SHENZHEN FIYTA HOLDINGS LTD.

2005 Semi-annual 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	1,848,000	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	6,300,000	99%	Processing, production and marketing of sophisticated optical instruments	Y	
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

Investees	**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	807,815.00	1.20%

Equipment Co.		
Total	5,945,646.00	8.83%

4. Other receivables

Age	June 30, 2005			December 31, 2004		
	Amount	Proportion	Provision for bad debts	Amount	Proportion	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 year	Adjusted amou accumulated equi	Ending balance	% in the in 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 year	Amount amortized in current year	June 30, 2005
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	13,200.00	702,525.26

in and out		
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	50,00 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.,	1983-2003	60%		

Ltd.				
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		Equity adjusted this year	Adjusted amount of accumulated equity	Ending balance	% in the investees' total equity
		Initial investment (in original currency)	Conversion in RMB				
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 Co., Ltd.	5,472,480.00	5,472,480.00
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