Non-current assets due within a year				
Other current assets	0.00	0.00	0.00	0.00
Total current assets	655,617,414.31	453,787,754.21	485,402,611.42	335,817,497.22
Non-current assets:				
Provision of loans and advance in cash				
Available-for-sale financial assets				
Held to maturity investments				
Long term accounts payable				
Long-term equity investment	5,519,041.29	157,177,298.65	5,519,041.29	161,199,323.70
Investment Based Real Estate				
Fixed assets	257,406,115.03	240,577,049.28	260,501,370.86	242,888,183.06
Construction-in-progress	286,261.50	286,261.50	151,261.50	151,261.50
Engineering supplies				
Disposal of fixed assets				
Productive biological asset				
Oil and gas asset				
Intangible assets	11,557,676.98	11,444,476.98	11,815,732.72	11,702,532.72
Development expenditures				
Goodwill				
Long-term expenses to be	10,800,302.76	6,675,757.19	8,557,457.77	6,226,236.60

apportioned				
Deferred income tax	3,606,620.20	3,474,161.18	3,162,755.00	3,030,295.98
Other non-current assets				
Total non-current assets	289,176,017.76	419,635,004.78	289,707,619.14	425,197,833.56
Total assets	944,793,432.07	873,422,758.99	775,110,230.56	761,015,330.78
Current liabilities				
Short-term Loan	230,000,000.00	230,000,000.00	140,000,000.00	140,000,000.00
Borrowings from the Central Bank:				
Deposit taking and due from banks				
Loan from bank				
Transactional financial liabilities				
Notes payable				
Accounts payable	68,714,484.37	14,365,282.15	39,397,856.09	11,749,442.14
Advance receipts	3,696,767.24	311,461.63	550,455.25	242,866.25
Payment from sale of the repurchased financial assets				
Service charge and commission receivable				
Salaries Payable to Staff	6,106,439.31	1,999,753.26	4,838,675.92	2,048,540.41
Taxes payable	-24,454,212.82	5,126,585.28	-17,689,494.22	4,235,357.75
Interest payable				
Other payables	32,136,963.44	24,511,879.11	26,635,471.04	28,622,329.62
Reinsurance accounts payable				
Reserve for insurance contract				
Income from securities trading on commission				
Income from securities underwriting on commission				
Non-current liabilities due within a year				
Total other current liabilities	0.00	0.00	0.00	0.00
Total current liabilities	316,200,441.54	276,314,961.43	193,732,964.08	186,898,536.17
Non-current liabilities:				
Long-term Loan	0.00			
Bonds payable				
Long term accounts payable	5,000,000.00		5,000,000.00	
Special accounts payable	3,000,000.00	3,000,000.00	3,000,000.00	3,000,000.00
Predicted liabilities				
Deferred income tax liability			967,398.56	967,398.56
Other non-current liabilities				
Total non-current liabilities	8,000,000.00	3,000,000.00	8,967,398.56	3,967,398.56
Total liabilities	324,200,441.54	279,314,961.43	202,700,362.64	190,865,934.73
Owners'/shareholders' equity				
Paid-up capital (or capital stock)	249,317,999.00	249,317,999.00	249,317,999.00	249,317,999.00

Capital Reserve	191,847,232.65	191,847,232.65	191,847,232.65	191,847,232.65
Less: shares in stock				
Surplus Reserve	101,480,997.62	101,480,997.62	101,480,997.62	101,480,997.62
Reserve for general risks				
Retained Earnings	70,114,880.29	51,461,568.29	22,181,958.14	27,503,166.78
Balance of Foreign Currency Conversion in Statements				
Total owners' equity attributable to the parent company	612,761,109.56	594,107,797.56	564,828,187.41	570,149,396.05
Minority shareholders' equity:	7,831,880.97		7,581,680.51	
Total owner's equity	620,592,990.53	594,107,797.56	572,409,867.92	570,149,396.05
Total liabilities and owners' equity	944,793,432.07	873,422,758.99	775,110,230.56	761,015,330.78

4.2 Statement of Profit in the Report Period

Prepared by: SHENZHEN FIYTA HOLDINGS LTD. July to September, 2007 In RMB

Items	Report Period		Same Period of the Previous Year	
	Consolidated	Parent company	Consolidated	Parent company
I. Total business income	207,155,681.58	54,633,452.25	116,380,523.34	41,088,449.41
Including: business income	207,155,681.58	54,633,452.25	116,380,523.34	41,088,449.41
Interest income				
Earned premium				
Net service charge and commission income				
II. Total operating cost	182,065,542.91	40,354,788.01	107,677,061.53	35,601,806.67
Including: business income	137,683,712.14	21,081,894.36	76,283,810.19	18,781,004.45
Interest payment				
Service charge and commission expense				
Surrender value				
Compensation pay-out, net				
Provision of reserve for insurance contract, net				
Payment of Policy Dividends				
Reinsurance expenses				
Business Taxes and Surcharge	1,068,016.52	860,863.59	801,805.61	700,958.85
Sales expenses	24,229,683.69	10,432,550.16	18,487,973.65	11,019,611.69
Overheads	14,916,471.24	8,122,861.71	11,164,011.44	5,245,779.21
Financial expenses	4,167,659.32	-143,381.81	939,460.64	-145,547.53
Loss from impairment of assets				
Add: Income from change of fair value (loss is stated with "-")				
Investment income (loss is stated with "-")	742,991.75	742,991.75	82,989.72	82,989.72

Including: income from investment in associates and joint ventures				
Exchange income (loss is stated with "-")				
III. Operating Profit (loss is stated with "-")	25,833,130.42	15,021,655.99	8,786,451.53	5,569,632.46
Plus: Non-operating income	500,000.99	500,000.00	26,957.00	26,697.00
Less: Non-operating expenses	533,282.03	339,789.05	184,972.06	161,183.74
Including: Loss from disposal of non-current assets				
IV. Total profit (total loss is stated with "-")	25,799,849.38	15,181,866.94	8,628,436.47	5,435,145.72
Less: Income tax expense	4,760,748.63	2,319,952.30	1,708,515.56	863,247.18
V. Net Profit (loss is stated with "-")	21,039,100.75	12,861,914.64	6,919,920.91	4,571,898.54
Net profit attributable to the owner of the parent company	20,932,891.78	12,861,914.64	6,924,317.51	4,571,898.54
Minority shareholders' equity	106,208.97		-4,396.60	
VI. Earnings per share*				
(I) Basic earnings per share	0.084		0.0278	
(II) Diluted earnings per share	0.084		0.0278	

4.3 Statement of Profit from the Year Beginning to the Report Period

Prepared by: SHENZHEN FIYTA HOLDINGS LTD. January to September, 2007 In RMB

Items	Report Period		Same Period of the Previous Year	
	Consolidated	Parent company	Consolidated	Parent company
I. Total business income	557,536,283.98	155,559,693.91	347,733,747.83	125,328,796.17
Including: business income	557,536,283.98	155,559,693.91	347,733,747.83	125,328,796.17
Interest income				
Earned premium				
Net service charge and commission income				
II. Total operating cost	503,136,938.05	131,626,993.37	323,401,075.16	113,045,417.66
Including: business income	368,088,048.60	64,038,475.33	224,242,920.29	56,723,822.63
Interest payment				
Service charge and commission expense				
Surrender value				
Compensation pay-out, net				
Provision of reserve for insurance contract, net				
Payment of Policy Dividends				
Reinsurance expenses				

Business Taxes and Surcharge	3,174,285.90	2,605,566.62	2,195,246.57	1,900,966.08
Sales expenses	71,898,822.82	37,083,293.31	54,847,068.71	33,183,635.87
Overheads	48,995,708.21	27,938,404.38	39,090,831.76	21,110,153.46
Financial expenses	10,980,072.52	-38,746.27	3,025,007.83	126,839.62
Loss from impairment of assets				
Add: Income from change of fair value (loss is stated with "-")				
Investment income (loss is stated with "-")	1,579,659.84	1,579,659.84	1,418,181.36	1,418,181.36
Including: income from investment in associates and joint ventures				
Exchange income (loss is stated with "-")				
III. Operating Profit (loss is stated with "-")	55,979,005.77	25,512,360.38	25,750,854.03	13,701,559.87
Plus: Non-operating income	1,343,781.29	831,739.40	213,825.70	26,697.00
Less: Non-operating expenses	540,140.80	339,789.05	257,630.61	164,740.70
Including: Loss from disposal of non-current assets				
IV. Total profit (total loss is stated with "-")	56,782,646.26	26,004,310.73	25,707,049.12	13,563,516.17
Less: Income tax expense	8,599,523.65	2,045,909.22	5,721,850.18	3,323,427.23
V. Net Profit (loss is stated with "-")	48,183,122.61	23,958,401.51	19,985,198.94	10,240,088.94
Net profit attributable to the owner of the parent company	47,932,922.15	23,958,401.51	20,109,659.52	10,240,088.94
Minority shareholders' equity	250,200.46		-124,460.58	
VI. Earnings per share*				
(I) Basic earnings per share	0.192		0.081	
(II) Diluted earnings per share	0.192		0.081	

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

Prepared by: SHENZHEN FIYTA HOLDINGS LTD. January to September, 2007 In RMB

Items	Report Period		Same Period of the Previous Year	
	Consolidated	Parent company	Consolidated	Parent company
I. Net cash flows arising from operating activities				
Cash received from sales of goods and supply of labor	646,779,092.74	165,300,488.00	404,412,853.46	137,198,062.90
Net increase of the customers' deposit and amount from banks				
Net increase of borrowing from the central bank				

Net increase of borrowing from other financial institutions				
Cash received from the premium of the original insurance contract				
Cash received from the reinsurance business, net				
Increase of the reserve from policy holders and investment, net				
Increase of transactional financial assets, net				
Cash from collection of interest, service charge and commission				
Increase of loan from other banks, net				
Increase of fund from repurchase business, net				
Rebated taxes received				
Other cash in connection with operation activities as received	5,543,221.68	4,917,097.72	2,979,943.13	1,728,784.53
Subtotal of cash flow in from operating activities	652,322,314.42	170,217,585.72	407,392,796.59	138,926,847.43
Cash paid for purchase of goods and reception of labor services	546,403,492.86	54,898,252.52	321,969,749.42	50,578,607.25
Net increase of loans and advances to the customers				
Net increase of amounts due from the central bank and other banks				
Cash from payment for settlement of the original insurance contract				
Cash for payment of interest, service charge and commission				
Cash for payment of policy dividend				
Cash paid to and for staff	55,276,912.37	24,917,935.90	40,979,598.77	18,929,372.81
Taxes paid	28,847,436.29	16,414,842.02	20,318,781.41	13,214,116.74
Other operation related cash payments	62,939,816.56	143,720,498.21	65,942,382.36	94,858,652.57
Subtotal of cash flow out from operating activities	693,467,658.08	239,951,528.65	449,210,511.96	177,580,749.37
Net cash flows arising from operating activities	-41,145,343.66	-69,733,942.93	-41,817,715.37	-38,653,901.94
II. Cash flows arising from investment activities:				
Cash received from recovery of investment	3,712,991.75	3,712,991.75	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	1,483,245.00	1,483,245.00	168,485.00	10,000.00
Net cash received from disposal of subsidiaries and other operating units.				
Other investment related cash receipts				
Subtotal of cash flow in from investment activities	5,196,236.75	5,196,236.75	3,168,485.00	3,010,000.00
Cash paid for construction/purchase of fixed assets, intangible assets and other long term assets	15,036,185.35	4,468,539.28	13,322,731.04	6,655,876.31
Cash paid for investment		9,678,000.00		
Net increase of hypothecated loans				
Net cash paid by subsidiaries and other operating units				
Other investment related cash payments				
Subtotal of cash flow out from investment activities	15,036,185.35	14,146,539.28	13,322,731.04	6,655,876.31
Net cash flow arising from investment activities	-9,839,948.60	-8,950,302.53	-10,154,246.04	-3,645,876.31
III. Cash flows arising from fund raising activities:				
Cash received from absorption of investment				
Incl.: Cash received from absorption of minority shareholders' investment				
Cash received from borrowings	180,000,000.00	180,000,000.00	110,000,000.00	110,000,000.00
Cash received from bond issuing				
Other fund raising related cash receipts				
Subtotal of cash flow in from fund-raising activities	180,000,000.00	180,000,000.00	110,000,000.00	110,000,000.00
Cash paid for liabilities repayment	90,000,000.00	90,000,000.00	40,000,000.00	40,000,000.00
Cash paid for dividend/profit distribution or repayment of interest	8,408,754.00	8,408,754.00	2,175,500.00	2,175,500.00
Incl.: Dividend and profit paid by the subsidiaries to minority shareholders				
Other fund raising related cash payments			187,200.00	187,200.00
Subtotal of cash flow out from fund-raising activities	98,408,754.00	98,408,754.00	42,362,700.00	42,362,700.00
Net cash flow arising from fund-raising activities	81,591,246.00	81,591,246.00	67,637,300.00	67,637,300.00

IV. Amount involved in change of exchange rate influencing the cash and cash equivalent				
V. Net increase of cash and cash equivalents	30,605,953.74	2,907,000.54	15,665,338.59	25,337,521.75
Plus: Opening balance of cash and cash equivalents	60,226,078.54	48,521,282.16	47,710,206.11	29,988,789.99
VI. Ending balance of cash and cash equivalents	90,832,032.28	51,428,282.70	63,375,544.70	55,326,311.74

4.5 Auditor's Report

Auditor's Opinion: Unaudited

Board of Directors of
SHENZHEN FIYTA HOLDINGS LTD.

October 24, 2007