Stock Code: 000026 200026 Short form of the Stock: FIYTA A FIYTA B Public Notice No:2006－020

SHENZHEN FIYTA HOLDINGS LTD.

2006 Semiannual Report

(Summary)

§ 1 Important

1.1The Board of Directors, the Supervisory Committee, directors, supervisors and senior executives of the Company hereby confirm that there are no important omissions, fictitious statements or serious misleading information carried in this report, and shall take all responsibilities, individually and/or jointly, for the authenticity, accuracy and completion of the whole contents. The summary of the semiannual report is taken from the full text of the semiannual report. The full text is published in the website www.cninfo.com.cn at the same time. An investor who wants to know the detail of the report, please read carefully the full text of our Semi-annual Report.
1.2 No director, director or any senior executive has expressed that he/she is not sure for the genuineness, accuracy or completeness of this semiannual report or has any different opinion on the same.
1.3 All the directors attended the board meeting.
1.4 The financial report of this report period has not been audited.
1.5. 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. Hu Xinglong, Manager of the Financial Department, hereby ensure the accuracy and completeness of the financial report enclosed in this semiannual report.

§2 Company Information

2.1. Basic Data

Short form of the stock:	FIYTA A, FIYTA B	
Stock Code:	000026 200026	
Stock Exchange Listed with	Shenzhen Stock Exchange	
	Secretary of the Board	Securities Affairs Representative
Names	Hao Huiwen:	Chen Zhuo
Liaison Address	20th Floor, FIYTA Technology Building, Gaoxin S. Road One, Nanshan District, Shenzhen	20th Floor, FIYTA Technology Building, Gaoxin S. Road One, Nanshan District, Shenzhen
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2.2 Financial Data Summary

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 (%)
Current assets:	386,670,710.95	333,275,337.06	16.02%
Current liabilities	117,951,535.77	77,401,625.07	52.39%
Total assets	675,294,130.93	621,275,547.20	8.69%
Shareholders' equity (excluding minority equity)	546,966,628.42	533,371,239.36	2.55%
Net assets per share	2.194	2.139	2.55%
Net assets per share after adjustment	2.131	2.087	2.11%
	Report Period (Jan – Jun)	Same Period of the Previous Year	Increase/decrease of the report period vs the same period of the previous year (%)
Net profit	13,595,389.06	5,209,639.04	160.97%
Net profit after deduction of non-recurring loss/gain	12,338,589.59	7,396,174.29	66.82%
Earnings per share	0.055	0.021	160.97%
Earnings per share (Note)	–	–	–
Net assets-income ratio	2.49%	1.00%	1.49%
Net cash flows arising from operating activities	-26,564,640.47	-8,722,830.88	—

Note: In case there was any change in the Company's share capital taken place in the duration from the end of the report period to the date of disclosing this report, the earnings per share should be based on the up-to-date share capital.

2.2.2 Non-recurring gain and loss items

√ Applicable □ Inapplicable

In RMB

Non-recurring gain and loss items	Amount
Earnings from short term investment	1,335,191.64
Net amount of non-operating income and expenses	114,210.15
Amount affected by the income tax	-192,602.32
Total	1,256,799.47

2.2.3 Discrepancies between CAS and IAS

☐ Applicable   √ Inapplicable

§3 Changes in Share Capital and Particulars about Shareholders

3.1 Change in the Company's Shares

☐ Applicable   √ Inapplicable

3.2 Top ten shareholders and shares held by them

in shares

Total Shareholders					19,852
Shares held by the top ten shareholders					
Shareholders	Nature of Shareholders	Proportion of shares held	Total shares held (shares)	Q'ty of Non-negotiable Shares Held	Shares pledged or frozen
CATIC Shenzhen Holdings Ltd.	Others	52.24%	130,248,000	130,248,000	0
Zhejiang International Trust & Investment Co., Ltd.	Others	2.25%	5,605,824	0	0
Henan Fangchen Technology & Trade Co., Ltd.	Others	0.61%	1,513,700	0	0
Zhengzhou Tengbo Trade Co., Ltd.	Others	0.20%	509,400	0	0
Qu Yanping	Foreign shareholder	0.20%	500,458	0	0
Xue Peiming	Foreign shareholder	0.18%	444,800	0	0
Lin Chubin	Foreign shareholder	0.17%	419,854	0	0
Lin Hongbo	Foreign shareholder	0.15%	362,880	0	0
Zhang Mei	Others	0.14%	359,000	0	0
Wang Guiqiang	Others	0.14%	356,773	0	0

Shares held by the top ten shareholders of negotiable shares		
Shareholders	Q'ty of Negotiable Shares Held	Share Type
Zhejiang International Trust & Investment Co., Ltd.	5,605,824	RMB ordinary shares
Henan Fangchen Technology & Trade Co., Ltd.	1,513,700	RMB ordinary shares
Zhengzhou Tengbo Trade Co., Ltd.	509,400	RMB ordinary shares
Qu Yanping	500,458	Foreign shares listed domestically
Xue Peiming	444,800	Foreign shares listed domestically
Lin Chubin	419,854	Foreign shares listed domestically
Lin Hongbo	362,880	Foreign shares listed domestically
Zhang Mei	359,000	RMB ordinary shares
Wang Guiqiang	356,773	RMB ordinary shares

Wang Haiyang	344,803	RMB ordinary shares
Relationship/concerted action among the above shareholders	The shareholder that holds over 5% (including 5%) of the total share capital is CATIC SHENZHEN HOLDINGS LTD. In the report period there was no change in the shareholding and there were no shares held by it pledged or frozen. Among the top ten shareholders, there exists no business relationship between the promoter shareholder and other shareholders of negotiable shares. The Company has not found any business relationship among other shareholders of negotiable shares and cannot identify whether there are any shares held other shareholders of negotiable shares pledged or frozen.	

3.3 Change in Controlling Shareholder and the Actual Controller

□ Applicable √ Inapplicable

§ 4 Directors, Supervisors and Senior Executives

4.1 Changes in shares held by directors, supervisors and senior executives

□ Applicable √ Inapplicable

§ 5 Discussion and Analysis of the Management

In the first half year of 2006, the Company achieved a steady progress in its three principal businesses of FIYTA Watches, sales of world brand watches by the Harmony World Watches Center and property according to the according to the work guideline of “carrying through the company’s philosophy, improving the quality of manpower, reinforcing brand integration and devoting efforts to innovative development” worked out at the year beginning, based on the Company’s philosophy and values and insisting on the brand strategy to guide various work. As a result, the Company achieved a big growth in profit making over the same period of the previous year.

The Company has been enjoying a growing trend in revenue from various principal businesses, and achieved a big growth especially in retails of famous brand watches. In the report period, the revenue from the principal businesses hit RMB 229,743 thousand, a 43.45% growth over the same period of the previous year. The Company has been much improved in earning capacity, achieved a big growth in revenue. In the report period, the Company realized profit amounting to RMB 17,079 thousand and net profit amounting to RMB 13,595 thousand, with a growth rates of 169.18% and 160.97% respectively over the same period of the previous year.

In the report period, affected by the increase of investment for expansion of Harmony Chain Shops and increase of inventories, the net cash flow arising from the business activities was RMB-26,565 thousand. At the end of the report period, the total assets amounted to RMB 675,294 thousand and shareholders’ equity amounted to RMB 546,967 thousand, with growth rates of 8.69% and 2.55% respectively over the end of the previous year. The main cause is that in the report period, the Company realized a profit amounting to RMB 13,595 thousand and the short term bank loan increased by RMB 40,000 thousand in the report period.

5.1 Sectors and Products Involved in the Principal Business

In RMB ‘000

Sectors or products	Principal business income	Principal business cost	Principal business profit rate (%)	Increase/decrease of revenue from principal businesses over the previous year (%)	Increase/decrease of principal business cost over the same period of the previous year (%)	Increase/decrease of principal business profit rate over the period of the previous year (%)
Principal Businesses Based on Sectors						
Timepiece manufacture	60,754.60	28,457.30	53.16%	13.77%	5.57%	3.64%
Other wholesale and retail	146,555.00	114,849.80	21.63%	68.14%	63.60%	2.17%
Lease services	22,433.50	3, 917.30	82.54%	14.51%	-6.04%	3.82%
Principal Businesses Based on Products						
Manufacture and sales of FIYTA watches	60,754.60	28,457.30	53.16%	17.32%	10.03%	3.10%
Sales of foreign famous watches	146,555.00	114,849.80	21.63%	68.14%	63.60%	2.17%

5.2 Principal Businesses Based on Regions

In RMB ‘000

Regions	Principal business income	Increase/decrease of revenue from principal businesses over the previous year (%)
Northeast China	23,231.90	7.83%
North China	28,731.30	116.50%
Northwest China	43,546.00	35.30%
East China	31,644.70	69.82%
Southwest China	9,818.10	59.16%
South China	70,337.70	49.19%

5.3 Other businesses with significant influence upon the net profit

□ Applicable √ Inapplicable

5.4 Operation of joint stock companies

□ Applicable √ Inapplicable

5.5 Significant change in principal business and its structure in comparison with the previous year and the reasons

☐ Applicable √ Inapplicable

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

☐ Applicable √ Inapplicable

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

☐ Applicable √ Inapplicable

5.8. Application of the Proceeds Raised through Share Offering

5.8.1 Application of Proceeds Raised through Share Offering

☐ Applicable √ Inapplicable

5.8.2 Change of Projects

☐ Applicable √ Inapplicable

5.9 Plan of the Board of Directors to Update the Business Plan of the Second Half Year

☐ Applicable √ Inapplicable

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

√ Applicable ☐ Inapplicable

Prediction of operation result	☐ Loss ☐ Big drop in the same direction	√ Big growth in the same direction ☐ from loss-incurring to profit-making
Note to the prediction of operation result (Note to the cause, uncertainty and influence of the prediction of operation result)	As the Company's income from the principal business grows and the earning power improves, it is predicted that the accumulative net profit of the period from January to September, 2006 shall increase by 100% to 150% in the same period of the previous year.	

5.11 Explanation of the management on the "non-standard opinion" of the certified public accountants in the report period.

☐ Applicable √ Inapplicable

5.12 Explanation of the management on the change and handling of the issues involved in the "non-standard opinion" of the certified public accountants in the previous year.

☐ Applicable √ Inapplicable

§6 Significant Events

6.1 Acquisition and Sales of Assets and Assets Reorganization

6.1.1 Acquisition and transfer-in of assets

☐ Applicable √ Inapplicable

6.1.2 Sales or transferred-out assets

☐ Applicable √ Inapplicable

6.1.3 Progress of the assets reorganization or announcement on acquisition or sales of assets after publication of the report or the announcement on such activity and the influence of such activity upon the operation result and financial status in the report period.

☐ Applicable √ Inapplicable

6.2. Material Guarantees

☐ Applicable √ Inapplicable

6.3 Credits and Debts with Related Parties

√ Applicable ☐ Inapplicable

In RMB '000

Related parties	Relationship	Fund provided by the Company to the related parties		Fund provided by related parties to the Company	
		Amount incurred	Balance	Amount incurred	Balance
Shenzhen CATIC Property Management Co., Ltd.	Controlling shareholder and legal person controlled by the eventual controller	1,289.60	0.00	0.00	0.00
Shenzhen Rainbow Supermarket Co., Ltd.	Controlling shareholder and legal person controlled by the eventual controller	915.40	0.00	0.00	0.00
Total		2,205.00	0.00	0.00	0.00

Where: The total amount of the funds the Company provided to the controlling shareholder and its subsidiaries was RMB 2,205.00 thousand and the balance was RMB 0.00 in the report period.

6.4 Material Lawsuits and Arbitration

☐ Applicable √ Inapplicable

6.5 Notes to Analysis on other Significant Events, their Affects and Solution

Occupancy of non-operating funds and progress of clearing arrears
☐ Applicable √ Inapplicable

6.6 Special commitments made by the former shareholders of non-negotiable shares in process of the equity separation reform and the implementation of the commitments

☐ Applicable √ Inapplicable

6.7 About the time schedule for the equity reform of a listed company that has not started the reform

√ Applicable ☐ Inapplicable

The relevant work is in process of preparation in a positive way. The Company is trying to publish the second equity separation reform proposal before September 30, 2006. The Company shall timely announce in public the progress of the said reform.

Explanation about the reasons why a listed company has undertaken to conduct the equity separation reform but failed to make timely implementation.
☐ Applicable √ Inapplicable

As the Company's equity separation reform proposal has been turned down while the Company once disclosed that "the Company shall start the equity separation reform work in three months as soon as possible according to the regulations such as the Measures on Administration over Listed Companies' Equity Separation Reform", The Company has enhanced the communication with the shareholders of non-negotiable shares, the relevant work is in process of positive preparation.

§ 7 Financial Report

7.1 Auditors' Opinions

Financial Report	√ Non-audited ☐ Audited

7.2 Financial Report

7.2.2 CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2006

	Notes	For the six months ended June 30, 2006	2005
		Unaudited	Unaudited
		RMB'000	RMB'000
Turnover	4	**229,743**	**160,156**
Cost of sales		(148,618)	(102,791)
Gross profit		**81,125**	**57,365**
Other revenue		4,672	1,397
Selling expenses		(36,359)	(25,033)
Administrative expenses		(27,927)	(23,208)
Other operating expenses		(3,134)	(3,673)
Profit from operations	5	**18,377**	**6,848**
Finance costs		(1,299)	(503)
Profit before tax		**17,078**	**6,345**
Income tax		(3,603)	(1,065)
Profit for the period		**13,475**	**5,280**
Attributable to:			
Equity holders of the parent		13,595	5,210
Minority interests		(120)	70
		13,475	**5,280**
Earnings per share			
Basic	8	RMB 0.055	RMB 0.021

7.3 Notes to the Accounting Statements

7.3.1 In case of change in the accounting policy and accounting estimate or any correction of any accounting errors, state the concerned details, reason and the amount as affected.

□ Applicable √ Inapplicable

7.3.2 In case there is significant change in the consolidation range of the financial statements, state the reason and amount as affected.

□ Applicable √ Inapplicable