

SHENZHEN FIYTA HOLDINGS LIMITED

(Joint stock limited company incorporated in the People's Republic of China)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

SHENZHEN FIYTA HOLDINGS LIMITED
(Joint stock limited company incorporated in the People's Republic of China)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003

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REPORT OF THE AUDITORS

TO THE SHAREHOLDERS OF
SHENZHEN FIYTA HOLDINGS LIMITED

(Joint stock limited company incorporated in the People's Republic of China)

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We have audited the accompanying consolidated balance sheet of Shenzhen Fiyta Holdings Limited (the "Company") and its subsidiaries (the "Group") as of 31 December 2003 and the related consolidated income and consolidated cash flow statements for the year then ended. These consolidated financial statements set out on page 2 to 28 are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2003 and of the consolidated results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

6 April 2004

SHENZHEN FIYTA HOLDINGS LIMITED
(Joint stock limited company incorporated in the People's Republic of China)

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 RMB'000	2002 RMB'000
Turnover	4	228,133	219,493
Cost of sales		<u>(139,435)</u>	<u>(134,183)</u>
Gross profit		88,698	85,310
Other operating income	7	16,272	7,985
Selling expenses		(57,173)	(56,046)
Administrative expenses		(42,578)	(112,461)
Gain on disposal of an associate		-	650
Gain on sale of discontinuing operation	33	777	-
Loss on disposal of a subsidiary	34	<u>(403)</u>	<u>-</u>
Profit / (loss) from operations	5	5,593	(74,562)
Finance income /(costs) - net	8	<u>553</u>	<u>(456)</u>
Group profit / (loss) before tax		6,146	(75,018)
Share of results of a joint venture before tax	15	<u>-</u>	<u>319</u>
Profit / (loss) before taxation		6,146	(74,699)
Taxation (charge) / credit	9	<u>(859)</u>	<u>5,315</u>
Profit / (loss) after taxation		5,287	(69,384)
Minority interests		<u>845</u>	<u>382</u>
Net profit / (loss) for the year		<u><u>6,132</u></u>	<u><u>(69,002)</u></u>
Dividends	28	<u>-</u>	<u>12,466</u>
Earnings / (loss) per share	10	<u><u>RMB0.02</u></u>	<u><u>RMB(0.28)</u></u>

The accompanying notes form an integral part of these consolidated financial statements.

SHENZHEN FIYTA HOLDINGS LIMITED
(Joint stock limited company incorporated in the People's Republic of China)

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2003

	Notes	2003 RMB'000	2002 RMB'000
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	11	40,142	45,725
Investment properties	12	16,492	17,534
Construction in progress	13	125,227	61,318
Leasehold land payments	14	16,464	16,925
Investment in joint venture	15	-	2,799
Available-for-sale investments	16	4,885	4,885
Deferred tax assets	17	16,731	16,125
Other non-current assets		2,507	2,904
Total non-current assets		<u>222,448</u>	<u>168,215</u>
CURRENT ASSETS			
Inventories	18	152,649	118,230
Trade receivables	19	19,549	28,286
Due from related companies	20	1,500	4,049
Prepayments and other receivables	21	33,984	32,212
Trading investments	22	4,314	6,121
Designated deposits	23	51,004	125,000
Cash and cash equivalents		117,527	111,302
Total current assets		<u>380,527</u>	<u>425,200</u>
TOTAL ASSETS		<u><u>602,975</u></u>	<u><u>593,415</u></u>
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	24	249,318	249,318
Reserves	25	305,627	305,627
Accumulated losses		(36,975)	(43,107)
Total shareholders' equity		<u>517,970</u>	<u>511,838</u>
MINORITY INTERESTS		<u>7,273</u>	<u>6,718</u>
NON-CURRENT LIABILITIES			
Deferred income	26	<u>3,000</u>	<u>-</u>
CURRENT LIABILITIES			
Trade payables		34,505	28,603
Staff welfare payable		18,677	18,839
Tax payable		311	(359)
Accruals and other current liabilities		21,139	23,776
Short-term loans	27	100	4,000
Total current liabilities		<u>74,732</u>	<u>74,859</u>
TOTAL EQUITY AND LIABILITIES		<u><u>602,975</u></u>	<u><u>593,415</u></u>

On 6 April 2004, Shenzhen Fiyta Holdings Limited's Board of Directors approved these financial statements for issue.

The accompanying notes form an integral part of these consolidated financial statements.

SHENZHEN FIYTA HOLDINGS LIMITED

(Joint stock limited company incorporated in the People's Republic of China)

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2003**

	Note	Reserves				Retained earnings/ (accumulated losses)	Total
		Share capital	Capital reserve	Statutory reserves	Sub-total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2002		249,318	191,108	114,519	305,627	38,361	593,306
Dividends relating to 2001	28	-	-	-	-	(12,466)	(12,466)
Net loss for the year		-	-	-	-	(69,002)	(69,002)
At 1 January 2003		249,318	191,108	114,519	305,627	(43,107)	511,838
Net profit for the year		-	-	-	-	6,132	6,132
At 31 December 2003		<u>249,318</u>	<u>191,108</u>	<u>114,519</u>	<u>305,627</u>	<u>(36,975)</u>	<u>517,970</u>

The accompanying notes form an integral part of these consolidated financial statements.

SHENZHEN FIYTA HOLDINGS LIMITED
(Joint stock limited company incorporated in the People's Republic of China)

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 RMB'000	2002 RMB'000
Cash flows from operating activities			
Cash (used in) / generated from operations	29	(11,010)	33,069
Interest paid		-	(3,218)
Tax paid		(795)	(3,643)
Net cash flows (used in) / from operating activities		<u>(11,805)</u>	<u>26,208</u>
Cash flows from investing activities			
Purchases of fixed assets		(8,048)	(4,768)
Additions to construction in progress		(63,955)	(46,754)
Sales proceeds from disposals of fixed assets		1,327	1,807
Proceeds from disposal of leasehold land payments		-	6,402
Proceeds from sale of discontinuing operation	33	2,800	-
Disposal of subsidiaries, net of cash disposed	34	22	-
Disposal of an associate		-	4,000
Dividends received from non-current investments		138	138
Proceeds from sale of trading investments		2,690	6,337
Purchase of trading investments		-	(7,677)
Purchase of available-for-sale investments		-	(1,500)
Investment income from designated deposit		10,000	-
Decrease / (increase) in designated deposits		73,996	(125,000)
Subsidiary in voluntary liquidation and not consolidated		(842)	-
Interest received		802	2,882
Government grants received		<u>3,000</u>	<u>-</u>
Net cash flows from / (used in) investing activities		<u>21,930</u>	<u>(164,133)</u>
Cash flows from financing activities			
Proceeds from borrowings		100	100,000
Repayments of borrowings		(4,000)	(170,000)
Dividends paid to group shareholders		<u>-</u>	<u>(12,466)</u>
Net cash flows used in financing activities		<u>(3,900)</u>	<u>(82,466)</u>
Increase / (decrease) in cash and cash equivalents		6,225	(220,391)
At start of year		<u>111,302</u>	<u>331,693</u>
At end of year		<u><u>117,527</u></u>	<u><u>111,302</u></u>

The accompanying notes form an integral part of these consolidated financial statements.

SHENZHEN FIYTA HOLDINGS LIMITED**(Joint stock limited company incorporated in the People's Republic of China)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****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 following a reorganisation 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 straps and watch casings, catering and entertainment businesses and property management.

At 31 December 2003, the Company had the following major subsidiaries (all incorporated in the PRC):

Name of the subsidiaries	Registered capital	Attributable equity interest		Principal activities
		Direct	Indirect	
Shenzhen Fiyta Precision Timing Manufacture Co., Ltd.	RMB10,000,000	90%	9%	Design, manufacture and assembly of quartz watches and watch components
Shenzhen Feijing Precision Optical Device Manufacture Co., Ltd.	RMB7,000,000	90%	9%	Manufacture of precision optical device and watch surfaces
Shenzhen Feiyu Art Clock Co., Ltd.	HKD3,000,000	75%	-	Design, manufacture and distribution of clocks
Shenzhen Feitu New Technology Development Company	RMB3,080,000	60%	-	Electroplating of watch straps, casing and jewellery
Shenzhen Harmony World Watch Centre Co., Ltd.	RMB15,000,000	90%	-	Distribution of watches and watch components and provision for repair services
Xian Haomen Food & Recreation City Co., Ltd. (a)	HKD16,000,000	62%	-	Catering and entertainment
Shenzhen World Famous Watch Centre Co., Ltd. (b)	RMB2,800,000	50%	-	Retailing of advanced watch, glasses and jewellery

SHENZHEN FIYTA HOLDINGS LIMITED

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION (Cont'd)

- (a) This subsidiary has sold out all assets related to catering and entertainment business during the year and ceased the operations before year end.
- (b) Effective 1 January 2003, the Company has obtained substantial control over the joint venture's operation (Note15). As a result, its results and assets have been consolidated in the Group's financial statement since 2003.
- (c) Three subsidiaries, Shanghai Tian Lin Xianmen Restaurant Co., Ltd., Shenzhen Pengmen Restaurant Co., Ltd. and Shenzhen Tianfu Electronics Co., Ltd., were sold during the year (Notes 33 and 34).

2. BASIS OF PREPARATION

The consolidated financial statements are prepared in conformity with International Financial Reporting Standards ("IFRS") and under the historical cost convention as modified by the revaluation of certain fixed assets, non-current investments and trading investments. This basis of accounting differs from that used in the statutory accounts of the PRC Group companies which are prepared in accordance with the accounting principles and the relevant financial regulations applicable to enterprises in the PRC. The differences arising from the restatement of the results of operations for compliance with IFRS are reflected in these consolidated financial statements.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

3. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

(a) Consolidation

Subsidiary undertakings, which are those companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies are consolidated. The existence and effect of potential voting rights that are presently exercisable are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Minority interests represent the interests of outside members in the operating results and net assets of subsidiaries.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(b) Investments in joint ventures

Joint ventures are entities over which the Group has joint control. Investments in jointly controlled entities are accounted for by the equity method of accounting. Under this method, the Group's share of the post-acquisition profits or losses of joint ventures is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in joint ventures includes goodwill (net of accumulated amortisation) on acquisition. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the joint ventures.

Particulars of the Group's joint venture are detailed in Note 15.

(c) Related party

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(d) Foreign currency translation

(1) Measurement currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the measurement currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the measurement currency of the Company.

(2) Transactions and balances

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses. Translation differences on non-monetary items are reported as part of the fair value gain or loss.

(e) Financial assets and financial liabilities

Financial assets and financial liabilities carried on the balance sheet include cash and bank balances, investments, trade receivables, prepayments and other receivables, amounts due from related companies, trade payables, accruals and other current liabilities and borrowings. Investments and trade receivables are stated at carrying amounts determined in accordance with note 3(f) and note 3(n) respectively. Other financial assets and financial liabilities are stated at cost.

Disclosures about financial assets and financial liabilities of the Group are provided in Note 30.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(f) Investments

The Group classified its investments into the following categories: trading, held-to-maturity and available-for sale. The classification is dependent on the purpose for which the investment were acquired. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets; for the purpose of these financial statements, short-term is defined as three months. Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for maturities within 12 months from the balance sheet date which are classified as current assets.

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are regarded as available-for-sale and are classified as non-current investments unless management has the express intention of holding the investment for less than twelve months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. Cost of purchase includes transaction costs. Trading and non-current investments are subsequently carried at fair value. Held-to-maturity investments are carried at amortised cost using the effective yield method. Realised and unrealised gains and losses arising from changes in the fair value of trading investments are included in the income statement in the period in which they arise. For the held-to-maturity investments, the gain or loss shall be amortised to income statement over the remaining life of the held-to-maturity investment using the effective interest method. Unrealised gains and losses arising from changes in the fair value of available for sale are recognized in equity.

The fair value of investments is based on quoted market prices or amounts derived from cash flow models. Fair values for unlisted equity securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment.

(g) Investment properties

Investment properties, principally comprising office buildings, are held for long-term rental yields and are not occupied by the Group. Investment properties are treated as long-term investments and are carried at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided using the straight-line method to write off the cost of the investment properties over their estimated useful lives which are between 20 and 35 years, after deducting the estimated residual value. Where the carrying amount of an investment property is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

The cost of maintenance, repairs and minor equipment is charged to the income statement as incurred; the cost of major renovations and improvements is capitalised. The gain or loss on disposal of an investment property is recognised with reference to its carrying value.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(h) Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Independent valuations are performed periodically. The latest valuation was conducted on buildings on an open market value basis and equipment and machinery on a replacement cost basis at 31 December 2002. In the intervening period, the directors review the carrying value of the fixed assets and adjustment is made where in the director's opinion there has been a material change in value. Increases in valuation are credited to revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same fixed asset and are thereafter debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Depreciation is calculated using the straight-line method to write off the cost of each asset, or its revalued amount, to its estimated residual value over its estimated useful life as follows:

Buildings	20 - 35 years
Equipment and machinery	5 - 10 years

Leasehold improvements are depreciated over the remaining period of the lease or beneficial period.

Where the carrying amount of a fixed asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposals are determined by comparing proceeds and the carrying amount and are included in the income statement.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that the future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

(i) Leasehold land payments

Leasehold land payments are up-front payments to acquire a long term interest in land. These payments are stated at cost and amortised over the period of lease on a straight-line basis.

(j) Construction in progress

Construction in progress represents properties under construction and plant and equipment under installation or testing, is stated at cost, which includes the costs of construction, the costs of buildings, machinery and equipment and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing. When the assets concerned are brought into use, the costs are transferred to fixed assets and depreciated in accordance with the policy as stated above.

SHENZHEN FIYTA HOLDINGS LIMITED

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(k) Impairment of long lived assets

Fixed assets and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

(l) Operating leases

Leases where substantially all of the risks and rewards of ownership of the assets remain with the lessors are accounted for as operating leases.

(1) Where the Group is the lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(2) Where the Group is the lessor

Assets leased out under operating bases are included in fixed assets or investment properties in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar fixed assets or investment properties. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

The Group has no finance leases.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

(n) Trade receivables

Trade receivables are carried at original invoiced amount less provision made for impairment of these receivables.

A provision for impairments of trade receivables is established when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

SHENZHEN FIYTA HOLDINGS LIMITED

(Joint stock limited company incorporated in the People's Republic of China)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(o) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(p) Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred.

Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

(q) Revenue recognition

Revenue comprises substantially sales of goods which are recognised when the significant risks and rewards of ownership of the goods have been transferred to customers. Sales amounts are shown at invoiced amounts net of discounts and value-added tax.

Service revenue is recognised when the service has been rendered and the entitlement to the service consideration has been established.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Dividend income is recognised when the Group's right to receive payment is established.

Rental income is recognised on an accrual basis.

(r) Employee social insurance schemes

The Group participates in certain employee social insurance schemes in respect of pension, and medical and other insurance managed by governmental organisations. According to the relevant provisions, the Group and its employees are required to make contributions to Social Security Administration Bureau at specified amounts. The proportion of insurance expenses borne by the Group is included in the consolidated operating results when incurred.

The Group has no further liabilities other than the above defined contribution. The Group's contributions to the defined contribution schemes are charged to income statement as when incurred.

(s) Government grants relating to purchase of property, plant and equipment

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as other liabilities and are credited to the income statement on a straight line basis over the expected lives of the related assets.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(t) Taxation

PRC income taxes are provided for based on the estimated assessable profit and tax rates applicable to the Company and its subsidiaries. Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised.

(u) Dividends

Dividends are recorded in the Group's financial statements in the period in which they are approved by the Group's shareholders.

(v) Segment reporting

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those of components operating in other economic environments.

(w) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

SHENZHEN FIYTA HOLDINGS LIMITED
(Joint stock limited company incorporated in the People's Republic of China)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
4. BUSINESS SEGMENT INFORMATION OF THE GROUP

For the year ended 31 December 2003	Clocks and watches RMB'000	Catering, entertainment and others RMB'000	Property rental RMB'000	Total RMB'000
Turnover	<u>208,302</u>	<u>5,063</u>	<u>14,768</u>	<u>228,133</u>
Segment results	(7,905)	(684)	12,925	4,336
Other revenue				883
Gain on sale of discontinuing operation				777
Loss on disposal of a subsidiary				<u>(403)</u>
Profit from operations				5,593
Finance income - net				<u>553</u>
Profit before taxation				6,146
Taxation				<u>(859)</u>
Profit after taxation				5,287
Minority interests				<u>845</u>
Net profit				<u>6,132</u>
Segment assets	497,471	-	28,570	526,041
Unallocated assets				<u>76,934</u>
				<u>602,975</u>
Segment liabilities	77,051	-	270	77,321
Unallocated liabilities				<u>411</u>
				<u>77,732</u>
Capital expenditure	<u>72,047</u>	<u>-</u>	<u>-</u>	<u>72,047</u>
Depreciation and amortisation				
- fixed assets	<u>6,478</u>	<u>2,469</u>	<u>-</u>	<u>8,947</u>
- investment properties	<u>-</u>	<u>-</u>	<u>1,042</u>	<u>1,042</u>
Amortisation of leasehold land payments	<u>151</u>	<u>-</u>	<u>310</u>	<u>461</u>
Provision for doubtful debts	<u>7,910</u>	<u>-</u>	<u>-</u>	<u>7,910</u>
(Reversal) of / provision for inventory obsolescence	<u>(423)</u>	<u>-</u>	<u>-</u>	<u>(423)</u>

SHENZHEN FIYTA HOLDINGS LIMITED**(Joint stock limited company incorporated in the People's Republic of China)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****4. BUSINESS SEGMENT INFORMATION OF THE GROUP (Cont'd)**

For the year ended 31 December 2002	Clocks and watches RMB'000	Catering, entertainment and others RMB'000	Property rental RMB'000	Total RMB'000
Turnover	<u>151,524</u>	<u>54,717</u>	<u>13,251</u>	<u>219,492</u>
Segment results	(81,794)	(5,325)	11,547	(75,572)
Other revenue				<u>1,010</u>
Loss from operations				(74,562)
Finance costs - net				(456)
Share of results of a joint venture				<u>319</u>
Loss before taxation				(74,699)
Taxation				<u>5,315</u>
Loss after taxation				(69,384)
Minority interests				<u>382</u>
Net loss				<u>(69,002)</u>
Segment assets	381,063	27,500	29,922	438,485
Unallocated assets				<u>154,930</u>
				<u>593,415</u>
Segment liabilities	53,337	17,718	163	71,218
Unallocated liabilities				<u>3,641</u>
				<u>74,859</u>
Capital expenditure	<u>48,752</u>	<u>2,770</u>	<u>-</u>	<u>51,522</u>
Depreciation and amortisation				
- fixed assets	<u>6,010</u>	<u>7,599</u>	<u>-</u>	<u>13,609</u>
- investment properties	<u>-</u>	<u>-</u>	<u>1,041</u>	<u>1,041</u>
Amortisation of leasehold land payments	<u>184</u>	<u>-</u>	<u>310</u>	<u>494</u>
Provision for doubtful debts	<u>27,303</u>	<u>-</u>	<u>-</u>	<u>27,303</u>
Provision for inventory obsolescence	<u>47,195</u>	<u>-</u>	<u>-</u>	<u>47,195</u>
Impairment charge for fixed assets	<u>3,749</u>	<u>-</u>	<u>-</u>	<u>3,749</u>

There were 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.

SHENZHEN FIYTA HOLDINGS LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. PROFIT / (LOSS) FROM OPERATIONS

The following items have been included in arriving at operating profit / (loss):

	2003 RMB'000	2002 RMB'000
Depreciation on fixed assets	8,947	13,609
Depreciation on investment property	1,042	1,041
Impairment charge for fixed assets	-	3,749
Amortisation of leasehold land payments	461	494
Amortisation of other non-current assets	397	730
Loss on disposals of fixed assets	536	1,337
Gain on disposal of leasehold land payments	-	(757)
Loss / (gain) on disposal of trading investments	206	(1,150)
Fair value (gain) / losses on trading investments	(1,089)	140
Provision for doubtful debts	7,910	27,303
(Reversal) of / provision for inventory obsolescence	(423)	47,195
Gain on disposal of an associate	-	(650)
Gain on sale of discontinuing operation	(777)	-
Loss on disposal of a subsidiary	403	-
Operating lease rental expense	5,147	7,929
Cost of inventories recognised as an expense	138,210	133,277
Repairs and maintenance expenditure on fixed assets	193	390
Staff costs (Note 6)	33,887	25,396
Advertising expenses	13,522	3,589
Directors' emoluments	352	342

6. STAFF COSTS

	2003 RMB'000	2002 RMB'000
Staff salaries	28,519	19,982
Staff welfare	2,605	2,561
Social insurance expenses	2,763	2,853
	<u>33,887</u>	<u>25,396</u>

The number of employees at 31 December 2003 was 1,068 (2002: 1,555).

7. OTHER OPERATING INCOME

	2003 RMB'000	2002 RMB'000
Investment income from designated deposits	10,000	-
Government subsidies (a)	3,800	-
Repair and maintenance income	513	1,748
Gain from trading investments		
- (loss) / profit on sales	(206)	1,150
- fair value gain / (losses)	1,089	(140)
Value added tax special income (b)	-	4,947
Others	1,076	280
	<u>16,272</u>	<u>7,985</u>

SHENZHEN FIYTA HOLDINGS LIMITED**(Joint stock limited company incorporated in the People's Republic of China)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****7. OTHER OPERATING INCOME (Cont'd)**

- (a) This government subsidies were rewarded by local government, as the brand of "Fiyta" was qualified as "China Famous Product" in 2003.
- (b) Pursuant to the relevant tax laws and regulations, the Group was entitled to retain value added tax ("VAT") collected from sales made to entities established in Shenzhen Special Economic Zone. VAT Special income represents the retained output VAT after netting off the corresponding non-creditable input VAT. This tax incentive has been ceased effective 1 January 2003.

8. FINANCE INCOME / (COSTS) - NET

	2003 RMB'000	2002 RMB'000
Interest income		
- bank deposits	802	564
- related parties (Note 32)	-	2,318
Interest expenses		
- bank loans	-	(3,218)
Net exchange gain / (losses)	32	(53)
Others	(281)	(67)
	<u>553</u>	<u>(456)</u>

9. TAXATION CHARGE / (CREDIT)

Taxation charge / (credit) for the year are as follows:

	2003 RMB'000	2002 RMB'000
Current taxation	1,465	2,391
Deferred taxation (Note 17)	(606)	(7,781)
Share of tax of a joint venture	-	75
	<u>859</u>	<u>(5,315)</u>

The tax on the Group's profit /(loss) before tax differs from the theoretical amount that could arise using the basic tax rates applicable to the Company and its subsidiaries as follows:

	2003 RMB'000	2002 RMB'000
Profit / (loss) before taxation	<u>6,146</u>	<u>(74,699)</u>
Tax calculated at the tax rates applicable to the Company and its subsidiaries ranging from 15% to 33%	1,046	(13,186)
Tax effect of a subsidiary which was exempted from income tax	(1,445)	(1,589)
Tax effect in tax losses of subsidiaries	866	6,032
Expenses not deductible for tax purpose	478	3,485
Income not subject to tax	(86)	(57)
Tax charge / (credit)	<u>859</u>	<u>(5,315)</u>

Pursuant to the relevant income tax laws of the PRC, group companies established in the Shenzhen Special Economic Zone are subject to income tax at a rate of 15% while those established in other areas are subject to income tax at a rate of 33%. In addition, as approved by the local Tax Bureau, a subsidiary is entitled to full exemption from PRC income tax for two years starting from the first profit making year and a 50% reduction in the next three years.

SHENZHEN FIYTA HOLDINGS LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
10. EARNINGS / (LOSS) PER SHARE

The calculation of earnings / (loss) per share is based on the consolidated profit/(loss) for the year of RMB6,942,000(2002: loss of RMB69,002,000) and 249,318,000 shares (2002: 249,318,000 shares) in issue.

11. FIXED ASSETS

	2003				2002
	Buildings	Equipment and machinery	Leasehold improvements	Total	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost / valuation					
At beginning of year	34,968	49,081	23,759	107,808	106,592
Additions	-	4,408	3,640	8,048	7,336
Disposals	(332)	(10,757)	(289)	(11,378)	(6,120)
Disposals of subsidiaries	(36)	(6,548)	(3,388)	(9,972)	-
Voluntary liquidation of a subsidiary	-	(3,510)	(41)	(3,551)	-
At end of year	34,600	32,674	23,681	90,955	107,808
Representing					
At cost	-	4,408	23,681	28,089	23,759
At valuation	34,600	28,266	-	62,866	84,049
	34,600	32,674	23,681	90,955	107,808
Accumulated depreciation and impairment					
At beginning of year	11,327	33,251	17,505	62,083	47,701
Charge for the year	1,054	3,546	4,347	8,947	13,609
Disposals	(111)	(9,230)	(174)	(9,515)	(2,976)
Impairment charge	-	-	-	-	3,749
Disposals of subsidiaries	(20)	(4,485)	(3,213)	(7,718)	-
Voluntary liquidation of a subsidiary	-	(2,974)	(10)	(2,984)	-
At end of year	12,250	20,108	18,455	50,813	62,083
Net book value					
At end of year	22,350	12,566	5,226	40,142	45,725
At beginning of year	23,641	15,830	6,254	45,725	58,891

SHENZHEN FIYTA HOLDINGS LIMITED**(Joint stock limited company incorporated in the People's Republic of China)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****11. FIXED ASSETS (Cont'd)**

Had the fixed assets been carried at cost less accumulated depreciation, the carrying amounts of each category of fixed assets would have been as follows:

	2003			2002
	Buildings	Equipment and machinery	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost	28,565	32,674	23,681	84,920
Accumulated depreciation	(10,368)	(20,108)	(18,455)	(59,259)
	<u>18,197</u>	<u>12,566</u>	<u>5,226</u>	<u>42,864</u>

The Group is in the process of applying for property certificates in respect of buildings with a net book value amounting to RMB9,227,209 at 31 December 2003.

The buildings and equipment and machinery were valued on an open market value and a replacement basis respectively at 31 December 2002 by Shenzhen Peng Xing Real Estate Valuation Co., Ltd, an independent valuer registered in the PRC. The revalued amounts are not materially different from the carrying values of buildings and equipment and machinery.

12. INVESTMENT PROPERTIES

	2003 RMB'000	2002 RMB'000
Net book value at beginning of year	17,534	18,575
Depreciation for the year	<u>(1,042)</u>	<u>(1,041)</u>
Net book value at end of year	<u>16,492</u>	<u>17,534</u>
Independent valuer's valuation		
- Including leasehold land payments	<u>-</u>	<u>73,302</u>
- Excluding leasehold land payments	<u>-</u>	<u>33,939</u>
Directors' valuation		
- Including leasehold land payments	<u>100,000</u>	<u>-</u>

Investment properties were valued on an open market basis at 31 December 2003 by directors (2002: valued by Shenzhen Peng Xing Real Estate Valuation Co., Ltd, an independent valuer registered in the PRC).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. CONSTRUCTION IN PROGRESS

	2003 RMB'000	2002 RMB'000
At beginning of year	61,318	17,132
Additions	63,955	45,058
Effect of subsidiary in voluntary liquidation and not consolidated	(46)	-
Transfer to fixed assets	-	(872)
At end of year	<u>125,227</u>	<u>61,318</u>

14. LEASEHOLD LAND PAYMENTS

	2003 RMB'000	2002 RMB'000
Cost		
Balance at beginning of year	20,037	26,439
Disposal	-	(6,402)
Balance at end of year	<u>20,037</u>	<u>20,037</u>
Accumulated amortisation		
Balance at beginning of year	3,112	3,375
Amortisation for the year	461	494
Disposal	-	(757)
Balance at end of year	<u>3,573</u>	<u>3,112</u>
Net book value		
Balance at end of year	<u>16,464</u>	<u>16,925</u>
Balance at beginning of year	<u>16,925</u>	<u>23,064</u>

All the Group's leasehold land payments were granted by Town Planning and Land Administration Bureau of Shenzhen for a period of 50 years.

	2003 RMB'000	2002 RMB'000
By nature		
- Investment properties	12,078	12,388
- Other properties	4,386	4,537
	<u>16,464</u>	<u>16,925</u>

SHENZHEN FIYTA HOLDINGS LIMITED**(Joint stock limited company incorporated in the People's Republic of China)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****15. INVESTMENT IN JOINT VENTURE**

	2003 RMB'000	2002 RMB'000
Balance at beginning of year	2,799	2,555
Reclassification (a)	(2,799)	-
Share of results before tax	-	319
Share of tax	-	(75)
Balance at end of year	<u>-</u>	<u>2,799</u>

(a) Particulars of the jointly controlled entity, which is unlisted, are as follows:

Name	Country of incorporation	% interest held
Shenzhen World Famous Watch Centre Co., Ltd. ("Famous Watch Centre")	People's Republic of China	50%

Pursuant to a resolution of Famous Watch Centre's board of directors on 23 January 2003, the Company has obtained the power to govern the financial and operating policies in Famous Watch Centre. Management concluded that Famous Watch Centre was deemed as a subsidiary and its results have been consolidated since the date of acquisition of substantial control.

16. AVAILABLE-FOR-SALES INVESTMENT

	2003 RMB'000	2002 RMB'000
Investment in promoters' shares of a listed company, at cost	3,000	3,000
Investment in shares of unlisted companies, at cost	<u>1,885</u>	<u>1,885</u>
	<u>4,885</u>	<u>4,885</u>

Promoters' shares of a listed company are transferable subject to approvals from relevant local authorities. There are no quoted market prices for shares in unlisted companies. Both types of shares have neither an active market nor a fixed maturity and are therefore carried at cost less accumulated impairment losses, if any. The directors of the Company are of the opinion that the carrying value of the long-term investments approximated their recoverable amount as of year end.

17. DEFERRED TAXATION

	2003 RMB'000	2002 RMB'000
Balance at beginning of year	16,125	8,344
Transfer from income statement (Note 9)	<u>606</u>	<u>7,781</u>
Balance at end of year	<u>16,731</u>	<u>16,125</u>

Deferred taxation assets arose from temporary differences in respect of the following:

	2003 RMB'000	2002 RMB'000
Provision for doubtful debts, provision for inventory obsolescence and other expenses	<u>16,731</u>	<u>16,125</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. INVENTORIES

	2003 RMB'000	2002 RMB'000
Raw materials (at cost)	17,270	19,090
Raw materials (at net realisable value)	4,000	4,608
Work-in-progress (at cost)	4,162	1,844
Finished goods (at cost)	111,616	74,895
Finished goods (at net realisable value)	<u>15,601</u>	<u>17,793</u>
	<u>152,649</u>	<u>118,230</u>

19. TRADE RECEIVABLES

	2003 RMB'000	2002 RMB'000
Trade receivables	62,314	70,182
Less: provision for doubtful debts	<u>(42,765)</u>	<u>(41,896)</u>
	<u>19,549</u>	<u>28,286</u>

20. DUE FROM RELATED COMPANIES

All the balances with related parties were non-interest bearing and had no fixed terms of repayment at the year end.

21. PREPAYMENTS AND OTHER RECEIVABLES

	2003 RMB'000	2002 RMB'000
Prepayments	1,023	2,472
Other receivables	46,355	43,898
Less: provision for doubtful debts	<u>(13,394)</u>	<u>(14,158)</u>
	<u>33,984</u>	<u>32,212</u>

22. TRADING INVESTMENTS

	2003 RMB'000	2002 RMB'000
Market value of listed investments		
- Equity shares	<u>4,314</u>	<u>6,121</u>

The trading investments are traded in active markets and are valued at market prices at the close of business on 31 December by reference to Stock Exchange quoted prices.

SHENZHEN FIYTA HOLDINGS LIMITED**(Joint stock limited company incorporated in the People's Republic of China)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****23. DESIGNATED DEPOSITS**

	2003 RMB'000	2002 RMB'000
Deposits		
- in a bank (a)	51,004	-
- in a trust investment company (b)	-	125,000
	<u>51,004</u>	<u>125,000</u>

(a) The deposit was placed with Bank of China with maturity within 3 months in connection with trading in government bonds.

(b) The deposits were placed with the Xinhua Trust Investment Company Ltd., of which the major authorised scope of business is conducting general investment and related activities. The deposits placed have been fully uplifted in 2003.

24. SHARE CAPITAL

	2003		2002	
	Thousand shares	RMB'000	Thousand shares	RMB'000
Registered capital (Par value of RMB1 each)	<u>249,318</u>	<u>249,318</u>	<u>249,318</u>	<u>249,318</u>
Shares in issue (Par value of RMB1 each)				
Promoters' shares	130,248	130,248	130,248	130,248
A Shares	60,750	60,750	60,750	60,750
B Shares	<u>58,320</u>	<u>58,320</u>	<u>58,320</u>	<u>58,320</u>
	<u>249,318</u>	<u>249,318</u>	<u>249,318</u>	<u>249,318</u>

25. RESERVES

According to the Company Laws of the PRC and the Company's Articles of Association, the Company is required to provide certain statutory reserves, which are appropriated from the net profit as reported in the statutory accounts. The Company shall set aside 10% of its net profit for statutory common reserve fund (until it has reached 50% of the Company's registered capital) and 5% to 10% for the statutory public welfare fund. Further appropriations from the net profit may be made to the discretionary common reserve fund upon approval by shareholders. The common reserve funds cannot be used for purposes other than those for which they are created without the prior approval by shareholders under certain conditions and are not distributed as cash dividends. The statutory public welfare fund is designated for collective welfare of the employees.

The statutory common reserve fund, discretionary common reserve fund and capital reserve fund as approved by shareholders can be converted into share capital provided that the balance of the statutory common reserve fund does not fall below 25% of the registered share capital after conversion.

No appropriations to the statutory common reserve fund and statutory public welfare fund were proposed for the year ended 31 December 2003 as the statutory accounts of the Company has no distributable profit at year end.

SHENZHEN FIYTA HOLDINGS LIMITED**(Joint stock limited company incorporated in the People's Republic of China)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****26. DEFERRED INCOME**

	2003 RMB'000
Balance at beginning of year	-
Government grants received	<u>3,000</u>
Balance at end of year	<u><u>3,000</u></u>

During the year ended 31 December 2003, the Company obtained government grants amounting to Rmb3,000,000 from the local municipal government in relation to the purchase of machine and equipment.

The grants were recorded as deferred income in the balance sheet and to be credited to the income statement on a straight-line basis over the expected useful lives of the related assets from the date when the related assets are purchased. Because these grants will be recorded in the capital reserve in the statutory financial statements under PRC accounting regulations, the amount equivalent to amortisation of deferred income would be transferred from retained earnings to capital reserve in the same year in which the deferred income is recognised. As at 31 December 2003, the grants have not yet been used by the Company.

27. SHORT-TERM LOANS

	2003 RMB'000	2002 RMB'000
Bank loan – unsecured	100	-
Other loans	<u>-</u>	<u>4,000</u>
	<u><u>100</u></u>	<u><u>4,000</u></u>

The bank loan was guaranteed by the holding company, CATIC.

28. DIVIDENDS

Pursuant to a resolution of the Board of Directors, the Company did not declare any cash dividend for 2002 in 2003 (2002: RMB0.05 per share for 2001, total of RMB 12,466,000)

SHENZHEN FIYTA HOLDINGS LIMITED**(Joint stock limited company incorporated in the People's Republic of China)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****29. CASH GENERATED FROM OPERATIONS**

Reconciliation of profit / (loss) before taxation to cash generated from operations

	2003 RMB'000	2002 RMB'000
Profit / (loss) before taxation	6,146	(74,699)
Adjustments for:		
Depreciation		
- fixed assets	8,947	13,609
- investment properties	1,042	1,041
Amortisation of leasehold land payments	461	494
Amortisation of non-current assets	397	730
Loss on disposals of fixed assets	536	1,337
Gain on disposal of leasehold land payments	-	(757)
Losses / (gains) on disposal of trading investments	206	(1,150)
Fair value (gains) / losses on trading investments	(1,089)	140
Provision for doubtful debts	7,910	27,303
(Reversal of) / provision for inventory obsolescence	(423)	47,195
Impairment charge for fixed assets	-	3,749
Gain of sale of discontinuing operation	(777)	-
Gain on disposal of a subsidiary	403	-
Gain on disposal of an associate	-	(650)
Investment income from designated deposits	(10,000)	-
Share of profits of a joint venture	-	(319)
Interest expense	-	3,218
Interest income	(802)	(2,882)
Others	(138)	(138)
Increase in accounts receivable	(4,137)	(1,823)
Decrease in amounts due from related companies	2,549	3,793
Increase in inventories	(27,939)	(1,339)
(Increase) / decrease in prepayments and other receivables	(282)	8,452
Increase in accounts payable	6,864	10,556
(Increase) / decrease in staff welfare payable	145	212
Decrease in accruals and other current liabilities	(1,029)	(5,003)
Cash (used in) / generated from operations	<u>(11,010)</u>	<u>33,069</u>

30. FINANCIAL RISK MANAGEMENT**(a) Interest rate risk**

In the opinion of the directors, other financial assets and financial liabilities do not have material interest rate risk.

(b) Credit risk

The carrying amount of cash and cash equivalents and receivables represented the Group's maximum exposure to credit risk in relation to financial assets. Cash is deposited with reputable banks in the PRC. Majority of the Group's receivables relate to sales of goods to third parties in the PRC. The Group performs ongoing credit evaluations of its customers' financial condition and generally does not require collateral on receivables. The Group maintains a provision for doubtful debts.

No other financial assets carry a significant exposure to credit risk.

SHENZHEN FIYTA HOLDINGS LIMITED**(Joint stock limited company incorporated in the People's Republic of China)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****30. FINANCIAL RISK MANAGEMENT (Cont'd)****(c) Foreign currency risk**

Most of the transactions of the Group were settled in Renminbi. In the opinion of the Directors, the Group would not have significant foreign currency risk exposure.

(d) Fair value

The carrying amounts of the following financial assets and the financial liabilities approximate their fair values: cash and bank balances, investments, trade receivables, amounts due from related parties, prepayments and other receivables, trade payables, other payables, accruals and other current liabilities and borrowings.

31. COMMITMENTS**(a) Operating lease commitments**

- where the Group is the lessee

	2003 RMB'000	2002 RMB'000
The future minimum lease payments under non-cancellable operating leases are as follows:		
Not later than 1 year	2,100	8,642
Later than 1 year and not later than 5 years	3,063	26,372
Later than 5 years	450	3,911
	<u>5,613</u>	<u>38,925</u>

- where the Group is the lessor

	2003 RMB'000	2002 RMB'000
The future minimum lease receipts under non-cancellable operating leases are as follows:		
Not later than 1 year	15,261	13,900
Later than 1 year and not later than 5 years	28,389	35,778
Later than 5 years	-	1,081
	<u>43,650</u>	<u>50,759</u>

(b) Capital commitments

	2003 RMB'000	2002 RMB'000
Contracted but not provided for		
Buildings	<u>63,961</u>	<u>89,905</u>

SHENZHEN FIYTA HOLDINGS LIMITED

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. SIGNIFICANT RELATED PARTY TRANSACTIONS

	2003 RMB'000	2002 RMB'000
(i) Interest income		
- CATIC Shenzhen Company	<u>-</u>	<u>2,318</u>
(ii) Property management fee		
- Shenzhen CATIC Property Management Co., Ltd.	<u>662</u>	<u>-</u>

33. DISCONTINUING OPERATION

On 15 March 2003, the Group publicly announced its intention to sell the catering and entertainment segment. The subsidiaries comprising this segment are Xian Haomen Food & Recreation City Co., Ltd., Shenzhen Pengmen Restaurant Co., Ltd. and Shanghai Tian Lin Xianmen Restaurant Co., Ltd.. Shenzhen Pengmen Restaurant Co., Ltd. and Shanghai Tian Lin Xianmen Restaurant Co., Ltd. were sold on 30 April 2003 and 26 August 2003, respectively. Xian Haomen Food & Recreation City Co., Ltd. has suspended its operation in 2003. The above two subsidiaries sold during the year are reported in the financial statements as a discontinuing operation. The sales, results, cash flows and net assets were as follows:

	2003 RMB'000	2002 RMB'000
Sales	5,063	19,524
Operating cost	<u>(5,747)</u>	<u>(23,947)</u>
Loss from operations	(684)	(4,423)
Finance cost	<u>(1)</u>	<u>(2)</u>
Loss before tax	(685)	(4,425)
Tax	<u>-</u>	<u>-</u>
Loss after tax	<u>(685)</u>	<u>(4,425)</u>
Net operating cash flows	(1,848)	377
Net investing cash flows	<u>-</u>	<u>(11)</u>
Total cash flows	<u>(1,848)</u>	<u>366</u>
	At disposal dates RMB'000	At 31 December 2002 RMB'000
Fixed assets	2,023	2,607
Current assets	<u>-</u>	<u>2,746</u>
Total assets	2,023	5,353
Total liabilities	<u>-</u>	<u>(877)</u>
Net assets	<u>2,023</u>	<u>4,476</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. DISCONTINUING OPERATION (Cont'd)

The gain on disposal was determined as follows: RMB'000

Proceeds from sales	2,800
Net assets sold	(2,023)
Gain on disposal	<u>777</u>

The net cash inflow on sale is determined as follows: RMB'000

Proceeds from sales	2,800
Less: Cash and cash equivalents in subsidiaries sold	-
Net cash inflow on sale	<u>2,800</u>

34. DISPOSAL OF A SUBSIDIARY

The assets, liabilities and results of disposed subsidiary, Shenzhen Tianfu Electronics Co., Ltd. as at the date of disposal were as follows:

	RMB'000
Fixed assets	231
Current assets	<u>1,569</u>
Total assets	1,800
Total liabilities	<u>(1,347)</u>
Net assets	<u>453</u>
Share of net assets attributable to the Group	<u>453</u>
Loss for the period	<u>(82)</u>

The loss on disposal was determined as follows:

	RMB'000
Attributable share of net assets sold	453
Proceeds from disposal	<u>(50)</u>
Loss on disposal	<u>403</u>

The net cash flow on disposal was determined as follows:

	RMB'000
Proceeds from sales	50
Less: cash and bank in subsidiaries disposed	<u>(28)</u>
Net cash inflow on disposal	<u>22</u>

35. ULTIMATE HOLDING COMPANY

The directors regard CATIC Shenzhen Company, a company established in the PRC, as the ultimate holding company.

SHENZHEN FIYTA HOLDINGS LIMITED**(Joint stock company incorporated in the People's Republic of China)****SUPPLEMENTARY INFORMATION****IMPACT OF IFRS ADJUSTMENTS ON NET PROFIT / (LOSS) AND SHAREHOLDERS' EQUITY**

	Net profit / (loss) for the year		Shareholders' equity	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
As reported in the statutory accounts	5,088	(78,173)	515,456	510,368
Impact of major IFRS adjustments:				
- adjustment on deferred tax assets	606	7,781	16,731	16,125
- reclassification of prior year profit appropriation to staff welfare payable	-	-	(15,949)	(15,949)
- adjustment on fair value for trading investments	438	-	438	-
- others	<u>-</u>	<u>1,390</u>	<u>1,294</u>	<u>1,294</u>
As restated for IFRS	<u><u>6,132</u></u>	<u><u>(69,002)</u></u>	<u><u>517,970</u></u>	<u><u>511,838</u></u>