深圳市飞亚达（集团）股份有限公司

SHENZHEN FIYTA HOLDINGS LTD.

2005 Semi-annual Report

August 10, 2005

Important

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

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

Independent director Mr. Hua Xiaoning failed to attend the Board meeting for business reason and authorized Independent director Mr. Guo Wanda to exercise voting at the meeting on behalf.

The Company's 2005 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.

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 Office Address: FIYTA Technology Building, Gaoxin S. Road One, Nanshan District, Shenzhen

Office Address: 20th Floor, FIYTA Technology Building, Gaoxin S. Road One, Nanshan District, Shenzhen
Post Code: 518057
Internet Web Site: http://www.fiyta.com.cn
E-mail: szfyd@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: 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

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 Semi Annual Report is Prepared and Placed: Securities Department of the Company

7. Other Relevant Information

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

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

II. Financial Highlights

Table 1 In RMB

Items	June 30, 2005	December 31, 2004	Increase/decrease at the end of the report
Current assets:	318,338,061.05	343,493,968.00	-7.32%
Current liabilities	72,882,140.84	99,836,728.00	-27.00%
Total assets	605,862,813.58	627,537,297.00	-3.45%
Shareholders' equity (excluding minority equity)	522,573,879.21	517,364,242.00	1.01%
Net assets per share	2.096	2.075	1.01%
Net assets per share after adjustment	2.026	2.030	-0.19%

Table 2 In RMB

Items	Jan to Jun, 2005	Jan to Jun, 2004	Increase/decrease of the report period vs
Net profit	5,209,639.04	1,562,895.14	233.33%
net profit after deduction of non- recurring loss/gain	7,396,174.29	424,801.16	1641.09%
Net assets-income ratio	1.00%	0.30%	232.31%
Earnings per share	0.021	0.006	233.33%
Net cash flows arising from operating activities	-8,722,830.88	-35,957,512.59	75.74%

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

Items	Amount In RMB
Losses from short term investments	-2,648,072.04
Net amount of non-operating income and expenses	75,677.63
Influence upon income tax	385,859.16
Total	-2,186,535.25

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 the report year	Net assets-income ratio		Earnings per share (RMB/share)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Principal business profit	10.98%	11.03%	0.23	0.23
Operating profit	1.71%	1.71%	0.04	0.04

Net profit	1.00%	1.00%	0.02	0.02
Net profit after deduction of non-recurring loss/gain	1.42%	1.42%	0.03	0.03

Section 2 Change in Share Capital and Shares Held by the 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, 2005, the Company had totally 17,845 shareholders, including 8,425 shareholders of A-shares and 9,420.shareholders of B-shares.

III. About Principal Shareholders
Shares held by top 10 shareholders ended Dec. 30, 2005:

Shareholders	Increase/decrease in the report period	Shares held	Holding proportion	Share Types
CATIC SHENZHEN HOLDINGS LTDS.	0	130,248,000	52.24%	Domestic legal person shares
Zeng Ying	+635,490	890,490	0.36%	Negotiable B-shares
CHAN KEUNG	+100	769,083	0.31%	Negotiable B-shares
KUNG NGAI HIN	+562,200	669,820	0.27%	Negotiable B-shares
Ou Yanping	+49,157	500,458	0.20%	Negotiable B-shares
Lin Hongbo	0	362,880	0.15%	Negotiable B-shares
China Pingan Insurance (Hong Kong)	0	359,070	0.14%	Negotiable B-shares
Xue Peiping	0	336,800	0.14%	Negotiable B-shares
Lin Zhihua	0	330,000	0.13%	Negotiable B-shares
Du Jun	Unknown	323,731	0.13%	Negotiable A-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 by other shareholders of negotiable shares pledged or frozen.

IV. Top Ten Shareholders of Negotiable Shares

No.	Shareholders	Number of shares held at year end	Share Types
1	Zeng Ying	890,490	Negotiable B-shares
2	CHAN KEUNG	769,083	Negotiable B-shares
3	KUNG NGAI HIN	669,820	Negotiable B-shares

4	Ou Yanping	500,458	Negotiable B-shares
5	Lin Hongbo	362,880	Negotiable B-shares
6	China Pingan (Hong Kong)	359,070	Negotiable B-shares
7	Xue Peiming	336,800	Negotiable B-shares
8	Lin Zhihua	330,000	Negotiable B-shares
9	Du Jun	323,731	Negotiable A-shares
10	Yang Yuanzhou	285,900	Negotiable B-shares
About the relationship among the top ten shareholders of negotiable shares, the Company has never found any business relations among them or they belong to the persons of concerted action as specified in the Measures on Listed Companies on Disclosing the Shareholding Information.			

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 with which no change took place in the report period.

II. New Engagement or Disengagement of Directors, Supervisors, Senior Executives
2004 Shareholders' General Meeting held on May 25, 2005 approved the application of Mr. Director You Lei and Mr. Diao Weicheng for resigning their director and independent director due to job change. Mr. Wang Baoying was elected director of the 4^{th} Board of Directors and Mr. Guo Wanda was elected independent director of the 4^{th} Board of Directors.

Section 4 Discussion and Analysis of the Management

I. Discussion and Analysis of the Overall Operation in the Report Period
In the first half year of 2005, the Company, based on the work policy of "focusing on brand molding, making closer teamwork, enhancing system operation, realizing increase of income and creation of good operation result" as determined at the beginning of the year, continued to insist on the two principal business lines of FIYTA Watches and Harmony Top Brand Watch Chain Shops, attached importance upon the brand operation strategy, further condensed the teamwork force, improved earning power; meanwhile, developed the property operation in a steady way and increased the earnings for the Company.

1. FIYTA watches
In the report period, the Company continued to enhance the customer-orientation, attached importance upon transfer from price based promotion to value based promotion, made swift response to the market and applied various measures to upgrade the brand value; enhanced the relation among research, production and marketing, combed out the research and development process, and enhanced encouragement of the design team. In the report period, the Company succeeded in sponsoring the 2^{nd} "FIYTA Cup Design Contest". The contest organizer received 289 pieces of works for the contest from 26 domestic and foreign colleges and universities. The contest has brought about warm response in the sector. The Company took hold of the general trend towards medium and high grade and reinforced the development of medium and high price products and mechanical watches. Meanwhile, the Company attached importance upon reinforcement of the construction of the sales team of its branches, enhanced decomposition of the plan and day-to-day assessment, improved the training system of the branches, continued to enhance the training of the sales and service persons and improved the ability of terminal interception; basically made clear the plan of brand integration

and promotion. On this basis, the Company carried out the work of advertisement, public relations, promotion, packing, etc., carried out promotion in an uninterrupted way. The Company carried out altogether five big scale promotion activities and achieved a good result.

In the first half year, the Company realized sales income amounting to RMB 51,785 thousand from FIYTA watches, a small drop over the same period of the previous year. However, as the sales volume of medium and high grade watches increased by a big margin and the costs was brought under good control, the Company fulfilled the preset profit earning objective and the brand competitiveness was improved at a certain level.

2. Retail of Famous Brand Watches. The Company constructed and optimized HARMONY famous brand watch sales network on overall basis, insisted on the corporate philosophy of "credibility, thoughtfulness, professional and standardization", stabilized the operation, made proper development, standardized management and improved the efficiency; unceasingly developed the relationship with brand, deepened cooperation with other companies in the same sector and achieved great success in the cooperation. In the report period, the Company opened 4 new shops, adjusted and closed 4 shops with poor business at the same time. At present, the Company has 38 chain shops in big and medium cities throughout China. In the report period, the Company realized retail sales of top brand watches amounting to RMB 87,165 thousand, a 43.72% growth over the same period of the previous year; and realized a net profit amounting to RMB 800 thousand, a big growth over the same period of the previous year. With the business development of the domestic famous brand watch market, it is predicted that the income shall growth continuously.

3．Property Operation

As the newly constructed FIYTA Technology Building was fully put into application in the second half year of 2004, it has brought about big earning resource from property for the Company. In the report period, FIYTA Technology Building located in Shenzhen Hi-tech Park and FIYTA Building located in Shenzhen Huaqiang North Road Business Zone are in good operation status with good rental recovery rate. From these properties, the Company has earned income amounting to RMB 19,590 thousand, a 169.70% growth over the same period of the previous year.

In addition, the Company continued to hold the stock investment of the previous year. Affected by the price falling in the stock market, up to the end of the report period, the book market value of the Company's short term investment was RMB 9,153 thousand. In the report period, the Company provided reserve for loss from price falling of the short term investment amounting to RMB 2,661 thousand, which has caused certain impact upon the total profit of the Company.

Generally speaking, in the report period, the income form the principal businesses in the report period was RMB 160,156 thousand, a 19.38% growth over the same period of the previous year, which was mainly due to big growth in income from retails of famous brand watches and properties. The Company realized a total profit amounting to RMB 6,345 thousand and net profit amounting to RMB 5,210 thousand, growing respectively by 155.15% and 233.33% over the same period of the previous year, which was mainly due to growth of income from the Company's watch business, retail of famous brand watches and properties.

In the report period, affected by the increase of expenditure in inventories of HARMONY Chain Shops, the net cash flow arising from the business activities was RMB –8,723 thousand. At the end of the report period, the Company's total assets amounted to RMB 605,863 thousand, a 3.45% growth over the end of the previous year. This was mainly due to that the Company paid the engineering fee of FIYTA Technology Building amounting to RMB 21,165 thousand. Influenced by growth of the Company's profit, at the end of the report period, the Company's shareholders' equity was RMB 522,574 thousand, a 1.01% growth over the end 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 HARMONY train shops of world famous brand watches; and property operation of FIYTA Technology building and 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 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	53,401,239.97	26,956,171.20	49.52	-19.39	-17.95	-0.89
Retail	87,164,573.30	70,200,231.46	19.46	43.72	40.09	2.09
Property operation	19,590,219.55	4,169,116.00	78.72	169.70	504.34	-11.78
Incl.: related transactions	–	–	–	–	–	–

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;

A. Watches The sales income and sales cost of FIYTA watches and foreign famous watches are listed as follows:

Table 1: To be presented based on the categories of the 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	51,784,841.74	25,863,246.54	50.06	-21.62	-20.23	-0.87
sales of foreign top brand watches	87,164,573.30	70,200,231.46	19.46	43.72	40.09	2.09
Total	138,949,415.04	96,063,478.00	30.86	9.65	16.40	-4.01
Including: Related transactions	–	–	–	–	–	–

Table 2: Listed according to regions

Regions	Product sales Income in RMB	Increase/ decrease over the same period of the previous year (%)
Northeast China	21,544,334.59	15.88
North China	13,270,641.20	-28.66
Northwest China	32,185,639.67	26.38
East China	18,634,110.63	4.87
Southwest China	6,168,529.40	-27.51
South China	47,146,159.55	24.81

Total	138,949,415.04	9.65

B. Property The profit from 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 and FIYTA Technology Building.

2. Changes in the profit composition, principal business or its structure, earning power in principal business in comparison with that of the previous report period are mainly that as the Company put FIYTA Technology Building into full application in the previous second half year, thus the income from the property took bigger proportion in the total income and profit from the Company's principal business.

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
The market of timepiece industry the Company is engaged in is very severe, the market size of China-made watches is not big in size and the rising trend of imported watches is still enhanced. The Company cannot effectively improve the earning power and sustainable development ability without continuous upgrading of the brand value and offering value-added services satisfactory to the customers. Harmony Chain Shops need to make use of the rare market opportunities, increase investment in resources, effectively expand and optimize the marketing network, expand cooperation with international top brand watch firms and develop the operation of famous brand watch chain shops.

III. Investment
(I) In the report period, the Company had not raised any proceeds through share offering and had no proceeds raised before the report period and carried down to the report period for application.

(II) Key Projects Invested with Funds not Raised through Share Offering

(1) Project of Harmony World Watches Chain Shops The Company held 90% shares in Shenzhen Harmony World Watches Center Co., Ltd. With registered capital of RMB 15 million, Shenzhen Harmony World Watches Center Co., Ltd. is mainly engaged in purchase and sales of watches and components and accessories as well as repairing services. In the report period, the Company increased the investment in the project by RMB 22,700 thousand. So far, the Company has totally invested RMB 133,760 thousand in this project, including RMB 70,000 thousand of the proceeds raised through share offering which were invested before the year 2004. HARMONY has established in succession 38 chain shops of HARMONY World Watches Center in big and medium cities throughout China. In the report period, the total sales income of the famous brand watches in the report period was RMB 87,165 thousand and the net profit was RMB 800 thousand.

The 10th meeting of the 4th Board of Directors reviewed and approved the Proposal on Increasing the Registered Capital of Shenzhen Harmony World Watches Center Co., Ltd.. (The public notice on the aforesaid information was published respectively on Securities Times, Hong Kong Commercial Daily and http://www.cninfo.com.cn dated December 31, 2004)According to the proposal, the Company shall solely contribute RMB 108.80 million so that the registered capital shall reach RMB 123.80 million. At present, the capital increment is in process of handling.

(2) FIYTA Technology Building The building was completed in construction and put into application in 2004. In the report period, the Company paid the investment for construction amounting to RMB 21,165 thousand. So far, the Company has totally invested RMB 196,414 thousand in this project, including RMB 139,718 thousand of the proceeds raised through share offering which were invested before the year 2004. In the report period, the income from this building was RMB 11,790 thousand.

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's annual shareholders' general meeting approved the proposal of neither profit distribution nor conversion of the public reserve into share capital for the year 2004; the Company has not prepared any proposal on profit distribution for the first half year of 2005.

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. Particulars about the routine related transactions (Announcement on Routine Related Transactions in 2005 was published on the Securities Times, Hong Kong Commercial Daily and http://www.cninfo.com.cn dated 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 500 thousand, which complies with the estimate.

2. Liabilities with Related Parties

In RMB '000

Related party	Relationship	Fund provided to related parties		Fund provided by related parties to the Company	
		Amount incurred	Balance	Amount incurred	Balance
CATIC Shenzhen Corporation	Actual controller	0.00	1,500	0.00	0.00
Total		0.00	1,500	0.00	0.00

The funds with related parties in this item refer to the amount lent out in a form of intra-group current funds since 1998. CATIC Shenzhen Corporation has agreed to return the funds before the end of this year.

3. None of the Company's fund has been occupied by the controlling shareholder or any of the Company's subsidiaries.

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.

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.

VIII. 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 any undertakings that occurred in previous period(s) extended to the report period.

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

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

XI. Other Information Index

The Company borrowed a loan amounting to RMB20 million from Shenzhen Development Bank with a term from September 14, 2004 to September 14, 2005.

The Public Notice on the Loan was published on the Securities Times, Hong Kong Commercial Daily and http://www.cninfo.com.cn dated September 24, 2004.

Section 6 Financial Report

I. Accounting Statements (attached hereinafter)

II. Notes to Accounting Statements (attached hereinafter)

Section 7 Documents Available for Inspection

1. 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.

SHENZHEN FIYTA HOLDINGS LTD.
Board of Directors

August 10, 2005

Attachment: Financial Report (Unaudited)

I. Accounting Statements

Balance Sheet

Prepared by: SHENZHEN FIYTA HOLDINGS LTD. June 30, 2005 In RMB

Assets	Consolidated		Parent company:	
	June 30, 2005	December 31, 2004	June 30, 2005	December 31, 2004
Current assets:				
Monetary funds	51,080,916.18	84,791,535.00	41,996,753.57	74,420,417.00
Short-term investment	9,153,241.00	11,819,472.00	9,153,241.00	11,819,472.00
Dividend receivable				244,067.00
Accounts receivable	20,462,600.70	18,730,857.00	16,696,587.27	14,793,711.00
Other receivables	20,718,819.70	20,953,910.00	150,089,166.16	166,443,664.00
Account prepaid	1,257,008.75	2,771,912.00	1,062,838.67	60,000.00
Inventories:	215,433,607.79	203,983,820.00	67,486,385.58	68,598,064.00
Expenses to be apportioned	231,866.93	442,462.00	36,744.46	32,881.00
Total current assets	318,338,061.05	343,493,968.00	286,521,716.71	336,412,276.00
Long-term investment				
Long-term equity investment	5,885,000.00	4,885,000.00	41,852,796.18	37,356,110.00
Fixed assets:				
Fixed assets, cost	320,115,291.49	318,124,295.00	289,479,761.59	289,242,773.00
Less: Accumulative depreciation	60,883,514.42	56,045,908.00	47,296,917.74	42,887,401.00
Fixed assets, net	259,231,777.07	262,078,387.00	242,182,843.85	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	256,371,453.98	259,218,064.00	239,582,843.85	243,755,372.00
Construction-in-progress	1,592,635.64	1,290,242.00	1,592,635.64	1,290,242.00
Total fixed assets	257,964,089.62	260,508,306.00	241,175,479.49	245,045,614.00
Intangible assets and other assets				
Intangible assets	16,472,735.13	16,703,082.00	16,472,735.13	16,703,082.00
Long-term expenses to be apportioned	7,202,927.78	1,946,941.00	2,979,794.46	1,880,008.00
Total intangible assets and other assets	23,675,662.91	18,650,023.00	19,452,529.59	18,583,090.00
Total assets	605,862,813.58	627,537,297.00	589,002,521.97	637,397,090.00

Balance Sheet (Cont'd)

Prepared by: SHENZHEN FIYTA HOLDINGS LTD. June 30, 2005 In RMB

Liabilities & shareholders' equity	Consolidated		Parent company:	
	June 30, 2005	December 31, 2004	June 30, 2005	December 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	37,113,807.85	65,263,798.00	6,527,655.35	63,800,416.00
Advance receipts	699,290.40	684,171.00		156,330.00
Salaries payable	259,147.00	334,386.00	184,974.30	22,822.00
Welfares payable	2,708,185.72	2,764,845.00	1,981,270.67	2,267,505.00
Dividend payable				
Taxes payable	-8,247,034.50	-8,892,246.00	2,466,533.36	2,266,790.00
Other payables	19,149,191.27	19,046,627.00	32,239,701.42	28,361,609.00
Other accounts due	29,414.30	9,434.00	15,782.46	3,491.00
Expenses allotted in advance	1,170,138.80	625,713.00	12,725.20	153,885.00
Total current liabilities	72,882,140.84	99,836,728.00	63,428,642.76	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	68,497,865.83	102,836,728.00	66,428,642.76	120,032,848.00
Minority shareholders' equity:	7,406,793.53	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 profit	-49,059,143.96	-54,268,783.00	-49,059,143.96	-54,268,783.00
Total Shareholders' Equity	522,573,879.21	517,364,242.00	522,573,879.21	517,364,242.00
Total shareholders' equity and liabilities	605,862,813.58	627,537,297.00	589,002,521.97	637,397,090.00

Statement of Profit and Profit Distribution

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

Items	Consolidated		Parent company	
	Jan - Jun, 05	Jan - Jun, 04	Jan - Jun, 05	Jan - Jun, 04
Principal business income	160,156,032.82	134,155,051.11	72,863,280.09	73,331,187.24
Less: Costs of principal business	101,325,518.66	83,653,395.26	38,055,541.39	44,133,099.10
Taxes and surcharges of principal business	1,465,583.32	758,541.14	1,309,719.27	509,764.23
Principal business profit	57,364,930.84	49,743,114.71	33,498,019.43	28,688,323.91
Plus: Profit from other businesses	295,669.51	1,162,293.14	-239,357.32	561,270.08
Less: Operation costs	25,032,769.21	27,380,170.96	16,341,024.44	21,977,901.35
Overheads	23,208,250.09	19,936,829.79	12,748,855.98	12,124,234.73
Financial expenses	502,556.44	-200,585.98	282,645.75	-272,629.83
Operating profit	8,917,024.61	3,788,993.08	3,886,135.94	-4,579,912.26
Plus: Investment income	-2,648,072.04	-2,440,618.45	1,848,614.14	4,986,884.11
Subsidy income				
Non-operating income	112,315.21	1,165,442.60	81,357.33	1,162,917.00
Less: Non-operating expenses	36,637.58	27,150.73	6,468.37	8,388.12
Total profit	6,344,630.20	2,486,666.50	5,809,639.04	1,561,500.73
Less: Income tax	1,064,534.63	923,771.36	600,000.00	-1,394.41
Minority shareholders' equity:	70,456.53			
Net profit	5,209,639.04	1,562,895.14	5,209,639.04	1,562,895.14
Add: Retained earnings at year beginning	-54,268,783.00	-56,176,663.00	-54,268,783.00	-56,176,663.00
Profit available for distribution	-49,059,143.96	-54,613,767.86	-49,059,143.96	-54,613,767.86
Less: Allotting statutory surplus public reserve				
Allotting statutory public welfare fund				
Profit available for distribution to the investors	-49,059,143.96	-54,613,767.86	-49,059,143.96	-54,613,767.86
Less: Dividends of common shares payable				
Retained earnings	-49,059,143.96	-54,613,767.86	-49,059,143.96	-54,613,767.86

Cash Flow Statement

Prepared by: SHENZHEN FIYTA HOLDINGS LTD.   Jan. to Jun, 05   In RMB

Items	Consolidated	Parent company
I. Net cash flows arising from operating activities		
Cash received from sales of goods and supply of labor	189,942,968.28	83,967,021.75
Other business related cash receipts	2,194,255.97	2,145,870.86
Subtotal of cash flow in	192,137,224.25	86,112,892.61
Cash paid for purchase of goods and reception of labor services	124,377,818.74	29,720,207.55
Cash paid to and for staff	21,313,450.95	10,956,023.00
Taxes paid	13,136,546.72	7,337,061.61
Other operation related cash payments	42,032,238.72	49,655,942.52
Subtotal of cash flow out	200,860,055.13	97,669,234.68
Net cash flows arising from operating activities	-8,722,830.88	-11,556,342.07
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	147,038.00	115,538.00
Interest income obtained		
Subtotal of cash flow in	432,681.43	401,181.43
Cash paid for construction/purchase of fixed assets, intangible assets and other long term assets	24,156,271.77	21,005,952.79
Cash paid for investment	1,000,000.00	
Subtotal of cash flow out	25,156,271.77	21,005,952.79
Net cash flow arising from investment activities	-24,723,590.34	-20,604,771.36
III. Cash flows arising from fund raising activities:		
Other fund-raising related cash received		
Subtotal of cash flow in		
Other fund raising related cash payments	264,197.60	262,550.00
Cash paid for dividend/profit distribution or repayment of interest		
Subtotal of cash flow out	264,197.60	262,550.00
Net cash flow arising from fund-raising activities	-264,197.60	-262,550.00
IV. Influence upon cash due to change of exchange rate		
V. Net increase of cash and cash equivalents	-33,710,618.82	-32,423,663.43

Cash Flow Statement (Cont'd)

Prepared by: SHENZHEN FIYTA HOLDINGS LTD. Jan. to Jun, 05 In RMB

Items	Consolidated	Parent company
1. Net cash flows arising from adjustment of net profit into operating activities:		
Net profit	5,209,639.04	5,209,639.04
Plus: Minority shareholders' gain/loss	70,456.53	
Depreciation of fixed assets	1,863,284.71	1,452,047.00
Amortization of intangible assets	230,346.87	230,346.87
Long-term expenses to be apportioned	1,451,288.00	379,362.40
Decrease (less: increase) of expenses to be apportioned	210,595.07	-3,863.46
Increase (less: decrease) of expenses drawn in advance	544,425.80	-141,159.80
Loss (less: income) from disposal of fixed assets, intangible assets and other long term assets	-48,832.18	-20,257.33
Losses from rejection of fixed assets		
Financial expenses	413,093.00	413,093.00
Investment loss (less: income)	2,648,072.04	-1,848,614.14
Deferred tax loan (less: debit)		
Decrease (less: increase) of inventories	1,763,211.33	1,111,678.42
Decrease (less: increase) of operative items receivable	-7,433,216.52	-2,506,524.10
Increase (less: decrease) of operative items payable	-15,645,194.57	-15,832,089.97
Net increase (less: decrease) of value added tax		
Others		
Net cash flows arising from operating activities	-8,722,830.88	-11,556,342.07
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	51,080,916.18	41,996,753.57
Less: Opening cash balance	84,791,535.00	74,420,417.00
Plus: Ending cash equivalent balance		
Less: Opening balance of cash equivalent		
Net increase of cash and cash equivalents	-33,710,618.82	-32,423,663.43

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

				Investment by the Company					
Subsidiaries:	Registered place	Legal representative	Registered capital	Original currency	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	N	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	N	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	Y	
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	Y	

							instruments		
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	Y	
Shenzhen Feiyu Artistic Timepiece Co., Ltd.	Shenzhen	Zhu Gensen	HKD3,000,000	RMB825,000 USD192,981	1,905,000	75%	Production and marketing of various artistic clocks	N	Note 3
Shenzhen Harmony World Watches Center Co., Ltd.	Shenzhen	Lu Bingqiang	RMB2,800,000	RMB1,400,000	1,400,000	50%	Famous brand watches, glasses, ornaments, gifts and general merchandise, handicrafts	Y	Note 4

(1) The operation term of the said subsidiary was due on December 16, 2003 and its liquidation started in December, 2003. The subsidiary was not consolidated in the Company's financial statement commencing from the date of its liquidation.

(2) That subsidiary sold its assets of catering and recreation in 2003 and terminated the operation activities before the end of 2003.

(3) The operation term of that subsidiary expired on November 28, 2001 and the liquidation started at the end of 2001. The liquidation had not yet been completed at the end of the report period. Commencing from 2001, the subsidiary has not been put in the consolidation of the Group.

(4) That subsidiary was originally a joint venture of the Company. Its accounting has always been based on the equity method as its revenue from the principal business, total assets and total profit were below 10% of the respective data of the Company. From this year on, the Company has taken over control of the finance and operation management of the joint venture while the total profit of the joint venture this year has exceeded 10% of the Company's total profit. Therefore, commencing from 2003, the joint venture has been consolidated in the Company and regarded as one of the Company's subsidiaries.

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

1. Monetary funds

Items	June 30, 2005	December 31, 2004

Cash on hand	517,817.43	379,405.00
Bank deposit	50,235,735.70	84,091,003.00
Other Monetary Funds	327,363.05	321,127.00
Total	51,080,916.18	84,791,535.00

* Foreign exchange funds ended June 30, 2005 are stated as follows:

Items	June 30, 2005
Currencies	After conversion into RMB
HK$	5,448,831.58
US$	2,356,372.28
£	1,683.00
Total	7,806,886.86

2. Short-term investment

	June 30, 2005		December 31, 2004	
Items	Investment amount	Provision for price falling	Investment amount	Provision for price falling
Stock investment	22,138,415.20	12,985,174.20	22,143,326.00	10,323,854.00
Repurchase of government bonds				
Total	22,138,415.20	12,985,174.20	22,143,326.00	10,323,854.00

(a) (a) Market price of short term stock

	June 30, 2005	December 31, 2004
Stock investment	9,153,241.00	11,819,472.00

(b) Principal investment projects

<u>Investees</u>	**Shares Held**	Investment Time	**Income earned**
CITIC Securities	1,061,700.00	Feb and Mar, 2004	none
Xiaxin Electronics	634,000.00	Jan, Mar and Dec, 2004	none

3. Accounts receivable

	June 30, 2005			December 31, 2004		
Age	Amount	Proportion	Provision for bad debts	Amount	Proportion	Provision for bad debts
Within a year	12,545,115.63	20.37%	634,535.00	12,690,728.00	21%	634,535.00
1~2 years	2,032,357.00	3.30%	545,872.00	3,286,334.00	6%	545,872.00
2~3 years	3,999,146.28	6.49%	1,832,892.00	2,474,617.00	4%	1,832,892.00
Over 3 years	43,004,518.79	69.84%	38,105,238..00	41,397,715.00	69%	38,105,238..00
Total	61,581,137.70	100%	41,118,537.00	59,849,394.00	100%	41,118,537.00

Ended June 30, 2005, there were no accounts receivable owed by the shareholders holding more than 5% (including 5%) of the Company's total shares.

Ended June 30, 2005, 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
Beijing Urban/Rural Trade Center Co., Ltd.	2,033,710.00	3.02%
Qingdao Handry Timepieces, Glasses and Jewelry Co.	1,298,215.00	1.93%
Timepieces and Sewing Machine Wholesale Station of Yingkou General Merchandise Co.	982,604.00	1.46%
Siping No. 1 Department Store	823,302.00	1.22%
Anshan Timepieces and Photographic Equipment Co.	807,815.00	1.20%
Total	5,945,646.00	8.83%

4. Other receivables

	June 30, 2005			December 31, 2004		
Age	Amount	Proportion	Provision for bad debts	Amount	Proportio n	Bad debt
Within a year	9,119,084.33	26.47%	190,403.00	11,080,592.00	32%	190,403.00
1 to 2 years	6,063,744.00	17.60%	38,186.00	6,401,826.00	18%	38,186.00
2 to 3 years	9,024,381.00	26.19%	7,082,684.00	7,960,241.00	23%	7,082,684.00
Over 3 years	10,245,543.37	29.74%	6,422,660.00	9,245,184.00	27%	6,422,660.00
Total	34,452,752.70	100%	13,733,933.00	34,687,843.00	100%	13,733,933.00

Ended June 30, 2005, there were no other accounts receivable owed by the shareholders holding more than 5% (including 5%) of the Company's total shares except the balance receivable from the related parties as described in Note (VI) 2.

Ended June 30, 2005, the top 5 debtors of other receivables and the amounts are stated as follows:

Companies	Amount receivable	Proportion in the total of the accounts receivable
Shenzhen Feiyu Artistic Timepiece Co., Ltd.	5,352,480.13	15.54%
Shenzhen Feitu New Technology Development Co., Ltd.	1,904,482.00	5.52%
Xinlongtai Industrial Co., Ltd.	1,573,876.89	4.57%
Xi'an Aviation Engine Co.	715,034.21	2.08%
Zhuangtu Commodities Trading Center	641,807.20	1.86%
Total	10,187,680.43	29.57%

5. Expenses to be apportioned

Items	Dec 31, 2004	Increase in the report year	Amount amortized in current year	June 30, 2005
Rent	82,564.00	77,787.63	79,725.28	80,626.35
Insurance premium	18,623.00	30,104.60	18,823.44	29,904.16
Simple fitting up fee	259,912.00		210,268.48	49,643.52
Others	81,363.00	14,942.00	24,612.10	71,692.90
Total	442,462.00	122,834.23	333,429.30	231,866.93

6. Accounts prepaid

Age	December 31, 2004 Amount	Proportion	June 30, 2005 Amount	Proportion
Within a year	2,771,912.00	100%	1,257,008.75	100%
1 to 2 years				
2 to 3 years				
Over 3 years				
Total	2,771,912.00	100%	1,257,008.75	100%

Ended June 30, 2005, there were no accounts prepaid owed by the shareholders holding more than 5% (including 5%) of the Company's total shares.

7. Inventories

Items	June 30, 2005 Amount	Provision for price falling	December 31, 2004 Amount	Provision for price falling
Raw materials	46,228,630.72	21,566,183.00	45,054,052.00	21,566,183.00
Products in process	2,828,777.35		1,729,758.00	
Finished products and Goods in stock	225,748,004.86	37,824,163.39	216,799,604.00	38,055,472.00
Low-value consumption articles and packing materials	18,541.75		22,061.00	
Total	274,823,954.18	59,390,346.39	263,605,475.00	59,621,655.00

* 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.

8. Long-term investments

Items	June 30, 2005	December 31, 2004
Stock investment	3, 085,000.00	3,085,000.00
Other equity investment	2,800,000.00	2,800,000.00
Total	5,885,000.00	5,885,000.00

① Stock investment

Investees	Type of shares	Number of shares	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			non-listed
Xi'an Tangcheng Joint Stock Co., Ltd.	Legal person shares	50,000 shares	0.10%	85,000.00			non-listed
Total				3,085,000.00			

② Other equity investments

Investees	Investment	Investment amount: Initial investment amount: Original curren	Conversion in RM	Equity adjusted	Adjusted amou	Ending balance	% in the inve

				year	accumulated equi		total equity
Shenzhen CATIC (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	1,500,000.0(	1,500,000.00			1,500,000.00	50%
Beijing Henglianda Timepiece Co., Ltd.		1,000,000.00	1,000,000.00			1,000,000.00	50%
Total		2,800,000.(	2,800,000.00			2,800,000.00	

9. Fixed assets and accumulative depreciation

Fixed assets, type and cost	December 31, 2004	Increase in the report period	Decrease in the report period	June 30, 2005
Housing and buildings	274,068,292.00			274,068,292.00
Machines & equipment	13,669,622.00	1,163,100.00		14,832,722.00
Electronic equipment	9,059,701.00	583,118.19	7,658.00	9,635,161.19
Motor vehicle	8,680,525.00	453,954.00	84,500.00	9,049,979.00
Other equipment	12,646,155.00	462,750.00	579,767.70	12,529,137.30
Total	318,124,295.00	2,662,922.19	671,925.70	320,115,291.49
Depreciation of housing and buildings	35,661,585.00	3,595,238.40		39,256,823.40
Machines & equipment	7,748,084.00	535,687.31	45,393.40	8,238,377.91
Electronic equipment	3,181,897.00	771,245.86	2,178.00	3,950,964.86
Motor vehicle	4,107,361.00	546,064.19	323,077.56	4,330,347.63
Other equipment	5,346,981.00	339,788.93	579,769.31	5,107,000.62
Total	56,045,908.00	5,788,024.69	950,418.27	60,883,514.42
Provisions for devaluation of fixed assets				
Housing and buildings	2,600,000.00			2,600,000.00
Machines & equipment	260,323.09			260,323.09
Total	2,860,323.09			2,860,323.09

10. Construction in process

Projects	December 31, 2004	Increase in the current year	Fixed assets transferred in the current year	Other decreases	June 30, 2005	Funds source
Exterior wall restructuring works of FIYTA	715,151.00	212,511.86			927,662.86	Self-raised
Others	575,091.00	237,108.78	147,227.00		664,972.78	
Total	1,290,242.00	449,620.64	147,227.00		1,592,635.64	Self-raised

11. Long-term expenses to be proportioned

Items	December 31, 2004	Increase in the report year	Transfer out this	Amount amortized in	June 30, 2005

			year	current year	
Trademark compensation	1,880,007.00			187,499.34	1,692,507.66
Other deferred payment	66,934.00	7,201,655.15		1,758,169.03	5,510,420.12
Total	1,946,941.00	7,201,655.15		1,945,668.37	7,202,927.78

12. Short-term Loan

Items	June 30, 2005	December 31, 2004
Bank loan:		
Secured	20,000,000.00	20,000,000.00
Others		
Total	20,000,000.00	20,000,000.00

13. Accounts payable

	June 30, 2005		December 31, 2004	
Age	Balance	Proportion (%)	Balance	Proportion (%)
Within a year	34,915,746.30	94.08%	61,942,573.05	94.91%
Over 1 year but below 2 years	1,309,718.16	3.53%	2,432,881.56	3.73%
Over 2 years but below 3 years				
Over 3 years	888,343.39	2.39%	888,343.39	1.36%
Total	37,113,807.85	100%	65,263,798.00	100%

In the accounts payable, there are no arrears from the shareholders that hold more than 5% (with 5% inclusive) of the Company's shares.

14. Advance Receipts

	June 30, 2005		December 31, 2004	
Age	Balance	Proportion (%)	Balance	Proportion (%)
Within a year	699,290.40	100.%	684,171.00	100%
Over 1 year but below 2 years				
Over 2 years but below 3 years				
Over 3 years				
Total	699,290.40	100%	684,171.00	100%

In the advance receipts, there are no arrears from the shareholders that hold more than 5% (with 5% inclusive) of the Company's shares.

15. Other payables

	June 30, 2005		December 31, 2004	
Age	Balance	Proportion (%)	Balance	Proportion (%)
Within a year	8,059,361.36	42.09%	8,653,615.63	45.43%
Over 1 year but below 2 years	4,021,856.44	21.00%	3,157,332.06	16.58%
Over 2 years but below 3 years	3,014,552.00	15.74%	2,936,634.96	15.42%

Over 3 years	4,053,421.47	21.17%	4,299,044.35	22.57%
Total	19,149,191.27	100%	19,046,627.00	100%

In other payables, there are no arrears from the shareholders that hold more than 5% (with 5% inclusive) of the Company's shares.

16. Taxes payable

Taxes	June 30, 2005	December 31, 2004
Operation tax payable	591,043.01	653,099.00
VAT not offset yet	-10,108,789.26	-10,225,965.00
Urban construction tax dutiable	51,220.98	48,020.00
Business income tax dutiable	416,389.97	449,154.00
Others	803,100.80	183,446.00
Total	-8,247,034.50	-8,892,246.00

17. Expenses drawn in advance

Items	June 30, 2005	December 31, 2004
Housing, water and electricity	778,818.58	124,827.00
Advertising	12,725.20	140,000.00
Double salaries at year end		266,170.00
Others	378,595.02	94,716.00
Total	1,170,138.80	625,713.00

18. Other accounts due

Items	June 30, 2005	December 31, 2004
Educational Surcharge	17,714.98	8,298.00
Flood fighting fund	1,716.11	1,136.00
Others	9,983.21	
Total	29,414.30	9,434.00

19. Special accounts payable

Items	June 30, 2005	December 31, 2004
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

According to Document SHEN JING MAO FA [2003] No. 93, the Company's Technology Center has been identified as Shenzhen Enterprise Technology Center and financed a supporting fund amounting to RMB 3 million for construction of the enterprise technology center. The Company has used all the fund for purchasing the equipment.

20. Minority shareholders' equity

Items	June 30, 2005	December 31, 2004

Xi'an Haomen Restaurants & Recreation Co., Ltd.	4,753,410.00	4,753,410.00
Shenzhen Harmony World Watches Center Co., Ltd.	1,253,383.53	1,182,917.00
Shenzhen Harmony World Watches Center Co., Ltd.	1,400,000.00	1,400,000.00
Total	7,406,793.53	7,336,327.00

20. Share Capital

Items	June 30, 2005	December 31, 2004
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

21. Capital public reserve

Items	June 30, 2005	December 31, 2004
Share capital 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

22. Surplus public reserve

Items	June 30, 2005	December 31, 2004
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

23. Retained earnings

Items	June 30, 2005	December 31, 2004
Retained earnings		-54,268,783.00
- Retained earnings at year beginning	-54,268,783.00	
- Profit this year	5,209,639.04	
Total	-49,059,143.96	-54,268,783.00

24. Income from principal business

Items	Jan 1 to Jun 30, 05	Jan 1 to Jun 30, 04
Income from sales of products	53,401,239.97	66,243,641.43
Income from sales of goods	87,164,573.30	60,647,687.49
Income from properties	19,590,219.55	7,263,722.19
Total	160,156,032.82	134,155,051.11

25. Costs of principal business

Items	Jan 1 to Jun 30, 05	Jan 1 to Jun 30, 04
Costs of sales of products	26,956,171.20	32,852,632.53
Costs of sales of commodities	70,200,231.46	50,110,901.96
Costs of properties	4,169,116.00	689,860.77
Total	101,325,518.66	83,653,395.26

26. Taxes and surcharges of principal business

Items	Jan 1 to Jun 30, 05	Jan 1 to Jun 30, 04
Operation tax	1,054,706.00	504,197.25
Urban construction tax	102,719.33	60,585.97
Educational Surcharge	308,157.99	193,757.92
Total	1,465,583.32	758,541.14

27. Financial expenses

Types	Jan 1 to Jun 30, 05	Jan 1 to Jun 30, 04
Interest payment	503,093.00	2,114.00
Less: Interest income	277,159.48	411,893.82
Exchange losses		
Less: Exchange income	-96.85	160,399.69
Bank charges	276,719.77	
Others		48,794.15
Total	502,556.44	-200,585.98

28. Profit from other business

	Jan 1 to Jun 30, 05				Jan 1 to Jun 30, 04
Items	Income	Cost	Taxes	Profit	Profit
Income from repairing and replacement	994,024.33	698,354.82		295,669.51	1,153,855.04
Others					8,438.10
Total	994,024.33	698,354.82		295,669.51	1,162,293.14

29. Investment income

Types	Jan 1 to Jun 30, 05	Jan 1 to Jun 30, 04
Earnings from short term investment	-2,648,072.04	-2,795,826.67
Investees adjusted based on equity method		
Bond investment		351,335,63
Income from disposal of the invested companies		
Others		3,872.59
Total	-2,648,072.04	-2,440,618.45

30. Non-operating income

Major detailed items	Jan 1 to Jun 30, 05	Jan 1 to Jun 30, 04
Net earning from disposal of fixed assets with output VAT transferred in and out	13,200.00	702,525.26
Outlay unnecessary to be paid		
Others	99,115.21	462,917.34
Total	112,315.21	1,165,442.60

31. Non-operating expenses

Major items	Jan 1 to Jun 30, 05	Jan 1 to Jun 30, 04
Net loss from disposal of fixed assets with input VAT transferred in	14,255.12	4,358.62
Penalty payment	7,581.70	21,322.50
Others	14,530.76	1,469.61
Total	36,637.58	27,150.73

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

1. Accounts receivable

	June 30, 2005			December 31, 2004		
Age	Amount	Proportion	Provision for bad debts	Amount	Proportion	Provision for bad debts
Within a year	10,348,987.84	18.35%	459,756.00	10,140,308.00	19%	459,756.00
1 to 2 years	2,816,442.51	4.99%	130,993.00	1,309,950.00	2%	130,993.00
2 to 3 years	2,012,533.28	3.57% .	1,218,833.00	1,860,558.00	3%	1,218,833.00
Over 3 years	41,226,385.64	73.09%	37,898,180.00	41,190,657.00	76%	37,898,180.00
Total	56,404,349.27	100%	39,707,762.00	54,501,473.00	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
Beijing Urban/Rural Trade Center Co., Ltd.	2,033,710.00	3.61%
Qingdao Handry Timepieces, Glasses and Jewelry Co.	1,298,215.00	2.30%
Timepieces and Sewing Machine Wholesale Station of Yingkou General Merchandise Co.	982,604.00	1.74%
Siping No. 1 Department Store	823,302.00	1.46%
Anshan Timepieces and Photographic Equipment Co.	807,815.00	1.43%

* Ended June 30, 2005, 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, 2005			December 31, 2004		
Age	Amount	Proportion	Provision for bad debts	Amount	Proportion	Provision for bad debts
Within a year	146,448,911.69	90.05%	2,190,403.00	163,301,243.00	91%	2,190,403.00
1 to 2 years	2,140,537.88	1.32%	38,186.00	2,521,860.00	1%	38,186.00

2 to 3 years	10,221,014.68	6.29%	7,568,960.00	9,907,340.00	6%	7,568,960.00
Over 3 years	3,814,552.91	2.35%	2,738,302.00	3,249,072.00	2%	2,738,302.00
Total	162,625,017.16	100%	12,535,851.00	178,979,515.00	100%	12,535,851.00

* Ended June 30, 2005, 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, 2005	December 31, 2004
Stock investment	3,085,000.00	3,085,000.00
Subsidiary	36,967,796.18	32,471,110.00
Others	1,800,000.00	1,800,000.00
Total	41,852,796.18	37,356,110.00

(1) Stock investment

Investees	Type of share	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	1.10 million shares	0.13%	3,000,000.00			non-listed
Xi'an Tangcheng Joint Stock Co., Ltd.	Legal person shares	5000 shares	0.10%	85,000.00			non-listed
Total				3,085,000.00			

(2) Subsidiaries

Investees	Operation term	Proportion in the registered capital of the investee	June 30, 2004	December 31, 2004
Shenzhen Feitu New Technology Development Co., Ltd.	1983-2003	60%		
Xi'an Haomen Restaurants & Recreation Co., Ltd.	1994-2009	62%	5,800,500.00	5,800,500.00
Shenzhen Harmony World Watches Center Co., Ltd.	1997-2012	90 %	6,818,241.78	6,184,133.00
Shenzhen Feijing Sophisticated Optical Instruments Manufacture Co., Ltd.	1997-2007	90 %		
Shenzhen FIYTA Sophisticated Timepieces Manufacture Co., Ltd.	1999-2009	90%	20,924,852.30	17,239,083.00
Shenzhen Harmony World Watches Center Co., Ltd.	1993-2008	50%	3,424,202.10	3,247,394.00
Total			36,967,796.18	32,471,110.00

(3) Other equity investments

Investees	Investment Term	Initial investment amount Initial investment (in original currency)	Conversion in RMB	Equity adju	Adjusted amount of accumulate	Ending balance	% in the investees' total equity

				sted this year	d 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 - Jun 30, 05	Jan 1 to Jun 30, 04
FIYTA watches	51,784,841.74	66,067,465.05
Income from properties	19,590,219.55	7,263,722.19
Others	1,488,218.80	
Total	72,863,280.09	73,331,187.24

5. Costs of principal business

Items	Jan 1 to Jun 30, 05	Jan 1 to Jun 30, 04
FIYTA watches	32,398,206.59	43,443,238.33
Property costs	4,169,116.00	689,860.77
Others	1,488,218.80	
Total	38,055,541.39	44,133,099.10

(VI) Related parties and the 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 made within the Group.	shareholder of the Company's parent company	Solely owned by the state	Wu Guangquan

3. Balance of the Principal Accounts Receivable from the Related Parties

Companies	Jun 30, 05	Dec 31, 04
Shenzhen Feiyu Artistic Timepiece	5,472,480.00	5,472,480.00

Co., Ltd.		
Shenzhen Feitu New Technology Development Co., Ltd.	1,904,482.00	1,904,482.00
CATIC Shenzhen Corporation	1,500,000.00	1,500,000.00

4. Related Parties without Control Relationship

Companies	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.	Associate
Shenzhen Research Institute of Northwest China Polytechnic University	Joint venture institution

5. Material related transactions with the related parties

Items	Jan - Jun, 05	Jan - Jun, 04
Property management fee	500,000.00	495,100.80
Total	500,000.00	495,100.80

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 year	Net assets-income ratio		Earnings per share (RMB/share)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Principal business profit	10.98%	11.03%	0.23	0.23
Operating profit	1.71%	1.71%	0.04	0.04
Net profit	1.00%	1.00%	0.02	0.02
Net profit less non-recurring loss/gain	1.42%	1.42%	0.03	0.03

2. Schedule of Reserve for Impairment of Assets
(a) Consolidation

Prepared by: SHENZHEN FIYTA HOLDINGS LTD. June 30, 2005 In RMB

Items	Opening Balance	Increase in the report period	Decrease in the report period	Ending balance
I. Accounts receivable	54,852,470.00	0.00	0.00	54,852,470.00
Incl.: Accounts receivable	41,118,537.00	0.00	0.00	41,118,537.00
Other receivables	13,733,933.00	0.00	0.00	13,733,933.00

II. Reserve for devaluation of short-term investment	10,323,854.00	2,661,320.20	0.00	12,985,174.20
Incl.: Stock investment	10,323,854.00	2,661,320.20	0.00	12,985,174.20
Bond investment	0.00	0.00	0.00	0.00
III. Reserve for price falling of inventories	59,621,655.00	0.00	231,308.61	59,390,346.39
including: merchandise inventory	0.00	0.00	0.00	0.00
Finished products	38,055,472.00	0.00	231,308.61	37,824,163.39
Raw materials	21,566,183.00		0.00	21,566,183.00
Low-value consumption articles and packing materials	0.00	0.00	0.00	0.00
IV. Total reserve for devaluation of long-term investment	0.00	0.00	0.00	0.00
Including: Long-term equity investment	0.00	0.00	0.00	0.00
Long term bond investment	0.00	0.00	0.00	0.00
V. Total reserve for devaluation of fixed assets	2,860,323.09	0.00	0.00	2,860,323.09
Including: housing and buildings	2,600,000.00	0.00	0.00	2,600,000.00
Machines & equipment	260,323.09	0.00	0.00	260,323.09
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 devaluation of 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

(b) Parent company

Prepared by: SHENZHEN FIYTA HOLDINGS LTD. June 30, 2005 In RMB

Items	Opening Balance	Increase in the report period	Decrease in the report period	Ending balance
I. Accounts receivable	52,243,613.00	0.00	0.00	52,243,613.00
Incl.: Accounts receivable	39,707,762.00	0.00	0.00	39,707,762.00
Other receivables	12,535,851.00	0.00	0.00	12,535,851.00
II. Reserve for devaluation of short-term investment	10,323,854.00	2,661,320.20	0.00	12,985,174.20
Incl.: Stock investment	10,323,854.00	2,661,320.20	0.00	12,985,174.20
Bond investment	0.00	0.00	0.00	0.00
III. Reserve for price falling of inventories	55,346,525.00	0.00	0.00	55,346,525.00

including: merchandise inventory	0.00	0.00	0.00	0.00
Finished products	33,780,342.00	0.00	0.00	33,780,342.00
Raw materials	21,566,183.00	0.00	0.00	21,566,183.00
Low-value consumption articles and packing materials	0.00	0.00	0.00	0.00
IV. Total reserve for devaluation of long-term investment	0.00	0.00	0.00	0.00
Including: Long-term equity investment	0.00	0.00	0.00	0.00
Long term bond investment	0.00	0.00	0.00	0.00
V. Total reserve for devaluation of fixed assets	2,600,000.00	0.00	0.00	2,600,000.00
Including: housing and buildings	2,600,000.00	0.00	0.00	2,600,000.00
Machines & equipment	0.00	0.00	0.00	0.00
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 devaluation of 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