深圳市飞亚达（集团）股份有限公司
SHENZHEN FIYTA HOLDINGS LTD.

2004 Semi-Annual Report

August 10, 2004

Important Notes

The Board of Directors and directors 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 reality, accuracy and completion of the whole contents. 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.

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.

The Company's 2004 semi-annual financial report enclosed herein has not been audited.

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. Liu Biao, Manager of the Financial Department, hereby ensure the accuracy and completeness of the financial report enclosed in this semi-annual report.

Table of Contents

Section 1 Company Information

I. Company Profile

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

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

3. Registered Address: FIYTA Technology Building, Gaoxin S. Road One, Nanshan District, Shenzhen
Office Address: FIYTA Building, 163 Zhenhua Rd., Shenzhen 518031
Web Site: http://www.fiyta.com
E-mail : szfiyta@public.szptt.net.cn

4. Legal Representative: Mr. Wu Guangquan

5. Secretary of the Board; Mr. Hao Huiwen
Securities Affairs Representative: Mr. Chen Zhuo
Liaison Address: FIYTA Building, 163 Zhenhua Rd., Shenzhen
Tel: （0755）83217888—8218 83259702
Fax: (0755) 83348369
E-mail: security@fiyta.com.cn

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

Internet Website for publishing this semi-annual report: http://www.cninfo.com.cn

Place Where the Interim 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.: SZ Zi No: 440301192189783

II. Financial Highlights

Table 1 In RMB

Items	June 30, 2004	December 31, 2003
Current assets	336,909,548.90	365,102,633.00
Current liabilities	57,776,179.07	47,117,904.00
Total assets	578,575,654.60	572,847,496.00
Shareholders' equity (excluding minority shareholders' equity)	517,019,255.31	515,456,362.00
Net assets per share	2.074	2.067
Net assets per share after adjustment	2.010	2.032

Table 2 In RMB

Items	Jan. to Jun, 2004	Jan. to Jun. 2003
Net profit	1,562,895.14	6,078,850.00
net profit after deduction of non-recurring loss/gain	424,801.16	4,292,966.58
Net assets-income ratio	0.30%	1.18%
Earning per share	0.006	0.024
Net cash flows arising from operating activities	-35,957,512.59	-4,510,148.72

* Deducting non-recurring gain/loss items and amount involved

Items	Amount In RMB
Net amount of non-operating income and expenses	1,138,291.87
Affect from income tax	-197.89
Total	1,138,093.98

Note: There exists no difference in the net profit calculated according to Chinese Accounting Standards (CAS) and the International Accounting Standards (IAS).

III. Profit Statement

Profit of report year	Net assets-income ratio		Earning per share (RMB/share)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from principal businesses	9.621%	9.636%	0.200	0.200
Operating profit	0.733%	0.734%	0.015	0.015
Net profit	0.302%	0.303%	0.006	0.006
net profit after deduction of non-recurring loss/gain	0.082%	0.082%	0.002	0.002

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

I. There was no change in total shares or stock structure in the report period;

II. Total shareholders at the end of the report period
Ended June 30, 2004, the Company had totally 17,857 shareholders, including 7,959 shareholders of A-shares and 9,898.shareholders of B-shares.

III. About Principal Shareholders

Top 10 shareholders ended June 30, 2004:

Shareholders	Increase/decrease in the report period	Shares held	Proportion	Types
CATIC SHENZHEN HOLDINGS LTDS.	0	130,248,000	52.24%	Domestic legal person shares
CHAN KEUNG	+493,383	768,983	0.31%	Negotiable B-shares
KO,LING HON	+317,475	707,375	0.28%	Negotiable B-shares
China Pingan Insurance (Hong Kong)	-12,930	372,030	0.15%	Negotiable B-shares
Lin Hongbo	0	362,880	0.15%	Negotiable B-shares
Lin Zhihua	+200,000	330,000	0.13%	Negotiable B-shares
Lihuang Shunjin	+136,500	320,400	0.13%	Negotiable B-shares
Ou Yanping	+66,200	286,100	0.11%	Negotiable B-shares
Yang Yuanzhou	0	285,900	0.11%	Negotiable B-shares
Huihang Shipping Co.	0	241,200	0.10%	Negotiable B-shares

The shareholder that holds over 5% (including 5%) of the total share capital is CATIC SHENZHEN HOLDINGS LTD. In the report period there was no change in the shareholding and there were no shares held by it pledged or frozen.

Among the top ten shareholders, there exists no business relationship between the promoter shareholder and other shareholders of negotiable shares. The Company has not found any business relationship among other shareholders of negotiable shares and cannot identify whether there are any shares held other shareholders of negotiable shares pledged or frozen.

IV. Top Ten Shareholders of Negotiable Shares

No.	Shareholders	Quantity Held at Year End	Share Type
1	CHAN KEUNG	768,983	Negotiable B-shares
2	KO,LING HON	707,375	Negotiable B-shares
3	China Pingan Insurance (Hong Kong)	372,030	Negotiable B-shares
4	Lin Hong Bo	362,880	Negotiable B-shares
5	Lin Zhihua	330,000	Negotiable B-shares
6	Lihuang Shunjin	320,400	Negotiable B-shares
7	Ou Yanping	286,100	Negotiable B-shares
8	Yang Yuanzhou	285,900	Negotiable B-shares
9	Huihang Shipping Co.	241,200	Negotiable B-shares
10	Xue Peiming	234,300	Negotiable B-shares
Note to the business relationship among top ten shareholders of negotiable shares: The Company has not found any business relationship among top ten shareholders of negotiable shares.			

V. In the report period, no change took place in the Company’s controlling shareholder or actual controller.

Section 3 Directors, Supervisors, Senior Executives

I. Change in the Company's Shares
Of the directors, supervisors and senior executives in current office, only Deputy General Manager Mr. Lu Bingqiang holds 48,210 shares in which no change took place in the report period.

II. New Engagement or Disengagement of Directors, Supervisors, Senior Executives
1. Approved at the 5th meeting of the 4th Board of Directors dated January 14, 2004, Ms. Fang Juan was engaged as deputy general manager.

2. The Shareholders' General Meeting held on May 12, 2004 approved Director Wang Xinkuo's application for resigning his director office due to new job assignment. Mr. Lai Weixuan was elected member of the 4th Board of Directors.

Section 4 Discussion and Analysis of the Management

I. Discussion and Analysis of the Overall Operation in the Report Period
(I) In the first half year of 2004, the Company implemented the work principle of "promoting development of the principal industry, enhancing brand promotion, constructing high-efficiency team and improving overall performances" worked out at the beginning of the year, further concentrated the teamwork force, pooled the wisdom and efforts of everyone, focused on the principal business with the two brands FIYTA and HARMONY, and tried every means to improve the operating income and profit-making ability.

1. FIYTA Watches Based on the customers' demand and market information collected through survey, the Company continued to enhance the innovative superiority of FIYTA brand, focused on the core value of the Brand of "Innovation", reinforced new product development and marketing by means of research and development of the three resources and enhancing promotion, etc. In the report period, the Company launched altogether 25 varieties of new watches, achieved a good sales result. The Company conducted several large-scale promotion activities, such as "Expressing Feeling of Friendship at the Time of Strong Affection", "Paying Close Attention to the Future" by contributing donations to the Hope Project. As a result, inventories were effectively absorbed and sales volume increased. Income from FIYTA watches has been keeping a growth trend since last year. In the report period, the sales income reached RMB 66,067 thousand, a 40.93% growth over the same period of the previous year.

2. Retails of Top Brand Watches The Company further increased the investment in Shenzhen Harmony World Watches Center. In the first half year, the Company established another four chain shops in Beijing, Shenzhen, Nanning, etc. So far, the Company has 21 chain shops all over big and medium cities in China. In the report period, the Company, including Shenzhen Harmony World Watches Center Co., Ltd., realized a turnover from the retail sale of top brand watches amounting to RMB 60,648 thousand, a 39.42% growth over the same period of the previous year and net profit amounting to RMB 398 thousand, a small growth over the same period of last year. The Company shall positively expand the chain shop network and the sales income is expected to grow further afterwards.

3. Property Operation The Company achieved income from FIYTA building amounting to RMB 7,264 thousand, a 5.45% drop over the same period of the previous year. It is predicted that after the Company moves into the newly constructed Hi-tech Building in the second half year, the floorage for lease of this building shall be further expand and the property shall surely bring about more income to the Company.

4. FIYTA Hi-tech Building FIYTA Hi-tech Building, located in Shenzhen Hi-tech Park, has been completed in construction. The follow-up settlement procedures are now in process. At the end of the report period, such eminent companies as Tencent moved into the building. It is predicted that the new building shall surely bring about more property operating income to the Company in the second half year.

Generally speaking, in the report period, the income form the principal businesses was RMB 134,155 thousand, a 27.06% growth over the same period of the previous year. The main reason is that the retail sale income of FIYTA and world top brand watches grew by a big margin. The Company realized a profit amounting to RMB 2,487 thousand and net profit amounting to RMB 1,563 thousand, dropping by 63.89% and 74.29% respectively over the same period of the previous year. The main reason is that the Company increased the quantity of the first stocks, enhanced the advertisement and promotion activities which caused increase of operating expenses. In addition, in comparisoin with the previous year, the Company had no income from entrusted financing. In the report period, affected by the increase of investment in Harmony World Watches Center, the net cash flow arising from the business activities was RMB-35,958 thousand. At the end of the report period, the Company's total assets was RMB 578,576 thousand and shareholders' equity was RMB 517,019 thousand which increased respectively by 1.00% and 0.30% over the same period of the previous year.

(II) 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 sector this year; in addition, the hi-tech building and Harmony World Watches Center still need big amount of investment. In comparison with the previous year, the Company has no income form entrusted finance management activities. Therefore, it is predicted that the operation income of the1-9 months shall drop by over 50% over the same period of the previous year.

II. Business Highlights

1. Business Scope and Operation Status

The Company is mainly engaged in design, development, manufacture, sales and repairing of timepieces and components, including operation of FIYTA watch products and train shops for the world top brand watches; and property operation of FIYTA Building.

(1) Operation

① The composition of the income and profit from the principal business is as follows:

Sectors	Income from principal businesses in RMB	Cost of the principal businesses in RMB	Gross profit rate (%)	Increase/decrease of revenue from principal businesses over the same period of 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
Industrial manufacture and sales	66,243,641.43	32,852,632.53	50.41	30.03	24.48	2.22
Retails	60,647,687.49	50,110,901.96	17.37	30.13	28.20	1.77
Property management	7,263,722.19	689,860.77	90.50	-5.45	173.03	-6.21

② In the report period, the sector or products whose turnover and profit take over 10% of that from the principal businesses is timepieces and property, where the profit of the property operation took over 10% of the total profit from the principal business. The said operating income and profit were mainly from the lease of FIYTA building. In the timepiece industry, the Company is mainly engaged in FIYTA watch manufacture and sales and sales f foreign top brand watches. The sales income and sales costs of the products are stated as follows:

Table 1: Listed according to types of products

Sectors	Income from principal businesses in RMB	Cost of the principal businesses in RMB	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
Manufacture and sales of FIYTA watches	66,067,465.05	32,420,444.04	50.93	40.93	45.52	-1.55
Sales of foreign top brand watches	60,647,687.49	50,110,901.96	17.37	39.42	37.18	1.78
Total	126,715,152.54	82,531,346.00	34.87	40.20	40.34	-1.85

Table 2: Stated according to different regions

Regions	Product sales Income in RMB	Increase/ decrease over the same period of the previous year (%)
Northeast China	18,592,682.11	49.79%
North China	18,602,455.80	67.29%
Northwest China	25,466,961.95	23.55%
East China	17,768,417.80	113.13%
Southwest China	8,509,737.48	70.04%
South China	37,774,897.39	14.85%
Total	126,715,152.54	40.20%

2. In the report period, change took place in the Company's profit composition, main business and its structure, and earning power of the principal business in comparison with the previous years, which are summarized as follows: (1) As all the three catering service subsidiaries were disposed in 2003, in the report period, there was therefore no income from the catering services. (2) In comparison with the income from the entrusted finance management amounting to RMB 10 million last year, the Company had no such income in the report period.

3. In the report period, the Company had no other business activities having major influence on the Company.

4. Problems and difficulties in the operation

(1) The market of timepiece industry the Company is engaged in is very severe and the rising trend of imported watches is still enhanced. Watches of various brands are becoming more and more homogeneous. The Company shall enhance its sustainable development ability by means of continuous innovation by reinforcing new research and development of new products, make continuous innovation in brand construction and marketing and promoting.

(2) In order to increase the market share, the Company increased investment in research and development and promotion. As a result, the shop stock increased to a certain level, the sales income form watches grew by a big margin. However, such investment impacted the Company's short term profit in a certain extent.

III. Investment

(I) Application of the Proceeds Raised through Share Offering

1. In the report period, the Company raised no proceeds by offering new share. Application and the results of the proceeds amounting to RMB 209,720 thousand raised through share offering in 1997 are summarized as follows:

Way of raising proceeds	Investment projects as committed	Actual Investment Projects and amount involved	Adjusted investment plan
Share allotment (A-shares)	to set up chain shops of Harmony World Watches Center with planned investment of RMB 112,000 thousand in China.	21 chain shops of Harmony World Watches Center have been set up in big and medium cities of China with total investment of RMB 96,190 thousand (including RMB 70,000 thousand from the proceeds raised through offering)	The total investment has been decreased to RMB 70,000 thousand and the balance amounting to RMB 43,240 thousand has been changed to invest FIYTA Hi-tech Industrial Park Project
Share Allotment (A-Shares)	to set up FIYTA Hi-tech Industrial park with planned investment of RMB 55,000 thousand.	FIYTA Hi-tech Industrial Park has been basically completed in construction and the Company has invested RMB 156,804 thousand（including RMB 139,720 thousand of proceeds raised through offering）	Amount of the increased proceeds was RMB 84,720 thousand and the planned accumulative investment amounted to RMB 139,720 thousand.
Share allotment (B-shares)	to set up chain shops of Harmony World Watches Center in Southeast Asia with investment of RMB 40,500 thousand.	Not yet invested and change has been made to invest FIYTA Hi-tech Industrial Park	The total proceeds planned for this project amounted to RMB 41,480 thousand and now has been changed to invest FIYTA Hi-tech Industrial Park project.

In the report period, the Company additionally invested RMB 59,206 thousand for the above first two projects. So far, the Company has accumulatively invested RMB 252,994 thousand in the project, including RMB 209,720 being the proceeds raised through offering. So far, the Company has used all the proceeds raised through the latest offering.

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; 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.

3. Progress and Earnings of the Projects:

(1) Ended the report period, 21 chain shops of Harmony World Watches Center had been

set up in Shenzhen, Harbin, Urumchi, Wuhan, Datong, Changsha, Lanzhou, Kunming, Xi'an, Ningbo, Xuzhou, Qingdao, Shanghai, Beijing, Nanning etc. with total investment of RMB 96,190 thousand, of which additional investment by RMB 27,630 thousand was made in the report period. 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.

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

Section 5 Significant Events

I. The Company has conducted standardized operation based on strict criteria and enthusiastically improved the legal person based administrative structure in accordance with the relevant provisions of China Securities Regulatory Commission, the Company has. At present, the Company has fundamentally complied with relevant regulations in its administration.

II. In the report period, the Company had no profit distribution proposal for approval and implementation.

III. In the report period, the Company has never been involved in any material lawsuit or arbitration and no previous material lawsuit or arbitration has been extended to the report period either.

IV. In the report period, the Company has never been involved in any assets acquisition or assets reorganization and no assets acquisition or assets reorganization has been extended to the report period either.

V. Transactions with Related Parties
1. FIYTA Building received the management services from Shenzhen CATIC Property Management Co., Ltd., for which the Company paid RMB 495 thousand in the report period.

2. Liabilities with Related Parties

Related Parties	Relationship	Funds supplied to the related parties		Funds supplied to the Company by the related parties	
		Amount incurred	Balance	Amount incurred	Balance
CATIC Shenzhen Corporation	Controlling shareholder of the parent company	0.00	150.00	0.00	0.00
Total		0.00	150.00	0.00	0.00

3. There exists no such situation that the Company's controlling shareholder or any of its subsidiaries has ever occupied the Company's funds.

VI. Important Contracts and Implementation
1. In the report period, the Company was not 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. In the report period, the Company has never been involved in any material guarantees which were extended to the report period from the previous periods either.

Independent directors' opinion on and the special statement of the external guarantees

Pursuant to the Circular of China Securities Regulatory Commission on Standardizing the

Relations between Listed Companies and the Related Parties and some Issues concerning External Guarantees Offered by Listed Companies (CSRC (2003) No. 56), we have made careful verification over the external guarantees offered by the Company.

Ended the report period, the Company had offered no guarantee to the Company's controlling shareholder or related parties and no other external guarantee had ever occurred either. In our opinion, the Company has strictly observed the Articles of Association and relevant law and regulations concerning offering external guarantee and there exists not risk in offering external guarantee.

3. In the report period, the Company had not been involved in entrustment for finance management and no such event occurred previously but carried down to the report period either.

VII. In the report year, the Company or any of its shareholders holding over 5% (with 5% inclusive) of the share capital has neither made material commitments necessary to be disclosed, nor commitments carried down to the report period but occurred previously.

VIII. The financial report of the report period has not been audited yet and the Company has not changed the certified public accountants.

IX. In the report period, neither the Company nor any of its directors or senior executives has ever been punished by the supervisory/administrative authority.

X. The Company executed no other important event that may bring about significant affect.

Section 6 Financial Report

I. Accounting Statements (Pages 17 to 22 of the report are enclosed in hereafter)

II. Notes to Accounting Statements (Pages 23 to 42 are enclosed)

Section 7 Documents Available for Inspection

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

2. Financial Report signed by and under the seal of the legal representative, chief accountant and accounting supervisor;

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

4. Articles of Association of the Company.

The Board of Directors of
SHENZHEN FIYTA HOLDINGS LTD.

August 10, 2004

Attachment: Financial Report (Unaudited)

I. Accounting Statements

Balance Sheet

Prepared by: SHENZHEN FIYTA HOLDINGS LTD. June 30, 2004 In RMB

Assets	Consolidated		the Company	
Items	June 30,2004	December 31,2003	June 30,2004	December 31,2003
I. Current assets				
Monetary funds	79,929,503.17	117,527,033.00	68,798,562.99	108,287,580.00
Short-term investment	18,379,228.88	54,879,747.00	18,379,228.88	54,879,747.00
Dividend receivable				244,067.00
Accounts receivable	25,591,127.89	19,548,777.00	22,898,570.05	21,333,611.00
Other receivables	19,810,288.84	19,475,900.00	111,363,205.33	82,166,537.00
Account prepaid		375,346.00		
Inventories:	192,735,807.68	152,648,834.00	84,490,322.26	76,926,841.00
Expenses to be apportioned	463,592.44	64,996.00	79,666.76	68,891.00
Total current assets	336,909,548.90	365,102,633.00	306,009,556.27	343,907,274.00
II. Long-term investment				
Long-term equity investment	4,885,000.00	4,885,000.00	46,396,954.56	38,969,452.00
III. Fixed assets				
Fixed assets, cost	111,497,412.45	108,364,742.00	86,450,461.73	84,928,525.00
Less: accumulative depreciation	54,093,199.79	51,861,002.00	39,609,449.66	37,915,519.00
Fixed assets, net	57,404,212.66	56,503,740.00	46,841,012.07	47,013,006.00
Less: Provision for devaluation of fixed assets	2,909,032.12	2,921,871.00	2,600,000.00	2,600,000.00
Fixed assets, net	54,495,180.54	53,581,869.00	44,241,012.07	44,413,006.00
Construction-in-progress	156,803,525.71	125,227,493.00	156,803,525.71	125,227,493.00
Total fixed assets	211,298,706.25	178,809,362.00	201,044,537.78	169,640,499.00
IV. Intangible assets and other assets				
Intangible assets	16,902,179.53	17,163,777.00	16,902,179.53	17,163,777.00
Long-term expenses to be apportioned	8,580,219.92	6,886,724.00	2,268,072.66	2,424,322.00
Total intangible assets and other assets	25,482,399.45	24,050,501.00	19,170,252.19	19,588,099.00
Total assets	578,575,654.60	572,847,496.00	572,621,300.80	572,105,324.00

Balance Sheet (Cont'd)

Prepared by: SHENZHEN FIYTA HOLDINGS LTD. June 30, 2004 In RMB

Liabilities and shareholders' equity	Consolidated		the Company	
Items	June 30,2004	December 31,2003	June 30,2004	December 31,2003
I. Liabilities:				
1. Current liabilities				
Short-term bank loan:		100,000.00		100,000.00
Accounts payable	33,339,727.86	34,504,530.00	1,356,939.81	1,585,347.00
Advance receipt	5,199,782.29	5,181,480.00	4,182,966.17	4,606,618.00
Salaries payable	54,630.20	123,2457.00	1,399.50	2,967.00
Welfares payable	2,617,702.21	2,728,289.00	2,330,136.18	2,280,392.00
Dividend payable				
Taxes payable	-13,740,519.64	-10,184,367.00	-4,529,350.57	-2,249,691.00
Other payables	30,247,683.40	12,618,067.00	49,209,535.04	46,618,751.00
Other accounts due	27,426.32	125,479.00	9,653.88	36,355.00
Expenses allotted in advance	29,746.43	811,969.00	40,765.48	668,223.00
Total current liabilities	57,776,179.07	47,117,904.00	52,602,045.49	53,648,962.00
2. Long-term liabilities				
Special accounts payable	3,000,000.00	3,000,000.00	3,000,000.00	3,000,000.00
Total long-term liabilities	3,000,000.00	3,000,000.00	3,000,000.00	3,000,000.00
Total liabilities	60,776,179.07	50,117,904.00	55,602,045.49	56,648,962.00
II. Minority shareholders' equity	780,220.22	7,273,230.00		
III. Shareholders' equity				
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	191,847,234.00	191,847,232.65	191,847,234.00
Surplus public reserve	130,467,791.52	130,467,792.00	130,467,791.52	130,467,792.00
Incl.: public welfare fund	25,036,994.11	25,036,994.00	25,036,994.11	25,036,994.00
Retained earnings	-54,613,767.86	-56,176,663.00	-54,613,767.86	-56,176,663.00
Total Shareholders' Equity	517,019,255.31	515,456,362.00	517,019,255.31	515,456,362.00
IV. Total shareholders' equity and liabilities	578,575,654.60	572,847,496.00	572,621,300.80	572,105,324.00

Statement of Profit and Profit Distribution

Prepared by: SHENZHEN FIYTA HOLDINGS LTD. June 30, 2004 In RMB

	Consolidated		the Company	
Items	Jan. to Jun., 2004	Jan. to Jun., 2003	Jan. to Jun., 2004	Jan. to Jun., 2003
I. Income from principal business	134,155,051.11	105,587,869.25	73,331,187.24	54,562,014.70
Less: Costs of principal business	83,653,395.26	63,023,284.52	44,133,099.10	29,158,908.38
Less: Taxes and surcharges of principal business	758,541.14	719,217.33	509,764.23	144,618.61
II. Profit from principal businesses	49,743,114.71	41,845,367.40	28,688,323.91	25,258,487.71
Add: Profit from other businesses	1,162,293.14	330,251.64	561,270.08	233,582.03
Less: Operation costs	27,380,170.96	29,480,001.52	21,977,901.35	20,144,536.94
Overheads	19,936,829.79	14,175,298.37	12,124,234.73	9,520,685.59
Financial expenses	-200,585.98	-216,585.95	-272,629.83	-192,079.65
III. Operating Profit (loss is stated with “-“)	3,788,993.08	-1,263,094.90	-4,579,912.26	-3,981,073.14
III. Investment income (loss is stated with “-“)	-2,440,618.45	6,363,355.26	4,986,884.11	9,015,389.38
Subsidy income				
Non-operating income	1,165,442.60	2,393,240.01	1,162,917.00	1,800,000.00
Less: Non-operating expenses	27,150.73	607,356.59	8,388.12	1,905.69
Add: adjustment of the gain/loss of the previous year				
IV. Total profit (loss is stated with “-“)	2,486,666.50	6,886,143.78	1,561,500.73	6,832,410.55
Less: Income tax	923,771.36	819,519.40	-1,394.41	753,560.55
Minority owners’/shareholders’ equity*		-12,225.62		
V. Net Profit (loss is stated with “-“)	1,562,895.14	6,078,850.00	1,562,895.14	6,078,850.00
I. Add: retained earnings at year beginning	-56,176,663.00	-60,525,963.00	-56,176,663.00	-60,525,963.00
Other transfer-in				
II. Distributable profit	-54,613,767.86	-54,447,113.00	-54,613,767.86	-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				
III. The total profit distributable to the investors	-54,613,767.86	-54,447,113.00	-54,613,767.86	-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				
IV. Retained profit	-54,613,767.86	-54,447,113.00	-54,613,767.86	-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				

Cash Flow Statement

Prepared by: SHENZHEN FIYTA HOLDINGS LTD. Jan. to Jun., 2004 In RMB

Items	Consolidated	the Company
I. Net cash flows arising from operating activities		
Cash received from sales of goods and supply of labor	145,256,895.97	75,572,205.59
Other business related cash receipts	211,186.49	345,665.90
Subtotal of cash flow in	145,468,082.46	75,917,871.49
Cash paid for purchase of goods and reception of labor services	122,821,320.94	54,430,363.71
Cash paid to and for staff	18,667,278.90	10,662,031.69
taxes paid	12,923,824.65	5,384,654.44
Other business related cash payments	27,013,170.56	47,040,039.62
Subtotal of cash flow out	181,425,595.05	117,517,089.46
Net cash flows arising from operating activities	-35,957,512.59	-41,599,217.97
II. Cash flows arising from investment activities:		
Cash received from recovery of investment	51,003,863.01	51,003,863.01
Cash received from investment income	594,718.18	594,718.18
Net amount of cash received from disposal of fixed assets, intangible assets and other long term assets	82,141.00	70,781.00
Interest income obtained		
Subtotal of cash flow in	51,680,722.19	51,669,362.19
Cash paid for construction/purchase of fixed assets, intangible assets and other long term assets	35,640,591.04	31,879,012.84
Cash paid for investment	17,538,681.51	17,538,681.51
Subtotal of cash flow out	53,179,272.55	49,417,694.35
Net cash flow arising from investment activities	-1,498,550.36	2,251,667.84
III. Cash flows arising from fund raising activities:		
Other fund-raising related cash received		
Subtotal of cash flow in		
Cash paid for liabilities repayment	100,000.00	100,000.00
Other fund raising related cash payments	41,466.88	41,466.88
Subtotal of cash flow out	141,466.88	141,466.88
Net cash flow arising from fund-raising activities	-141,466.88	-141,466.88
IV. Influence upon cash due to change of exchange rate		
V. Net increase of cash and cash equivalents	-37,597,529.83	-39,489,017.01

Cash Flow Statement (Cont'd)

Prepared by: SHENZHEN FIYTA HOLDINGS LTD. Jan. to Jun., 2004 In RMB

Additional information	Consolidated	the Company
1. Net cash flows arising from adjustment of net profit into operating activities		
Net profit	1,562,895.14	1,562,895.14
Add: Reserve for deterioration of assets		
Depreciation of fixed assets	2,232,197.79	1,693,930.66
Amortization of intangible assets	261,597.47	261,597.47
Long-term expenses to be apportioned	464,881.26	156,249.34
Decrease (less: increase) of expenses to be apportioned	183,403.56	-10,775.76
Increase (less: decrease) of expenses drawn in advance	-782,222.57	-626,457.52
Loss from disposal of fixed assets, intangible assets and other long term assets		
Losses from rejection of fixed assets		
Financial expenses	-220,585.98	-272,629.83
Investment loss (less: income)	2,440,618.45	-4,986,884.11
Deferred tax loan (less: debit)		
Decrease (less: increase) of inventories	-40,086,973.68	-7,563,481.26
Decrease (less: increase) of operative items receivable	-3,908,739.78	-27,631,709.28
Increase (less: decrease) of operative items payable	1,875,415.75	-4,181,952.82
Net increase (less: decrease) of value added tax		
Minority shareholders' gain/loss		
Net cash flows arising from operating activities	-35,957,512.59	-41,599,217.97
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	79,929,503.17	68,798,562.99
Less: Opening cash balance	117,527,033.00	108,287,580.00
Add: Ending cash equivalent balance		
Less: Opening cash equivalent balance		
Net increase of cash and cash equivalents	-37,597,529.83	-39,489,017.01

II. Notes to the Accounting Statements

(I) Accounting Policies, Accounting Estimation and Preparation of the Consolidated Accounting Statements

(1) Accounting standards and system

The Company implements the PRC Enterprise Accounting Standards and the PRC Enterprise Accounting System and other relevant regulations in preparing these accounting statements.

(2) Fiscal year

January 1 to December 31 of a calendar year.

(3) Standard Currency for Book Keeping

The Company uses Renminbi (RMB) as the standard currency for book keeping.

(4) Principle of bookkeeping and basis of pricing

The Company takes the accrual system as the basis for book keeping; various assets are priced based on the actual costs unless there is otherwise special specification.

(5) Foreign Currency Translation:

Foreign currency transactions are stated in Renminbi after conversion at the exchange rate published by the People's Bank of China at the beginning of the month when a transaction takes place. Monetary assets and liabilities in foreign currency on the balance sheet day are converted into RMB based on the standard rate published by the People's Bank of China on the very day. The exchange gain/loss incurred therefrom is directly stated in the gain/loss of the very period except the exchange gain/loss involved in the foreign currency loan designated for purchase/construction of certain fixed assets which should be capitalized.

(6) Cash and cash equivalents

Cash listed in the statement of cash flow refers to the cash in hand and bank deposits ready for payment at any time. Cash equivalent refers to the investment held by the Company with short term (3 months), strong liquidity and low risk of value fluctuation that is easy to be converted into cash of known amount.

(7) Short-term investment

The short term investments refer to the investment which can be realized at any time after procurement with the holding time not exceeding one year. They include stock investment and securities investment, and measured based on the investment costs at the time of procurement. The cash dividends which have been announced for distribution but not yet received and the bond interest which is due but has not yet been received in the actual payment. The dividends or interest arising from the short-term investment while holding are used to offset the investment costs except the dividend or interest already stated in the accounts receivable. The short term investment is charged based on the lower of the cost and the market price at the end of the year and the reserve for price falling is provided on individual investment basis.

(8) Accounts receivable and reserve for bad debts

The loss from the bad debts is stated by allowance method.

Provision for bad debt is made after the specific assessment of the recoverability of the accounts receivable. The Group usually makes the provision based on a certain proportion after analysis on accounts receivable at the end of a period. For the accounts receivable difficult to be recovered, provision for bad debt shall be provided based on the practical experience combined with practical conditions.

Bad debts are recognized when irrefutable evidence shows that certain account receivable is impossible to be recovered because of debtor's dissolution, bankruptcy, insolvency, serious deficiency of cash flow, etc. and offset with the reserve for corresponding bad debt already provided.

(9) Inventories:
Inventories consist of raw materials, work-in-process, finished products and easily-consumed products with low value. Inventories are stated according to the actual cost when they were obtained. Raw materials and finished products are stated according to the costs at the time of delivery calculated based on weighted average. The low-value consumption goods and packing materials are stated in the cost on once-and-for-all basis as taken out for use. Costs of finished products and products in process include those of raw materials, direct manpower, and all indirect production expenses amortized on percentage basis.

Inventories are stated at the lower of the cost and the realizable net value due to the reasons of being damaged, completely or partially out-of-date or the cost being lower than the sales price. Reserve for depreciation of inventories are allotted based on the balance between the cost of individual inventory items and their realizable net value. The net realizable value of the inventories was determined based on the market price less the estimated sales costs and relevant taxes in process of normal production and operation.

(10) Long-term investment
Long-term equity investment refers to the long term equity investment with holding term exceeding one year.

Long-term equity investment cost is stated according to the actual payment at the time of investment, or according to the book value of non-cash assets output plus relevant taxes. The equity method has been used for this Group's investment in an investee which takes over 20% of the total voting-bearing assets of that investee or the investment produces significant affect on the investee's financial and operation decision even the investment takes below 20% its total voting-bearing capital; The cost method has been used for the Company's investment in an investee which takes below 20% of the total voting-bearing assets of that investee or the investment produces no significant affect on the investee's financial and operation decision even the investment takes over 20% its total voting-bearing capital.

If the recoverable amount is lower than the book value of the investment and the reduced amount is unrecoverable within a certain period of time predictable because the investee's stock price has been falling continually or the investee's business operation has been worsened, while such lowered value is impossible to be recovered in the predictable future, reserve for devaluation of long term equity investment are allotted based on the balance between the amount recoverable and the book value of the long investment.

(11) Fixed assets pricing and depreciation
Fixed assets are defined as the premises, buildings and other principal production and operation equipment with direct connection with production and operation as well as the

non-production/operation equipment with unit price of over RMB 2,000 and service life exceeding 2 years.

Fixed assets purchased or newly constructed are stated at the actual cost at the time of obtainment. For the fixed assets evaluated at the time of the Company's restructuring, the value confirmed by the state assets authority through the appraisal is the entry value.

Fixed assets are depreciated by straight line method; depreciation is made based on the entry value less 5 – 10%of the predicted net residue value within the predicted service life on average basis.

The estimated service life and predicted residual ratio of fixed assets are stated as follows:

Fixed Assets	Predited Service Life	Annual Depreciation Rate	Predicted Residual Rate
Housing & Building	20 to 35 years	2.6%-4.8%	5%-10%
Machine & Equipment	10 years	9%-9.5%	5%-10%
Motor Vehicles	5 years	19%	5%
Electronic Equipment	5 years	19%	5%
Other equipment	5 years	19%	5%

Fixed assets are stated at the lower of the book value and the recoverable amount at the end of a period.

When the ability of fixed assets to create economic benefit has seriously affected in fact and the recoverable amount is lower than the balance of the book value, reserve for deterioration can be provided. When fixed assets have actually been unable to bring about any financial benefit, reserve for deterioration should be provided in full.

(12) Construction-in-progress

Construction-in-progress refers to capital assets in process of construction or installation and is stated in the engineering costs based on the expenses actually paid. The costs involved in valuation include the building expenses and other direct expenses, cost of machines and equipment, installation cost; but also include loan expenses incurred in the special loan of such project before the fixed asset has reached the predicted application status. The construction in progress is transferred into the fixed assets after the works has reached the predicted application status.

If any construction in process has been suspended for a long time and is estimated unable to restart the work within foreseeable time; or construction in process has been proved backward in terms of performances and technology and the economic benefit to be brought about by it is greatly indefinite and the recoverable amount is lower than the balance of book value, reserve for deterioration is permitted to be provided.

(13) Loan expenses

Such loan expenses as interest from the special loans for purchasing/constructing fixed assets, depreciation/premium amortized, auxiliary expenses, foreign exchange difference, etc. can be capitalized and stated in the costs of assets if they compliance wit the following three items:

1. Assets expenses have already incurred;

2. Loan expenses have already incurred;

3. The necessary purchase/construction activities to make the assets up to the planned application status have already started.

When the fixed asset purchased/constructed has reached the predicted application status, the capitalization of the loan cost stops. The loan expenses incurred afterwards are stated in the gain/loss of the current period.

Interest expense in the loan expenses is based on the weighted average of the accumulative expenditure of the fixed asset purchased/constructed and the weighted average interest rate of the relevant loans and its capitalized amount is determined within the limit not exceeding the interest of the special loan actually incurred in the current period.

For the expenses of the special foreign currency loans and the auxiliary expenses of material special loans, the capitalized amount is recognized based on the amount actually incurred. Expenses of other loans are directly stated as financial expenses at the very period of incurrence.

(14) Intangible assets evaluation and amortization

The intangible asset is mainly land use right.
Land use right is charged based on the actual payment and amortized over 50 years according to the straight-line method. Commencing from January 1, 2001, the land use right obtained or purchased by means of paying land assignment fee is calculated as intangible assets prior to commencement of the construction project with the actual payment as the cost. The book value of the land use right during building construction on the land is all changed over to the cost of construction-in-progress.

(15) Long-term expenses to be proportioned
Long term expenses to be apportioned, refer to various expenses, including the payment for improved the rented fixed assets, which have been paid but are to be apportioned over more than 1 year (with one year exclusive).

Expenses for improving the rented fixed assets refer to the expenses actually incurred for improving the fixed assets rented for operation purpose which should be amortized in average over the shorter term of the rent term and the service life of the rented assets.

Other long term expenses to be apportioned are amortized on average basis in the beneficiary term of the relevant items by means of straight-line method.

The expenses incurred in the preparation of the Company had been aggregated in the long term expenses to be amortized and were stated in the gain/loss of the very period in the very month when the Company started the production and operation on once-and-for-all basis.

If the projects involved with long term expenses to be apportioned are unable to provide benefit in the afterwards accounting terms, the balance of such expenses not yet amortized shall all be transferred to the current gains/losses.

(16) Special accounts payable
Special accounts payable refer to the funds appropriated for special purpose to the company by the government, such as the special fund for technical innovation, technical

research, etc. as well as the fund obtained from other sources.

When such fund is used to purchase fixed assets, the company should transfer the corresponding fund into the capital public reserve.

(17) Revenue recognition
Sales of goods
Sales income is recognized when the significant risks and rewards of ownership of the goods have been transferred to customers, the economic benefits associated with the transaction can flow into this Group and the amount of sales-related costs can be measured reliably.

Cash discount is stated as the financial expense of the current period of actual incurrence; sales allowance eats up part of the income of the current period of actual incurrence.
Labor services

Income from labor services is recognized at the time of completion in case the service starts and ends within a fiscal year. Income from labor services starting and ending in different fiscal years is recognized based on the percentage of completion at the balance sheet day provided that the result of the labor service transaction can be reliably measured.

(18) Accounting treatment of income tax
This Group adopts tax payable method in treating income tax expenses.

(19) Method of preparing the consolidated financial statements
The Company implements the Provisional Regulations on Printing and Issuing Consolidated Accounting Statements promulgated by the Ministry of Finance of the People's Republic of China (Document on Accounting (1995) No. 11).

Consolidated financial statements cover the financial statements of the subsidiaries in the consolidation ended June 30, 2002. In accordance with the Official Reply to the Request for Instructions on the Consolidation Range for Consolidated Accounting Statements promulgated by the Ministry of Finance (Document on Accounting (2) (1996) No. 2, a subsidiary whose income from the principal business is below 10% of the Company's income from principal business, whose total assets is below 10% of the Company's total assets, whose total profit is below 10% of the Company's total profit shall not be consolidated.

Subsidiaries refer to the businesses whose voting-bearing capital is directly or indirectly held by the Company by over 50%, or whose financial and operation policies are decided by the Company even though the Company controls its voting-bearing capital below 50% and the Company is entitled to obtain profit from their operation activities.

The balance of the material current accounts and transactions between the Company and its consolidated subsidiaries shall be offset while preparing the consolidated statements. If the accounting policy adopted by a consolidated subsidiary differs from that by the parent company while such difference occurred therefrom affects greatly the consolidated statements, the accounting policy implemented by the parent company shall be adjusted.

(II) Taxes

Taxes the Group has to pay are summarized as follows:

Taxes	Rate	Taxation basis
Value-added tax	17%	Calculated based on 17%of the sales income less the input VAT allowed for offsetting in the current period.
Operation tax	5%	Housing lease income
urban construction tax	1%	Payment of VAT and business tax in the very period
Business income tax	15-33%	Amount of income taxable (1)

The Group provides the business income tax based on the balance of the total income less the items permitted for deduction as the taxable income amount. According to the relevant cases of the income tax, the Group, a company incorporated within Shenzhen Special Economic Zone, applies tax rate of 15%; the other companies incorporated in other places apply tax rate of 33%. In addition, Shenzhen FIYTA Shenzhen FIYTA Sophisticated Timepieces Manufacture Co., Ltd., one of the Company's subsidiaries, has been approved by the local tax authority to enjoy preferential treatment of two years' total exemption and three years' half exemption from business income tax commencing from the year of making profit.

(III) Controlled subsidiaries and joint ventures

Subsidiaries:	Registration place	Legal representative	Registered capital	Investment by the Company: original currency	Investment by the Company: Conversion in RMB	proportion controlled by the Company	Principal Business	Consolidated or not	Remarks
Shenzhen Feitu New Tech Development Co., Ltd.	Shenzhen	Chen Zhili	HKD3,080,000	RMB992,626 HKD107,313 USD143,475	1,848,00	60%	Pulse gilding and vacuum film plating	No	Note (1)
Xi'an Haomen Restaurants & Recreation Co., Ltd.	Xi'an	Men Tengshan	HKD16,000,000	RMB11,040,000	11,040,000	62%	Catering, recreation, fine goods	No	Note (2)
Shenzhen Harmony World Watches Center Co., Ltd.	Shenzhen	Xu Dongsheng	RMB15,000,000	RMB13,625,000	13,625,000	90%	purchase sales and repair services of timepieces and components	Yes	
Shenzhen Feijing Sophisticated Optical Instruments Manufacture Co., Ltd.	Shenzhen	Xu Dongsheng	RMB7,000,000	RMB6,300,000	6,300,00	99%	Processing, production and marketing of sophisticated optical instruments	Yes	
Shenzhen FIYTA Sophisticated Timepieces Manufacture Co., Ltd.	Shenzhen	Xu Dongsheng	RMB10,000,000	RMB9,000,000	9,000,000	99%	Producing various timepieces and movements, spares and parts, sophisticated timepieces and repair service	Yes	
Shenzhen Feiyu Artistic Timepiece Co., Ltd.	Shenzhen	Zhu Gensen	HKD3,000,000	RMB825,000 USD192,981	1,905,000		Producing and marketing various artistic timepieces	No	Note (3))
Shenzhen Harmony World Watches Center Co., Ltd.	Shenzhen	Lu Bingqiang	RMB2,800,000	RMB1,400,000	1,400,000	50%	Top brand watches, glasses, ornaments, gifts, general merchandise,	Yes	Note (4)

(1) The operation term of the company terminated on December 16, 2003 and the liquidation started in December, 2003. Therefore, it was not consolidated in 2004 Semi-annual Accounting Statements commencing from the date of liquidation.

(2) The company sold its assets of catering and recreation in 2003 and stopped business activities before the end of 2003.

(3) The operation term of this subsidiary terminated on November 28, 2001 and the liquidation started at the end of 2001. The liquidation had not ended at the end of the report period. It was not consolidated the Group's consolidated statements commencing from 2001.

(4) The company is a joint venture of the Company. Its income from the principal business, total assets and total profit in the previous year were all less than 10% of the Company's income from the principal business, total assets and total profit. It has always used the equity method for accounting. This year, the Company has been controlling its financial and business management while its total profit this year has exceeded 10% of the Company's total profit. Therefore, from 2003 on, this joint venture has been consolidated in the Group as a subsidiary of the Group.

(IV) Notes to the principal items on the accounting statements

1. Monetary funds:

Items	June 30, 2004	December 31, 2003
Cash on hand	272,638.39	261,365.00
Bank deposit	79,534,483.20	109,835,486.00
Other Monetary Funds	122,381.58	7,430,182.00
Total	79,929,503.17	117,527,033.00

* Foreign exchange funds ended June 30, 2003 are stated as follows:

Items	June 30, 2004
currencies	Conversion in RMB
HK$	6,011,934.82
US$	5,315,326.95
£	1,683.00

2. Short-term investment

	June 30, 2004		December 31, 2003	
Items	Investment amount	Provision for price falling	Investment amount	Provision for price falling
Stock investment	22,319,633.51	3,940,404.63	4,780,952.00	905 068.00
Repurchase of government			51 003 863.00	

bonds				
Total	22,319,633.51	3,940,404.63	55 784 815.00	905,068.00

3. Accounts receivable

	June 30, 2004			December 31, 2003		
Age	Amount	Proportion	Provision for bad debts	Amount	Proportion	Provision for bad debts
Within a year	16,073,344.23	24.02%	388,182.49	11,865,071.00	19.04%	1,814,340.00
1~2 years	5,614,871.38	8.39%	1,307,108.00	5,252,669.00	8.43%	1,307,108.00
2~3 years	13,989,434.58	20.90%	12,284,748.00	14,343,287.00	23.02%	12,284,748.00
Over 3 years	31,252,748.19	46.69%	27,359,232.00	30,853,178.00	49.51%	27,359,232.00
Total	66,930,398.38	100%	41,339,270.49	62,314,205.00	100%	42,765,428.00

* Ended June 30, 2004, there were no accounts receivable owed by the shareholders holding more than 5% (including 5%) of the Company's total shares except note (vi)2.

Ended 30, 2004, the top five debtors of the accounts receivable and the amounts are listed as follows:

Companies	Amount receivable	Proportion in the total of the accounts receivable
Timepieces and Sewing Machine Wholesale Station of Yingkou General Merchandise Co.	982,604.03	1.47%
Siping No. 1 Department Store	823,302.04	1.23%
Anshan Timepieces and Photographic Equipment Co.	807,815.00	1.21%
Culture and Timepieces Co.	773,021.00	1.15%
Qingdao Orient Group Co., Ltd.	764,149.00	1.14%

4. Other receivables

	June 30, 2004			December 31, 2003		
Age	Amount	Proportion	Provision for bad debts	Amount	Proportion	Bad debt
Within a year	9,827,170.94	29.60%	535,288.00	12,318,271.00	37.48%	535,288.00
1~2 years	12,317,286.97	37.10%	6,113,164.00	10,700,393.00	32.55%	6,113,164.00
2~3 years	1,418,532.77	4.27%	117,709.00	559,605.00	1.7%	117,709.00
Over 3 years	9,641,587.16	29.03%	6,628,128.00	9,291,920.00	28.27%	6,628,128.00
Total	33,204,577.84	100%	13,394,289.00	32,870,189.00	100%	13,394,289.00

Ended June 30, 2004, there were no arrears owed by the shareholders holding more than 5% (including 5%) of the Company's total shares.

Ended 30, 2004, the top five debtors of other receivables and the amounts are listed as follows:

Companies	Amount receivable	Proportion in the total of the accounts receivable
Shenzhen Feiyu Artistic Timepiece Co., Ltd.	5,352,480.13	16.12%
Xinlongtai Industrial Co., Ltd.	1,573,876.89	4.74%
Shenzhen Feitu New	1,184,030.00	3.57%

Technology Development Co., Ltd.		
Xi’an Aviation Engine Co.	715,034.21	2.15%
Zhuangtu Commodities Trading Center	641,807.20	1.93%

5. Expenses to be apportioned

Items	December 31, 2003	increase this year	amount amortized this year	June 30, 2004
Rent	211,723.00	200,100.20	308,829.59	102,993.61
Insurance premium	39,399.00	54,978.47	58,958.05	35,419.42
Simple fitting up fee	198,122.00	101,000.00	125,530.00	173,592.00
Repairing fee		14,517.30	5,332.40	9,184.90
Others	197,752.00	38,135.82	93,485.31	142,402.51
Total	646,996.00	408,731.79	592,135.35	463,592.44

6. Inventories

Items	June 30, 2004		December 31, 2003	
	Amount	Provision for price falling	Amount	Provision for price falling
Raw materials	46,463,921.50	22,806,228.00	41,469,655.00	22,806,228.00
Products in process	3,625,620.12		4,161,965.00	
Finished products and goods in stock	206,138,305.04	40,687,354.98	167,946,783.00	40,730,071.00
Packing materials and low-value consumption goods	1544.00		2,606,730.00	
Total	256,229,390.66	63,493,582.98	216,185,133.00	63,536,299.00

* For the net realizable value of the inventories, refer to the market price. It is determined based on the regional estimated sales expense and the amount after the relevant taxes.

7. Long-term investment

Items	June 30, 2004	December 31, 2003
Stock investment	3,085,000.00	3,085,000.00
Other equity investment	1,800,000.00	1,800,000.00
Total	4,885,000.00	4,885,000.00

① Stock investment

Investees	Share type	Number in the investees’ total registered shares	Proportion of capital	Investment amount	Market price at year end	Reserve for devaluation	Remarks
–	–	–	–		–	–	–

Wanneng Joint Stock Co., Ltd.	Legal person shares	1.1 million shares	0.13%	3,000,000.00	Not listed
Xi'an Tangcheng Joint Stock Co., Ltd.	Legal person shares	50,000 shares	0.10%	85,000.00	Not listed
Total				3,085,000.00	

② Other equity investment

Investees	Investment Term	Investment amount / Initial investment amount: original currency	Conversion in RMB	Equity adjusted year	Adjusted amount accumulated equity	Ending balance	% in the investees' equity
Shenzhen CATIC Transmit Co., Ltd.	13 years	300,000..00	300,000..00			300,000..00	15%
Shenzhen Research Institute of North China Polytechnic University	20 years	1,500,000.00	1,500,000.00			1,500,000.00	50%
Total		1,800,000.00	1,800,000.00			1,800,000.00	

8. Fixed assets and accumulative depreciation

Fixed assets, type and cost	opening balance	Increase in the report period	decrease in the report period	ending balance
Housing and buildings	72,511,196.00			72,551,196.00
Machines & equipment	15,449,740.00	225,650.00	87,358.48	15,588,031.52
Electronic equipment	7,211,917.00	2,619,414.35	446,858.00	9,384,473.35
Motor vehicle	6,456,294.00	915529.94	145,202.66	7,226,621.28
Other equipment	6,735,595.00	51,495.30		6,787,090.30
Total	108,364,742.00	3,812,089.59	679,419.14	111,497,412.45
Accumulative depreciation				
Housing and buildings	30,219,991.00	1,049,059.02		31,269,050.02
Machines & equipment	8,178,294.00	553,098.47	63,856.45	8,667,536.02
Electronic equipment	4,796,114.00	466,453.44	305,187.00	4,957,380.44
Motor vehicle	3,912,205.00	267,343.70	137,942.53	4,041,606.17
Other equipment	4,754,398.00	403,229.10		5,157,627.14
Total	51,861,002.00	2,739,183.77	506,985.98	54,093,199.79

9. Construction in process

Projects	December 31, 2003	increase in the report year	Fixed assets transferred in this year	Other decreases	June 30, 2004	Funds source
Development of FIYTA Hi-tech Industrial Park	125,227,493.42	31,576,032.29			156,803,525.71	self
Total	125,227,493.42	31,576,032.29			156,803,525.71	

10. Long-term expenses to be proportioned

Items	December 31, 2003	increase this year	Transfer out this year	amount amortized this year	June 30, 2004
Fixed assets rented expense for improving works	4,379,366.00	3,129,865.49	-	1,215,132.04	6,294,098.79
Trademark compensation	2,255,007.00			156,250.00	2,098,757.66
Other deferred payment	252,351.00			64,987.53	187,363.47
Total	6,886,724.00	3,129,865.49		1,436,369.57	8,580,219.92

11. Short-term Loan

Items	June 30, 2004	December 31, 2003
Bank loan: secured		100,000.00
Miscellaneous		
Total:		100,000.00

12. Accounts payable

Age	June 30, 2004 Balance	proportion (%)	December 31, 2003 Balance	proportion (%)
Within a year	32,332,109.82	96.98%	33,609,383.63	97.41%
within over 1 year but below 2 years				
within over 2 but below 3 years	1,007,618.04	3.02%	895,146.37	2.59%
Over 3 years				
Total	33,339,727.86	100%	34,504,530.00	100%

Of the accounts payable, there is none owed to the shareholders holding more than 5% (with 5% inclusive) of the Company's shares.

13. Advance Receipts

Age	June 30, 2004 Balance	proportion (%)	December 31, 2003 Balance	proportion (%)
Within a year	3,318,442.12	63.82%	3,300,139.83	63.69%
within over 1 year but below 2 years	1,881,340.17	36.18%	1,881,340.17	36.31%
within over 2 years but below 3 years				
Over 3 years				
Total	5,199,782.29	100%	5,181,480.00	100%

Of the advance receipts, there is none directly owed to the shareholders holding more than 5% (with 5% inclusive) of the Company's shares.

14. Other payables

Age	June 30, 2004 Balance	proportion (%)	December 31, 2003 Balance	proportion (%)

Within a year	22,104,663.80	73.08%	6,707,959.31	53.16%
within over 1 year but below 2 years	2,986,539.43	9.87%	2,131,951.56	16.90%
within over 2 years but below 3 years	5,156,480.17	17.05%	3,778,156.13	29.94%
Over 3 years				
Total	30,247,683.40	100%	12,618,067.00	100%

Of the other payables, there is none directly owed to the shareholders holding more than 5% (with 5% inclusive) of the Company's shares.

15. Taxes Dutiable

Taxes	June 30, 2004	December 31, 2003
Business tax dutiable	215,714.21	304,293.00
VAT not yet offset	-14,124,275.01	-11,665,376.00
urban construction tax dutiable	70,335.15	62, 311,299.00628.00
Business income tax dutiable	97,706.01	
Others		802,789.00
Total	-13,740,519.64	-10,184,367.00

16. Expenses allotted in advance

Items	June 30, 2004	December 31, 2003
Water and electricity	29,746.43	118,868.00
Advertisement		614,130.00
Others		78,971.00
Total	29,746.43	811,969.00

17. Other accounts dutiable

Items	June 30, 2004	December 31, 2003
Educational Surcharge	27,426.32	64,690.00
Flood fighting fund		60,789.00
Total	27,426.32	125,479.00

18. Special accounts payable

Items	June 30, 2004	December 31, 2003
Fund financed for construction of enterprise technology center	3,000,000.00	3,000,000.00
Total	3,000,000.00	3,000,000.00

19. Capital Stock

Items	June 30, 2004	December 31, 2003
Negotiable shares, not listed	130,248,000.00	130,248,000.00
Negotiable shares, listed	119,069,999.00	119,069,999.00
Including: Domestically listed RMB ordinary shares	60,749,999.00	60,749,999.00
Domestically listed RMB based foreign shares	58,320,000.00	58,320,000.00

Total:	249,317,999.00	249,317,999.00

20. Capital public reserve

Items	June 30, 2004	December 31, 2003
Share premium	177,354,784.00	177,354,784.00
Value added in assets assessment	13,753,693.00	13,753,693.00
Price difference in related transactions	738,757.00	738,757.00
Total	191,847,234.00	191,847,243.00

21. Surplus public reserve

Items	June 30, 2004	December 31, 2003
Statutory surplus public reserve	43,445,904.00	43,445,904.00
Statutory public welfare fund	25,036,994.00	25,036,994.00
Discretionary surplus public reserve	61,984,894.00	61,984,894.00
Total	130,467,792.00	130,467,792.00

22. Retained earnings

Items	June 30, 2004	December 31, 2003
Retained profit		-56,176,663.00
- Retained earnings at year beginning	-56,176,663.00	
- Profit this year	1,562,895.14	
Total	-54,613,767.86	-56,176,663.00

23. Income from principal business

Items	Jan.1 to Jun. 30, 2004	Jan.1 to Jun. 30, 2003
Income from sales of products	66,243,641.43	50,943,319.85
Income from sales of goods	60,647,687.49	38,000,319.42
Operating and service income		8,961,822.78
Property income	7,263,722.19	7,682,407.20
Total	134,155,051.11	105,587,869.25

24. Costs of principal business

Items	Jan.1 to Jun. 30, 2004	Jan.1 to Jun. 30, 2003
Product sales cost	32,852,632.53	26,392,384.26
Commodity sales cost	50,110,901.96	32,071,113.45
Operating and service costs		4,307,114.75
Property costs	689,860.77	252,672.06
Total	83,653,395.26	63,023,284.52

25. Taxes and surcharges of principal business

Items	Jan.1 to Jun. 30, 2004	Jan.1 to Jun. 30, 2003
Business tax	504,197.25	566,188.42
Urban construction tax	60,585.97	48,512.03

Educational Surcharge	193,757.92	104,516.88
others		
Total	758,541.14	719,217.33

26. Financial expenses

Types	Jan.1 to Jun. 30, 2004	Jan.1 to Jun. 30, 2003
Interest payment	2,114.00	
Less: Interest income	411,893.82	306,191.95
Exchange losses		
Less: Exchange gain		
Bank service charges	160,399.69	89,606.00
others	48,794.15	
Total	-200,585.98	-216,585.95

27. Profit from other business

	Jan.1 to Jun. 30, 2004				Jan.1 to Jun. 30, 2003
Items	Income	Cost	tax	Profit	Profit
Income from repairing and replacement	1,539,905.73	386,050.69		1,153,855.04	321,704.63
others	143,303.34	134,865.24		8,438.10	8,547.01
Total	1,683,209.07	520,915.93		1,162,293.14	330,251.64

28. Investment income

Types	Jan.1 to Jun. 30, 2004	Jan.1 to Jun. 30, 2003
Earnings from short term investment	-2,795,826.67	5,998,760.75
Investees adjusted based on equity method		425,638.20
Securities investment	351,335,63	
income from disposal of the invested companies		-61,043.69
Others	3,872.59	
Total	-2,440,618.45	6,363,355.26

29. Non-operating income

Main items	Jan.1 to Jun. 30, 2004	Jan.1 to Jun. 30, 2002
Output VAT, carried-in and transferred out		
Net income from disposal of fixed assets	702,525.26	1,460.00
Accounts unnecessary to be paid		
others	462,917.00	2,391,780.01
Total	1,165,442.60	2,393,240.01

30. Non-operating expenses

Main items	Jan.1 to Jun. 30, 2004	Jan.1 to Jun. 30, 2003
Input VAT carried-in		
Net losses on disposal of fixed assets	4,358.62	588,004.33
Penalty payment	21,322.50	15,500.00
others	1,469.61	3,852.26
Total	27,150.73	607,356.59

(V) Notes to the relevant items on the accounting statements of the parent company

1. Accounts receivable

	June 30, 2004			December 31, 2003		
Age	Amount	Proportion	Provision for bad debts	Amount	Proportion	Provision for bad debts
Within a year	11,269,139.77	18%	278,907.00	12,826,090.00	21.00%	278,907.00
1 to 2 years	4,776,863.14	7.63%	886,564.00	4,257,273.00	7%	886,564.00
2~3 years	15,100,647.29	24.12%	11,692,934.00	13,747,737.00	23% .	11,692,934.00
Over 3 years	31,459,681.86	50.25%	26,849,357.00	30,210,273.00	49%	26,849,357.00
Total	62,606,332.05	100%	39,707,762.00	61,041,373.00	100%	39,707,762.00

Top five debtors of the accounts receivable at the end of the period are as follows:

Companies	Amount receivable	Proportion in the total of the accounts receivable
Timepieces and Sewing Machine Wholesale Station of Yingkou General Merchandise Co.	982,604.03	1.56%
Siping No. 1 Department Store	823,302.04	1.31%
Anshan Timepieces and Photographic Equipment Co.	807,815.00	1.29%
Culture and Timepieces Co.	773,021.00	1.23%
Qingdao Orient Group Co., Ltd.	764,149.00	1.22%

* Ended June 30, 2004, there were no accounts receivable owed by the shareholders holding more than 5% (including 5%) of the Company's total shares.

2. Other receivables

	June 30, 2004			December 31, 2003		
Age	Amount	Proportion	Provision for bad debts	Amount	Proportion	Provision for bad debts
Within a year	97,195,124.51	78.66%	228,158.00	70,493188.00	75%	228,158.00
1~2 years	17,212,618.28	13.93%	6,104,150.00	16,312,566.00	17%	6,104,150.00
2~3 years	1,574,686.28	1.27%	86,558.00	455,768.00	0.5%	86,558.00
Over 3 years	7,576,983.26	6.14%	5,777,341.00	7,101,222.00	7.5%	5,777,341.00
Total	123,559,412.33	100%	12,196,207.00	94,362,744.00	100%	12,196,207.00

* Ended June 30, 2004, there were no other receivables owed by the shareholders holding more than 5% (including 5%) of the Company's total shares.

3. Long-term equity investment

Items	June 30, 2004	December 31, 2003
Stock investment	3,085,000.00	3,085,000.00
Subsidiaries:	41,511,954.56	34,084,452.00
Others	1,800,000.00	1,800,000.00
Total	46,396,954.56	38,969,452.00

(1) Stock investment

Investees	Type of share	Quantity	Proportion in the registered capital of the investee	Investment amount	Market price at year end	Reserve for devaluation	Remarks
Wanneng Joint Stock Co., Ltd.	Legal person shares	1.1 million shares	0.13%	3,000,000.00			Not listed
Xi'an Tangcheng Joint Stock Co., Ltd.	Legal person shares	50,000 shares	0.10%	85,000.00			Not listed
Total				3,085,000.00			

(2) Subsidiaries:

Investees	Operation term	Proportion in the registered capital of the investee	June 30, 2004	December 31, 2003
Shenzhen Feitu New Technology Development Co., Ltd.	1983-2003	60%		
Xi'an Haomen Restaurants & Recreation Co., Ltd.	1994-2009	75%	5,800,500.00	5,800,500.00
Shenzhen Harmony World Watches Center Co., Ltd.	1997-2012	90 %	5,618,976.69	5,752,069.00
Shenzhen Feijing Sophisticated Optical Instruments Manufacture Co., Ltd.	1997-2007	90 %		
Shenzhen FIYTA Sophisticated Timepieces Manufacture Co., Ltd.	1999-2009	90%	27,086,306.16	20,056,373.00
Shenzhen	1993-2008	50%	3,006,171.71	2,475,510.00

Harmony World Watches Center Co., Ltd.		
Total	41,511,954.56	34,084,452.00

(3) Other equity investment

Investees	Investment term	Initial investment amount original currency	Initial investment amount Conversion in RMB	Equity adjusted this year	Adjusted amount of accumulated equity	Ending balance	Proportion in the Investees' equity
Shenzhen CATIC Culture Transmit Co., Ltd.	13 years	300,000.00	300,000.00			300,000.00	15%
Shenzhen Research Institute of Northwest China Polytechnic University	20 years	1,500,000.00	1,500,000.00			1,500,000.00	50%
Total		1,800,000.00	1,800,000.00			1,800,000.00	

4. Income from principal business

Items	Jan.1 to Jun. 30, 2004	Jan.1 to Jun. 30, 2003
FIYTA watches	66,067,465.05	46,879,607.50
Property income	7,263,722.19	7,682,407.20
Total	73,331,187.24	54,562,014.70

5. Costs of principal business

Items	Jan.1 to Jun. 30, 2004	Jan.1 to Jun. 30, 2003
FIYTA watches	43,443,238.33	28,906,236.32
Property costs	689,860.77	252,672.06
Total	44,133,099.10	29,158,908.38

(VI) Related Parties and Related Transactions

1. Related parties with control relationship

Companies	Registered address	Principal business	Relationship	Company type	Legal Representative
CATIC SHENZHEN HOLDINGS LTDS.	Shenzhen	Investing to set up entities, domestic trade, materials supply and sales	the Company's parent company	Joint stock co., ltd.	Wu Guangquan
CATIC Shenzhen Corporation	Shenzhen	Import and export of motor vehicles, equipment and machinery	shareholder of the Company's parent company	solely owned by the state	Wu Guangquan

made within the Group.

2. Balance of Main Accounts Receivable from the Related Parties

Company Names	June 30, 2004	December 31, 2003
Shenzhen Feiyu Artistic Timepiece Co., Ltd.	5,472,480.00	5,472,480.00
Shenzhen Feitu New Technology Development Co., Ltd.	1,884,030.00	1,884,030.00
CATIC Shenzhen Corporation	1,500,000.00	1,500,000.00

3. Related Parties without Control Relationship

Company names	Relationship
Shenzhen Tianma Microelectronics Co., Ltd.	controlled by the same parent company
Shenzhen CATIC Property Management Co., Ltd.	controlled by the same parent company shareholder
Shenzhen Rainbow Emporium Co., Ltd.	sharing the same Chairman of the Board
Shenzhen Nanguang (Group) Co., Ltd.	sharing the same Chairman of the Board
Shenzhen CATIC Culture Transmit Co., Ltd.	Associated company
Shenzhen Research Institute of Northwest China Polytechnic University	Joint venture company

4. Material related transactions with the related parties

Items	Jan.to Jun., 2004	Jan. to June, 2003
Property management fee	495,100.80	0.00
Total	495,100.80	0.00

Note: The related party involved in this transaction is Shenzhen CATIC Property Management Co., Ltd.

(VII) Additional information

1. The net assets-income ratio and earnings per share are calculated in accordance with the Rules for Public Companies to Disclose Information and Prepare Statements (No. 9) promulgated by China Securities Regulatory Commission (CSRC).

Profit of the report period	Net assets-income ratio		Earnings per share (RMB/share)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Profit from principal businesses	9.621%	9.636%	0.200	0.200
Operating profit	0.733%	0.734%	0.015	0.015
Net profit	0.302%	0.303%	0.006	0.006
Net profit less non-recurring loss/gain	0.082%	0.082%	0.002	0.002

2. Schedule of Reserve for Deterioration of Assets

Prepared by: SHENZHEN FIYTA HOLDINGS LTD. June 30, 2004 In RMB

Items	Opening Balance	increase in the report period	Decrease in the report period	ending balance
I. Accounts receivable	56,159,717.00	0.00	1,426,157.51	54,733,559.49
Incl.: Accounts receivable	42,765,428.00	0.00	1,426,157.51	41,339,270.49
Other receivables	13,394,289.00	0.00	0.00	13,394,289.00
II. Reserve for devaluation of short-term investment	905,068.00	3,035,336.63	0.00	3,940,404.63
Incl.: Stock investment	905,068.00	3,035,336.63	0.00	3,940,404.63
Securities investment	0.00	0.00	0.00	0.00
III. Reserve for price falling of inventories	63,536,299.00	0.00	42,716.02	63,493,582.98
Including: goods in stock	42,716.02	0.00	42,716.02	0.00
Finished products	40,687,354.98	0.00	0.00	40,687,354.98
Raw materials	22,806,228.00	0.00	0.00	22,806,228.00
Packing materials and low-value consumption articles	0.00	0.00	0.00	0.00
IV. Total reserve for devaluation of long-term investments	0.00	0.00	0.00	0.00
Incl.: Long-term equity investment	0.00	0.00	0.00	0.00
Long term credit investment	0.00	0.00	0.00	0.00
V. Reserve for devaluation of fixed assets	2,921,871.00	0.00	12,838.88	2,909,032.12
Incl.: Housing & buildings	2,600,000.00	0.00	0.00	2,600,000.00
Machines & equipment	321,871.00	0.00	12,838.88	309,032.12
VI. Reserve for depreciation of intangible assets	0.00	0.00	0.00	0.00
incl.: Patent	0.00	0.00	0.00	0.00
Trademark	0.00	0.00	0.00	0.00
VII. Reserve for Construction-in-progress	0.00	0.00	0.00	0.00
VIII. Reserve for devaluation of entrusted loan	0.00	0.00	0.00	0.00