SHENZHEN FIYTA HOLDINGS LIMITED

深圳市飞亚达（集团）股份有限公司

INTERIM RESULT

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

CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2006

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

SHENZHEN FIYTA HOLDINGS LIMITED

深圳市飞亚达（集团）股份有限公司

CONSOLIDATED BALANCE SHEET

At June 30, 2006

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

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

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

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

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

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

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

FOR THE SIX MONTHS ENDED JUNE 30, 2005

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

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

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

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

SHENZHEN FIYTA HOLDINGS LIMITED

深圳市飞亚达（集团）股份有限公司

CONSOLIDATED CASH FLOW STATEMENT - (continued)

For the six months ended June 30, 2006

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

1. Corporate information

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

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

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

2. Basis of preparation and accounting policies

Basis of preparation

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

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

Consolidation scope and significant accounting policies

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

3. Segment information

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

3. Segment information－(continued)

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

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

4. Turnover and revenue

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

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

5. Profit from operations

Profit from operations is arrived at:

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

6. Staff cost

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

7. Directors’ remuneration

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

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

8. Earnings per share

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

9. Trade receivables

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

10. Financial assets at fair value through profit or loss

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

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

11. Bank loan - secured

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

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

12. Related party transactions

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

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

13. Approved of the financial statements

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

SUPPLEMENTARY INFORMATION

FOR THE PERIOD ENDED JUNE 30, 2006

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

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