SHENZHEN FIYTA HOLDINGS LTD.

2002 Semi-annual Report

August 8, 2002

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Important: The Board of Directors and all the directors of SHENZHEN FIYTA HOLDINGS LTD. (hereinafter referred to as the Company) hereby confirm that there are no important omissions, fictitious statements or misleading presentation carried in this report, and shall take all responsibilities, individually and/or jointly, for the reality, accuracy and completion of the whole contents. The report is prepared both in Chinese and English languages. Should there be difference in interpretation of the two languages, the Chinese version shall prevail. The Company's semi-annual financial report has not been audited. Mr. Cai Zheng, director, failed to be present at the Board meeting due to work requirement.

Section 1 Company Information

I. Company Information

1. Company Name, in Chinese: 深圳市飞亚达（集团）股份有限公司
   In English: SHENZHEN FIYTA HOLDINGS LTD.
   Short Form: FIYTA

2. Stock Exchange Listed with: Shenzhen Stock Exchange
   Short Form & Code of the Stock: FIYTA A 000026
   FIYTA B 200026

3. Registered / Office Address: FIYTA Building, 163 Zhenhua Rd., Shenzhen
   Post Code: 518031
   Web Site: http://www.fiyta.com.cn
   E-mail: szfydjts@sz.gd.cninfo.net

4. Legal Representative: Mr. Li Zhizheng

5. Secretary of the Board: Mr. Hao Huiwen
   Securities Affairs Representative: Mr. Chen Zhuo
   Address: FIYTA Building, 163 Zhenhua Rd., Shenzhen
   Tel.: (0755) 83217888-8218
   Fax: (0755) 83348369
   E-mail: security@fiyta.com.cn

6. Newspapers Designated for Disclosing the Information:
   Securities Times, Hong Kong Commercial Daily

   Internet Web Site Designated by China Securities Regulatory Commission for Publishing the Company's semi-annual report: http://www.cninfo.com.cn

   Place Where the Semi-annual Report is Prepared and Placed:
   Securities Department of the Company

7. Other Relevant Information

   (1) Date of first registration: March 30, 1990
   Date of registration updating: January 30, 1997
   Registration Authority: Shenzhen Municipal Administration for Industry and Commerce

(2) Business License No.: 4403011001583
Taxation Registration No.: 440301192189783

II. Financial Highlights:

Table 1 In RMB

Items	Jun. 30, 2002	Dec. 31, 2001
Shareholders' equity (excluding minority equity)	596,560,452.81	587,802,989.00
Net assets per share	2.39	2.36
Net assets per share after adjustment	2.31	2.25

Table 2 In RMB

Items	Jan. to Jun., 2002	Jan. to Jun. , 2001
Net profit	8,757,464.15	16,694,960.22
Net profit, less the non-recurring gains and loss	8,757,464.15	16,694,960.22
Net assets-income ratio	1.47%	2.76%
Earnings per share	0.035	0.067
Net cash flows per share arising from operating activities	0.065	0.149

Note: There exists no difference in the net profit as calculated based on the Chinese Accounting Standards, the International Accounting Standards and the other relevant standards.

Section 2 Change in Share Capital and Shares Held by the Principal Shareholders

I. In the report period, the Company made no change in either total shares or its stock structure.

II. Total shareholders at the end of the report period
Ended June 30, 2002, the Company had totally 16,470 shareholders, including 6,406 shareholders of A-shares, and 10,064 shareholders of B-shares.

III. About Principal Shareholders
1. CATIC SHENZHEN HOLDINGS LTD. is the only shareholder holding over 5% of the Company's total shares. The shares held by it are promoter's shares with total volume of 130,248,000 shares, taking 52.24% of the Company's total share capital. In the report year, there was no change in the share holding volume, or occurred no such event as pledging, freezing or custody of these shares.

2. Top 10 shareholders ended June 30, 2002

Shareholders	Shares held	Proportion in total shares	Types
CATIC SHENZHEN HOLDINGS LTD.	130,248,000	52.24%	Promoter's shares
Chen Jiexing	1,762,541	0.71%	B shares in circulation
XU AILAN	936,300	0.38%	B shares in circulation
Lin Zhihua	535,000	0.21%	B shares in circulation
China Pingan Insurance (Hong Kong) Limited	484,900	0.19%	B shares in circulation
Zhejiang Xinsheng Industrial Co.	459,218	0.18%	A shares in circulation
Wang Jungang	447,230	0.18%	B shares in circulation
Liu Hong	411,800	0.17%	B shares in circulation
Chen Jingan	374,100	0.15%	A shares in circulation

Lin Hongbo	362,880	0.15%	B shares in circulation

There are no business relations among the top ten shareholders as the Company has observed so far.

VI. There was no change in the control shareholder or the actual controller in the report period.

Section 3 Directors, Supervisors and Senior Executives

Ⅰ. In the report period, there was no changes in the shares held by the Company's directors, supervisors and senior executives.

Ⅱ. In the report period, the Company engaged Mr. Cai Zheng and Mr. Diao Weicheng as independent directors. The engagement was approved by all votes at 2002 1st Extraordinary Shareholders' Meeting dated June 30 and was disclosed respectively on July 2 on the Securities Times, Hong Kong Commercial Daily and http://www.cninfo.com.cn, the Internet Web Site designated by China Securities Regulatory Commission for disclosing the listed companies' information. In the report period, there was no change in the Company's supervisors and senior executives.

Section 4 Discussion and Analysis on the Management

I. Business Highlights

1. The Company carries out the business with FIYTA Brand timepieces as the leading products with the business scope covering design, development and manufacture of timepieces and components, sales of FIYTA watches and world-famous watches made in Switzerland and operation of restaurants.

2. In the first half year of 2002, the Company further insisted on the strategy of developing top brand, adapted itself to the changes of the market and situation, reinforced the adjustment of product structure, attached great importance on introducing environment friendly wrist watches with the theme of "Nature, Fashion, Environment Friendliness and Lofty Style" and other strong alloy products up to high demand in the market; integrated the countrywide marketing network and improved the management system over the subsidiaries and branches. Meanwhile, in order to meet the requirements of the modern enterprise system, the Company paid great attention to establishing the performance inspection mechanism of the enterprise and staff, and issued a number of regulations concerning close connection of performances with pays. In the report period, the Company honorably won the title "National No. 1 in Sales Volume in the Same Sector" rewarded by the Sector Information Statistics Center of China State Bureau of Statistics. The Company has won this title for successively 7 years. In addition, the Company is one of the "2001 National Top 100 of High Quality and High Efficiency" honored by China National Light Industry Association.

However, the intense competition in the timepiece sector and entry of top brand watches from foreign countries into the Chinese market in enormous quantity have greatly affected the Company's business revenue and profit-making level. In the report period, the profit from the principal business was RMB 102,715,875.08 and the profit was RMB 37,006,007.54, respectively 10.31% and 13.89% drop over the same period of the previous year. The Company's gross profit in the first half year was RMB 10,242,376.69 and the net profit was RMB 8,757,464.15, a big drop over the same period of the previous year.

3. Sectors and Region Distribution of the Principal Business Lines

Classification according to trade is as follows: In RMB

Sectors	Income from principal businesses in RMB	Proportion	Cost of the principal businesses in RMB	Proportion
Industry	50,928,777.10	49.58%	27,304,337.33	42.28%
Trading	33,524,172.72	32.64%	28,529,081.75	44.18%
Catering	18,262,925.26	17.78%	8,742,060.91	13.54%
Total	102,715,875.08	100.00%	64,575,479.99	100.00%

The business activities which take over 10% of the revenue and profit from the principal businesses were manufacture and sales of FIYTA watches and foreign top brand watches. The sales income and sales cost of such products are listed as follows:

Table 1: Presented based on the categories of the products In RMB

Items	Product sales income in RMB	Product sales cost in RMB	Gross profit
Manufacture and sales of FIYTA watches	46,836,934.53	27,100,101.07	42.14%
Sales of foreign top brand watches	24,794,561.63	21,155,606.46	14.68%
Total	71,631,496.16	48,255,707.53	32.64%

Table 2: Presented based on regions In RMB

Items	Product sales income in RMB	Proportion	Product sales cost in RMB	Proportion
North China	8,867,040.54	12.38%	5,569,758.03	11.54%
Northeast China	15,718,817.65	21.94%	11,654,251.85	24.15%
Northwest China	7,404,793.75	10.34%	5,083,939.52	10.54%
East China	5,617,534.87	7.84%	3,275,986.44	6.79%
Southwest China	5,296,785.07	7.39%	2,850,038.81	5.91%
South China	28,726,524.28	40.10%	19,821,732.88	41.08%
Total	71,631,496.16	100.00%	48,255,707.53	100.00%

II. Brief Analysis on Operation Results and Financial Position

(I). In the report period, the operation results and changes in comparison over the same period of the previous year are summarized as follows:

Table 1: In RMB

Items	Jan. to Jun., 2002	Jan. to Jun., 2001	Increase/decrease	Increase/decrease rate
Income from principal businesses	102,715,875.08	114,528,097.33	-11,812,222.25	-10.31%
Profit from principal businesses	37,006,007.54	42,976,759.99	-5,970,752.45	-13.89%
Profit from other business lines	6,805,400.11	11,138,009.59	-4,332,609.48	-38.90%
Net non-operating income and expenses	1,989,286.66	1,066,945.76	922,340.90	86.45%
Net profit	8,757,464.15	16,694,960.22	-7,937,496.07	-47.54%
Net increase of cash and cash equivalents	7,211,880.76	61,816,776.42	-54,604,895.66	-88.33%

Notes to the Changes:

1. Drop in revenue from the principal business is mainly due to the decrease of income from sales of FIYTA watches.

2. Decrease in the profit from the principal business is mainly due to the decrease of the income from the principal business;

3. Drop in profit from the other businesses is mainly due to the decrease of income from house leasing and repairing services.

4. Increase in net non-business income is mainly due to the policy of Shenzhen on exemption from VAT for local products sold locally enjoyed by the Company’s subsidiary manufacturers.

5. Decrease in net profit is mainly due to the decrease of the income from the principal business and other businesses as well as decrease in investment income;

6. Decrease in the net increase of cash and cash equivalents is mainly due to the decrease of recovery of the account receivable on sales, increase of investment on construction of FIYTA Hi-tech Industrial Park and recovery of the government bond investment over the same period of the previous year.

Table 2: In RMB

Items	Jun. 30, 2002	Dec. 31, 2001	Increase/decrease	Increase/decrease rate
Fixed assets:	99,991,687.29	86,815,452.00	13,176,235.29	15.18%
Total assets	739,481,710.71	725,845,783.00	13,635,927.71	1.88%
Shareholders’ equity	596,560,452.81	587,802,989.00	8,757,463.81	1.49%

Notes to the Changes:
1. Increase in the fixed assets over the year beginning is mainly due to the increase in investment in construction of FIYTA Hi-tech Industrial Park;

2. Increase in the total assets and the shareholders’ equity over the year beginning is mainly due to the profit realized by the Company.

III. Investments

(I) Application of the Proceeds Raised through Share Offering
1. In the report period, the Company raised no proceeds by offering new shares.

Application and the results of the proceeds raised through share offering in 1997 are summarized as follows:

Way of raising proceeds	Investment projects as committed	Actual Investment Projects and amount involved	Change and adjustment
Allotment of A shares	To set up chain shops of Harmony World Watches Center with planned investment of RMB 112 million.	13 chain shops of Harmony World Watches Center have been set up throughout the country with total investment of RMB 50.19 million.	The total investment has been decreased to RMB 70 million and the balance amounting to RMB 43.24 million has been changed to invest FIYTA Hi-tech Industrial Park Project
Allotment of A shares	To set up FIYTA Hi-tech Industrial park with planned investment of RMB 55 million.	The base slab pouring works of FIYTA Hi-tech Industrial Park has been completed with total fund invested amounting to RMB 30.9532 million.	Amount of the increased proceeds was RMB 84.72 million and the planned accumulative investment amounted to RMB 137.92 million.
Allotment of B shares	To set up chain shops of World Famous Watches	Not yet invested and change has been made now.	The total proceeds planned for this project amounted to RMB 41.48

	Center in Southeast Asia with planned investment of HKD 40.5 million.		million and now has been changed to invest FIYTA Hi-tech Industrial Park project.

For the aforesaid two projects, proceeds amounting to RMB 81,143.2 thousand have been used. The remaining amount has been deposited in the bank and shall be applied progressively with the progress of the projects.

2. Reasons, Procedures of the Change of Projects and Information Disclosure

(1) The Board has been insisting on the principle of taking the earning power as the priority in the past years and has focused its work on operation of the existing chain shops, decided to reduce the investment on construction of new chain shops of Harmony World Watches Center in China; on the other hand, with consideration of security in application of the proceeds and ensuring shareholders' equity, the Board has decided to cancel the plan for investing construction of chain shops of World Famous Watches Center in Southeast Asia.

By contrast, FIYTA Hi-tech Industrial Park, another project in the investment plan with the proceeds raised through share offering besides the aforesaid two, enjoys a favorable location and promising development prospect. The Company has decided to make effective application of resources and increase the investment on this project.

(2) The aforesaid investment improvement was approved by all the right bearing votes at the 9th meeting of the 3rd Board of Directors dated April 16, 2002 and further approved by all the rights bearing votes at 2001 Shareholders' General Meeting dated May 22, 2002. The public notice on the aforesaid information was published on Securities Times, Hong Kong Commercial Daily and Internet Web Site: http://www.cninfo.com.cn

3. Progress and Earnings of the Projects:

(1) Ended the report period, thirteen chain shops of Harmony World Watches Center had been set up in Shenzhen, Harbin, Urumqi, Wuhan, Shenyang, Datong, Changsha, Lanzhou, Kunming, Xi'an, etc. with total investment of RMB 50.19 million and no additional investment had been made in the report period. In the first half year of 2002, the Company realized a turnover amounting to RMB 31.69 million and net profit amounting to RMB –795,000.

(2) Ended the report period, the base slab pouring works of FIYTA Hi-tech Industrial Park had been completed. At the moment, the project has entered in the stage of construction of the principal works. In the report period, the Company made additional investment amounting to RMB 15.6192 million. So far, the accumulated investment on this project has hit RMB 30.9532 million. It is estimated that the whole project shall be completed in construction by August, 2003. The year 2002 shall be the construction period and no investment yield would be produced.

(II) In the report period, the Company had no investment project with funds raised not through share offering.

IV. Business Plan in the Second Half Year

1. Continue to insist on the strategy of developing top brand, further make clear the position and core value of FIYTA Brand, conduct brand integrated marketing and promotion, and

enhance the superior position of No. 1 Brand in the domestic watch industry.

2. Take the opportunity of the cerebration activities of the Company's 15th anniversary, continuously launch new products in high demand in the market and promote top quality products to lead the fashion and improve the sales volume.

3. Enhance the construction of the marketing network, strengthen and standardize the fundamental management, focus on the reinforcement of management and supervision of the production and marketing links, simplify and reorganize the work processes of relevant business on trial basis and control the cost payment and market risk.

4. Further improve the human resource management system, reinforce the performance inspection, enhance the encouragement mechanism, mobilize the staff's enthusiasm with assistance of offering training program to the staff, promote the construction of the corporate culture, and enhance the Company's cohesiveness and competitiveness.

5. Continue to attach great importance on the project construction of FIYTA Hi-tech Park, actively look for hi-tech projects with high development potential based on the Company's objective of shifting its principal business to hi-tech sector and strengthen the Company's ability of sustainable development.

Section 5 Significant Events

I. Shortcomings in the Administration and Improvement
At the end of the previous year, there existed deviation between the actual status of the administration and the objectives set in the standardized documents, which can be proved by the fact that the Company has not yet established the system of independent director and the specialized committees of the Board in terms of strategy, auditing, nomination, pays and examination, etc. The Company engaged two independent directors before June 30, 2002 in accordance with the relevant regulations. Within this year, the Company shall establish specialized committees based on the practical conditions of the Company, further standardize the operation of the Board and improve the work quality and efficiency of the Board.

II. Implementation of profit distribution
Pursuant to the resolution of the 9th meeting of the 3rd Board of Directors, 2001 profit distribution policy is like this: the Company distributed cash dividend at the rate of RMB 0.50 for every 10 shares (including the tax) based on the total share capital of 249,317,999 shares ended the year 2001. The aforesaid proposal was examined and adopted by 2001 Shareholders' General Meeting dated May 22, 2002. The Company has so far successfully completed the dividend distribution with July 19, 2002 as the ex-dividends date.

III. In the report period, the Company has not been involved in any material lawsuit or arbitration.

IV. In the report period, the Company has not been involved in no material acquisition, sales or disposal of assets, or any assets absorption, or any merger.

V. In the report period, the Company has not been involved in any material related transactions.

VI. Important Contracts and Implementation

1. The Company has not been involved in such events as keeping as custodian, contracted or leased any other company's assets and vice versa in the report period or extended from the previous years.

2. Significant Guarantees Incurred in the Previous Period(s) but Extended to the Report Period

The Company offered guarantees to CATIC Shenzhen Corporation for its credit extension amounting to RMB 50 million from China Construction Bank Shenzhen Branch from October, 2000 to March, 2002, with the details listed as follows:

Currency	Term	Amount
RMB	Oct. 25, 2000 – Oct. 24, 2001	50,000,000.00
	Dec. 1, 2000 – Nov. 30, 2001	50,000,000.00
	Mar. 13, 2001 – Mar. 12, 2002	50,000,000.00

CATIC Shenzhen Corporation has repaid the balance of the loan extended to the report period amounting to RMB 50 million in time. So far, the Company has no longer offered any external guarantee.

3. The Company has not been involved in any entrusted property management in the report period or incurred in the previous periods but extended to the report period.

VII. Implementation of the Commitments Disclosed to the Public by the Company or the Shareholders Holding over 5% of the Company's Share Capital

1. On May 23, 2002 the Company disclosed 2002 profit distribution policy in its 2001 Annual Report and has consciously implemented that policy. At present, the Company has not prepared 2002 Semi-annual Profit Distribution Plan

2. In the report period, the shareholder holding over 5% of the Company's share capital has never disclosed any commitments.

VIII. Index of other important information

1. On May 23, 2002 the Company published the Proposal on Change of Application of Partial Proceeds Raised through Share Offering in Securities Times, Hong Kong Commercial Daily and http://www.cninfo.com.cn. The said proposal had been examined and approved by 2001 Shareholders' General Meeting.

2. On July 6, 2002, the Company published the Announcement on Material Events such as Equity Transfer on Securities Times, Hong Kong Commercial Daily and http://www.cninfo.com.cn. However, which disclosed that the implementation of the Agreement on Equity Transfer signed between CATIC SHENZHEN HOLDINGS LTD., the Company's control shareholder and Beijing Peking University Founder Group Corp. (Founder Group) on December 7, 2001 was terminated; in addition, the Frame Agreement on Establishing of a Joint Venture signed between the Company and Founder (Hong Kong) Limited was terminated also.

Section 6　Financial Report (attached hereafter)

Section 7　List of Documents Available for Inspection

I. Semi-annual Report carried with personal signature of the Chairman of the Board;

II. Financial Statements signed by and under the seal of the legal representative, chief accountant and accounting supervisors;

III. All the originals of the Company's documents and public notices disclosed in the newspapers designated by China Securities Regulatory Commission in the report period;

IV. Articles of Association of the Company.

SHENZHEN FIYTA HOLDINGS LTD.
Board of Directors
August 8, 2002

Financial Report

Ⅰ. Accounting statements

Balance Sheet

Company: SHENZHEN FIYTA HOLDINGS LTD. Jun. 30, 2002 In RMB

Assets	June 30, 2002		Dec. 31, 2001	
	Consolidated	Company	Consolidated	Company
Current Assets:				
Monetary funds	344,977,627.76	330,077,449.28	337,765,747.00	323,979,676.00
Short-term investment	5,697,148.20	5,697,148.20	5,186,613.00	5,186,613.00
Less: provisions for devaluation of short-term investment	553,081.70	553,081.70	1,415,703.00	1,415,703.00
Short-term investment, net	5,144,066.50	5,144,066.50	3,770,910.00	3,770,910.00
Notes receivable				
Dividends receivable		1,543,165.57		1,543,165.57
Interest receivable				
Accounts receivable	64,437,105.04	61,811,975.05	68,358,757.00	59,436,570.00
Other receivables	43,215,904.34	112,970,616.15	46,818,271.00	109,636,941.00
Provisions for bad debts	28,750,608.00	32,725,856.00	28,750,608.00	32,725,856.00
Net receivables	78,902,401.38	142,056,735.20	86,426,420.00	136,347,655.00
Advances to suppliers	372,255.05		73,950.00	
Subsidies receivable				
Inventories	192,974,695.78	121,167,831.48	186,522,312.00	127,057,977.00
Less: provisions for devaluation of inventories	22,436,215.00	18,118,925.27	22,436,215.00	18,096,791.00
Net inventories	170,538,480.78	103,048,906.21	164,086,097.00	108,961,186.00
Expenses to be apportioned	538,444.61	48,229.18	460,322.00	72,612.00
Net losses on current assets in suspense				
Long-term equity investment due within one year				
Other current assets				
Total current assets	600,473,276.08	581,918,551.94	592,583,446.00	574,675,205.00
Long-term investment:				
Long-term equity investment	11,717,886.62	39,281,580.93	9,939,629.00	37,420,829.00
Long-term credit investment				
Total long-term investment	11,717,886.62	39,281,580.93	9,939,629.00	37,420,829.00
Less: provisions for devaluation of long-term investment				
Net long-term investment	11,717,886.62	39,281,580.93	9,939,629.00	37,420,829.00
Fixed assets:				
Fixed assets – cost	123,677,658.52	79,676,591.02	125,050,418.00	79,407,331.00
Less: accumulative depreciation	57,850,224.21	32,425,253.88	55,367,077.00	31,126,838.00
Fixed assets – net value	65,827,434.31	47,251,337.14	69,683,341.00	48,280,493.00
Engineering materials				
Construction in progress	34,164,252.98	31,272,952.48	17,132,111.00	15,444,167.00
Disposal of fixed assets				
Net losses on fixed assets in suspense				
Total fixed assets	99,991,687.29	78,524,289.62	86,815,452.00	63,724,660.00
Intangible and other assets:				
Intangible assets	17,097,240.88	17,097,240.88	23,763,133.00	23,763,133.00
Organization expenses				
Long-term expenses to be apportioned	10,201,619.84	4,621,473.64	12,744,123.00	5,124,972.00
Other long-term assets				
Total intangible and other assets	27,298,860.72	21,718,714.52	36,507,256.00	28,888,105.00
Total assets	739,481,710.71	721,443,137.01	725,845,783.00	704,708,799.00

Balance Sheet (Con.)

Company: SHENZHEN FIYTA HOLDINGS LTD. Jun. 30, 2002 In RMB

Liabilities & shareholders' equity	Jun. 30, 2002		Dec. 31, 2001	
	Consolidated	Company	Consolidated	Company
Current liabilities:				
Short-term loans	74,000,000.00	74,000,000.00	74,000,000.00	74,000,000.00
Notes payable				
Accounts payable	23,097,430.69	3,931,220.60	18,046,588.00	6,934,311.00
Payment in advance	1,438,155.28	614,199.00	1,180,396.00	644,680.00
Payment of commodities on commission				
Wages payable	2,799,853.93	32,590.00	2,775,935.00	825.00
Welfare fund payable	2,822,666.73	2,174,785.15	2,678,014.00	2,146,051.00
Dividend payable	12,465,899.95	12,465,899.95	12,465,900.00	12,465,900.00
Taxes deliverable	-3,197,058.19	1,431,985.25	-2,702,668.00	1,194,799.00
Other deliverables	77,493.84	18,801.39	57,151.00	17,909.00
Other payables	21,436,844.71	28,368,761.17	21,068,620.00	19,453,174.00
Accrued expenses	1,297,204.17	52,179.65	1,372,930.00	48,161.00
Long-term liabilities due within a year				
Other current liabilities				
Total current liabilities	136,238,491.11	123,090,422.16	130,942,866.00	116,905,810.00
Long-term liabilities:				
Long-term loans				
Bonds payable				
Long-term accounts payable				
Working funds for housing				
Other long-term liabilities				
Total long-term liabilities				
Deferred taxes:				
Deferred taxes – credit				
Total liabilities	136,238,491.11	123,090,422.16	130,942,866.00	116,905,810.00
Minority shareholders' equity	6,682,766.79		7,099,928.00	
Shareholders' equity:				
Share capital	249,317,999.00	249,317,999.00	249,317,999.00	249,317,999.00
Capital public reserve	191,108,477.14	191,108,477.14	191,108,477.14	191,108,477.14
Surplus public reserve	130,467,791.52	130,467,791.52	130,467,791.52	130,467,791.52
Including: statutory welfare fund	25,036,994.11	25,036,994.11	25,036,994.11	25,036,994.11
Retained earnings	25,666,185.15	27,458,447.19	16,908,721.00	16,908,721.00
Total shareholders' equity	596,560,452.81	598,352,714.85	587,802,989.00	587,802.989.00
Total liabilities and shareholders' equity	739,481,710.71	721,443,137.01	725,845,783.00	704,708,799.00

Statement of Profit / Profit Distribution

Company: SHENZHEN FIYTA HOLDINGS LTD. Jan. 1 to Jun. 30, 2002 In RMB

Items	Jan. 1 to Jun. 30, 2002		Jan. 1 to Jun. 30, 2001	
	Consolidated	Company	Consolidated	Company
1. Income from principal business	102,715,875.08	46,836,934.53	114,528,097.33	55,797,024.45
Less: discount and allowance				
Net income from principal business	102,715,875.08	46,836,934.53	114,528,097.33	55,797,024.45
Less: cost of principal business	64,575,479.99	27,100,101.40	70,369,198.18	30,335,592.06
Taxes and surcharge of principal business	1,134,387.55	262,511.05	1,182,139.16	127,455.16
2. Profit from principal business	37,006,007.54	19,474,322.08	42,976,759.99	25,333,977.23
Add: profit from other business lines	6,805,400.11	6,648,431.07	11,138,009.59	10,950,324.80
Less: losses on devaluation of inventories				
Operating expenses	24,226,282.76	11,440,751.52	27,098,267.93	9,768,853.67
Administrative expenses	14,218,061.86	8,163,454.28	13,805,791.43	7,827,468.37
Financial expenses	-346,102.08	-374,061.54	-1,018,559.33	-1,059,385.12
3. Operating profit	5,713,165.11	6,892,608.89	14,229,269.55	19,747,365.11
Add: investment revenue	2,589,412.60	2,971,906.91	5,071,750.62	1,882,054.49
Subsidy income				
Non-operating income	4,151,430.58	1,089,395.78	1,677,969.57	1,340,063.73
Less: non-operating expenses	2,162,143.92	501,412.31	611,023.81	595,244.91
Add: adjustment of gains and losses of the previous year	-49,487.68	-25,316.68	-153,802.81	
4. Total profit	10,242,376.69	10,427,182.59	20,214,163.12	22,374,238.42
Less: income tax	1,830.022.99	1,817,648.85	4,001,442.13	3,948,412.43
Less: minority shareholders' gain and loss	-345,110.45		-482,239.23	
5. Net profit	8,757,464.15	8,609,533.74	16,694,960.22	18,425,825.99
Add: undistributed profit at year beginning	16,908,721.00	18,848,913.45	23,390,543.22	24,347,750.41
Adjusted undistributed profit at year beginning			-5,424,730.47	
6. Distributable profit	25,666,185.15	27,458,447.19	34,660,772.97	42,773,576.40
Less: allotting statutory surplus public reserve				
Allotting statutory public welfare fund				
7. Profit distributable to shareholders	25,666,185.15	27,458,447.19	34,660,772.97	42,773,576.40
Less: allotting discretionary surplus public reserve				
Payable dividend for common shares				
8. Undistributed profit	25,666,185.15	27,458,447.19	34,660,772.97	42,773,576.40

Cash Flow Statement

Jan. to Jun. 2002

Company: SHENZHEN FIYTA HOLDINGS LTD. In RMB

	Consolidated	Company
1. Cash flows from operating activities:		
Cash received from selling commodities and providing labor service	107,312,866.71	50,495,502.10
Refunded tax received	219,716.98	-
Other cash received in connection with operating activities	10,250,318.39	7,053,733.87
Subtotal of cash inflows	117,782,902.08	57,549,235.97
Cash paid for purchasing commodities and receiving labor service	64,071,348.98	23,875,953.43
Cash paid to / for employees	12,285,948.31	4,723,916.41
Various taxes paid	7,347,558.46	5,721,298.59
Other cash paid concerning operating activities	17,936,242.87	8,401,035.69
Subtotal of cash outflows	101,641,098.62	42,722,204.12
Net cash flows from operating activities	16,141,803.46	14,827,031.85
2. Cash flows from investment activities:		
Cash received from recovering investment		
Cash received from investment income	1,751,920.08	1,748,533.68
Cash received from disposal of fixed, intangible and other long-term assets.	6,402,063.00	6,402,063.00
Other cash received concerning investment activities		-
Subtotal of cash inflows	8,153,983.08	8,150,596.68
Cash paid for purchasing fixed, intangible and other long-term assets.	15,961,294.55	15,751,662.65
Cash paid for investment	1,500,000.00	1,500,000.00
Other cash paid in connection with investment activities		-
Subtotal of cash outflows	17,461,294.55	17,251,662.65
Net cash flow from investment activities	-9,307,311.47	-9,101,065.97
3. Cash flows from fund raising activities:		
Cash received by absorbing investment	-	-
Cash received from loans	70,000,000.00	70,000,000.00
Other cash received concerning fund raising activities	5,581.37	-
Subtotal of cash inflows	70,005,581.37	70,000,000.00
Cash paid for settling debts	70,000,000.00	70,000,000.00
Cash paid for distributing dividend or profit or repaying interest	-371,807.40	-371,807.40
Other cash paid concerning fund raising activities		-
Subtotal of cash outflows	69,628,192.60	69,628,192.60
Net cash flows from fund raising activities	377,388.77	371,807.40
4. Influence of fluctuation in exchange rate on cash	-	-
5. Net increase of cash and cash equivalents	7,211,880.76	6,097,773.28

Cash Flow Statement (Con.)

Company: SHENZHEN FIYTA HOLDINGS LTD. In RMB

Items	Consolidated	Company
1. Cash flow in adjusting the net profit for operating activities		
Net profit	8,757,464.15	8,609,533.74
Add: provisions allocated for assets devaluation	-813,495.40	-862,621.30
Depreciation of fixed assets	2,952,134.47	1,345,620.98
Amortization of intangible assets	263,829.32	263,829.32
Amortization of long-term expenses to be apportioned	1,747,447.74	494,757.04
Decrease (less: increase) of expenses to be apportioned	-78,122.61	-
Increase (less: decrease) of accrued expenses	224,274.17	14,177.56
Losses (less: gains) on disposal of fixed, intangible and other long-term assets	-4,000.00	
Losses in shortage and rejection of fixed assets	100,268.05	-
Financial expenses	2,227.86	
Losses in investment (less: gains)	-2,589,412.60	-2,889,413.60
Deferred taxes – loan (Less: debts)	-	-
Decrease of inventories (Less: increase)	-4,963,422.45	5,473,164.34
Decrease of receivables in operation (less: increase)	6,035,180.54	-2,781,552.66
Increase of payables in operation (less: decrease)	4,507,430.22	5,159,535.43
Net cash flows from operating activities	16,141,803.46	14,827,031.85
2. Investment and fund raising activities without cash incomings / outgoings involved		
Liabilities converted into capital		
Convertible company bond due within a year		
Financing for hiring the fixed assets		
3. Particulars about net increase of cash and cash equivalents		
Balance of cash at period end	344,977,627.76	330,077,449.28
Less: balance of cash at period beginning	337,765,747.00	323,979,676.00
Add: balance of cash equivalents at period end	-	-
Less: balance of cash equivalents at period beginning	-	-
Net increase of cash and cash equivalent	7,211,880.76	6,097,773.28

Ⅱ. Notes to accounting statements

1. There exist no changes in Accounting Policies, Accounting Estimation and Accounting Calculation Method implemented by the Company in the report period in comparison with the report of the previous year.

2. There exist no changes in the consolidation range of the accounting statements in the report period in comparison with the report of the previous year.

3. The financial report has not been audited.

Ⅲ. Notes to the major items in the accounting statements

1. Short-term investment

Items	Jun. 30, 2002		Dec. 31, 2001	
	Investment amount	Provisions for devaluation	Investment amount	Provisions for devaluation
Stock investment	5,697,148.20	553,081.70	5,186,613.00	1,415,703.00
Total	5,697,148.20	553,081.70	5,186,613.00	1,415,703.00

2. Accounts receivable

Aging	Jun. 30, 2002			Dec. 31, 2001		
	Amount	Proportion	Provisions for bad debts	Amount	Proportion	Provisions for bad debts
Within 1 year	27,054,303.65	41.99%	1,502,715.18	27,869,037.00	40.80%	1,566,448.00
1 to 2 years	5,561,874.98	8.63%	556,187.50	7,667,803.00	11.20%	718,845.00
2 to 3 years	8,499,009.91	13.11%	4,449,702.82	8,059,110.00	11.80%	4,180,234.00
Over 3 years	23,321,916.50	36.27%	16,260,958.50	24,762,807.00	36.20%	16,304,028.00
Total	64,437,105.04	100%	22,769,564.00	68,358,757.00	100%	22,769,564.00

3. Other receivables

Aging	Jun. 30, 2002			Dec. 31, 2001		
	Amount	Proportion	Provisions for bad debts	Amount	Proportion	Provisions for bad debts
Within 1 year	32,387,414.63	74.94%	1,619,370.73	33,169,461.00	70.90%	925,507.00
1 to 2 years	1,189,072.49	2.75%	118,907.25	1,927,678.00	4.10%	149,479.00
2 to 3 years	2,884,712.96	6.68%	865,413.89	3,050,887.00	6.50%	909,082.00
Over 3 years	6,754,704.26	20.82%	3,377,352.13	8,670,245.00	18.50%	3,996,976.00
Total	43,215,904.34	100%	5,981,044.00	46,818,271.00	100%	5,981,044.00

4. Expenses to be apportioned

Items	Dec. 31, 2001	Increase of the year	Amortization of the year	Jun. 30, 2002
Rent	236,999.00	901,382.55	802,667.97	335,713.58
Repairs & maintenance	16,939.00	212,547.98	119,702.71	109,784.27
Advertising	12,690.00	91,277.00	74,298.00	29,669.00
Uniform	36,394.00	1,004.00	36,394.00	1,004.00
Insurance	76,990.00	3,112.00	42,318.98	37,783.02
Printing	23,895.00	10,021.34	27,235.14	6,681.20
Simple decoration	24,871.00	5,562.71	29,818.00	615.71
Others	31,544.00	6,744.43	21,094.60	17,193.83
Total	460,322.00	1,231,652.01	1,153,529.40	538,444.61

5. Inventories

Items	Jun. 30, 2002		Dec. 31, 2001	
	Amount	Provisions for devaluation	Amount	Provisions for devaluation
Raw materials	56,542,857.87	8,621,874.00	53,825,070.00	8,621,874.00
Products in process	2,441,485.29	-	1,809,935.00	-
Finished products & inventories	133,386,679.59	13,767,541.00	130,007,195.00	13,767,541.00
Packages & low value and consumptive articles	603,673.03	46,800.00	880,112.00	46,800.00
Total	192,974,695.78	22,436,215.00	186,522,312.00	22,436,215.00

6. Long-term investment

(1) Stock investment

Investees	Ownership	Stock number	Proportion of the investees' registered capital	Investment amount	Market price at year end	Provisions for devaluation	Remarks
Wanneng Co., Ltd.	Legal person stock	1,100,000	0.13%	3,000,000.00	-	-	Unlisted
Xi'an Tangcheng Co., Ltd.	Legal person stock	50,000	0.10%	85,000.00	-	-	Unlisted
Total				3,085,000.00	-	-	

(2) Other equity investment

Investees	Investment term	Investment amount				Balance at year end	Proportion of the investees' equity
		Initial investment		Equity adjustment in the year	Accumulative equity adjustment		
		Original currency	Converted into RMB				
World Famous Watches Center Co., Ltd.	5 years	1,400,000.00	1,400,000.00	278,257.62	1,432,886.62	2,832,886.62	50%
CATIC Shenzhen Culture Propagation Co., Ltd.	13 years	300,000.00	300,000.00	-	-	300,000.00	15%
Shenzhen Jiangnan Tianhui Network Co., Ltd.	30 years	4,000,000.00	4,000,000.00	-	-	4,000,000.00	40%
Total		5,700,000.00	5,700,000.00	278,257.62	1,432,886.62	7,132,886.62	

7.Construction in progress

Project Name	Dec.31, 2001	Increase as of this year	Transferred into fixed assets this year	Other decrease	Jun. 30, 2002	Fund sources
Finishing project of office	1,489,748.00	221,232.00			1,710,980.00	Owned fund
Development project of Fiyta Hi-Tec Industrial Park	15,333,803.66	15,620,549.55			30,954,353.21	Owned fund
Others	308,560.00	1,190,359.77			1,498,919.77	Owned fund
Total	28,104,596.99	1,957,143.73			34,164,252.98	

8. Long-term expenses to be apportioned

Items	Jan.1, 2002	Increase this year	Transferred out this year	Amortization this year	Jun. 30, 2002
Renting fixed assets Expenditure on works improvement	9,109,539.00	157,200.43	-	2,195,092.22	7,071,647.21
Trademark compensation	3,562,500.00			187,500.00	2,848,757.00
Other referred expenditures	598,327.00	57,792.00		74,903.37	281,215.63
Total	12,744,123.00	214,992.43	-	2,757,495.59	10,201,619.84

9. Financial expenses

Categories	Jan.1 – Jun. 30, 2002	Jan. 1 – Jun. 30, 2001
Interest expenditure	2,113,615.00	2,153,557.50
Less: interest income	2,493,014.84	3,250,095.85
Loss on exchange		-3,605.76
Less: exchange gain		8,435.03
Bank commissions	33,297.76	90,019.81
Total	-346,102.08	-1,018,559.33

10. Profit from other business lines

Items	Jan.1 – Jun. 30, 2002				Jan.1 – Jun. 30, 2001
	Income	Cost	Tax	Profit	Profit
Leasing houses	6,564,740.00	-	576,408.68	5,988,311.32	6,916,145.00
Income from repairs	706,217.33	-	62,008.52	644,208.81	4,174,184.17
Others	398,703.17	225,843.19	-	172,859.98	47,680.42
Total	7,669,660.50	225,843.19	638,417.20	6,805,400.11	11,138,009.59

11. Investment income

Consolidated amount

Categories	Jan.1-Jun. 30, 2002	Jan.1-Jun. 30, 2001
Short-term investment income	2,611,154.98	5,841,005.01
Net profit from investees after adjustment by equity method	-21,742.38	243,768.50
Income from disposal of investees		-1,013,022.89
Total	2,589,412.60	5,071,750.62

12. Non-operating income

Major items	Jan.1-Jun. 30, 2002	Jan.1-Jun. 30, 2001
Output VAT – transfer out	4,079,341.98	1,368,026.84
Net income from disposal of fixed assets	-	-513.54
Penalty income	-	-
Amount unnecessary to pay	-	
Others	72,088.60	310,456.27
Total	4,151,430.58	1,677,969.57

13. Non-operating expenditure

Major items	Jan.1-Jun. 30, 2002	Jan.1-Jun. 30, 2001
Input VAT – transfer out	2,158,554.84	603,121.26
Net loss from disposal of fixed assets	-	
Penalty payment		1,000.00
Donation payment	-	
Loss from disposal of overstocked goods	-	
Others	3,589.08	6,902.55
Total	2,162,143.92	611,023.81