SHENZHEN FIYTA HOLDINGS LTD.
2005 1st Quarterly Report

§1 Important

1.1 The Board of Directors of the Company and the directors 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.

1.2 All the directors attended the board meeting.

1.3 This quarterly report has not been audited.

1.4 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 quarterly report.

§2 Company Information

2.1 Basic Information

Short form of stock	FIYTA A, FIYTA B	
Stock Code	000026 200026	
	Secretary of the Board of Directors	Securities Affairs Representative:
Name	Hao Huiwen	Chen Zhuo
Liaison Address	20th Floor, FIYTA Technology Building, Gaoxin S. Road One, Nanshan District, Shenzhen	
Tel	0755－83217888 (Operator) 86013669	
Fax	（0755）83348369	
E-mail	investor@fiyta.com.cn	

2.2 Financial Information

2.2.1 Financial Highlights In RMB

	End of the report period	End of the previous year	Increase/decrease of the end of the report period vs the end of the previous year
Total assets	607,802,454.67	627,537,297.00	-3.14%
Shareholders' equity (excluding minority equity)	518,117,252.40	517,364,242.00	0.15%
Net assets per share	2.078	2.075	0.15%
Net assets per share after adjustment	2.037	2.041	-0.20%
	Report period	from year beginning to the end of the report period	Increase/decrease of the report period vs the same period of the previous year
Net cash flows arising from operating activities	-1,946,161.87	-1,946,161.87	-89.83%
Earnings per share	0.003	0.003	-66.67%
Net assets-income ratio	0.15%	0.15%	0.27
Net assets-income rate after deducting the non-recurring gains and loss	0.73%	0.73%	0.39
Non-recurring gain and loss items	Amount		
Net amount of non-operating income and expenses	28,674.25		
Losses from short term investments	-3,568,006.57		
Impact of Income tax	530,899.85		
Total	-3,008,432.47		

2.2.2 Statement of Profit

In RMB

Description	Consolidated		Parent company	
	Jan to Mar, 2005	Jan to Mar, 2004	Jan to Mar, 2005	Jan to Mar, 2004
Principal business income	88,916,628.28	67,174,815.93	38,445,687.58	35,405,506.08
Less: Costs of principal business	58,435,299.81	41,337,499.42	20,056,247.46	20,028,522.96
Taxes and surcharges of principal business	655,757.91	272,403.06	607,126.28	131,764.40
Principal business profit	29,825,570.56	25,564,913.45	17,782,313.84	15,245,218.72
plus: Profit from other businesses	341,144.57	227,989.49	215,437.74	-88,109.40
Less: Operation costs	13,809,361.41	13,103,652.04	9,672,622.29	10,398,292.65
Overheads	11,564,222.86	10,112,632.89	6,364,325.24	6,074,597.46
Financial expenses	279,141.41	-82,596.08	153,014.36	-136,916.05
Operating profit	4,513,989.45	2,659,214.09	1,807,789.69	-1,178,864.74
Plus: Investment income	-3,568,006.57	-440,618.45	-1,059,888.83	2,918,825.97
Subsidy income				
Non-operating income	39,042.88	462,977.70	8,085.00	462,917.00
Less: Non-operating expenses	10,368.63	27,165.19	2,973.63	2,632.39

Total profit	974,657.13	2,654,408.15	753,012.23	2,200,245.84
Less: Income tax	221,644.90	454,968.31		806.00
Minority shareholders' equity				
Net profit	753,012.23	2,199,439.84	753,012.23	2,199,439.84

2.3 Total Shares and Shares Held by Top Ten Shareholders of Negotiable Shares at the End of the Report Period

Total shareholders at the end of the report period	18309 (including 8732 shareholders of A-shares and 9577 shareholders of B-shares)	
Shares held by the top ten shareholders		
Shareholders (Full Names)	Quantity of negotiable shares held at the end of the period	Types (A-, B-, H-shares, or others)
CHAN KEUNG	769083	Negotiable B-shares
Zeng Ying	538590	Negotiable B-shares
Ou Yanping	500458	Negotiable B-shares
Lin Hongbo	362880	Negotiable B-shares
China Pingan Insurance Co. (Hong Kong)	359070	Negotiable B-shares
Xue Peiming	336800	Negotiable B-shares
Lin Zhihua	330000	Negotiable B-shares
Li Huang Shun Jin	288000	Negotiable B-shares
Yang Yuanzhou	285900	Negotiable B-shares
Du Jun	273311	Negotiable A-shares

§ 3 Discussion and Analysis of the Management

3.1 Summary of the Operation Activities in the Report Period

In the report period, the Company has been devoting itself to developing timepiece businesses with the brands FIYTA and HARMONY as the principal line and steady property operation. Due to decrease of order for souvenir watches, the income from sales of FIYTA watches in the first quarter was RMB 29.12 million, an 8.46% drop over the same period of the previous year. Due to rapid increase of chain shops, HARMONY Chain Shops realized sales income amounting to RMB 49.67 million in the first quarter, a 60.11% growth over the same period of the previous year. As the newly constructed FIYTA Technology Building was put into application in the second half year of the previous year, the Company realized property income in the first quarter amounting to RMB 9.32 million, a 159.52% growth over the same period of the previous year.

Generally speaking, in the report period, the income from the principal businesses was RMB 88.92 million and the profit from the principal business was RMB 29.83 million, a 32.37% and 16.67% growth respectively over the same period of the previous year.However, impacted by the additional provision for the price falling of the short term investments, the total profit realized in the first quarter was RMB 0.97 million and the net profit was RMB 0.75 million, 63.28% and 65.76% drop respectively over the same period of the previous year.

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

√ Applicable □ Inapplicable In RMB

Sectors	Principal business income	Principal business cost	Gross profit rate
industrial manufacture and sales	29,916,654.39	14,924,045.42	50.11%
Retail	49,675,024.92	41,062,493.18	17.34%
Property operation	9,324,948.97	2,448,761.21	73.74%
Products	Principal business income	Principal business cost	Gross profit rate
Manufacture and sales of FIYTA watches	29,120,738.61	14,516,692.40	50.15%
Sales of foreign famous watches	49,675,024.92	41,062,493.18	17.34%
Incl.: related transactions	-	-	-

3.1.2 Seasonal or Periodical Characteristics of Business Operation

□ Applicable √ Inapplicable

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

√ Applicable □ Inapplicable

Items	Amount In RMB		Proportion in total profit (%)		
	Jan to Mar, 2005	2004	Jan to Mar, 2005	2004	Increase/de-crease rate
Profit from principal businesses	29,825,570.56	101,141,752.00	3,060.11%	2,870.14%	6.62%
Profit from other business lines	341,144.57	1,659,560.00	35.00%	47.09%	-25.68%
Period expenses	25,652,725.68	90,939,404.00	2,631.97%	2,580.62%	1.99%
Investment income	-3,568,006.57	-8,534,002.00	-366.08%	-242.17%	-51.16%
Net amount of non-operating income and expenses	28,674.25	196,030.00	2.94%	5.56%	-47.11%
Total profit	974,657.13	3,523,936.00	100.00%	100.00%	0.00%

Notes:

The proportion of investment loss in the total profit expanded over the previous report period was mainly due to provision of big amount of reserve for price dropping of the stock based on the stock market.

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

□ Applicable √ Inapplicable

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

□ Applicable √ Inapplicable

3.2 Significant Events, its Impacts and the Solutions

√ Applicable □ Inapplicable

1.The Company continued to hold the stock investment of the previous year. Affected by the price drop in the stock market, up to the end of the report period, the Company's book investment balance was RMB 8.56 million. The reserve for loss from price falling of the short term investment was additionally provided by RMB 3.58 million, which has caused certain impact upon the total profit of the Company.

2. Particulars about the routine related transactions (Announcement on Routine Related Transactions in 2005 was published on the Securities Times and Hong Kong Commercial Daily on April 15, 2005.)

Both of the Company's FIYTA Building and FIYTA Technology Building receives property management service from Shenzhen CATIC Property Management Co., Ltd. The property management price is determined with reference to the market price by both parties. In the report period, the Company's property management service charge payable was RMB 328,100, which complies with the estimate.

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

□ Applicable √ Inapplicable

3.4 Explanation of the Board of Directors and the Supervisory Committee on the disclaimers specified in the auditor's report issued by the financial auditor.

□ Applicable √ Inapplicable

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

□ Applicable √ Inapplicable

3.6 Rolling adjustment of the disclosed annual operation plan or budget

□ Applicable √ Inapplicable

§4 Annex

Annex: Balance Sheet, Profit and Profit Distribution Statement and Cash Flow Statement.

SHENZHEN FIYTA HOLDINGS LTD.

Board of Directors

April 22, 2005

Balance Sheet

Prepared by: SHENZHEN FIYTA HOLDINGS LTD.   March 31, 2005   In RMB

Assets	Consolidated		Parent company	
	Mar 31, 2005	Dec 31, 2004	Mar 31, 2005	Dec 31, 2004
Current assets:				
Monetary funds	63,891,232.48	84,791,535.00	57,769,778.29	74,420,417.00
Short-term investment	8,240,821.00	11,819,472.00	8,240,821.00	11,819,472.00
Dividend receivable			244,066.90	244,067.00
Accounts receivable	23,784,355.49	18,730,857.00	18,431,412.37	14,793,711.00
Other receivables	20,272,894.76	20,953,910.00	134,051,775.74	166,443,664.00
Account prepaid	572,374.66	2,771,912.00	59,999.99	60,000.00
Inventories	202,002,216.25	203,983,820.00	66,174,448.69	68,598,064.00
Expenses to be apportioned	373,583.53	442,462.00	42,689.48	32,881.00
Total current assets	319,137,478.17	343,493,968.00	285,014,992.46	336,412,276.00
Long-term investment				
Long-term equity investment	4,885,000.00	4,885,000.00	39,864,227.74	37,356,110.00
Fixed assets:				
Fixed assets, cost	320,126,286.06	318,124,295.00	289,615,246.79	289,242,773.00
Less: accumulative depreciation	55,444,209.46	56,045,908.00	43,911,392.27	42,887,401.00
Fixed assets, net	264,682,076.60	262,078,387.00	245,703,854.52	246,355,372.00
Less: Provision for devaluation of fixed assets	2,860,323.09	2,860,323.00	2,600,000.00	2,600,000.00
Fixed assets, net	261,821,753.51	259,218,064.00	243,103,854.52	243,755,372.00
Construction-in-progress	1,671,195.44	1,290,242.00	1,671,195.44	1,290,242.00
Total fixed assets	263,492,948.95	260,508,306.00	244,775,049.96	245,045,614.00
Intangible assets and other assets				
Intangible assets	16,587,908.73	16,703,082.00	16,587,908.73	16,703,082.00
Long-term expenses to be apportioned	3,699,118.82	1,946,941.00	2,749,538.15	1,946,941.00
Total intangible assets and other assets	20,287,027.55	18,650,023.00	19,337,446.88	18,650,023.00
Total assets	607,802,454.67	627,537,297.00	588,991,717.04	637,397,090.00

Balance Sheet (Cont'd)

Prepared by: SHENZHEN FIYTA HOLDINGS LTD. March 31, 2005 In RMB

Shareholders' equity and liabilities	Consolidated		Parent Company	
	Mar 31, 2005	Dec 31, 2004	Mar 31, 2005	Dec 31, 2004
Liabilities				
Current liabilities				
Short-term Loan	20,000,000.00	20,000,000.00	20,000,000.00	20,000,000.00
Accounts payable	46,693,520.74	65,263,798.00	10,797,666.99	25,682,967.00
Advance receipt	810,467.15	684,171.00		156,330.00
Salaries payable	302,343.21	334,386.00	53,275.50	22,822.00
Welfares payable	2,806,006.83	2,764,845.00	2,273,586.48	2,267,505.00
Dividend payable				
Taxes payable	-11,149,462.46	-8,892,246.00	-523,600.65	2,266,790.00
Other payables	18,599,715.51	19,046,627.00	35,252,224.68	66,479,058.00
Other accounts due	33,814.48	9,434.00	4,867.44	3,491.00
Expenses allotted in advance	1,193,197.84	625,713.00	16,444.20	153,885.00
Total current liabilities	79,289,603.30	99,836,728.00	67,874,464.64	117,032,848.00
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	82,289,603.98	102,836,728.00	70,874,464.64	120,032,848.00
Minority shareholders' equity:	7,395,598.97	7,336,327.00		
Shareholders' equity				
Share capital	249,317,999.00	249,317,999.00	249,317,999.00	249,317,999.00
Capital public reserve	191,847,232.65	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	-53,515,770.77	-54,268,783.00	-53,515,770.77	-54,268,783.00
Total Shareholders' Equity	518,117,252.40	517,364,242.00	518,117,252.40	517,364,242.00
Total shareholders' equity and liabilities	607,802,454.67	627,537,297.00	588,991,717.04	637,397,090.00

Statement of Profit and Profit Distribution

Prepared by: SHENZHEN FIYTA HOLDINGS LTD. Jan to Mar, 2005 In RMB

Items	Consolidated		Parent company	
	Jan to Mar, 2005	Jan to Mar, 2004	Jan to Mar, 2005	Jan to Mar, 2004
Principal business income	88,916,628.28	67,174,815.93	38,445,687.58	35,405,506.08
Less: Costs of principal business	58,435,299.81	41,337,499.42	20,056,247.46	20,028,522.96
Taxes and surcharges of principal business	655,757.91	272,403.06	607,126.28	131,764.40
Principal business profit	29,825,570.56	25,564,913.45	17,782,313.84	15,245,218.72
plus: Profit from other businesses	341,144.57	227,989.49	215,437.74	-88,109.40
Less: Operation costs	13,809,361.41	13,103,652.04	9,672,622.29	10,398,292.65
Overheads	11,564,222.86	10,112,632.89	6,364,325.24	6,074,597.46
Financial expenses	279,141.41	-82,596.08	153,014.36	-136,916.05
Operating profit	4,513,989.45	2,659,214.09	1,807,789.69	-1,178,864.74
Plus: Investment income	-3,568,006.57	-440,618.45	-1,059,888.83	2,918,825.97
Subsidy income				
Non-operating income	39,042.88	462,977.70	8,085.00	462,917.00
Less: Non-operating expenses	10,368.63	27,165.19	2,973.63	2,632.39
Total profit	974,657.13	2,654,408.15	753,012.23	2,200,245.84
Less: Income tax	221,644.90	454,968.31		806.00
Minority shareholders' equity:				
Net profit	753,012.23	2,199,439.84	753,012.23	2,199,439.84
Add: undistributed profit at year beginning	-54,268,783.00	-56,176,663.00	-54,268,783.00	-56,176,663.00
Profit available for distribution	-53,515,770.77	-53,977,223.16	-53,515,770.77	-53,977,223.16
Less: Allotting statutory surplus public reserve				
Allotting statutory public welfare fund				
Profit available for distribution to the investors	-53,515,770.77	-53,977,223.16	-53,515,770.77	-53,977,223.16
Less: Dividends of common shares payable				
Retained earnings	-53,515,770.77	-53,977,223.16	-53,515,770.77	-53,977,223.16

Cash Flow Statement

Prepared by: SHENZHEN FIYTA HOLDINGS LTD. Jan to Mar, 2005 In RMB

Items	Consolidated	Parent company
I. Net cash flows arising from operating activities		
Cash received from sales of goods and supply of labor	99,631,650.55	44,103,629.77
Other business related cash receipts	2,129,240.23	1,541,001.19
Subtotal of cash flow in	101,760,890.78	45,644,630.96
Cash paid for purchase of goods and reception of labor services	69,604,807.95	13,768,925.45
Cash paid to and for staff	11,628,130.18	6,238,792.69
taxes paid	6,117,881.17	3,995,440.33
Other business related cash payments	16,356,233.35	21,900,708.04
Subtotal of cash flow out	103,707,052.65	44,903,866.51
Net cash flows arising from operating activities	-1,946,161.87	740,764.45
II. Cash flows arising from investment activities:		
Cash received from recovery of investment		
Cash received from investment income	285,643.43	285,643.43
Net amount of cash received from disposal of fixed assets, intangible assets and other long term assets	600.00	600.00
Interest income obtained		
Subtotal of cash flow in	286,243.43	286,243.43
Cash paid for construction/purchase of fixed assets, intangible assets and other long term assets	18,985,798.53	17,423,061.04
Cash paid for investment		
Subtotal of cash flow out	18,985,798.53	17,423,061.04
Net cash flow arising from investment activities	-18,699,555.10	-17,136,817.61
III. Cash flows arising from fund raising activities:		
Other fund-raising related cash received	16,814.45	16,814.45
Subtotal of cash flow in	16,814.45	16,814.45
Other fund raising related cash payments	271,400.00	271,400.00
Cash paid for dividend/profit distribution or repayment of interest		
Subtotal of cash flow out	271,400.00	271,400.00
Net cash flow arising from fund-raising activities	-254,585.55	-254,585.55
IV. Influence upon cash due to change of exchange rate		
V. Net increase of cash and cash equivalents	-20,900,302.52	-16,650,638.71

Cash Flow Statement (Cont'd)

Prepared by: SHENZHEN FIYTA HOLDINGS LTD. Jan to Mar, 2005 In RMB

Items	Consolidated	Parent company
1. Net cash flows arising from adjustment of net profit into operating activities:		
Net profit	753,012.23	753,012.23
Plus: Provision for devaluation of assets		
Depreciation of fixed assets	2,441,277.83	1,666,952.52
Amortization of intangible assets	208,923.60	208,923.60
Long-term expenses to be apportioned	698,588.14	
Decrease (less: increase) of expenses to be apportioned	66,878.47	-9,808.48
Increase (less: decrease) of expenses drawn in advance	567,484.84	-514,338.00
Loss (less: income) from disposal of fixed assets, intangible assets and other long term assets	-1,425.00	
Losses from rejection of fixed assets		
Financial expenses	150,543.00	150,543.00
Investment loss (less: income)	-3,293,006.57	-3,293,006.57
Deferred tax loan (less: debit)		
Decrease (less: increase) of inventories	1,981,603.75	2,423,615.31
Decrease (less: increase) of operative items receivable	-4,687,604.99	-2,523,425.48
Increase (less: decrease) of operative items payable	-832,437.17	1,878,296.32
Net increase (less: decrease) of value added tax		
Others		
Net cash flows arising from operating activities	-1,946,161.87	740,764.45
2. Investment and fund-raising activities with no cash income and expenses involved:		
Capital converted from liabilities		
Convertible company bonds due within a year		
Fixed assets rented through financing		
3. Net increase of cash and cash equivalents:		
Ending cash balance	63,891,232.48	57,769,778.29
Less: Opening cash balance	84,791,535.00	74,420,417.00
Plus: Ending cash equivalent balance		
Less: Opening cash equivalent balance		
Net increase of cash and cash equivalents	-20,900,302.52	-16,650,638.71