SHENZHEN FIYTA HOLDINGS LTD.
2004 Semi-Annual Report, Summary

§ 1 Important

1.1 The Board of Directors and directors of the Company hereby individually and collectively accept responsibility for the correctness, accuracy and completeness of the contents of this report and confirm that there are no material omissions or errors which would render any statement misleading.

This annual report is prepared in both Chinese and English. Should there be any difference in understanding of the two versions, the Chinese version shall prevail.

This summary of the Semi-annual Report is taken from the full text of 2004 Semi-annual Report and is published together with it on the CSRC designated website. Investors are advised to read carefully the full text of the semi-annual report if they want to know the detailed information.

1.2 No director has ever made any statement expressing that he/she cannot make sure of or has different opinion on the correctness, accuracy or completeness of this semi-annual report.

1.3 Director Sui Yong failed to attend the Board meeting for business reason and authorized Director Xu Dongsheng to exercise voting at the meeting on behalf.

1.4 This semi-annual report has not been audited.

1.5 Mr. Wu Guangquan, the Chairman of the Board, Mr. Xu Dongsheng, Managing Director, Mr. Li Dehua, the Deputy General Manager and Chief Accountant, and Mr. Liu Biao, the Financial Manager hereby guarantee the correctness and completeness of the financial report enclosed in this semi-annual report.

§ 2 Company Information

2.1. Basic Data

Short form of the stock	FIYTA A, FIYTA B	
Stock code	000026, 200026	
Stock exchange listed with	Shenzhen Stock Exchange	
	Secretary of the Board of Directors	Securities Affairs Representative:
Names	Hao Huiwen	Chen Zhuo
Liaison Address	FIYTA Building, 163 Zhenhua Rd., Shenzhen	
Tel	(0755) 83217888-8218	83259702
Fax	(0755) 83348369	

E-mail	security@fiyta.com.cn

2.2 Financial Data Summary

2.2.1 Financial Highlights

In RMB

	End of the report period	End of the previous year	Increase/decrease at the end of the report period vs the beginning of the year (%)
Current assets	336,909,548.90	365,102,633.00	-7.72%
Current liabilities	57,776,179.07	47,117,904.00	22.62%
Total assets	578,575,654.60	572,847,496.00	1.00%
Shareholders' equity (excluding minority equity)	517,019,255.31	515,456,362.00	0.30%
Net assets per share	2.074	2.067	0.34%
Net assets per share after adjustment	2.01	2.03	-0.99%
	Report period (Jan. to Jun.)	Same period of the previous year	Increase/decrease of the report period vs the same period of the previous year (%)
Net profit	1,562,895.14	6,078,850.00	-74.29%
Net profit, less the non-recurring gains and loss	424,801.16	4,292,966.58	-90.11%
Earnings per share	0.006	0.024	-75.00%
Earnings per share (In case capital stock changes, calculation is based on the new capital stock)	0.006	—	—
Net assets-income ratio	0.30%	1.18%	Decrease 0.88
Net cash flows arising from operating activities	-35,957,512.59	-4,510,148.72	--

2.2.2. Non-recurring gains and loss items

√ applicable ☐ inapplicable

In RMB

Non-recurring gain and loss items	Amount
Net amount of non-operating income and expenses	1,138,291.87
Affect from income tax	-197.89
Total	1,138,093.98

2.2.3 Differences between Domestic and International Accounting Standards

☐ applicable √ inapplicable

§3. Change in Capital Stock and Particulars about Shareholders

3.1 Change in the Company's Shares

☐ applicable √ inapplicable

3.2 Shares held by the top ten shareholders

In Shares

Total shareholders at the end of the report period	17,857					
Shares held by the top ten shareholders						
Shareholders (in full name)	Increase/decrease in the report period	Number of shares held at end of the period	proportion (%)	Type (negotiable/non-negotiable	Shares pledged or frozen	Kind of shareholders (state owned shareholders or foreign shareholders)
CATIC SHENZHEN HOLDINGS LTDS.	0	130,248,000	52.24	non-negotiable	0	domestic legal person
CHAN KEUNG	493,383	768,983	0.31	negotiable	unknown	foreign capital shareholders
KO,LING HON	317,475	707,375	0.28	negotiable	unknown	foreign capital shareholders
CHINA PINGAN INSURANCE (HK) CO., LTD.	-12,930	372,030	0.15	negotiable	unknown	foreign capital shareholders
Lin Hongbo	0	362,880	0.15	negotiable	unknown	foreign capital shareholders
Lin Zhihua	-200,000	330,000	0.13	negotiable	unknown	foreign capital shareholders
Lihuang Shunjin	136,500	320,400	0.13	negotiable	unknown	foreign capital shareholders
Ou Yanping	66,200	286,100	0.11	negotiable	unknown	foreign capital shareholders
Yang Yuanzhou	0	285,900	0.11	negotiable	unknown	foreign capital shareholders
Huihang Shipping Co.	0	241,200	0.10	negotiable	unknown	foreign capital shareholders

Shares held by the top ten shareholders		
Shareholders (in full name)	Quantity of negotiable shares held at the end of the period	Types (A-, B- or H-shares, or others)

CHAN KEUNG	768,983	Negotiable B-shares
KO,LING HON	707,375	Negotiable B-shares
CHINA PINGAN INSURANCE (HK) CO., LTD.	372,030	Negotiable B-shares
Lin Hongbo	362,880	Negotiable B-shares
Lin Zhihua	330,000	Negotiable B-shares
Lihuang Shunjin	320,400	Negotiable B-shares
Ou Yanping	286,100	Negotiable B-shares
Yang Yuanzhou	285,900	Negotiable B-shares
Huihang Shipping Co.	241,200	Negotiable B-shares
Xue Peiming	234,300	Negotiable B-shares
Relationship/concerted action among the above shareholders	The Company has never found any business relations among them or they belong to the persons of concerted action as specified in the Measures on Listed Companies on Disclosing the Shareholding Information.	

3.3 Change in Controlling Shareholder and the Actual Controller

☐ applicable √ inapplicable

§4 Directors, Supervisors and Senior Executives

4.1 Change in Shares Held by Directors, Supervisors and Senior Executives

☐ applicable √ inapplicable

§5 Discussion and Analysis of the Management

5.1 Sectors and Products of the Principal Business

In RMB '000

Sectors	Income from principal businesses	principal business cost	gross profit rate (%)	Increase/decrease of revenue from principal businesses over the previous year (%)	Increase/decrease of principal business cost over the same period of previous year (%)	Increase/decrease of gross profit rate over the same period of the previous year
Timepiece manufacture	66,243.64	32,852.63	50.41	30.03	24.48	2.22
Retail	60,647.69	50,110.90	17.37	30.13	28.20	1.77
Lease services	7,263.72	689.86	90.50	-5.45	173.03	-6.21
Incl.: related transactions	0.00	495.00	--			

Products	Income from principal	principal business cost	gross profit	Increase/decrease of	Increase/decrease of	Increase/decrease of

	businesses		rate (%)	revenue from principal businesses over the previous year (%)	principal business cost over the same period of previous year (%)	gross profit rate over the same period of the previous year (%)
manufacture and sales of FIYTA watches	66,067.47	32,420.44	50.93	40.93	45.52	-1.55
Retail	60,647.69	50,110.90	17.37	39.42	37.18	1.78
Including: Related transactions	0.00	0.00	--			
Principle of pricing of the related transactions	based on principle of fair market pricing					

Including RMB 495,000, the total amount of the related transaction in which the Company sold products to its products to its controlling shareholder and its subsidiaries in the report period.

5.2 Principal Businesses Based on Regions

In RMB '000

Regions	Income from principal businesses	Increase/decrease of revenue from principal businesses over the previous year (%)
Northeast China	18,592.68	49.79
North China	18,602.45	67.29
Northwest China	25,466.96	23.55
East China	17,768.42	113.13
Southwest China	8,509.74	70.04
East China	37,774.89	14.85

5.3. Other businesses significantly affecting the net profit in the report period

☐ applicable √ inapplicable

5.4 Associates (applicable to the investment income taking over 10% of the net profit)

☐ applicable √ inapplicable

5.5 Material Changes in the Principal Business or its Structure

√ applicable ☐ non-applicable

As all the three catering service subsidiaries were disposed in 2003, in the report period, there was therefore no more income from the catering services.

5.6 Material Changes in the Earning Capacity (Gross Profit Rate) of the Principal Business over the Previous Year

☐ applicable √ inapplicable

5.7 Reasons of Big Change in the Profit Composition over the Previous Year

√ applicable ☐ non-applicable

Big change in profit composition is mainly that in comparison with RMB 10 million obtained from the entrusted finance management in the previous report period, the Company has no such income in the report period.

5.8 Application of the Proceeds Raised through Share Offering

5.8.1 Application of the proceeds raised through share offering

√ applicable ☐ non-applicable

In RMB '000

Total proceeds raised through share offering	209,720.00	Total proceeds used in the report period	59,206.00	Total proceeds used accumulatively	209,720.00
Projects for undertaking	Planned investment	Has the project been changed (Y/N)	Actual Investment	Amount of income created	Does it comply with the schedule and predicted income.
Set up chain shops of Harmony World Watches Center in China	112,000.00	Yes (partially changed)	96,190.00	-133.00	No
set up FIYTA Hi-tech Park	55,000.00	No (increase through adjustment)	156,804.00	0.00	No
Set up chain shops of Harmony World Watches Center in Southeast Asia	41,480.00	Yes (completely changed)	0.00	0.00	No
Total	208,480.00	—	252,994.00	-133.00	—
Notice to failure in complying with the schedule and planned benefit (with classification of specific projects)	(1) Ended the report period, 21 chain shops of Harmony World Watches Center had been set up in Shenzhen, Harbin, Urumqi, Wuhan, Datong, Changsha, Lanzhou, Kunming, Xi'an, Ningbo, Xuzhou, Qingdao, Shanghai, Beijing, Nanning with total investment of RMB 96,190 thousand, of which the investment in the report period increased by RMB 27,630 thousand. In the first half year of 2004, the Company realized a turnover from Harmony amounting to RMB 50,128 thousand and net profit amounting to RMB -133 thousand. (2) By the end of the report period, FIYTA Hi-tech Building had been completed in				

	construction. In the report period, the Company additionally invested RMB 31,576 thousand. So far, the Company has accumulatively invested RMB 156,804 thousand in the project.The first half year of 2004 is still the construction period, no investment yield has been produced in this project.
Reason of Change and Change Procedures (based on specific projects)	(1) The Board has been insisting on the principle of taking the earning power as the priority in the past years; with consideration of security in application of the proceeds and ensuring shareholders' equity, has decided to reduce the investment on construction of new chain shops of Harmony World Watches Center in China; meanwhile, the Board has decided to cancel the plan for investing construction of chain shops of Harmony World Watches Center in Southeast Asia and increase the investment in the project of FIYTA Hi-tech Building instead. (2) The aforesaid investment improvement was reviewed and approved at the 9th meeting of the 3rd Board and the 5th meeting of the 3rd Supervisory Committee dated April 16, 2002, and reviewed and 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 http://www.cninfo.com.cn on the next day following the meeting.

5.8.2 Change of Projects

√ applicable ☐ non-applicable

In RMB '000

Total investment for the new project after change	84,720.00				
Projects after Change	Corresponding projects for undertaking	Planned investment for the new project	Actual Investment	Amount of income created	Does it comply with the schedule and predicted income.
FIYTA Hi-tech Industrial Park	Set up chain shops of Harmony World Watches Center in China	43,240.00	43,240.00	0.00	是
FIYTA Hi-tech Industrial Park	Set up chain shops of Harmony World Watches Center in Southeast Asia	41,480.00	41,480.00	0.00	是
Total	—	84,720.00	84,720.00	0.00	—

Notice to failure in complying with the schedule and planned benefit (with classification of specific projects)	At the end of the report period, FIYTA Hi-tech Building had been completed in construction. For this project, RMB 156,804 thousand was invested (including RMB 139,720 thousand of the proceeds raised through offering). At present, no investment return has been achieved yet.

5.9 Plan of the Board of Directors to Update the Business Plan of the Second Half Year
☐ applicable √ inapplicable

5.10 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 ☐ non-applicable

Based on the operation and development situation in the first half year, the Company still has to invest more funds for promotion and marketing activities in the timepiece business this year; in addition, big amount of investment is needed for the hi-tech building which is now in process of settlement upon completion and establishment of chain shops of Harmony World Watches Center at quickened pace. In comparison with the previous year, the Company has no income form entrusted finance management activities. Therefore, it is predicted that the operation income from January to September shall drop by over 50% over the same period of the previous year.

5.11 Explanation of the Management to the “Non-standard Opinion” Presented by the Certified Public Accountants
☐ applicable √ inapplicable

5.12 Explanation of the Management on Improvement and Treatment of the Issues Involved in the “Non-standard Opinion” Presented by the Certified Public Accountants
☐ applicable √ inapplicable

§6 Important Events

6.1 6.1. Assets Acquisition and Sales and Assets Reorganization

6.1.1 Assets Acquisition or Transferred In
☐ applicable √ inapplicable

6.1.2 Assets Sold or Replaced Out
☐ applicable √ inapplicable

6.1.3 Progress of the assets reorganization or assets acquisition/sale activities after the assets reorganization report or notice on assets acquisition/sale was published and the impact of such activities upon the Company's operation result and information position in the report period.

☐ applicable √ inapplicable

6.2. Guarantees

☐ applicable √ inapplicable

6.3 Related Credits and Debts

√ applicable ☐ non-applicable

In RMB '000

Related party	Relationship with the Related Parties	Fund provided to related parties		Fund provided to the company	
		Amount incurred to the debit side	ending balance	Amount incurred to the credit side	ending balance
CATIC Shenzhen Corporation	Actual controller	0.00	1,500.00	0.00	0.00
Total		0.00	1,500.00	0.00	0.00

Where: The total amount of the funds the Company provided to the controlling shareholder and its subsidiaries was RMB 0.00 thousand and the balance was RMB 1,500 thousand in the report period.

6.4 Material Lawsuits and Arbitration

☐ applicable √ inapplicable

6.5 Other Significant Events, its Impacts and the Solutions

☐ applicable √ inapplicable

§ 7 Financial Report

7.1 Auditors' Opinions

Financial Report	√ unaudited ☐ audited
Auditor's Opinion	☐ Standard unqualified auditor's report ☐ non-standard opinion √ unaudited
Full Text of Auditor's Opinion	

7.2 The comparative consolidated statement of profit and the statement of profit of the parent company

Statement of Profit and Profit Distribution

Prepared by: SHENZHEN FIYTA HOLDINGS LTD.

In RMB

Domestic Statement

Items	This Period		Same Period of the Previous Year	
	Consolidated	Parent company:	Consolidated	Parent company:
I. Income from principal businesses	134,155,051.11	73,331,187.24	105,587,869.25	54,562,014.70
Less: Costs of principal business	83,653,395.26	44,133,099.10	63,023,284.52	29,158,908.38
Taxes and surcharges of principal business	758,541.14	509,764.23	719,217.33	144,618.61
II. Profit from principal businesses (loss is stated with "-")	49,743,114.71	28,688,323.91	41,845,367.40	25,258,487.71
Add: Profit from other businesses (loss is stated with "-")	1,162,293.14	561,270.08	330,251.64	233,582.03
Less: Operation costs	27,380,170.96	21,977,901.35	29,480,001.52	20,144,536.94
Overheads	19,936,829.79	12,124,234.73	14,175,298.37	9,520,685.59
Financial expenses	-200,585.98	-272,629.83	-216,585.95	-192,079.65
III. Operating Profit (loss is stated with "-")	3,788,993.08	-4,579,912.26	-1,263,094.90	-3,981,073.14
Add: Investment income (loss is stated with "-")	-2,440,618.45	4,986,884.11	6,363,355.26	9,015,389.38
Subsidy income				
Non-operating income	1,165,442.60	1,162,917.00	2,393,240.01	1,800,000.00
Less: Non-operating expenses	27,150.73	8,388.12	607,356.59	1,905.69
IV. Total profit (total loss is stated with "-")	2,486,666.50	1,561,500.73	6,886,143.78	6,832,410.55
Less: Income tax	923,771.36	-1,394.41	819,519.40	753,560.55
Less: Minority shareholders' equity			-12,225.62	
V. Net Profit (loss is stated with "-")	1,562,895.14	1,562,895.14	6,078,850.00	6,078,850.00
Add: undistributed profit at year beginning	-56,176,663.00	-56,176,663.00	-60,525,963.00	-60,525,963.00
Other transfer-in				
VI. Distributable profit	-54,613,767.86	-54,613,767.86	-54,447,113.00	-54,447,113.00
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	-54,613,767.86	-54,613,767.86	-54,447,113.00	-54,447,113.00
Less: Dividends of preferential shares payable				
Provision of discretionary surplus public reserve				
Dividend payable for common shares				
Dividends of common shares converted into capital/capital stock				
VIII. Undistributed profit	-54,613,767.86	-54,613,767.86	-54,447,113.00	-54,447,113.00
Additional information:				
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				

7.3 Notes to the Accounting Statements

7.3.1 In comparison with the latest annual report, there is no change in the accounting policy and accounting estimation or correction of accounting error in the report period.

7.3.2 In comparison with the latest annual report, there is no significant change in the consolidation range in the report period.

7.3.3 If the certified public accountants has produced a qualified auditor’s report without reservations, present notes to the issues involved in the auditor’s report.

□ applicable √ inapplicable