深圳市飞亚达（集团）股份有限公司

SHENZHEN FIYTA HOLDINGS LTD.

2006 Semiannual Report

(Full Text)

August 11, 2006

Important

The Board of Directors and directors of the Company hereby confirm that there are no important omissions, fictitious statements or serious misleading information carried in this report, and shall take all responsibilities, individually and/or jointly, for the authenticity, accuracy and completion of the whole contents.
This annual report is prepared in both Chinese and English. Should there be any difference in understanding of the two versions, the Chinese version shall prevail.

All the directors attended the Board meeting.

The financial report to this 2006 Semiannual Report has not yet 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. Hu Xinglong, Manager of the Financial Department, hereby ensure the accuracy and completeness of the financial report enclosed in this semiannual report.

Except that the Financial Report (Section 6) of the English version is drawn up according to the Auditors' Report as prepared in accordance with International Financial Report Standards, all financial data are based on Chinese Accounting Standards.

Definition:
Unless there is otherwise expression in the context, the following short forms in this report are defined as follows:

This Company, the Company or FIYTA refers to Shenzhen FIYTA Holdings Ltd.

CATIC Shenzhen refers to CATIC Shenzhen Holdings Ltd.

Harmony refers to Shenzhen Harmony World Watches Center Co., Ltd.

Rainbow Supermarket refers to Shenzhen Rainbow Supermarket Co., Ltd.

Contents

Section 1 Company Information

I. Company Information

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

2. Stock Exchange Listed with: Shenzhen Stock Exchange
   Short Form & Code of the Stock: FIYTA A 0026
   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 : szfiyta@public.szptt.net.cn

4. Legal Representative: Mr. Wu Guangquan

5. Secretary of the Board; Mr. Hao Huiwen
   Securities Affairs Representative: Mr. Chen Zhuo
   Liaison Address: 20th Floor, FIYTA Technology Building, Gaoxin S. Road One, Nanshan District, Shenzhen
   Tel : 0755－86013992 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 Semiannual Report is Prepared and Placed: Securities Department of the Company

7. Other Relevant Information.
   (1) Date of first registration: March 30, 1990
   Date of change in registration: January 30, 1997
   Registration with: 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, 2006	December 31, 2005	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	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	2.131	2.087	2.11%

Table 2 In RMB

Items	Jan to Jun, 06	Jan to Jun, 05	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-	12,338,589.59	7,396,174.29	66.82%
Earnings per share	0.055	0.021	160.97%
Net assets-income ratio	2.49%	1.00%	Increase by 1.49 percentage
Net cash flows arising from	-26,564,640.47	-8,722,830.88	—

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

Items	Amount In RMB
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

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 period	Net assets-income ratio		Earnings per share (RMB/share)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Principal business profit	14.83%	15.02%	0.325	0.325
Operating profit	2.86%	2.89%	0.063	0.063
Net profit	2.49%	2.52%	0.055	0.055
Net profit after deduction of non-recurring loss/gain	2.26%	2.28%	0.049	0.049

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

I. Change in Shares

Changes in the Company's share capital ended December 31, 2006 are as follows:

In shares

	Before the change	Increase/ Decrease (+ / -) as of the year	After the change
I. Non-listed negotiable shares			
Promoters' shares	130,248,000	0	130,248,000
Including: domestic legal person shares	130,248,000	0	130,248,000
Total non-listed negotiable shares	130,248,000	0	130,248,000
II. Negotiable shares listed			
1. RMB ordinary shares	60,749,999	0	60,749,999
Incl.: senior executives' shares	48,210	0	48,210
2. Foreign shares listed domestically	58,320,000	0	58,320,000
Total listed negotiable shares	119,069,999	0	119,069,999
III. Total Shares	249,317,999	0	249,317,999

II. Total shareholders at the end of the report period

Ended June 30, 2006, the Company had totally 19,852 shareholders, including 10,352 shareholders of A-shares and 9,500.shareholders of B-shares.

III. Shareholders

Top 10 shareholders ended June 30, 2006:

Shareholders	Increase/decrease in the report period	Q'ty of shares held (in shares)	Proportion of shares held	Types of Shares
CATIC Shenzhen Holdings Ltd.	0	130,248,000	52.24%	Domestic legal person shares
Zhejiang International Trust & Investment Co., Ltd.	unknown	5,605,824	2.25%	Negotiable A-shares

Henan Fangchen Technology & Trade Co., Ltd.	unknown	1,513,700	0.61%	Negotiable A-shares
Zhengzhou Tengbo Trade Co., Ltd.	unknown	509,400	0.20%	Negotiable A-shares
Qu Yanping	0	500,458	0.20%	Negotiable B-shares
Xue Peiming	108,000	444,800	0.18%	Negotiable B-shares
Lin Chubin	unknown	419,854	0.17%	Negotiable B-shares
Lin Hongbo	0	362,880	0.15%	Negotiable B-shares
Zhang Mei	unknown	359,000	0.14%	Negotiable A-shares
Wang Guiqiang	unknown	356,773	0.14%	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 other shareholders of negotiable shares pledged or frozen.

IV. Top Ten Shareholders of Negotiable Shares

Shares held by the top ten shareholders of negotiable A shares		
Serial No.	Shareholders	Number of shares held at end of the period
1	Zhejiang International Trust & Investment Co., Ltd.	5,605,824
2	Henan Fangchen Technology & Trade Co., Ltd.	1,513,700
3	Zhengzhou Tengbo Trade Co., Ltd.	509,400
4	Zhang Mei	359,000
5	Wang Guiqiang	356,773
6	Wang Haiyang	344,803
7	Li Hua	314,900
8	Yang Bin	307,900
9	Tao Qiying	302,200
10	Yang Caixia	297,411
Shares held by the top ten shareholders of negotiable B shares		
Serial	Shareholders	Number of shares held at end of the

No.		period
1	Qu Yanping	500,458
2	Xue Peiming	444,800
3	Lin Chubin	419,854
4	Lin Hongbo	362,880
5	CHINA PINGAN INSURANCE(HK)CO.LTD	307,230
6	Zeng Ying	283,590
7	Li Ping	270,000
8	Li Rongsheng	258,002
9	GUOTAI JUNAN SECURIES HONG KONG LIMITED	246,070
10	Lin Zhihua	241,800

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

Section 3 Directors, Supervisors, Senior Executives

I. Change in the Company's Shares

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

II. New Engagement or Disengagement of Directors, Supervisors, Senior Executives

1. Election for the Board of Directors and the Supervisory Committee
2005 Annual Shareholders' General Meeting reviewed and approved the proposal on election of new Board of Directors and the Supervisory Committee on May 30, 2006. Mr. Wu Guangquan, Mr. Lai Weixuan, Mr. Sui Yong, Mr. Wang Baoying and Mr. Xu Dongsheng were elected directors of the Fifth Board of Directors and Mr. Hua Xiaoning and Mr. Guo Wanda were elected independent directors of the Fifth Board of Directors. Mr. Huang Gaojian was elected a supervisor of the Fifth Supervisory Committee, forming the Fifth Supervisory Committee together with Mr. Zhang Songhua and Mr. Tang Boxue, the staff representative supervisors.

The announcement of the aforesaid information was published on Securities Times, Hong Kong Commercial Daily and http://www.cninfo.com.cn. On May 31, 2006.

2. Engagement of Senior Management
At the 1st meeting of the Fifth Board of Directors dated June 8, 2006, Mr. Wu Guangquan was elected Chairman of the Board and Mr. Lai Weixuan was elected Vice-Chairman of the Board; Mr. Xu Dongsheng was engaged as the General Manager; Mr. Lu Bingqiang, Mr. Li Dehua, Mr. Li Bei, Ms. Fang Juan and Mr. Hao Huiwen were engaged as Deputy General Managers, Mr. Li Dehua was engaged as chief accountant (concurrently) and Mr. Hao Huiwen was engaged as the Secretary of the Board (concurrently). Mr. Huang Gaojian was elected the Chairman of the Supervisory Committee at the 1st meeting of the Fifth Supervisory Committee.

The announcement of the aforesaid information was published on Securities Times, Hong Kong Commercial Daily and http://www.cninfo.com.cn. On June 13, 2006.

Section 4 Discussion and Analysis of the Management

I. Discussion and Analysis of the Overall Operation in the Report Period

(I) In the first half year of 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.

Items	Jan – June, 2006	Jan – June, 2005	Period-to-period Increase/Decrease (%)
Principal business income	229,743,079.32	160,156,032.82	43.45%
Principal business profit	81,125,167.46	57,364,930.84	41.42%
Total profit	17,078,612.65	6,344,630.20	169.18%
Net profit	13,595,389.06	5,209,639.04	160.97%

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.

1. FIYTA Watches In the report period, the Company still insisted on the brandy strategy, unceasingly propelled the collaboration based integrated effect in various links of research and development, manufacture, sales, etc. along the value based marketing, devoted great efforts in upgrading the product design and production capacity and deepening the management work in elaborating the market sales. As a result, the Company has achieved a great success in promoting the bran and the Company’s brand identity has been further upgraded. The Company has achieved continuous breakthrough innovations in R & D and design of FIYTA watches. At the 4th China Enterprise Product Innovation Design Award (CIDF Product Design Award) held in March, 2006 in Shanghai, FIYTA “Tianji” Series Watches honorably won the golden price and Shenzhou Six Spacecraft Watch won “the Best Design Award of Livelihood Articles”; the Company developed and launched high grade “Gold Buddha Watch” at the beginning of 2006. The concept of fully excavating the Chinese traditional happiness praying culture added with the ingenuous structural design has catered for our customers' psychological and emotional requirements. The products have been sold well all the time and achieved outstanding success and produced positive influence in the market. As such leading products as "Spacecraft Watch" and "Gold Buddha Watch" have been enjoying good sales in the market, the gross profit rate and average unit sales price have been both raised. In the report period, the Company's "Proposal of Integration, Marketing and Promotion of Shenzhou Six Spacecraft Watch" won China Top 10 Enterprise Planning Design Projects in 2005; Shenzhen FIYTA Sophisticated Manufacture Co., Ltd., one of the Company's subsidiaries, has been granted the title of "Shenzhen Hi-tech enterprise". In the report period, the Company realized sales income amounting to RMB 60,755 thousand from sales of FIYTA watches, a 17.32% growth over the same period of the previous year.

2. Retails of world brand watches by Harmony World Watches Center. In the report period, Harmony World Watches Chain Network enhanced the professional operation based on the high-level standard of " 2006 Professional Operation Year", initiated the management innovation activities, gradually deepened the "superficial-medium-high" three-level marketing approach, enhanced the emotional communications with customers, continuously improved the value-added services and improved the competitiveness in retails of top brand watches. In the report period, the Company realized retail sales of top brand watches amounting to RMB 146,555 thousand, a 68.14% growth over the same period of the previous year; and realized a net profit amounting to RMB 5,600 thousand, a big growth over the same period of the last year. In the report period, Harmony World Watches Center newly opened 7 shops and merged one shop, with net increase of 6 chain shops. By the end of the report period, there were 47 chain shops all over big and medium cities of the country. It is estimated that in the second half year of 2006, the chain network size shall continue to expand and the turnover is hopeful to persistently grow.

3. Property Operation 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 22,433 thousand, a 14.51% growth over the same period of the previous year.

II. Business Highlights

1. Business Scope and Operation Status

The Company is mainly engaged in design, development, manufacture, sales and repairing of timepieces and components, including operation of FIYTA watch products and retail of the world top brand watches by Harmony World Watches Center; property operation of FIYTA Technology Building and FIYTA Building.

(1) Operation Status

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

Businesses	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 the previous year	Increase/decrease of gross profit rate over the same period of the previous year, in percents
industrial manufacture and sales	60,754,623.11	28,457,343.92	53.16%	13.77%	5.57%	Increased by 3.64 percents
Retail	146,555,005.87	114,849,825.29	21.63%	68.14%	63.60%	Increased by 2.17 percents
Property operation	22,433,450.34	3,917,301.69	82.54%	14.51%	-6.04%	Increased by 3.82 percents
Including: related translations	–	–	–	–	–	–

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

Businesses	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 the previous year	Increase/decrease of gross profit rate over the same period of the previous year, in percents
Manufacture and sales of FIYTA watches	60,754,623.11	28,457,343.92	53.16%	17.32%	10.03%	Increased by 3.10 percents
Sales of foreign famous watches	146,555,005.87	114,849,825.29	21.63%	68.14%	63.60%	Increased by 2.17 percents
Total	207,309,628.98	143,307,169.21	30.87%	49.20%	49.18%	Increased by 0.01 percent
Incl.: 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	23,231,863.34	7.83%
North China	28,731,290.47	116.50%
Northwest China	43,545,970.38	35.30%
East China	31,644,709.53	69.82%
Southwest China	9,818,075.62	59.16%
South China	70,337,719.64	49.19%
Total	207,309,628.98	49.20%

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. In the report period, no material change took place in the Company's property composition, principal business or its structure, and earning power of the principal business in comparison with the previous year.

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

the Company.

4. Problems and Difficulties in the Operation

(1) Analysis on affects from adjustment of the consumption tax: According to the Circular CAI SHUI [2006] No. 33 jointly issued by the State Ministry of Finance and the State Administration of Taxation, commencing from April 1, 2006, China is conducting adjustment of the tax items, tax rates of the consumption tax in force and the relevant policy, where the consumption tax is levied over various high grade watches with unit price over RMB 1,000 (with RMB 1,000 inclusive) (with value-added tax exclusive) at the rate of 20%. As the proportion of FIYTA watches applicable to the above taxation is small, the said policy has not produced significant affect upon the business of FIYTA watches. However, the above tax policy may produce fluctuation affect upon sales of famous brand watches at Harmony Famous Brand Watches chain shops. However, on the medium and long term basis, the famous brand watch manufacturers and distributors shall enhance communication and cooperation in order to stabilize the famous watch consumption market and reduce the affect from the taxation factor upon the sales market; in addition, the price demand flexibility of high grade watches is relatively small, therefore, it is expected that the above policy will produce less affect upon sales of famous brand watches.

(2) Competition in the Sector and Countermeasures: The timepiece industry engaged by the Company is still in the trend of keen competition in the market. FIYTA watches are gradually leaping from the error zone of low levels of home-made watches, taking the international top brand enterprises as its good example and looking forward to being involved in the competition of the international top brand watches market.

In respect of the retail of famous brand watches, the domestic and foreign famous brand watches retailers are expecting greatly the highly growing potential of the domestic famous brand watch consumption market, and are involved in droves in the domestic famous watch retail business or further expand chain shop size; the new competition pattern is in process of formation.

Harmony Chain Shops need to make full use of the 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

The Company has neither application of the Proceeds Raised through Share Offering nor Other Significant Investments

IV. Advance Announcement of the Operation Results

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% over the same period of the previous year.

Section 10 Significant Events

I. The Company has adopted strict demand on itself and standardized the operation in accordance with the regulations of China Securities Regulatory Commission and positively improved its corporate governance structure. Up to now, the Company has basically complied with the relevant regulations concerning corporate governance.

II. In the report period, the Company approved the Proposal of Profit Distribution and Making up Deficits with Surplus Public Reserve for the Year 2005 at its Annual Shareholders' General Meeting. For the year 2005, the Company would neither distribute dividend in cash and bonus shares to its shareholders nor conduct conversion of capital public reserve into share capital.

For the first half year of 2006, the Company has not prepared any proposal on profit distribution or any proposal on conversion of public reserve into share capital either.

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. Implementation of Regular Related Transactions
(1) Both of the Company's FIYTA Building and FIYTA Technology Building have used property management services and a small quantity of property lease services 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 rental and management service charge payable amounted to RMB 1,290 thousand, which complies with the predicted figure.

The Company sells watches via special counters in Rainbow Supermarket. In the report period, the sales costs of the special counters incurred in the supermarket amounted to RMB 915 thousand, which complies with the predicted figure.

The Announcement on the Regular Related Transactions in 2005 was published on Securities Times, Hong Kong Commercial Daily and http://www.cninfo.com.cn. on April 20, 2006.

1. Related Liabilities or Guarantee
Ended June 30, 2006, CATIC Shenzhen Holdings Ltd., the controlling shareholder, offered guarantee to the Company for the bank credit line amounting to RMB 90 million and the Company obtained bank loans amounting to RMB 60 million.

3. Funds occupied by the Company's controlling shareholder and its 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.

4. Other Important Contracts and Implementation

(1) The Company and Shenzhen Development Bank Shenzhen Jiangsu Building Sub-branch executed an agreement on credit line amounting to RMB 40 million with a term from September 15, 2005 to September 14, 2006. The Company has used all the credit line under that agreement with total amount of RMB 40 million only.

(2) The Company and China Merchants Bank Shenzhen Futian Sub-branch executed an agreement on credit line amounting to RMB 50 million with a term from February 28, 2006 to February 28, 2007. The Company has used RMB 20 million of the credit line under the said agreement.

VII. Shareholders holding over 5% (with 5% inclusive) has neither disclosed any existing and valid undertakings in the report period nor had any undertaking incurred in previous periods but extended to the report period.

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 accelerated the communication with the shareholders of non-negotiable shareholders. 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.

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

In the report period, approved by 2005 Annual Shareholders' General Meeting, the Company terminated the engagement Pricewaterhouse Coopers Zhongtian Certified Public Accountants and Pricewaterhouse Coopers China Limited as the Company's domestic and international auditors for the year 2005, and instead, the Company engaged Yuehua Certified Public Accountants Co., Ltd. and Morison International as the Company's domestic and international auditors of the Company's 2005 Annual Financial Report respectively.

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

X. Index of other Important Information

On April 12, 2006, the Company held a shareholders' meeting concerning the equity separation reform. However the Proposal for the Equity Separation Reform still failed in approval after voting. The announcement of the aforesaid information was published on Securities Times, Hong Kong Commercial Daily and http://www.cninfo.com.cn. On April 13, 2006.

Section 6 Financial Report

I. Accounting Statements (attached hereinafter on Pages 18to 23))

II. Notes to Accounting Statements (attached hereinafter on Pages 24 to 30)

Section 7 Documents Available for Inspection

I. Semi-annual Report signed by 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 notices disclosed in the newspapers designated by China Securities Regulatory Commission in the report period;

4. Articles of Association of the Company.

Board of Directors of
SHENZHEN FIYTA HOLDINGS LTD.

August 11, 2006.

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

INTERIM RESULT

These consolidated financial statements have not been audited, but have been reviewed by the company's directors.

CONSOLIDATED INCOME STATEMENT
For the six months ended June 30, 2006

		For the six months ended June 30,	
	Notes	2006	2005
		Unaudited RMB'000	Unaudited 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

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

CONSOLIDATED BALANCE SHEET
At June 30, 2006

	Notes	June 30, 2006	December 31, 2005
		Unaudited	Audited
ASSETS		RMB'000	RMB'000
Non-currents assets			
Property, plant and equipment		81,487	77,182
Investment properties		177,961	181,174
Construction in progress		135	135
Prepaid lease payments		14,852	15,081
Available-for-sale investments		10,386	10,386
Deferred tax assets		15,466	15,466
Other non-current assets		1,316	1,554
		301,603	**300,978**
Current assets			
Inventories		290,254	233,861
Trade receivables	9	20,962	27,205
Bills receivable		—	550
Other receivables and prepayments		34,210	32,551
Amount due from an ultimate company		—	—
Tax recoverable		2,150	1,403
Financial assets at fair value through profit or loss	10	2,122	4,949
Bank balances and cash		52,673	47,711
		402,371	**348,230**
Total assets		**703,974**	**649,208**

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

CONSOLIDATED BALANCE SHEET - (continued)
At June 30, 2006

	Notes	June 30, 2006	December 31, 2005
		Unaudited	Audited
		RMB'000	RMB'000
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Registered capital		249,318	249,318
Reserves		298,005	284,410
Equity attributable to equity holders of the parent		**547,323**	**533,728**
Minority interests		7,376	7,503
Total equity		**554,699**	**541,231**
Non-current liabilities			
Deferred income		3,000	3,000
Current liabilities			
Trade payables		35,451	28,992
Staff welfare payable		19,884	18,820
Other payables and accruals		18,631	24,641
Amount due to a related company		—	215
Amount due to an invested company		12,309	12,309
Tax payable		—	—
Bank loan - secured	11	60,000	20,000
		146,275	**104,977**
Total liabilities		**149,275**	**107,977**
Total equity and liabilities		**703,974.00**	**649,208.00**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2006

	Share capital	Capital reserves	Statutory reserves	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at December 31, 2005	249,318	191,108	82,706	10,596	533,728
Net profit for the 6 months				13,595	13,595
Balance at June 30, 2006	249,318	191,108	82,706	24,191	547,323

FOR THE SIX MONTHS ENDED JUNE 30, 2005

	Share capital	Capital reserves	Statutory reserves	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at December 31, 2004	249,318	191,108	114,519	(36,770)	518,175
Net profit for the 6 months				5,210	5,210
Balance at June 30, 2005	249,318	191,108	114,519	(31,560)	523,385

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

CONSOLIDATED CASH FLOW STATEMENT
For the six months ended June 30, 2006

	For the six months ended June 30	
	2006	2005
	Unaudited	Unaudited
	RMB'000	RMB'000
Cash flows from operating activities		
Profit before taxation	17,078	6,345
Adjustment for:		
Amortization of prepaid lease payments	229	229
Amortization of non-current assets	238	196
Depreciation of investment properties	3,213	3,213
Depreciation of property, plant and equipment	7,463	4,650
Dividend income	—	—
Gain on disposal of property, plant and equipment	(12)	(1)
Interest paid	1,299	503
Interest income	(141)	(277)
Provision for obsolescent inventory	—	(232)
Operating profit before working capital changes	29,367	14,626
Increase in inventories	(56,393)	(11,217)
(Increase)/Decrease in trade receivables	6,243	(1,731)
Increase in bill receivable	550	—
Decrease/(Increase) in other receivables and prepayments	(1,659)	3,462
Decrease in amount due from a related company	—	1,500
Increase in amount due to a related company	(215)	—
(Decrease)/Increase in trade payables	6,459	(28,150)
Increase in staff welfare payable	1,064	(57)
Increase in other payables and accruals	(6,010)	604
Decrease/(Increase) in financial assets at fair value through profit or loss	2,827	2,667
	(47,134)	(34,422)
Cash used in operations	(17,767)	(19,796)
Interest paid	(1,299)	(503)
Tax paid	(4,350)	420
Net cash used in operating activities	(23,416)	(21,379)

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

CONSOLIDATED CASH FLOW STATEMENT - (continued)
For the six months ended June 30, 2006

	For the six months ended June 30	
	2006	2005
	Unaudited	Unaudited
	RMB'000	RMB'000
Cash flows from investing activities		
Interest received	141	277
Proceeds on disposal of property, plant and equipment	113	—
Purchase of property, plant and equipment	(11,869)	(13,589)
Acquisition of available-for-sale investments	—	—
	—	—
Dividend income from available-for-sale investments		
Investment income from designed deposit	—	—
Payments for construction in progress	—	(450)
Decrease in designated deposits	—	—
Decrease in minority interests	(7)	(70)
Net cash used in investing activities	(11,622)	(13,832)
Cash flows from financing activities		
Proceeds from borrowings	40,000	—
Repayments of borrowings	—	—
Net cash from financing activities	40,000	—
Net increase in cash and cash equivalents	4,962	(33,711)
Cash and cash equivalents at the beginning of the period	47,711	84,792
Cash and cash equivalents at the end of the period	52,673	51,081
Analysis of cash and cash equivalents at the end of June 30		
Bank balances and cash	52,673	51,081

NOTES TO THE FINANCIAL STATEMENT
FOR THE PERIOD ENDED JUNE 30, 2006

1. Corporate information

Shenzhen Fiyta Holdings Limited (the "Company") was established in the People's Republic of China (the "PRC") as a joint stock limited company a reorganization of its predecessor company, Shenzhen Fiyta Timing Industry Company, in December 1992. The Company's Renminbi Ordinary Shares ("A Shares") and Domestically Listed Foreign Shares ("B Shares") were listed on the Shenzhen Stock Exchange in March 1993.

The Company's holding company is CATIC Shenzhen Holdings Limited ("CATIC") which holds 52.24% of its equity interest. CATIC's H Shares were listed on The Stock Exchange of Hong Kong in September 1997.

The Company and its subsidiaries (the "Group") are principally engaged in the design, manufacture, assembly and sale of quartz analog watches, clocks, watch casings, and property management.

2. Basis of preparation and accounting policies

Basis of preparation

The interim consolidated financial statements for the six months ended June 30, 2006 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2005.

Consolidation scope and significant accounting policies

The consolidation scope and accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2005.

3. Segment information

For the six months ended June 30, 2006 (unaudited)	Clocks and watches	Property rental	Total
	RMB'000	RMB'000	RMB'000
Turnover	207,310	22,433	229,743
Segment results	64,003	18,516	82,519
Unallocated expense			(64,142)
Operating profits			18,377
Finance costs			(1,299)
Profit before taxation			17,078
Taxation			(3,603)
Profit after taxation			13,475
Minority interest			120
Net profit			13,595
Segment assets	498,039	177,961	676,000
Unallocated assets			27,974
Total assets			703,974
Segment liabilities	89,275	—	89,275
Unallocated liabilities			60,000
Total liabilities			149,275
Capital expenditure	11,869	—	11,869
Depreciation and amortization			
- property, plant and equipment	7,463	—	7,463
- investment properties	—	3,213	3,213
Amortization of prepaid leasehold land	—	229	229
Provision for doubtful debts	—	—	—
Provision for obsolescent inventories	—	—	—

3. Segment information－(continued)

For the six months ended June 30, 2005 (unaudited)	Clocks and watches RMB’000	Property rental RMB’000	Total RMB’000
Turnover	140,565	19,590	160,155
Segment results	43,409	15,421	58,830
Unallocated expense			(51,982)
Operating profits			6,848
Finance costs			(503)
Profit before taxation			6,345
Taxation			(1,065)
Profit after taxation			5,280
Minority interest			(70)
Net profit			5,210
Segment assets	462,933	184,387	647,320
Unallocated assets			27,974
Total assets			675,294
Segment liabilities	60,402	－	60,402
Unallocated liabilities			20,000
Total liabilities			80,402
Capital expenditure	13,589	－	13,589
Depreciation and amortization			0
- property, plant and equipment	4,650	－	4,650
- investment properties	－	3,213	3,213
Amortization of prepaid leasehold land	－	461	461
Provision for doubtful debts	－	－	－
Provision for obsolescent inventories	－	－	－

There are no sales or other transactions between the business segments. Segment assets comprise operating assets and mainly exclude deferred tax assets, designated deposits and investments. Segment liabilities comprise operating liabilities and mainly exclude minority interests, certain borrowings and tax payable. All assets and operations of the Group are located in the PRC.

4. Turnover and revenue

The Group in engaged in the design, manufacture, assembly and sale of quartz analog watches, clocks, watch straps and watch casings, and property management. Revenue recognized during the period is as follows:

	For the six months ended June 30, 2006	
	2006	2005
	unaudited	unaudited
	RMB'000	RMB'000
Turnover		
Rental income	22,433	19,590
Sales of goods	207,310	140,566
	229,743	160,156
Other revenue		
Bank interest income	142	277
Repair and maintenance income	1,610	994
Gain on disposal of financial assets at fair value through profit or loss	2,734	—
Gain on disposal of property, plant and equipment	70	13
Others	116	112
	4,672	1,396
Total revenue	234,415	161,552

5． Profit from operations

Profit from operations is arrived at:

	For the six months ended June 30	
	2006	2005
	Unaudited	Unaudited
After charging:	RMB'000	RMB'000
Amortization of prepaid leasehold land	230	230
Amortization of other non-current assets	1,166	1,946
Exchange loss	31	—
Depreciation of property, plant and equipment	2,637	2,575
Depreciation of investment properties	3,213	3,213
Fair value loss on financial assets at fair value through profit or loss	—	2,661
Loss on disposal of property, plant and equipment	58	14
Cost of inventories sold	143,307	97,156
Rent paid under operating leases	1,290	1,370
Staff costs (including directors' remuneration – note 6, 7)	28,530	21,313
	180,462	130,478

6. Staff cost

	For the six months ended June 30	
	2006	2005
	Unaudited	Unaudited
	RMB'000	RMB'000
Wages and salaries	26,933	19,606
Staff welfare	1,612	1,366
Social insurance expenses	1,289	1,077
	29,834	22,049

7. Directors' remuneration

Particulars of the emoluments of the directors for the period were as follows:

	For the six months ended June 30	
	2006	2005
	Unaudited	Unaudited
	RMB'000	RMB'000
Fees	—	—
Other emoluments	38	45
	38	45

8. Earnings per share

The calculation of earnings per share is based on the consolidated profit after tax and after minority interests for the period of RMB13, 595, 000 (2005: RMB5, 210, 000) and 249,318,000 shares (2005: 249,318,000 shares) on issue.

9. Trade receivables

	June 30, 2006	December 31, 2005
	Unaudited	Audited
	RMB'000	RMB'000
Within 1 year	19,133	25,665
1 year to 2 years	1,467	1,322
2 years to 3 years	654	691
over 3 years	42,014	41,833
	63,269	69,512
Provision for doubtful debts	42,307	42,307
	20,962	27,205

10. Financial assets at fair value through profit or loss

	June 30, 2006	December 31, 2005
	Unaudited	Audited
	RMB'000	RMB'000
Market value of listed investments		
- equity shares	2,122	4,949

The financial assets at fair value through profit or loss are traded in active markets and are valued at market prices at the end of period by reference to Stock Exchange quoted prices.

11. Bank loan - secured

	June 30, 2006	December 31, 2005
	Unaudited	Audited
	RMB'000	RMB'000
Repayable within one year	60,000	20,000

The bank loan was interest bearing at 5.58% per annum (2004: 5.31%) and guaranteed by the holding company, CATIC Shenzhen Holdings Limited.

12. Related party transactions

During the six months, the Group had the following material transactions with related parties in normal course of its business:

	For the six months ended June 30	
	2006	2005
	Unaudited	Unaudited
	RMB'000	RMB'000
Property management fee paid to:		
Shenzhen CATIC Property Management Co., Ltd	1,290	1,371
Commission paid to:		
Shenzhen Rainbow Department Store Co., Ltd	915	420

13. Approved of the financial statements

The financial statements were approved and authorized for issue by the board of directors on August 11, 2006.

SUPPLEMENTARY INFORMATION
FOR THE PERIOD ENDED JUNE 30, 2006

The impact of IFRS adjustments on the PRC statutory financial statements is as follows:

	Net profit for the six months ended June 30,		Shareholders' equity	
	2006	2005	June 30, , 2006	December 31, , 2005
	Unaudited	Unaudited	Unaudited	Audited
	RMB'000	RMB'000	RMB'000	RMB'000
As report under PRC statutory financial statements	13,595	5,210	546,966	533,371
IFRS adjustments:				
- Adjustment on deferred tax assets	–	–	15,466	15,466
- Reclassification of prior year profit appropriation to staff welfare payable	–	–	(15,949)	(15,949)
- Adjustment on fair value for financial assets at fair value through profit or loss	–	–	–	–
- Adjustment on provision for bad debt	–	–	(454)	(454)
- Others	–	–	1,294	1,294
As restated after IFRS adjustments	13,595	5,210	547,323	533,728