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

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

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INDEPENDENT REPORT OF THE AUDITORS

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

We have audited the accompanying consolidated balance sheet of Shenzhen Fiyta Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") as of 31 December 2004 and the related consolidated income and consolidated cash flow statements for the year then ended. These financial statements 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 2004 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 Zhong Tian CPAs Co., Ltd.

13 April 2005

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 2004

	Notes	2004 RMB'000	2003 RMB'000
Turnover	4	278,247	228,133
Cost of sales		(177,105)	(139,435)
Gross profit		101,142	88,698
Other operating (expense) / income	7	(7,116)	16,272
Selling expenses		(55,225)	(57,173)
Administrative expenses		(35,617)	(42,578)
Gain on sale of discontinuing operation	30	-	777
Loss on disposal of a subsidiary		-	(403)
Profit from operations	5	3,184	5,593
Finance (costs) / income - net	8	(98)	553
Profit before taxation		3,086	6,146
Taxation charge	9	(2,818)	(859)
Profit after taxation		268	5,287
Minority interests		(63)	845
Net profit for the year		205	6,132
Dividends	25	-	-
Earnings per share	10	RMB0.001	RMB0.02

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 2004

	Notes	2004 RMB'000	2003 RMB'000
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	11	70,291	40,142
Investment properties	12	187,600	16,492
Construction in progress	13	1,290	125,227
Leasehold land payments	14	16,003	16,464
Available-for-sale investments	15	4,885	4,885
Deferred tax assets	16	15,466	16,731
Other non-current assets		1,947	2,507
Total non-current assets		297,482	222,448
CURRENT ASSETS			
Inventories	17	203,983	152,649
Trade receivables	18	18,730	19,549
Due from a related company	29	1,500	1,500
Prepayments and other receivables	19	36,213	33,984
Trading investments	20	11,819	4,314
Designated deposits	21	-	51,004
Cash and cash equivalents		84,792	117,527
Total current assets		357,037	380,527
TOTAL ASSETS		654,519	602,975
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	22	249,318	249,318
Reserves	23	305,627	305,627
Accumulated losses		(36,770)	(36,975)
Total shareholders' equity		518,175	517,970
MINORITY INTERESTS		7,336	7,273
NON-CURRENT LIABAILITIES			
Deferred income		3,000	3,000
CURRENT LIABILITIES			
Trade payables		65,264	34,505
Staff welfare payable		18,713	18,677
Tax payable		449	311
Accruals and other current liabilities		21,582	21,139
Short-term loans	24	20,000	100
Total current liabilities		126,008	74,732
TOTAL EQUITY AND LIABILITIES		654,519	602,975

On 13 April 2005, 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 2004

		Reserves				
	Share capital	Capital reserve	Statutory reserves	Sub-total	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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	249,318	191,108	114,519	305,627	(36,975)	517,970
Net profit for the year	-	-	-	-	205	205
At 31 December 2004	249,318	191,108	114,519	305,627	(36,770)	518,175

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 2004

	Notes	2004 RMB'000	2003 RMB'000
Cash flows from operating activities			
Cash used in operations	26	(40,630)	(8,320)
Interest paid		(323)	-
Tax paid		(1,415)	(795)
Net cash flows used in operating activities		(42,368)	(9,115)
Cash flows from investing activities			
Purchases of fixed assets		(39,053)	(8,048)
Additions to construction in progress		(24,221)	(63,955)
Sales proceeds from disposals of fixed assets		1,002	1,327
Proceeds from sale of discontinuing operation	30	-	2,800
Disposal of a subsidiary, net of cash disposed		-	22
Dividends received from available-for-sale investments		-	138
Investment income from designated deposit		351	10,000
Decrease in designated deposits		51,004	73,996
Subsidiary in voluntary liquidation and not consolidated		-	(842)
Interest received		650	802
Government grants received		-	3,000
Net cash flows (used in) / generated from investing activities		(10,267)	19,240
Cash flows from financing activities			
Proceeds from borrowings		20,000	100
Repayments of borrowings		(100)	(4,000)
Net cash flows generated from / (used in) financing activities		19,900	(3,900)
(Decrease) / increase in cash and cash equivalents		(32,735)	6,225
At start of year		117,527	111,302
At end of year		84,792	117,527

The accompanying notes form an integral part of these 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 2004, 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 of repair services

1. CORPORATE INFORMATION (Cont'd)

Name of the subsidiaries	Registered capital	Attributable equity interest		Principal activities
		Direct	Indirect	
Xian Haomen Food & Recreation City Co., Ltd. (note a)	HKD16,000,000	62%	-	Catering and entertainment
Shenzhen World Famous Watch Centre Co., Ltd. (note b)	RMB 2,800,000	50%	-	Retailing of advanced watch, glasses and jewellery

Note: (a) This subsidiary has sold out all its assets related to catering and entertainment business and ceased its operations since 2003.

(b) The Company has obtained substantial control over the joint venture's operation since 2003. As a result, its results and assets have been consolidated in the Group's financial statements.

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.

During the year ended 31 December 2004, certain changes were introduced to IAS 36 - "Impairment of Assets" and IAS 38 - "Intangible Assets", and a new standard, IFRS 3 - "Business Combinations", became effective. There were no material effects of these revised standards to the financial statements of the Group.

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.

(b) 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.

(c) 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.

(d) 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(e) and note 3(m) 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 27.

(e) 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 and non-current 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.

(f) 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 when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. The gain or loss on disposal of an investment property is recognised with reference to its carrying value.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(g) 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. 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.

(h) 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.

(i) 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.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) 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.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(o) 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.

(p) 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.

(q) 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.

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

Grants from the government are recognised 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.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(s) 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.

(t) Dividends

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

(u) 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.

(v) Comparatives

Where necessary, comparative figures have been reclassified to conform to 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 SEGMENTS INFORMATION OF THE GROUP

For the year ended 31 December 2004	Clocks and watches RMB'000	Property rental RMB'000	Catering, entertainment and others RMB'000	Total RMB'000
Turnover	250,902	27,345	-	278,247
Segment results	(7,313)	20,096	-	12,783
Other expense				(9,599)
Operating profits				3,184
Finance costs - net				(98)
Profit before taxation				3,086
Taxation				(2,818)
Profit after taxation				268
Minority interests				(63)
Net profit				205
Segment assets	418,746	203,603	-	622,349
Unallocated assets				32,170
				654,519
Segment liabilities	108,559	-	-	108,559
Unallocated liabilities				20,449
				129,008
Capital expenditure	39,053	50,921	-	89,974
Depreciation and amortisation				
- fixed assets	7,358	-	-	7,358
- investment properties	-	4,367	-	4,367
Amortisation of leasehold land	-	461	-	461
Provision for doubtful debts	443	-	-	443
Reversal of inventory obsolescence	(3,386)	-	-	(3,386)

4. BUSINESS SEGMENTS INFORMATION OF THE GROUP (Cont'd)

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

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.

5. PROFIT FROM OPERATIONS

The following items have been included in arriving at operating profit:

	2004 RMB'000	2003 RMB'000
Fair value losses / (gain) on trading investments	9,857	(1,089)
(Gain) / loss on disposal of trading investments	(258)	206
Gain on sale of discontinuing operation	-	(777)
(Gain) / loss on disposals of fixed assets	(73)	536
Provision for doubtful debts	443	7,910
Reversal of inventory obsolescence	(3,386)	(423)
Depreciation on fixed assets	7,358	8,947
Depreciation on investment properties	4,367	1,042
Amortisation of leasehold land payments	461	461
Amortisation of other non-current assets	560	397
Operating lease rental expense	6,205	5,147
Cost of inventories recognised as an expense	169,487	132,741
Repairs and maintenance expenditure on fixed assets	133	193
Staff costs (note 6)	38,987	33,887
Advertising expenses	11,046	13,522
Loss on disposal of a subsidiary	-	403
Directors' emoluments	2,296	352

6. STAFF COSTS

	2004 RMB'000	2003 RMB'000
Staff salaries	33,641	28,519
Staff welfare	2,348	2,605
Social insurance expenses	2,998	2,763
	38,987	33,887

The number of employees at 31 December 2004 was 1,195 (2003: 1,068).

7. OTHER OPERATING (EXPENSES) / INCOME

	2004 RMB'000	2003 RMB'000
Investment income from designated deposits	351	10,000
Repair and maintenance income	671	513
Government subsidies	-	3,800
(Loss) / gain from trading investments		
- profit / (loss) on sales	258	(206)
- Fair value (loss) / gain	(9,857)	1,089
Others	1,461	1,076
	(7,116)	16,272

8. FINANCE (COSTS) / INCOME - NET

	2004 RMB'000	2003 RMB'000
Interest income		
- bank deposits	650	802
Interest expenses		
- bank loans	(323)	-
Net exchange (losses) / gain	(13)	32
Others	(412)	(281)
	(98)	553

9. TAXATION CHARGE

Taxation charge for the year are as follows:

	2004 RMB'000	2003 RMB'000
Current taxation	1,553	1,465
Deferred taxation (note 16)	1,265	(606)
	2,818	859

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

	2004 RMB'000	2003 RMB'000
Profit before taxation	3,086	6,146
Tax calculated at the tax rates applicable to the Company and its subsidiaries ranging from 15% to 33%	463	1,046
Tax effect of a subsidiary which was exempted from income tax	(936)	(1,445)
Tax effect in tax losses of subsidiaries	1,289	866
Expenses not deductible for tax purpose	2,043	478
Income not subject to tax	(41)	(86)
Tax charge	2,818	859

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.

10. EARNINGS PER SHARE

The calculation of earnings per share is based on the consolidated profit for the year of RMB205,000 (2003: RMB6,132,000) and 249,318,000 shares (2003: 249,318,000 shares) on issue.

11. FIXED ASSETS

	2004				2003
	Buildings	Equipment and machinery	Leasehold improvements	Total	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost / valuation					
At beginning of year	34,600	32,674	23,681	90,955	107,808
Reclassification to investment properties (Note 12)	(918)	-	-	(918)	-
Additions	26,699	8,124	4,230	39,053	8,048
Disposals	-	(6,016)	(12,732)	(18,748)	(11,378)
Disposal of a subsidiary	-	-	-	-	(9,972)
Voluntary liquidation of a subsidiary	-	-	-	-	(3,551)
At end of year	60,381	34,782	15,179	110,342	90,955
Representing					
At cost	26,699	12,532	15,179	54,410	28,089
At valuation	33,682	22,250	-	55,932	62,866
	60,381	34,782	15,179	110,342	90,955
Accumulated depreciation and impairment					
At beginning of year	12,250	20,108	18,455	50,813	62,083
Reclassification to investment properties (Note 12)	(301)	-	-	(301)	-
Charge for the year	1,075	3,250	3,033	7,358	8,947
Disposals	-	(5,087)	(12,732)	(17,819)	(9,515)
Disposal of a subsidiary	-	-	-	-	(7,718)
Voluntary liquidation of a subsidiary	-	-	-	-	(2,984)
At end of year	13,024	18,271	8,756	40,051	50,813
Net book value					
At end of year	47,357	16,511	6,423	70,291	40,142
At beginning of year	22,350	12,566	5,226	40,142	45,725

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:

	2004				2003
	Buildings	Equipment and machinery	Leasehold improvements	Total	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost	54,346	34,782	15,179	104,307	84,920
Accumulated depreciation	(11,142)	(18,271)	(8,756)	(38,169)	(48,931)
	43,204	16,511	6,423	66,138	35,989

The Group is in the process of applying for property certificates in respect of buildings with a net book value amounting to RMB26,343,000 at 31 December 2004 (2003: RMB 9,227,209).

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. ("Shenzhen Peng Xing"), 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

	2004	2003
	RMB'000	RMB'000
Net book value at beginning of year	16,492	17,534
Transfer from construction in process (note 13)	174,858	-
Transfer from fixed assets (note 11)	617	-
Depreciation for the year	(4,367)	(1,042)
Net book value at end of year	187,600	16,492
Directors' valuation		
-Including leasehold land payments	346,019	100,000

The investment properties of the Group are situated in the PRC and the related leasehold land was granted by Town Planning and Land Administration Bureau of Shenzhen for a period of 50 years. The valuation for the investment properties at 31st December 2004 and 2003 were determined by the directors on an open market value basis. While the valuation for 2002 was performed by an independent valuer, Shenzhen Peng Xing, on an open market value basis.

The Group is in the process of applying for property certificates in respect of buildings with a net book value amounting to RMB171,789,000 at 31 December 2004 (2003: nil).

13. CONSTRUCTION IN PROGRESS

	2004	2003
	RMB'000	RMB'000
At beginning of year	125,227	61,318
Additions	50,921	63,955
Transfer to investment properties (note 12)	(174,858)	-
Effect of subsidiary in voluntary liquidation and not consolidated	-	(46)
At end of year	1,290	125,227

14. LEASEHOLD LAND PAYMENTS

	2004 RMB'000	2003 RMB'000
Cost		
Balance at beginning and end of year	20,037	20,037
Accumulated amortisation		
Balance at beginning of year	3,573	3,112
Amortisation for the year	461	461
Balance at end of year	4,034	3,573
Net book value		
Balance at end of year	16,003	16,464
Balance at beginning of year	16,464	16,925

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

	2004 RMB'000	2003 RMB'000
By nature		
- Investment properties	16,003	12,078
- Other properties	-	4,386
	16,003	16,464

15. AVAILABLE-FOR-SALE INVESTMENTS

	2004 RMB'000	2003 RMB'000
Investment in promoters' shares of a listed company, at cost	3,000	3,000
Investment in shares of unlisted companies, at cost	1,885	1,885
	4,885	4,885

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 amounts at the year end.

16. DEFERRED TAXATION

	2004 RMB'000	2003 RMB'000
Balance at beginning of year	16,731	16,125
Transfer (to) / from income statement (note 9)	(1,265)	606
Balance at end of year	15,466	16,731

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

	2004 RMB'000	2003 RMB'000
Provision for doubtful debts, provision for inventory obsolescence, provision for diminution in value of trading investment and other expenses	15,466	16,731

17. INVENTORIES

	2004 RMB'000	2003 RMB'000
Raw materials (at cost)	14,836	17,270
Raw materials (at net realisable value)	7,429	4,000
Work-in-progress (at cost)	1,730	4,162
Finished goods (at cost)	166,299	111,616
Finished goods (at net realisable value)	13,689	15,601
	203,983	152,649

18. TRADE RECEIVABLES

	2004 RMB'000	2003 RMB'000
Trade receivables	59,849	62,314
Less: provision for doubtful debts	(41,119)	(42,765)
	18,730	19,549

19. PREPAYMENTS AND OTHER RECEIVABLES

	2004 RMB'000	2003 RMB'000
Prepayments	2,772	1,023
Other receivables	47,175	46,355
Less: provision for doubtful debts	(13,734)	(13,394)
	36,213	33,984

20. TRADING INVESTMENTS

	2004 RMB'000	2003 RMB'000
Market value of listed investments		
- Equity shares	11,819	4,314

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.

21. DESIGNATED DEPOSITS

	2004 RMB'000	2003 RMB'000
Deposits in a bank (Note)	-	51,004

Note:

The deposits were placed with Bank of China for the purpose of investment in government bonds. The deposits have been uplifted in February 2004.

22. SHARE CAPITAL

	2004		2003	
	Thousand shares	RMB'000	Thousand shares	RMB'000
Registered capital (Par value of RMB1 each)	249,318	249,318	249,318	249,318
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	58,320	58,320	58,320	58,320
	249,318	249,318	249,318	249,318

23. 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 2004 as there is no distributable profit in the statutory accounts of the Company.

24. SHORT-TERM LOANS

	2004 RMB'000	2003 RMB'000
Bank loans – unsecured	20,000	100

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

25. DIVIDENDS

Pursuant to a resolution of the Board of Directors, the Company did not declare any cash dividend for 2003 in 2004 (2003: nil).

26. CASH GENERATED FROM OPERATIONS

Reconciliation of profit before taxation to cash generated from operations

	2004 RMB'000	2003 RMB'000
Profit before taxation	3,086	6,146
Adjustments for:		
Depreciation		
- fixed assets	7,358	8,947
- investment properties	4,367	1,042
Amortisation of leasehold land payments	461	461
Amortisation of non-current assets	560	397
(Gain) / Loss on disposals of fixed assets	(73)	536
Gain of sale of discontinuing operating	-	(777)
(Gain) / loss on disposal of trading investments	(258)	206
Fair value losses on trading investments	9,857	(1,089)
Provision for doubtful debts	443	7,910
Reversal of inventory obsolescence	(3,386)	(423)
Loss on disposal of a subsidiary	-	403
Investment income from designated deposits	(351)	(10,000)
Interest expense	323	-
Interest income	(650)	(802)
Others	-	(138)
Decrease / (increase) in accounts receivable	716	(4,137)
Decrease in amounts due from related companies	-	2,549
Increase in inventories	(47,948)	(27,939)
Increase in prepayments and other receivables	(2,569)	(282)
(Increase) / decrease in trading investments	(17,104)	2,690
Increase in accounts payable	4,059	6,864
Increase in staff welfare payable	36	145
(Decrease) / increase in accruals and other current liabilities	443	(1,029)
Cash used in operations	(40,630)	(8,320)

27. FINANCIAL RISK MANAGEMENT

(a) Interest rate risk

In the opinion of the directors, financial assets and financial liabilities, other than the bank borrowings disclosed in note 24, 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 registered 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.

(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.

28. COMMITMENTS

(a) Operating lease commitments

- where the Group is the lessee

	2004 RMB'000	2003 RMB'000
The future minimum lease payments under non-cancellable operating leases are as follows:		
Not later than 1 year	3,720	2,100
Later than 1 year and not later than 5 years	10,077	3,063
Later than 5 years	-	450
	13,797	5,613

28. COMMITMENTS (Cont'd)

(a) Operating lease commitments (cont'd)

- where the Group is the lessor

	2004 RMB'000	2003 RMB'000
The future minimum lease payments receivable under non-cancellable operating leases are as follows:		
Not later than 1 year	28,686	15,261
Later than 1 year and not later than 5 years	51,854	28,389
	80,540	43,650

(b) Capital commitments

	2004 RMB'000	2003 RMB'000
Contracted but not provided for		
Buildings	357	63,961

29. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Property management fee

	2004 RMB'000	2003 RMB'000
Shenzhen CATIC Property Management Co.,Ltd	3,087	662

(b) Amount due from a related company

The amount due from a related company is non-interest bearing and repayable on demand.

	2004 RMB'000	2003 RMB'000
CATIC Shenzhen Company	1,500	1,500

(c) Loan guaranteed by holding company

	2004 RMB'000	2003 RMB'000
CATIC	20,000	100

30. 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. 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 were reported in the last year's financial statements as a discontinuing operation. The sales, results, cash flow and not assets were as follows:

	2004 RMB'000	2003 RMB'000
Turnover	-	5,063
Operating costs	-	(5,747)
Operating loss	-	(684)
Finance costs	-	(1)
Loss before taxation	-	(685)
Taxation	-	-
Net loss	-	(685)
Net operating cash inflow	-	(1,848)
Net investing cash outflow	-	-
Total net cash inflow	-	(1,848)

	RMB'000	At disposal dates RMB'000
Fixed assets	-	2,023
Current assets	-	-
Total assets	-	2,023
Total liabilities	-	-
Net assets	-	2,023

The gain on disposal was determined as follows:

	RMB'000	RMB'000
Proceed from sales	-	2,800
Net assets sold	-	(2,023)
Gain on disposal	-	777

30. DISCONTINUING OPERATION (Cont'd)

The net cash inflow on sale was determined as follows:

	2004 RMB'000	2003 RMB'000
Proceed from sale	-	2,800
Less: Cash and cash equivalents in subsidiaries sold	-	-
Net cash inflow on sale	-	2,800

31. 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 AND OTHER ADJUSTMENTS ON NET PROFIT AND SHAREHOLDERS' EQUITY

	Net profit for the year		Shareholders' equity	
	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000
As reported in the statutory accounts	1,908	5,088	517,364	515,456
Impact of major IFRS and other adjustments:				
- adjustment on deferred tax assets	(1,265)	606	15,466	16,731
- reclassification of prior year profit appropriation to staff welfare payable	-	-	(15,949)	(15,949)
- adjustment on fair value for trading investment	(438)	438	-	438
- others	-	-	1,294	1,294
As restated for IFRS	205	6,132	518,175	517,970