

FIYTA HOLDINGS LTD.

2017 Semi-Annual Report

August, 2017

Section1 Important Notice, Table of Contents and Definition

The Board of Directors, the Supervisory Committee, directors, supervisors and senior executives hereby individually and collectively accept responsibility for the correctness, accuracy and completeness of the contents of this report and confirm that there are neither material omissions nor errors which would render any statement misleading.

Mr. Xu Dongsheng, the legal representative, Mr. Chen Zhuo, chief financial officer, and Mr. Tian Hui, the manager of the accounting department (treasurer) hereby confirm the authenticity and completeness of the financial report enclosed in this Semi-Annual Report.

All the directors attended the board meeting for reviewing the Semi-Annual Report.

Any perspective description, such as future plan, development strategy, etc. involved in the Semi-Annual Report shall not constitute the Company's substantial commitment to the investors and the investors should please pay attention to their investment risks.

The Company is not going to deliver cash dividend or bonus shares, or convert any reserve into capital stock for the reporting period.

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Definition

Terms to be defined	Refers to	Definition
This Company, the Company or FIYTA	Refers to	FIYTA Holdings Ltd.
AVIC	Refers to	Aviation Industry Corporation of China
CATIC International	Refers to	CATIC International Holdings Limited
AVIC International Shenzhen	Refers to	AVIC International Shenzhen Company Limited
CATIC Shenzhen	Refers to	CATIC Shenzhen Holdings Limited
HARMONY	Refers to	Shenzhen Harmony World Watches Center Co., Ltd.
the Sales Co.	Refers to	FIYTA Sales Co., Ltd.
the Manufacture Co.	Refers to	Shenzhen FIYTA Sophisticated Timepieces Manufacture Co., Ltd.
the Technology Co.	Refers to	FIYTA Technology Development Co., Ltd.
the Hong Kong Co.	Refers to	FIYTA (Hong Kong) Limited
SHIYUEHUI	Refers to	Shiyuehui Boutique (Shenzhen) Co., Ltd.
Rainbow Supermarket	Refers to	Rainbow Supermarket Co., Ltd.
CATIC Real Estate	Refers to	CATIC Real Estate Co., Ltd.
CATIC Property	Refers to	CATIC Property Management Co., Ltd.

Section2 Company Profile and Financial Highlights

I. Company Profile

Short form of the stock:	FIYTAA, FIYTA B	Stock Codes:	000026、200026
Stock Exchange Listed with	Shenzhen Stock Exchange		
Company Name In Chinese	飞亚达（集团）股份有限公司		
Abbreviation of Registered Company Name in Chinese	飞亚达公司		
Company name in foreign language (if any)	FIYTA HOLDINGS LTD.		
Short form of the Company name in foreign language (if any)	FIYTA		
Legal Representative	Xu Dongsheng		

II. Liaison Persons and Communication Information

	Secretary of the Board	Securities Affairs Representative
Names	Lu Wanjun	Zhang Yong
Liaison Address	20 th Floor, FIYTA Technology Building, Gaoxin S. Road One, Nanshan District, Shenzhen	20 th Floor, FIYTA Technology Building, Gaoxin S. Road One, Nanshan District, Shenzhen
Tel.	0755—86013198	0755—86013669
Fax	0755—83348369	0755—83348369
E-mail	investor@fiyta.com.cn	investor@fiyta.com.cn

III. Other Information

1. Communication Information

No change has taken place during the reporting period in the Company's registered address, office address, post code, website, email, etc. For the detail, please refer to 2016 Annual Report.

2. Information Disclosure and Place where the Regular Reports are Prepared

No change has taken place during the reporting period in the name of the newspapers chosen by the Company for information disclosure and the website designated by China Securities Regulatory Commission (CSRC) for publishing the

Semi-Annual Report and the place where the Semi-Annual Report was prepared. For the detail, please refer to 2016 Annual Report.

IV. Summary of Accounting/Financial Data

Does the Company need to make retroactive adjustment or restatement of the accounting data of the previous years?

No

	Reporting period	Same period of the previous year	Year-on-year increase/decrease in the reporting period
Turnover in CNY	1,599,541,144.35	1,479,527,783.18	8.11%
Net profit attributable to the Company's shareholders, in CNY	86,708,824.76	60,513,019.44	43.29%
Net profit attributable to the Company's shareholders less the non-recurring items, in CNY	85,938,456.94	59,792,409.84	43.73%
Net cash flows arising from operating activities, in CNY	276,715,660.53	217,609,732.54	27.16%
Basic earning per share (CNY/share)	0.1976	0.1379	43.29%
Diluted earning per share (CNY/share)	0.1976	0.1379	43.29%
Return on equity, weighted average (%)	3.65%	2.59%	1.06%
	End of the reporting period	End of the previous year	Increase/decrease at the end of the year over the end of the previous year
Total assets, in CNY	3,844,990,865.80	4,004,897,562.72	-3.99%
Net assets attributable to the Company's shareholders (owner's equity attributable to the Company's shareholders, in CNY)	2,421,373,416.41	2,371,370,535.17	2.11%

V. Difference in the Accounting Data based respectively on the Chinese Accounting Standards (CAS) and International Accounting Standards (IAS)

1. Differences in the net profit disclosed in the financial report & the net assets attributable to the Company's shareholders respectively according to the IAS and the CAS.

Inapplicable

2. Differences in the net profit disclosed in the financial report & the net assets attributable to the Company's shareholders according to both the IAS and the CAS

Inapplicable

VI. Non-recurring gain/loss items and the amount involved

In CNY

Items	Amount	Notes
Gain/loss from disposal of non-current assets, including the part offset from the provision for impairment of assets.	-13,352.95	"the gain/loss from disposal of partial obsolete office fixed assets during the reporting period"
Government subsidy credited to the current gain and loss (except the government subsidies closely related with the Company's business and enjoyable according to the unified standard quota or fixed amount specified by the central government).	1,478,043.00	For detail, refer to the supplementary description of the government subsidy counted to the current profit and loss, Note VII.70.
Operating income and expenses other than the aforesaid items	-515,323.53	Other various non-operating revenue and expenditure
Less: Amount affected by the income tax	178,998.70	
Total	770,367.82	--

For the Company's non-recurring gain/loss items as defined in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering their Securities to the Public – Non-recurring Gains and Losses and its non-recurring gain/loss items as illustrated in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering their Securities to the Public – Non-recurring Gains and Losses which have been defined as recurring gains and losses, it is necessary to explain the reason.

Inapplicable

Section3 Business Summary

I. Principal Businesses in the Reporting Period

Does the Company need to comply with the requirements on information disclosure for special industries?

No

FIYTA has been concentrating itself in watch industry under the strategy of brand building, carrying forward integration and upgrading of the key value chain through the commercial model of "products + channel", constructed a watch retail platform with full coverage of HARMONY and the Sales Company (including BRAND GALLERY), e-commerce platform, etc. so as to provide extremely considerable excellent services to vast consumers; improved the watch research & development, design, manufacture platform, formed self-brand cluster with high-end brands, FIYTA watch, and JONAS&VERUS as the key brands and brands and products are being continuously improved.

II. Significant Changes in the Prime Assets

1. Significant Changes in the Prime Assets

Inapplicable

2. Summary of Overseas Assets

Inapplicable

III. Analysis on Core Competitiveness

Does the Company need to comply with the requirements on disclosure for special industries

No

FIYTA's core competitiveness is a collection consisting of a set of techniques and technology which enables the Company to provide customers with particular values, is the competitive power on which our products or services rely in achieving the leading position. It consists of the ability of brand building, ability of offering top quality services, ability of product innovation, ability of knowledge management and ability of management of strategic human resources. So far, the Company has established an industrial design center at national level and a technology center at national level. All our manufacture enterprises are national hi-tech enterprises. In addition, the Company has participated in preparation or revision of a number of national industrial standards.

In addition to continuous consolidation of the aforesaid core competences, during the reporting period, the Company achieved great success in construction of science and technology platform and scientific and technological innovation. During the first half year of 2017, the Company's design center was recognized as the industrial design center of Guangdong Province; the Company applied for 7 patents for invention, 8 utility model patents and 21 design patents. The Company took lead in and completed preparation of 3 technical standards of Shenzhen.

Section4 Discussion and Analysis of the Business Conditions

I. General

During the reporting period, the retail consumption industry especially the high-end consumable industry turned better to some extent and drove the domestic retail industry to gradually revive. However, the watch industry is still weak condition and is still confronted with big uncertainty. Under such background, the Company continued to insist on the corporate philosophy and brand development strategy, based on the annual strategic theme of "transformation" and "sublimation", the Company has focused on customer research and per unit yield improvement work, strove to lay solid foundation of management, spared no effort to making self-brand group and high efficiency famous brand watch comprehensive service system. In the first half year of 2017, with the joint efforts of all the staff, the Company realized a turnover amounting to CNY 1,599,541,144.35, a year-on-year growth by 8.11%; realized net profit attributable to the shareholders amounting to CNY 86,708,824.76, a year-on-year growth by 43.29%;

During the reporting period, HARMONY focused on the work theme of "recasting the foundation, deep ploughing for operation, customer research and innovation and development" in the business of world brand watches, has further improved its earning power, conducted deepened study on the customers, carried forward transformation and upgrading of the business model; during the reporting period, HARMONEY made improvement in channel optimization, per unit yield improvement, inventory turnover, profit growth, etc. further carried forward the business model transformation and upgrading, the famous brand watch repairing and e-commerce channel still kept steady and speedy growth. In the first half year of 2017, HARMONY realized operation revenue amounting to CNY 1,029,605,415.52, a year-on-year growth by 6.6%. Meanwhile, Brand Gallery Watch has achieved good development in its retail business.

During the reporting period, the Company seized the opportunity of consumption upgrading of "FIYTA" Brand and other own brands, focused on customer research and the per unit yield, promoted resources integration and efficiency promotion, and achieve preliminary results of the strategy of multiple brands and whole channels. The Company took customer research for its own brand as the center, and attached importance on R & D of new products, success rate of listing, strictly conducted control over expenses and prices, optimized the inventory structure, practiced careful differentiation operation; improved the customers' satisfaction; further optimized the online and offline channels, laid solid foundation for channel cooperation and improved the channel quality; pressed close to the consumer's scenes of life, explored diversified marketing models, promoted transformation of brand marketing and promotion method; enhanced improvement of the terminal and shopping guide ability, reinforced construction of the brand maker in a sustainable way. During the reporting period, the Company realized operation revenue amounting to CNY 485,622,271.67 with FIYTA Brand, a year-on-year growth of 9.35%. In addition, the Company realized a good development in its new businesses, including intelligent watches, JONAS&VERUS Brand, JEEP Brand, e-commerce, overseas business, etc.

During the reporting period, FIYTA Watch R & D and Manufacture Center has put into operation and the Company kept steady growth of income from its properties, realized operation revenue amounting to CNY 51,281,774.36, a year-on-year growth of 4.35%.

II. Analysis on Principal Businesses

Refer to “I. General” of “Discussion and Analysis of Business Conditions”

Movements of the Key Financial Items are summarized as follows:

In CNY

	Reporting period	Same period of the previous year	Year-on-year increase/decrease	Cause of the movements
Operating revenue	1,599,541,144.35	1,479,527,783.18	8.11%	
Operating costs	941,479,684.84	881,663,280.51	6.78%	
Sales expenses	394,286,321.79	378,007,640.11	4.31%	
Administrative expenses	98,170,386.95	94,847,009.60	3.50%	
Financial expenses	26,200,633.06	35,230,653.98	-25.63%	
Income tax expense	25,965,385.00	15,779,713.54	64.55%	It was mainly due to increase of the Company's operating revenue during the reporting period and thus the operating profit increased over the same period of the previous year.
Investment in R & D	21,944,615.09	18,483,969.94	18.72%	
Net cash flow arising from operating activities	276,715,660.53	217,609,732.54	27.16%	
Net cash flow arising from investment activities	-56,423,051.76	-100,946,266.01	-44.11%	As the main works of Guangming New Zone Watch Industry Base was not yet completed and the relevant investment in the reporting year decreased.
Net cash flow arising from financial activities	-264,211,350.78	-257,228,709.41	2.71%	
Net increase of cash and cash equivalent	-43,578,751.94	-140,290,895.31	-68.94%	This was mainly due to that increase of the operating revenue in the reporting period brought about increase of the operating cash flow-in. Meanwhile,

				during the reporting period, investment in the construction-in-progress decreased over the same period of the previous year.
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Significant change in profit composition or profit sources during the reporting period.

Inapplicable

Composition of the principal business

In CNY

	Operating revenue	Operating costs	Gross profit rate	Year-on-year increase/decrease of operating revenue over the same period of previous year	Year-on-year increase/decrease of operating costs over the same period of previous year	Year-on-year increase/decrease of gross profit rate over the same period of previous year
Sectors						
Watch	1,537,271,799.60	931,434,846.74	39.41%	8.26%	6.56%	0.97%
Lease	51,281,774.36	8,618,881.55	83.19%	4.35%	27.06%	-3.00%
Others	10,987,570.39	1,425,956.54	87.02%	5.18%	78.56%	-5.33%
Products						
Famous brand watches	1,051,649,527.93	779,675,100.86	25.86%	7.77%	6.51%	0.87%
FIYTA watches	485,622,271.67	151,759,745.88	68.75%	9.35%	6.81%	0.74%
Lease	51,281,774.36	8,618,881.55	83.19%	4.35%	27.06%	-3.00%
Others	10,987,570.39	1,425,956.54	87.02%	5.18%	78.56%	-5.33%
Regions						
South China	625,919,754.12	337,680,435.51	46.05%	13.39%	16.32%	-1.36%
Northwest China	264,234,679.35	166,924,796.43	36.83%	4.36%	1.76%	1.61%
North China	174,439,180.81	105,283,369.82	39.64%	-2.94%	-8.67%	3.79%
East China	220,926,083.15	129,767,941.68	41.26%	15.32%	12.09%	1.69%
Northeast China	160,049,133.23	102,982,233.69	35.66%	5.53%	5.42%	0.07%
Southwest China	153,972,313.69	98,840,907.70	35.81%	1.73%	0.27%	0.93%

III. Analysis on Non-Principal Businesses

Inapplicable

IV. Assets and Liabilities

1. Significant Changes in Assets Composition

In CNY

	End of the reporting period		End of the same period of previous year		Proportion increased/decreased	Note to significant changes
	Amount	Proportion in total assets				
Monetary capital	385,224,00 3.87	10.02%	498,671,98 0.62	12.43%	-2.41%	
Accounts receivable	315,123,49 7.85	8.20%	328,952,47 8.70	8.20%	0.00%	
Inventories	1,897,695, 603.73	49.36%	1,990,492,2 24.79	49.60%	-0.24%	
Investment based real estate	284,928,95 4.22	7.41%	212,376,32 0.08	5.29%	2.12%	
Long term equity investment	43,612,496 .76	1.13%	42,837,994. 24	1.07%	0.06%	
Fixed assets	557,286,44 3.92	14.49%	353,632,93 3.94	8.81%	5.68%	
Construction-in-process	1,404,130. 16	0.04%	199,813,39 2.72	4.98%	-4.94%	
Short term loan	919,078,24 0.00	23.90%	1,183,344,5 90.08	29.49%	-5.59%	
Long term loan	97,939,904 .54	2.55%	125,845,91 9.44	3.14%	-0.59%	

2. Assets and liabilities measured based on fair value

Inapplicable

3. Restriction on rights in the assets ended the reporting period

A property located in Hong Kong owned by Station 68 Ltd. with the net value of CNY 2,938,850.95 has been used as collateral for the overseas long term loans amounting to CNY 122,286.54; a property owned by Montres Chouriet SA with net value of CNY 16,962,366.73 has been used as collateral for the overseas long term loans amounting to CNY 5,455,690.00. The total book amount of the aforesaid properties was CNY 19,901,217.68.

V. Investment

1. General

Inapplicable

2. Significant equity investment acquired in the reporting period

Inapplicable

3. Significant non-equity investment in process in the reporting period

Inapplicable

4. Financial assets investment

(1) Portfolio investment

Inapplicable

(2) Investment in derivatives

Inapplicable

VI. Sales of Significant Assets and Equity

1. Sales of Significant Assets

Inapplicable

2. Sales of Significant Equity

Inapplicable

VII. Analysis on Principal Subsidiaries and Mutual Shareholding Companies

Particulars about the principal subsidiaries and mutual shareholding companies which may affect the Company's net profit by over 10%.

In CNY

Company Names	Company type	Principal business	Sector involved in	Registered capital	Total assets, in CNY	Net assets (CNY)	Operating revenue	Operating profit (in CNY)	Net profit (in CNY)
Shenzhen Harmony	Subsidiary	Purchase & sale and repairing	Retail	600,000,000	1,704,666,448.21	766,753,923.35	1,029,605,415.52	29,756,262.28	22,222,734.40

World Watches Center Co., Ltd.		service of watches and components. Import & export (based on SHEN MAO JIN ZHUN ZI NO. [2001] No. 2204; sales of general merchandise, jewelry, diamond ornaments, leatherwares, pens, ties, tie clips, electronic products, communication equipment; domestic trading; property management; advertising business.							
FIYTA Sales Co., Ltd.	Subsidiary	Design, R & D and sales of watches, timing instruments, and spare and	Retail	450,000,000	722,705,242.54	460,580,637.04	499,557,386.46	48,929,305.51	49,086.003.01

		accessory parts; sales of jewelry and ornaments ; import & export of watches and repairing services.							
Shenzhen FIYTA Sophisticated Timepieces Manufacture Co., Ltd.	Subsidiary	R & D, design and sales of various watches and driving units, watchcases, watchbands, and other spare and accessory parts; sales of sophisticated timepieces and their spare and accessory parts; wholesale of K gold ornaments and watches, superhard materials	Manufacture	10,000,000	184,307,238.11	93,705,415.16	205,340,493.66	42,729,136.19	35,909,701.99

		<p>(hard alloy, sophisticated ceramics) spare and accessory parts; and development of technology for the aforesaid products and supporting business; import & export.</p> <p>Production of various watches and driving units, watchcases, watchbands and other spare and accessory parts; production of sophisticated timepieces and their sophisticated spare and accessory</p>							
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		parts; processing of K gold ornamenta l watches, superhard material (hard alloy, sophisticat ed ceramics) spare and accessory parts; and repairing of the aforesaid products.							
FIYTA Technolo gy Develop ment Co., Ltd.	Subsidiary	R&D, production sales of watches (excluding the products in the catalogue of measuring instrument s under control according to the law); production & machining and sales of sophisticat ed parts and technology	Manufac ture	10,000,0 00	71,162,5 04.57	56,926,0 91.15	23,201,3 35.86	-2,157, 524.94	-1,788,973 .89

		development; investment and initiation of industrial entities (application shall be submitted for a specific project); domestic commerce , materials supply and sales.							
FIYTA (Hong Kong) Limited	Subsidiary	Trading of watches and accessories and investment .	Retail	137,737, 520	440,891, 440.04	197,197, 596.46	61,785,0 48.78	-12,02 9,290. 49	-12,738,61 6.77
Shiyueh ui Boutique (Shenzhen) Co., Ltd.	Subsidiary	General business activities : Design, R & D, sales of timing instruments and spare and accessory parts; brand planning, design, R&D, sales and	Retail	5,000,00 0	16,944,6 42.90	-1,145,0 91.02	6,029,15 7.46	-5,167, 500.13	-4,117,100 .13

		wholesale of general merchandise, jewelry, ornaments and gifts (with the restricted items exclusive); brand planning; advertising business; import & export. Permitted business activities : production of timing instruments and spare and accessory parts; production of general merchandise, jewelry, ornaments, gifts.							
Shanghai Watch Industry Co., Ltd.	Mutual shareholding company	Production (outward processing) and sales of watches, watch driving	Manufac ture	15,350,000	108,038,189.01	98,954,611.82	43,499,754.20	991,989.55	755,487.55

		units, watch parts, sophisticat ed instrument s and accessorie s; goods import & export and technology import & export.							
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Subsidiaries acquired and disposed in the reporting period

Inapplicable

Particulars about the principal holding and mutual shareholding companies

Inapplicable

VIII. Structurized Entities Controlled by the Company

Inapplicable

IX. Prediction of the Performances from January to September, 2017

Inapplicable

X. Risks Possibly to be Confronted with

1. Market risks and countermeasures:

The present macro-environment is full of uncertainty and it is predicted that the watch consumption market and retail business shall become more and more difficult. For this reason, the Company shall build itself into a customer-oriented organization through continuous innovation in products and services and carry forward transformation and upgrading of the business model in order to cope with the uncertainty of the market environment.

2. Risks from the business model and the countermeasures:

The Company's business model of "products + channels" with watch as the core still belongs to a traditional trade field, which largely relies on internal growth and sustainable development and it shows a bit unitary in varieties and patterns. For this reason, the Company shall continue to implement multiple brands and whole channel strategy, continuously enrich brands and channel clusters, explore more diversified operation pattern so as to reduce the risk of the trade.

3. Long term investment risks and countermeasures:

Investment and construction of the brand key value chain is still in process. The core technologies, such as the driving unit, key spares and parts, still need to be invested consistently. Therefore, the Company strictly controls various expenses and expenditures. While providing continuous investment, the Company constantly integrates the internal and external resources and promotes the efficiency improvement so as to reduce the risk from long term investment.

4. Heavy assets financial risks and countermeasures

In view of the Company's business model of retail of famous brand watches and development of brand whole industrial chain, the Company's inventories take a big proportion in the total assets. The Company shall keep paying close attention to the key indicators of inventories, accounts receivable, cash flow, etc., continuously improve the Company's per unit yield and inventory turnover efficiency, optimize the structure of shops, and improve the operation efficiency of assets. Meanwhile, the Company shall keep carrying forward business model transformation and upgrading, strive to develop repairing and e-commerce business so as to reduce financial risks.

Section5 Significant Events

I. General Meeting and Extraordinary General Meetings

1. General Meetings

Session	Meeting type	Proportion of attendance of the investors	Meeting date	Date of disclosure	Disclosure index
2016 Annual General Meeting	Annual general meeting	38.18%	May 31, 2017	June 1, 2017	www.cninfo.com.cn
2017 1st Extraordinary General Meeting	Extraordinary general meeting	37.86%	June 30, 2017	July 1, 2017	www.cninfo.com.cn

2. Extraordinary general meeting requested for holding by the preferred shareholders with the voting power recovered.

Inapplicable

II. Preplan for Profit Distribution and Conversion of Capital Reserve into Share Capital in the Reporting Period

Inapplicable

III. Commitments finished in implementation by the Company's actual controller, shareholders, related parties, acquirer, the Company, etc. in the reporting period and commitments unfinished in implementation at the end of the reporting period

Commitments	Promiser	Commitment type	Description	Commitment time	Commitment deadline	Implementation status
Commitment for Equity Separation Reform						
Commitments in the acquisition report or the written report on change of equity						
Commitment made at the time of asset reorganization						
Commitment made at IPO or re-financing	Caitong Fund Manag	Commitment on restricted	The expected subscribers	January 15, 2016	1 year	Completed in implementation

	<p>ement Co., Ltd.; MANULIFE TEDA Fund Management Co, Ltd.; Xizang Investment Co., Ltd.; Golden Eagle Asset Management Co., Ltd.; Sws Mu Fund Management Co., Ltd</p>	<p>sales of shares</p>	<p>of the said non-public issuing including Caitong Fund Management Co., Ltd.; MANULIFE TEDA Fund Management Co, Ltd.; Xizang Investment Co., Ltd.; Golden Eagle Asset Management Co.,Ltd d.; Sws Mu Fund Management Co., Ltd. committed that the shares subscribed from the said non-public issuing must not be transferred within 12 months commencing from the listing of the shares.</p>			<p>on</p>
	Other commitments to the minority shareholders					
	Have the commitments been implemented in a timely way	Yes				

<p>If the commitment has not been implemented at the end of the reporting period, it is necessary to explain the specific reason of failure in implementation and the future work plan.</p>	<p>Inapplicable</p>
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IV. Engagement/Disengagement of CPAs

Has the financial report to the Semi-Annual Report been audited

No

V. Explanation of the Board of Directors and the Supervisory Committee on the Qualified Auditors' Report for the reporting period issued by the CPAs

Inapplicable

VI. Explanation of the Board of Directors on the Qualified Auditors' Report for the previous year issued by the CPAs

Inapplicable

VII. Matters concerning Bankruptcy Reorganization

Inapplicable

VIII. Lasuits

Inapplicable

IX. Penalty and Rectification

Inapplicable

X. Integrity of the Company, its Controlling Shareholder and Actual Controller

Inapplicable

XI. Implementation of the Company's Equity Incentive Plan, Employee Stock Ownership Plan or other Employee Incentive Measures

Inapplicable

XII. Significant Related Transactions

1. Related Transactions Related with Day-to-Day Operations

Related Parties	Relationship	Type of related parties	Description of Related Transactions	Principle of pricing of the related transactions	Price of related transactions	Amount of the related transaction (in CNY 10,000)	Proportion in the amount of the similar transactions (%)	Transaction quota as approved (in CNY10,000)	Has the approved quota been exceeded?	Way of settlement for the related transaction	Market price	Disclosure date	Disclosure index
Rainbow Supermarket	Common controller	Sales expenses	Shopping mall costs	Market price	Inapplicable	252.97	8.24%	600	No	Bank account transfer	Inapplicable	March 10, 2017	www.cninfo.com.cn
CATIC Property	Common controller	Administrative expenses	Property management fee	Market price	Inapplicable	391.26	100.00%	800	No	Bank account transfer	Inapplicable	March 10, 2017	www.cninfo.com.cn
Rainbow Supermarket	Common controller	Income from principal business	Sales of goods	Market price	Inapplicable	3,731.16	2.33%	9,000	No	Bank account transfer	Inapplicable	March 10, 2017	www.cninfo.com.cn
Shennan Circuit Co., Ltd.	Common controller	Income from principal business	Sales of goods	Market price	Inapplicable	107.41	7.59%	1,500	No	Bank account transfer	Inapplicable	March 10, 2017	www.cninfo.com.cn
Shenzhen Grand Skyline	Common controller	Income from principal business	Sales of goods	Market price	Inapplicable	0.26	0.00%	500	No	Bank account transfer	Inapplicable	March 10, 2017	www.cninfo.com.cn

Hotel Management Co., Ltd.		ess								e		n	
CATIC Real Estate	Common controller	Income from principal business	Property lease	Market price	Inapplicable	67.94	1.32 %	1,800	No	Bank account transference	Inapplicable	March 10, 2017	www.cininf.o.com.cn
CATIC Property	Common controller	Income from principal business	Property lease	Market price	Inapplicable	321.35	6.27 %		No	Bank account transference	Inapplicable	March 10, 2017	www.cininf.o.com.cn
Shenzhen CATIC City Property Development Co., Ltd.	Common controller	Income from principal business	Property lease	Market price	Inapplicable	21.86	0.43 %		No	Bank account transference	Inapplicable	March 10, 2017	www.cininf.o.com.cn
Shenzhen CATIC City Development Co., Ltd.	Common controller	Income from principal business	Property lease	Market price	Inapplicable	0.89	0.02 %		No	Bank account transference	Inapplicable	March 10, 2017	www.cininf.o.com.cn
Shen	Com	Inco	Prop	Mark	Inapp	4.02	0.08		No	Bank	Inapp	Marc	ww

zhen CATI C Guan lan Real Estat e Devel opme nt Co., Ltd.	mon contr oller	me from princi pal busin ess	erty lease	et price	licabl e		%			acco unt transf erenc e	licabl e	h 10, 2017	w.c ninf o.co m.c n
Xi'an Tiany ue Hotel Co., Ltd.	Com mon contr oller	Inco me from princi pal busin ess	Prop erty lease	Mark et price	Inapp licabl e	209.5 2	4.09 %		No	Bank acco unt transf erenc e	Inapp licabl e	Marc h 10, 2017	ww w.c ninf o.co m.c n
Rainb ow Supe rmark et	Com mon contr oller	Inco me from princi pal busin ess	Prop erty lease	Mark et price	Inapp licabl e	26.24	0.51 %		No	Bank acco unt transf erenc e	Inapp licabl e	Marc h 10, 2017	ww w.c ninf o.co m.c n
Shen zhen CATI C Jiufa ng Asset s Mana geme nt Co., Ltd.	Com mon contr oller	Inco me from princi pal busin ess	Prop erty lease	Mark et price	Inapp licabl e	19.29	0.38 %		No	Bank acco unt transf erenc e	Inapp licabl e	Marc h 10, 2017	ww w.c ninf o.co m.c n
Shen zhen CATI	Com mon contr	Inco me from	Prop erty lease	Mark et price	Inapp licabl e	54.72	1.07 %		No	Bank acco unt	Inapp licabl e	Marc h 10, 2017	ww w.c ninf

C City Investment Co., Ltd.	oller	princi pal busin ess								transf erenc e			o.co m.c n
Shen zhen CATI C Huac heng Prop erty Devel opme nt Co., Ltd.	Com mon contr oller	Inco me from princi pal busin ess	Prop erty lease	Mark et price	Inapp licabl e	16.55	0.32 %		No	Bank acco unt transf erenc e	Inapp licabl e	Marc h 10, 2017	ww w.c ninf o.co m.c n
CATI C Secur ities Co., Ltd.	Com mon contr oller	Inco me from princi pal busin ess	Prop erty lease	Mark et price	Inapp licabl e	58.42	1.14 %	130	No	Bank acco unt transf erenc e	Inapp licabl e	Marc h 10, 2017	ww w.c ninf o.co m.c n
Shen zhen CATI C Chan gtai Invest ment Devel opme nt Co., Ltd.	Com mon contr oller	Sales expe nses	Prop erty lease	Mark et price	Inapp licabl e	17.63	0.34 %	300	No	Bank acco unt transf erenc e	Inapp licabl e	Marc h 10, 2017	ww w.c ninf o.co m.c n
CATI C City Prop	Com mon contr oller	Sales expe nses	Rent	Mark et price	Inapp licabl e	10.18	0.29 %		No	Bank acco unt transf	Inapp licabl e	Marc h 10, 2017	ww w.c ninf o.co

erty (Kunshan) Co., Ltd.										erence			m.c n
Total	--	--	5,311 .67	--	14,63 0	--	--	--	--	--	--	--	--
Details of the rejection of the goods already sold in big amount	Inapplicable												
In case the total amount of the regular related transaction incurred in the reporting period has been predicted based on categories, state the actual implementation of the in the reporting period (if any)	The 13th Session of the Eighth Board of Directors and 2016 General Meeting reviewed and approved the Proposal on Prediction of Day-to-Day Related Transactions in Year 2017. The total amount of the related transactions actually incurred in the reporting year was CNY 53.1167 million which has not exceeded the total amount predicted.												
Cause of the big difference between the transaction price and the market reference price. (if applicable)	Inapplicable												

2. Related transactions concerning acquisition and sales of assets or equity

Inapplicable

3. Related transactions concerning joint investment in foreign countries

Inapplicable

4. Current Associated Rights of Credit and Liabilities

Due from related parties

Related parties	Relationship	Causes of formation	Does there exist non-operation capital occupancy?	Opening balance (in CNY10,000)	Newly increased amount in the reporting period (in CNY10,000)	Amount recovered in the reporting period (in CNY10,000)	Interest rate	Interest in the reporting period (in CNY10,000)	Ending balance (in CNY10,000)
Rainbow Supermarket	Common controller	Payment for goods	No	933.23	4,112.49	4,511.24			534.48
Shennan Circuit Co.,	Common controller	Payment for goods	No	140.98	125.67	193.62			73.03

Ltd.									
CATIC Property	Common controller	Rent	No	0	337.42	287			50.42
Ganzhou CATIC Jiufang Commerce Co., Ltd.	Common controller	Payment for goods	No	12.27	9.3				9.3
Rainbow Supermarket	Common controller	Shopping mall deposit	No	68.75	11.49	0			80.24
Ganzhou CATIC Jiufang Commerce Co., Ltd.	Common controller	Rental deposit	No	12.27	0	0			12.27
Shenzhen CATIC Changtai Investment Development Co., Ltd.	Common controller	Rental deposit	No	5	0	0			5
Jiujiang CATIC Real Estate Development Co., Ltd.	Common controller	Rental deposit	No	5	0	5			0
CATIC City Property (Kunshan) Co., Ltd.	Common controller	Rental deposit	No	4.21	0	0			4.21
Shenzhen CATIC Group Enterprise Training Center	Common controller	Training fee	No	0	15	0			15
Shenzhen Grand Skylight Hotel Management	Common controller	Rental deposit	No	3.2	0	0			3.2

Co., Ltd.								
Influence of the related rights of credit and liabilities upon the Company's operation results and financial position.	Inapplicable							

Due to related parties

Related Parties	Relationship	Causes of formation	Opening balance (in CNY10,000)	Amount newly increased in the reporting period(in CNY10,000)	Amount repaid in the reporting period(in CNY10,000)	Interest rate	Interest in the reporting period(in CNY10,000)	Ending balance (in CNY10,000)
CATIC Real Estate	Common controller	Rent received in advance	13.38	0	13.38			0
Shenzhen CATIC Guanlan Real Estate Development Co., Ltd.	Common controller	Rental deposit	0.79	0	0.79			0
Shenzhen CATIC City Development Co., Ltd.	Common controller	Rental deposit	0.2	0	0.2			0
CATIC Property	Common controller	Rental deposit	199.38	0	152.18			47.2
CATIC Real Estate	Common controller	Rental deposit	42.48	0	0			42.48
Shenzhen CATIC City Investment Co., Ltd.	Common controller	Rental deposit	24.41	0	0			24.41
CATIC Securities Co., Ltd.	Common controller	Rental deposit	18.74	0	0			18.74
Shenzhen CATIC Real Building Technology Co., Ltd.	Common controller	Rental deposit	10.34	0	1.41			8.93

Shenzhen CATIC City Property Developmen t Co., Ltd.	Common controller	Rental deposit	9.79	0	0			9.79
Shenzhen CATIC Huacheng Property Developmen t Co., Ltd.	Common controller	Rental deposit	7.38	0	0			7.38
Shenzhen CATIC Jiufang Assets Managemen t Co., Ltd.	Common controller	Rental deposit	6.67	0	0			6.67
Rainbow Supermarket	Common controller	Rental deposit	6	0	0			6
Shenzhen CATIC City Developmen t Co., Ltd.	Common controller	Rental deposit	0.4	0	0			0.4
Influence of the related rights of credit and liabilities upon the Company's operation results and financial position.	Inapplicable							

5. Other Significant Related Transactions

Conclusion of Financial Service Agreement

The 18th session of the Eight Board of Directors held on August 11, 2017 reviewed and approved the Proposal for Conclusion of Financial Service Agreement with AVIC Finance Co., Ltd. according to which the Company was to conclude a new Financial Service Agreement with AVIC Finance Co., Ltd.. For the detail, refer to the Announcement on Conclusion of a Financial Service Agreement with AVIC Finance Co., Ltd., a Related Transaction (Announcement No. 2017-036).

The relevant inquiry with the website where the provisional report on significant related transaction:

Title of the provisional announcement	Disclosure date	Website for disclosing provisional announcement
Announcement on Conclusion of a Financial Service Agreement with AVIC Finance Co., Ltd., a Related Transaction (Announcement No. 2017-036).	August 15, 2017	www.cninfo.com.cn

XIII. The Company's Funds Occupied by its Controlling Shareholder or/and Related Parties for Non-operating Purpose

Inapplicable

XIV. Important Contracts and Implementation

1. Custody, Contracting and Leases

(1) Custody

Inapplicable

(2) Contracting

Inapplicable

(3) Leases

Inapplicable

2. Significant Guarantees

(1) Guarantees

In CNY 10,000

Outward guarantees Offered by the Company and its Subsidiaries (excluding guarantee to the subsidiaries)								
Names of Guarantees	Date of the announcement on the guarantee line	Guarantee line	Date of occurrence (date of agreement execution)	Actual amount of guarantee	Type of guarantee	Guarantee period	Implementation status	Guarantee to related party?
Inapplicable								
Total amount of outward guarantee approved in the report period (A1)				0	Total amount of outward guarantee actually incurred in the report period (A2)		0	
Total amount of outward guarantee already approved at the end of the report period (A3)				0	Total ending balance of outward guarantee at the end of the report period (A4)		0	
Guarantees between the Company and its Subsidiaries								
Names of	Date of	Guarantee	Date of	Actual amount	Type of	Guarantee	Implementation	Guarantee

Guarantees	the announce ment on the guarantee line	line	occurrence (date of agreement execution)	of guarantee	guarantee	period	ntation status	ee to related party?
HARMONY	March 10, 2016	40,000	December 30, 2016	8,500	Guarantee with joint responsibilit y	1 year	No	No
the Hong Kong Co.	March 10, 2016	6,997.69	October 14, 2016	393.62	Guarantee with joint responsibilit y	1 year	No	No
the Hong Kong Co.	March 10, 2016	6,997.69	November 24, 2016	393.62	Guarantee with joint responsibilit y	1 year	No	No
the Hong Kong Co.	March 10, 2016	6,997.69	September 7, 2016	2,011.86	Guarantee with joint responsibilit y	1 year	No	No
the Hong Kong Co.	March 10, 2016	6,997.69	May 23, 2017	874.72	Guarantee with joint responsibilit y	1 year	No	No
the Hong Kong Co.	March 10, 2016	13,120.8	August 3, 2016	4,373.6	Guarantee with joint responsibilit y	1 year	No	No
the Hong Kong Co.	March 10, 2016	13,120.8	July 4, 2016	6,560.4	Guarantee with joint responsibilit y	1 year	No	No
Total guarantee quota to the subsidiaries approved in the reporting period (B1)		0		Total amount of guarantee to the subsidiaries actually incurred in the reporting period (B2)		874.72		
Total guarantee quota to the subsidiaries approved at the end of the reporting period (B3)		60,118.49		Total balance of actual guarantee to the subsidiaries at the end of the reporting period		23,107.82		

				(B4)				
Guarantees between Subsidiaries								
Names of Guarantees	Date of the announcement on the guarantee line	Guarantee line	Date of occurrence (date of agreement execution)	Actual amount of guarantee	Type of guarantee	Guarantee period	Implementation status	Guarantee to related party?
Inapplicable								
Total guarantee quota to the subsidiaries approved in the reporting period (C1)				0	Total amount of guarantee to the subsidiaries actually incurred in the reporting period (C2)		0	
Total guarantee quota to the subsidiaries approved at the end of the reporting period (C3)				0	Total balance of actual guarantee to the subsidiaries at the end of the reporting period (C4)		0	
The Company's total guarantee (i.e. total of the first three main items)								
Total guarantee quota approved in the reporting period (A1+B1+C1)				0	Total amount of guarantee actually incurred in the reporting period (A2+B2+C2)		874.72	
Total guarantee quota already approved at the end of the reporting period (A3+B3+C3)				60,118.49	Total balance of the actual guarantee at the end of the reporting period (A4+B4+C4)		23,107.82	
Proportion of the actual guarantees in the Company's net assets (namely A4+B4 + C4)				9.54%				
Including:								
Amount of guarantees offered to the shareholders, actual controller and its related parties (D)				0				
Amount of guarantee for liabilities directly or indirectly offered to the guarantees with the asset-liability ratio exceeding 70% (E)				0				
Guarantee with total amount exceeding 50% of the net assets (F)				0				
Total amount of the aforesaid three guarantees (D+E+F)				0				
For the guarantee not yet due, guarantee responsibility incurred in the reporting period or description of the possible related discharge duty (if any)				Inapplicable				
Note to the outward guarantee against the established procedures (if any)				Inapplicable				

Description of the guarantee with complex method

Inapplicable

(2) Outward guarantee against regulations

Inapplicable

3. Other Important Contracts

Inapplicable

XV. Social Responsibilities

1. Implementation of the social responsibility of precise poverty relief

During the reporting period, the Company did carry out neither any precise poverty relief nor follow-up precise poverty relief plan.

2. Significant Events concerning Environmental Protection

Does the Company or any of its subsidiaries belong to a key pollutant discharging unit as announced to the public by the environmental protection authority?

NO

XVI. Notes to Other Significant Events

1. About Non-public Issuing of A-shares

The Company held the 18th session of the Seventh Board of Directors and 2014 Annual General Meeting respectively on April 16, 2015 and June 17, 2015. The meetings respectively reviewed and approved the Plan for Non-public Issuing of A-shares to the Specified Investors.

The Application for the non-public issuing of A-shares was approved the the Issuance Examination Commission by CSRC on October 30, 2015 and the Company received the Official Reply of CSRC on Non-public Issuing of A-shares by Fiyta Holdings Ltd. (ZHENG JIAN XU KE [2015] No. 2588) according to which the Company was approved to issue no more than 46,911,649 new shares to the designated investors. The Company actually issued 45,977,011 new shares. By January 16, 2017, the restriction on sales of the aforesaid shares was terminated.

2. Amendment of the Articles of Association

The 13th Session of the Eighth Board of Directors held on March 8, 2017 and 2016 Annual General Meeting held on May 31, 2017 reviewed and approved the Proposal on Amendment of the Articles of Association. For the detail, refer to the Announcement on the Resolution of the 13th Session of the Eighth Board of Directors No. 2017-003, the Announcement on the Resolution of 2016 Annual General Meeting No. 2017-019 and the Proposal on Amendment of the Articles of Association disclosed on the Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn.

The 16th Session of the Eighth Board of Directors held on June 2, 2017 and 2017 1st Extraordinary General Meeting held on June 30, 2017 reviewed and approved the Proposal on Amendment of the Articles of Association. For the detail, refer to the Announcement on the Resolution of the 16th Session of the Eighth Board of Directors No. 2017-020, the Announcement on the Resolution of 2017 1st Extraordinary General Meeting No. 2017-029 and the Proposal on Amendment of the Articles of Association disclosed on the Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn.

3. Change of Directors, Supervisors and Senior Executives

The 13th Session of the Eighth Board of Directors held on March 8, 2017 reviewed and approved the Proposal on Change of the Chairman of the Board and the Proposal on Change of the General Manager and Mr. Xu Dongsheng, one of the Company directors, was appointed as the Chairman of the Board, Mr. Chen Libin was recommended to take the office of the General Manager of the Company. For the detail, refer to the Announcement on the Resolution of the 13th Session of the Eighth Board of Directors No. 2017-003 disclosed on the Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn.

The 15th Session of the Eighth Board of Directors held on March 8, 2017 and 2016 Annual General Meeting held on May 31, 2017 reviewed and approved the Proposal on Nominating Mr. Chen Libin as director candidate, For the detail, refer to the Announcement on the Resolution of the 15th Session of the Eighth Board of Directors No. 2017-008 and the Resolution of 2017 1st Extraordinary General Meeting No. 2017-029 disclosed on the Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn.

The 11th Session of the Eighth Supervisory Committee held on March 10, 2017 and 2016 Annual General Meeting held on May 31, 2017 reviewed and approved the Proposal on Change of the Supervisor of the Company according to which Mr. Wang Baoying was elected supervisor of the Company. For the detail, refer to the Announcement on the Resolution of the 11th Session of the Eighth Supervisory Committee No. 2017-015 and the Resolution of 2016 Annual General Meeting No. 2017-019 disclosed on the Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn.

In August, 2017, Mr. Xu Dongsheng submitted resignation of director, Chairman of the Board and chairman of the strategic committee of the Eighth Board of Directors of the Company due to job change. After the resignation, Mr. Xu would no longer hold any post in the Company. For the detail, refer to the Announcement on Resignation of the Chairman of the Board No. 2017-032 as disclosed on the Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn.

4. Preparation of the Program for Return to Shareholders

The 16th Session of the Eighth Board of Directors held on June 2, 2017 reviewed and approved the Program for Return to Shareholders. For the detail, refer Announcement on the Resolution of the 16th Session of the Eighth Board of Directors No. 2017-020 and the Program for Return to Shareholders as disclosed on the Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn.

5. Special Work of Carrying out the "Blue Sky Action" for Protection of Investors

With a view to implementing the relevant provisions specified in the Circular of China Securities Regulatory Commission Shenzhen Office on Continuously Carrying out in a Deep-going Way the 'Blue Sky Action', Special Work of Protecting Investors, further enhancing protection of investors, establish and improve the management mechanism of return to

investors so as to help investors in setting up the idea of rational investment and long term investment, improving their risk awareness and self-protection ability, promoting maximization of the shareholders' value. The Company concluded the Proposal for Continuously Carrying out in a Deep-going Way the 'Blue Sky Action 2017', Special Work of Protecting Investors, shall strictly implement the said proposal and steadily promote the work of protecting investors in future.

XVII. Significant Events of the Company's Subsidiaries

Inapplicable

Section6 Change of Shares and Particulars about Shareholders

I. Change of Shares

1. Change of Shares

In shares

	Before the change		Increase / Decrease (+ / -)					After the change	
	Quantity	Proportion (%)	New issuing	Bonus shares	Shares converted from reserve	Others	Sub-total	Quantity	Proportion (%)
I. Restricted shares	46,026,744	10.49%				-45,977,011	-45,977,011	49,733	0.01%
1. Shares held by the state	0	0.00%				0	0	0	0.00%
2. State corporate shares	0	0.00%				0	0	0	0.00%
3. Other domestic shares	46,026,744	10.49%				-45,977,011	-45,977,011	49,733	0.01%
Including: Domestic corporate shares	45,977,011	10.48%				-45,977,011	-45,977,011	0	0.00%
Shares held by domestic natural persons	49,733	0.01%				0	0	49,733	0.01%
4. Foreign invested shares	0	0.00%				0	0	0	0.00%
Including: Foreign corporate shares	0	0.00%				0	0	0	0.00%
Shares held by foreign natural persons	0	0.00%				0	0	0	0.00%
II. Unrestricted shares	392,718,137	89.51%				45,977,011	45,977,011	438,695,148	99.99%
1. CNY ordinary shares	311,070,137	70.90%				45,977,011	45,977,011	357,047,148	81.38%
2. Foreign invested shares listed in Mainland China	81,648,000	18.61%				0	0	81,648,000	18.61%
3. Foreign invested shares listed abroad	0	0.00%				0	0	0	0.00%
4. Others	0	0.00%				0	0	0	0.00%

III. Total shares	438,74	100.00				0	0	438,74	100.00
	4,881	%						4,881	%

Causes of Change of Shares

In 2015, the Company issued 45,977,011 shares by non-public issuing which got listed with Shenzhen Stock Exchange on January 15, 2016. The new shares were not allowed to be listed for trading or assigned within 12 months from the first day of listing. On January 16, 2017, the restriction on sales of the shares involved in the said non-public issuing was released. Ended the day of disclosing this report, the sum of the Company's shares was 438,744,881 shares, including 49,733 shares with restriction on sales and 438,695,148 shares without restriction on sales.

Approval of Change of the Shares

The Company held the 18th session of the Seventh Board of Directors and 2014 Annual General Meeting respectively on April 16, 2015 and June 17, 2015. The meetings reviewed and approved the proposal on non-public issuing of A-shares to the designated investors.

The application for non-public issuing of A-shares was approved by CSRC Securities Issuance Examination Committee on October 30, 2015; on November 17, 2015, the Company received Official Reply to FIYTA Holdings Ltd. on Approval for Non-public Issuing (ZHENG JIAN XU KE [2015] No. 2588 on November 17, 2015, according to which the Company was approved to issue new shares with a size not exceeding 46,911,649 shares. The Company actually issued 45,977,011 new shares. On January 16, 2017, the restriction on sales of the non-publicly issued shares was duly terminated.

Transfer in Change of Shares

Inapplicable

Influence of the change of the shares upon such financial indicators as the basic EPS and diluted EPS, net asset value per share attributable to the common stockholders in the past year and the latest period

Net assets income rate, weighted average (%)		EPS			
		Basic EPS (CNY/share)		Diluted EPS (CNY/share)	
A half year of 2017	A half year of 2016	A half year of 2017	A half year of 2016	A half year of 2017	A half year of 2016
3.65%	2.59%	0.1976	0.1379	0.1976	0.1379

II. Issuing and Listing

Inapplicable

III. Number of Shareholders and Shareholding

In Shares

Total common shareholders at the end of the reporting period	36,599	Total preference shareholders with the voting power recovered at the end of the reporting period (if any) (Refer to Note 8)	0
Shares held by the common shareholders holding over 5% shares or the top 10 common shareholders			

Shareholder names	Shares held by the top ten shareholders	Shares held by the top ten shareholders (%)	Quantity at the end of the reporting period	Increase/decrease in the reporting period	Number of the restricted shares held	Number of the non-restricted shares held	Pledging or freezing	
							Status of the shares	Quantity
CATIC Shenzhen Holdings Limited	State-owned corporate	37.15%	162,977,327	0	0	162,977,327		
Chongqing International Trust Co., Ltd. - YUXIN No. 2 Trust	Domestic non-state-owned corporate	2.07%	9,103,318	4,404,578	0	9,103,318		
Yang Zugui	Domestic natural person	1.35%	5,901,669	5,901,669	0	5,901,669		
MANULIFE TEDA Fund—Minsheng Bank—MANULIFE TEDA Value Growth Oriented Additional Issue No. 351 Assets Management Program	Domestic non-state-owned corporate	1.15%	5,043,559	-1,056,400	0	5,043,559		
Xizang Investment Co., Ltd.	State-owned corporate	1.13%	4,976,551	0	0	4,976,551		
Golden Eagle Fund-Minsheng Bank-Golden Eagle Wenshi Junye Flexible Disposition	Domestic non-state-owned corporate	1.07%	4,674,329	0	0	4,674,329		

No. 3 Assets Management Program								
Chongqing International Trust Co., Ltd. - Rongxintong Serial Order - Trust No. 10	Domestic non-state-owned corporate	0.88%	3,870,700	3,870,700	0	3,870,700		
China Merchants Bank Co., Ltd. - Huitianfu Medical Service Flexible Allocation Hybrid Securities Investment Funds	Domestic non-state-owned corporate	0.73%	3,199,886	3,199,886	0	3,199,886		
Shenzhen Heli Fengyuan Commerce & Trade Co., Ltd.	Domestic non-state-owned corporate	0.61%	2,663,481	2,663,481	0	2,663,481		
Xu Guoliang	Domestic natural person	0.58%	2,565,195	20,800	0	2,565,195		
About the fact that a strategic investor or ordinary corporate became one of the top ten common shareholders due to placement of new shares (if any) (Refer to Note 3)	Of the top 10 shareholders, MANULIFE TEDA Fund - Minsheng Bank—MANULIFE TEDA Value Growth Oriented Additional Issue No. 351 Assets Management Program, Xizang Investment Co., Ltd. and Golden Eagle Fund-Minsheng Bank-Golden Eagle Wenshi Junye Flexible Disposition No. 3 Assets Management Program are all the shareholders that have participated in the Company's non-public issuing; the new shares subscribed by them got listed with Shenzhen Stock Exchange on January 15, 2016; of them, the restricted shares were not allowed to be listed for trading or assigned within 12 months commencing from the first of listing. The aforesaid restriction on sales has been released since January 16, 2017.							

Explanation on associated relationship or consistent action of the above shareholders	Of the top 10 shareholders, both MANULIFE TEDA Fund— Chongqing International Trust Co., Ltd. - YUXIN No. 2 Trust and Chongqing International Trust Co., Ltd. - Rongxintong Serial Order - Trust No. 10 are subsidiaries of Chongqing International Trust Co., Ltd. Both of them are holding totalling 12,974,018 shares in the Company, which takes 2.96% of the Company's total shares.		
Shares held by top 10 shareholders of unrestricted shares			
Shareholder's Name	Quantity of unrestricted shares held at the end of the reporting period	Share type	
		Share type	Quantity
CATIC Shenzhen Holdings Limited	162,977,327	A-shares	162,977,327
Chongqing International Trust Co., Ltd. - YUXIN No. 2 Trust	9,103,318	A-shares	9,103,318
Yang Zugui	5,901,669	A-shares	5,901,669
MANULIFE TEDA Fund— Minsheng Bank—MANULIFE TEDA Value Growth Oriented Additional Issue No. 351 Assets Management Program	5,043,559	A-shares	5,043,559
Xizang Investment Co., Ltd.	4,976,551	A-shares	4,976,551
Golden Eagle Fund- Minsheng Bank-Golden Eagle Wenshi Junye Flexible Disposition No. 3 Assets Management Program	4,674,329	A-shares	4,674,329
Chongqing International Trust Co., Ltd. - Rongxintong Serial Order - Trust No. 10	3,870,700	A-shares	3,870,700
China Merchants Bank Co., Ltd. - Huitianfu Medical Service Flexible Allocation Hybrid Securities Investment Funds	3,199,886	A-shares	3,199,886
Shenzhen Heli Fengyuan Commerce & Trade Co., Ltd.	2,663,481	A-shares	2,663,481
Xu Guoliang	2,565,195	A-shares	2,565,195
Explanation to the associated relationship or consistent action among the top 10 shareholders of non-restricted negotiable shares and that between the top 10 shareholders	Of the top 10 shareholders, both Chongqing International Trust Co., Ltd. - YUXIN No. 2 Trust and Chongqing International Trust Co., Ltd. - Rongxintong Serial Order - Trust No. 10 are subsidiaries of Chongqing International Trust Co., Ltd. Both of them are holding totaling 12,974,018 shares of negotiable A-shares in the Company, which takes 2.96% of the Company's total shares.		

of non-restricted negotiable shares and top 10 shareholders.	
Note to the top 10 shareholders involved in margin financing & securities lending (if any) (Refer to Note 4)	Inapplicable

Did the top ten common shareholders or top ten shareholders of unrestricted common shares conduct contractual repurchase during the reporting period?

No

IV. Change of the Controlling Shareholder or Actual Controller

Inapplicable

Section7 About the Preferred Shares

Inapplicable

Section8 Directors, Supervisors, Senior Executives and Employees

I. Change in Shares Held by Directors, Supervisors and Senior Executives

No change has taken place in the shares held by directors, supervisors and senior executives of the Company during the reporting period. For the detail, refer to 2016 Annual Report

II. Personnel Change in Directors, Supervisors and Senior Executives

Names	Titles	Classification	Date	Cause
Chen Libin	General manger	Appointment/ removal	March 8, 2017	Appointed as the GM at the 13th Session of the Eighth Board of Directors
Chen Libin	Director	Appointment/ removal	May 31, 2017	Elected director of the Eighth Board of Directors at the 15th Session of the Eighth Board of Directors and 2016 Annual General Meeting
Wang Baoying	Supervisor	Appointment/ removal	May 31, 2017	Elected supervisor of the Eighth Supervisory Committee at the 11th Session of the Eighth Supervisory Committee and 2016 Annual General Meeting
Wang Baoying	Chairman of the Supervisory Committee	Appointment/ removal	August 11, 2017	Elected Chairman of the Eighth Supervisory Committee at the 13th Session of the Eighth Supervisory Committee
Diao Weicheng	Chairman of the Board	Dismissal	March 8, 2017	Mr. Diao applied for resignation of director, Chairman of the Board of the Eighth Board of Directors and chairman of the Strategy Committee due to new job assignment. After the resignation, Mr. Diao has taken no post in the Company
Xu Dongsheng	Chairman of the Board	Dismissal	August 8, 2017	Mr. Xu applied for resignation of director, Chairman of the Board of the Eighth Board of Directors and chairman of the Strategy Committee due to new job assignment. After the resignation, Mr. Xu has taken no post in the Company
Sui Yong	Chairman of the Supervisory Committee	Dismissal	May 8, 2017	Mr. Sui applied for resignation of supervisor and the Chairman of the 8th Supervisory Committee due new job assignment. After the resignation, Mr. Sui has taken no post in the Company
Chen Libin	Deputy General Manager	Dismissal	March 8, 2017	Mr. Chen applied for resignation of deputy general manager of the Company due to new job assignment.

Section9 Bond Related Information

Is there any company bond in the Company which has been issued to the public and listed for trading with a stock exchange while has not been cashed in full as the day when the Semi-annual Report was approved for issuing or when it was due.

No.

Section10 Financial Report

I. Auditors' Report

Has the semi-annual report been audited

No

II. Financial Statements

The currency applied in the financial notes and statements is Renminbi.

1. Consolidated Balance Sheet

Prepared by FIYTA Holdings Ltd.

June 30, 2017

In CNY

Items	Ending balance	Opening balance
Current assets:		
Monetary fund	385,224,003.87	428,802,755.81
Settlement reserve		
Inter-bank lending		
Financial assets which were measured based on the fair value and its change was counted to the current gain and loss		
Derivative financial assets		
Notes receivable	11,978,785.61	7,662,556.28
Accounts receivable	315,123,497.85	306,671,021.69
Prepayment	28,575,041.43	33,709,656.73
Receivable premium		

Reinsurance accounts receivable		
Reserve for reinsurance contract receivable		
Interest receivable	0.00	0.00
Dividends receivable	0.00	0.00
Other receivables	41,646,027.66	33,393,017.28
Redemptory monetary capital for sale		
Inventories	1,897,695,603.73	1,997,097,192.38
Held-for-sale assets as classified		
Non-current assets due within a year	0.00	0.00
Other current assets	16,632,866.26	20,344,532.09
Total current assets	2,696,875,826.41	2,827,680,732.26
Non-current assets:		
Provision of loans and advance in cash		
Available-for-sale financial assets	85,000.00	85,000.00
Held-to-due investments	0.00	0.00
Long term accounts receivable	0.00	0.00
Long-term equity investment	43,612,496.76	43,423,624.87
Investment based real estate	284,928,954.22	244,202,635.09
Fixed assets	557,286,443.92	611,204,169.03
Construction-in-process	1,404,130.16	0.00
Engineering supplies		
Disposal of fixed assets		
Productive biological asset		
Oil and gas assets		
Intangible assets	39,876,492.97	38,751,903.42
Development expenses		
Goodwill	0.00	0.00
Long-term expenses to be apportioned	112,045,952.01	133,688,403.88

Deferred income tax asset	93,827,361.57	95,179,575.26
Other non-current assets	15,048,207.78	10,681,518.91
Total non-current assets	1,148,115,039.39	1,177,216,830.46
Total assets	3,844,990,865.80	4,004,897,562.72
Current liabilities:		
Short-term Loan	919,078,240.00	1,098,438,070.00
Borrowings from central bank		
Deposits taking and interbank placement		
Loans from other banks		
Financial liabilities measured based on the fair value and whose change was charged to the current gain and loss.		
Derivative financial liabilities		
Notes payable	0.00	0.00
Accounts payable	199,488,268.27	215,422,089.74
Advance receipts	8,875,797.18	13,902,703.90
Funds from selling out and repurchasing financial assets		
Service charge and commission payable		
Salaries payable to the employees	28,239,347.04	45,254,585.69
Taxes payable	60,639,454.20	50,945,289.31
Interest payable	2,090,071.71	2,475,969.65
Dividends payable	0.00	0.00
Other payables	64,311,179.92	53,733,080.99
Payable reinsurance		
Reserve for insurance contract		
Acting trading securities		
Income from securities underwriting on commission		
Held-for-purchase liabilities as classified		
Non-current liabilities due	21,500,000.00	26,117,387.52

within a year		
Other current liabilities	10,776,626.25	2,379,148.19
Total current liabilities	1,314,998,984.57	1,508,668,324.99
Non-current liabilities:		
Long-term Loan	97,939,904.54	115,301,048.00
Bonds payable		
Including: preferred shares		
Perpetual bond		
Long-term accounts payable		
Long term accrued payroll		
Special accounts payable		
Predicted liabilities		
Deferred income	7,280,000.00	5,980,000.00
Deferred income tax liability		
Other non-current liabilities		
Total non-current liabilities	105,219,904.54	121,281,048.00
Total liabilities	1,420,218,889.11	1,629,949,372.99
Owner's equity		
Capital stock	438,744,881.00	438,744,881.00
Other equity instruments		
Including: preferred shares		
Permanent liabilities		
Capital reserve	1,062,455,644.22	1,062,455,644.22
Less: shares in stock		
Other comprehensive income	-4,609,953.66	-11,778,498.24
Special reserve		
Surplus reserve	193,961,700.45	193,961,700.45
General risk reserve		
Retained earnings	730,821,144.40	687,986,807.74
Total owner's equity attributable to the parent company	2,421,373,416.41	2,371,370,535.17
Minority equity	3,398,560.28	3,577,654.56
Total owners' equity	2,424,771,976.69	2,374,948,189.73
Total liabilities and owners' equity	3,844,990,865.80	4,004,897,562.72

Legal representative: Xu Dongsheng
Accounting Department: Tian Hui

Chief Financial Officer: Chen Zhuo

Person in charge of the

2. Balance Sheet, Parent Company

In CNY

Items	Ending balance	Opening balance
Current assets:		
Monetary funds	257,202,558.22	270,947,926.47
Financial assets which were measured based on the fair value and its change was counted to the current gain and loss		
Derivative financial assets		
Notes receivable		
Accounts receivable	1,790,558.68	255,995.64
Prepayments		
Interest receivable		
Dividends receivable		
Other receivables	952,810,803.52	1,191,947,054.57
Inventories:		
Assets classified as that held for sale		
Non-current assets due within a year		
Other current assets	7,829,564.26	5,805,712.39
Total current assets	1,219,633,484.68	1,468,956,689.07
Non-Current Assets:		
Available-for-sale financial assets	85,000.00	85,000.00
Held –to-maturity investment		
Long-term accounts receivable		
Long-term equity investment	1,256,782,216.76	1,256,593,344.87
Investment based real estate	249,103,728.60	207,804,447.15
Fixed assets	365,896,306.27	414,581,425.11
Construction-in-progress	1,404,130.16	0.00
Engineering supplies		

Disposal of fixed assets		
Productive biological assets		
Oil and gas asset		
Intangible assets	33,262,051.94	32,438,001.77
Development expenses		
Goodwill		
Long-term expenses to be apportioned	4,933,025.56	5,721,622.60
Deferred income tax asset	1,827,555.54	1,502,555.54
Other non-current assets	13,199,539.98	10,681,518.91
Total non-current assets	1,926,493,554.81	1,929,407,915.95
Total assets	3,146,127,039.49	3,398,364,605.02
Current liabilities:		
Short-term Loan	723,000,000.00	908,000,000.00
Financial liabilities which were measured based on the fair value and its change was charged to the current gain and loss		
Derivative financial liabilities		
Notes payable		
Accounts payable	64,567,679.63	77,826,174.63
Advance receipts	963,873.18	2,767,858.84
Salaries payable to the employees	1,009,028.52	8,020,288.56
Taxes payable	1,064,316.08	2,883,511.63
Interest payable	1,026,527.83	1,312,644.11
Dividends payable		
Other payables	23,466,453.02	18,959,721.51
Liabilities classified as that held for sale		
Non-current liabilities due within a year	21,500,000.00	8,000,000.00
Other current liabilities		
Total current liabilities	836,597,878.26	1,027,770,199.28
Non-Current Liabilities:		
Long term borrowings	92,361,928.00	109,861,928.00

Bonds payable		
Including: preferred shares		
Permanent liabilities		
Long term accounts payable		
Long term accrued payroll		
Special accounts payable		
Predicted liabilities		
Deferred income	7,280,000.00	5,980,000.00
Deferred income tax liability		
Other non-current liabilities		
Total non-current liabilities	99,641,928.00	115,841,928.00
Total liabilities	936,239,806.26	1,143,612,127.28
Owner's equity		
Capital stock	438,744,881.00	438,744,881.00
Other equity instruments		
Including: preferred shares		
Permanent liabilities		
Capital reserve	1,068,111,185.32	1,068,111,185.32
Less: shares in stock		
Other comprehensive income		
Special reserve		
Surplus reserve	193,961,700.45	193,961,700.45
Retained earnings	509,069,466.46	553,934,710.97
Total owners' equity	2,209,887,233.23	2,254,752,477.74
Total liabilities and owners' equity	3,146,127,039.49	3,398,364,605.02

Legal representative: Xu Dongsheng
Accounting Department: Tian Hui

Chief Financial Officer: Chen Zhuo

Person in charge of the

3. Consolidated Profit Statement

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
I. Gross Revenue	1,599,541,144.35	1,479,527,783.18
Including: revenue	1,599,541,144.35	1,479,527,783.18

Interest income		
Earned premium		
Service charge and commission income		
II. Total operating cost	1,488,102,213.22	1,404,258,390.87
Including: operating costs	941,479,684.84	881,663,280.51
Interest payment		
Service charge and commission payment		
Refunded premiums		
Compensation pay-out, net		
Net amount of reserves for reinsurance contract		
Policy dividend payment		
Reinsurance expenses		
Taxes and surcharges	15,181,497.28	13,068,582.12
Sales expenses	394,286,321.79	378,007,640.11
Administrative expenses	98,170,386.95	94,847,009.60
Financial expenses	26,200,633.06	35,230,653.98
Loss from impairment of assets	12,783,689.30	1,441,224.55
Plus: Income from change of fair value (loss is stated with "-")		
Investment income (loss is stated with "-")	188,871.89	172.19
Including: income from investment in associates and joint ventures	188,871.89	172.19
Exchange income (loss expressed with "-")		
Other income		
III. Operating Profit (loss is stated with "-")	111,627,803.02	75,269,564.50
Plus: Non-operating income	1,627,480.46	1,402,360.28
Including: profit from disposal of non-current assets	3,570.55	10,960.00

Less: Non-operating expenses	678,113.94	528,969.02
Including: Loss from disposal of non-current assets	16,923.50	94,833.03
IV. Total profit (total loss is stated with “-“)	112,577,169.54	76,142,955.76
Less: Income tax expense	25,965,385.00	15,779,713.54
V. Net Profit (net loss is stated with “-“)	86,611,784.54	60,363,242.22
Net profit attributable to the parent company’s owner	86,708,824.76	60,513,019.44
Minority shareholders’ gain/loss	-97,040.22	-149,777.22
VI. Net of other comprehensive income after tax	7,086,490.52	9,649,898.67
Net of other comprehensive income after tax attributable to the parent company’s owner	7,168,544.58	9,577,876.71
(I) Other comprehensive income which cannot be re-classified into the gain and loss	0.00	0.00
1. Movement of the net liabilities and net assets re-measured for setting the beneficial plan		
2. Share enjoyable in the other comprehensive income in which the investee cannot be re-classified into the gain and loss under the equity method		
(II) Other comprehensive income which cannot be re-classified into the gain and loss in future	7,168,544.58	9,577,876.71
1. Share enjoyable in the other comprehensive income in which the investee cannot be re-classified into the gain and loss under the equity method in future		
2. Gain/loss from change in the fair value of the financial assets available for sale		
3. Gain/loss from which the held-to-maturity investment is		

re-classified as available-for-sale financial assets		
4. Valid part of the gain/loss from cash flow hedge		
5. Conversion difference in foreign currency statements	7,168,544.58	9,577,876.71
6. Others		
Net amount of other comprehensive income after tax attributable to minority shareholders	-82,054.06	72,021.96
VII. Total comprehensive income	93,698,275.06	70,013,140.89
Total comprehensive income attributable to the parent company's owner	93,877,369.34	70,090,896.15
Total comprehensive income attributable to minority shareholders	-179,094.28	-77,755.26
VIII. Earnings per share:		
(I) Basic earnings per share	0.1976	0.1379
(II) Diluted earnings per share	0.1976	0.1379

Legal representative: Xu Dongsheng
Accounting Department: Tian Hui

Chief Financial Officer: Chen Zhuo

Person in charge of the

4. Income Statement, Parent Company

in CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
I. Revenue	51,354,423.93	49,145,205.51
Less: Operating cost	8,618,881.55	6,783,241.62
Taxes and surcharges	1,857,724.22	2,056,046.32
Sales costs	5,024,222.36	0.00
Administrative expenses	33,744,643.77	27,638,190.90
Financial expenses	5,846,311.05	6,578,866.10
Loss from impairment of assets		
Plus: Income from change in fair value (loss stated with "-")		

Investment return (loss stated with "-")	188,871.89	135,344,832.55
Including: return on investment in associate and joint venture	188,871.89	172.19
Other income		
II. Operation profit (loss stated with "-")	-3,548,487.13	141,433,693.12
Plus: Non-operating income	789,879.89	112,119.88
Including: profit from disposal of non-current assets		
Less: Non-operating expenses	20,000.00	300,000.00
Including: Loss from disposal of non-current assets		
III. Total Profit (total loss stated with "-")	-2,778,607.24	141,245,813.00
Less: Income tax expense	-1,787,850.83	922,202.22
IV. Net profit (net loss is stated with "-")	-990,756.41	140,323,610.78
V. Net of other comprehensive income after tax	0.00	0.00
(I) Other comprehensive income which cannot be re-classified into the gain and loss	0.00	0.00
1. Movement of the net liabilities and net assets re-measured for setting the beneficial plan		
2. Share enjoyable in the other comprehensive income in which the investee cannot be re-classified into the gain and loss under the equity method		
(II) Other comprehensive income which cannot be re-classified into the gain and loss in future	0.00	0.00
1. Share enjoyable in the other comprehensive income in		

which the investee cannot be re-classified into the gain and loss under the equity method in future		
2. Gain/loss from change in the fair value of the financial assets available for sale		
3. Gain/loss from which the held-to-maturity investment is re-classified as available-for-sale financial assets		
4. Valid part of the gain/loss from cash flow hedge		
5. Conversion margin of the financial statements in foreign currency		
6. Others		
VI. Total comprehensive income	-990,756.41	140,323,610.78
VII. Earnings per share:		
(I) Basic earnings per share	-0.0023	0.3198
(II) Diluted earnings per share	-0.0023	0.3198

Legal representative: Xu Dongsheng
Accounting Department: Tian Hui

Chief Financial Officer: Chen Zhuo

Person in charge of the

5. Consolidated Cash Flow Statement

in CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
I. Net cash flows arising from operating activities:		
Cash received from sales of goods and supply of labor service	1,812,867,961.66	1,669,094,350.46
Net increase of customers' deposit and due from banks		
Net increase of borrowings from the central bank		
Net increase of borrowings from other financial institutions		
Cash received from the premium of the original insurance		

contract		
Net cash received from the reinsurance business		
Net increase of the reserve from policy holders and investment		
Net increase of the financial assets that are measured at fair value and whose movement is counted to the current gain and loss.		
Cash received from interest, service charge and commission		
Net increase of loan from other banks		
Net increase of fund from repurchase business		
Rebated taxes received	84,719.44	6,421.29
Other operation activity related cash receipts	19,800,294.79	13,479,123.94
Subtotal of cash flow in from operating activity	1,832,752,975.89	1,682,579,895.69
Cash paid for purchase of goods and reception of labor services	980,063,342.31	905,753,936.17
Net increase of loans and advances to customers		
Net increase of due from central bank and due from banks		
Cash from payment for settlement of the original insurance contract		
Cash paid for interest, service charge and commission		
Cash for payment of policy dividend		
Cash paid to and for staff	263,216,670.99	255,700,203.02
Taxes paid	130,097,049.65	141,464,964.05
Other business activity related cash payments	182,660,252.41	162,051,059.91
Subtotal of cash flow out from	1,556,037,315.36	1,464,970,163.15

operating activity		
Net cash flow arising from operating activities	276,715,660.53	217,609,732.54
II. Cash flows arising from investment activities:		
Cash received from recovery of investment		
Cash received from investment income		383,750.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	24,249.89	420.00
Net cash received from disposal of subsidiaries and other operating units		0.00
Other investment related cash receipts		0.00
Subtotal of cash flow in from investment activity	24,249.89	384,170.00
Cash paid for construction/purchase of fixed assets, intangible assets and other long term assets	56,447,301.65	101,330,436.01
Cash paid for investment		0.00
Net increase of the pledged loan		
Net cash paid for acquisition of subsidiaries and other operation units		0.00
Other investment related cash payments		0.00
Subtotal of cash flow out from investment activity	56,447,301.65	101,330,436.01
Net cash flow arising from investment activities	-56,423,051.76	-100,946,266.01
III. Cash flows arising from fund raising activities:		
Cash received from absorbing investment		

Incl.: Cash received from the subsidiaries' absorption of minority shareholders' investment		
Cash received from loans	173,846,200.00	449,044,295.81
Cash received from bond issuing		
Other fund-raising related cash receipts		
Subtotal of cash flow in from fund raising activity	173,846,200.00	449,044,295.81
Cash paid for debt repayment	371,965,603.86	612,200,422.81
Cash paid for dividend/profit distribution or repayment of interest	66,091,946.92	93,079,913.22
Including: Dividend and profit paid by the subsidiaries to minority shareholders		0.00
Cash paid for other financing activities	0.00	992,669.19
Sub-total cash flow paid for financing activities	438,057,550.78	706,273,005.22
Net cash flow arising from financing activities	-264,211,350.78	-257,228,709.41
IV. Change of exchange rate influencing the cash and cash equivalent	339,990.07	274,347.57
V. Net increase of cash and cash equivalents	-43,578,751.94	-140,290,895.31
Plus: Opening balance of cash and cash equivalents	427,227,755.81	637,387,875.93
VI. Ending balance of cash and cash equivalents	383,649,003.87	497,096,980.62

Legal representative: Xu Dongsheng
Accounting Department: Tian Hui

Chief Financial Officer: Chen Zhuo

Person in charge of the

6. Parent Company's Cash Flow Statement

in CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
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I. Net cash flows arising from operating activities:		
Cash received from sales of goods and supply of labor service	50,374,752.27	48,326,245.09
Rebated taxes received	0.00	0.00
Other operation activity related cash receipts	264,986,637.47	297,292,855.21
Subtotal of cash flow in from operating activity	315,361,389.74	345,619,100.30
Cash paid for purchase of goods and reception of labor services		
Cash paid to and for staff	31,949,428.47	31,521,273.39
Taxes paid	4,894,598.25	4,378,264.62
Other business activity related cash payments	13,685,482.18	10,851,967.38
Subtotal of cash flow out from operating activity	50,529,508.90	46,751,505.39
Net cash flow arising from operating activities	264,831,880.84	298,867,594.91
II. Cash flows arising from investment activities:		
Cash received from recovery of investment		
Cash received from investment income		129,383,750.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		
Net cash received from disposal of subsidiaries and other operating units		
Other investment related cash receipts		
Subtotal of cash flow in from investment activity		129,383,750.00
Cash paid for construction/purchase of fixed assets, intangible assets and other	26,633,834.50	56,582,660.00

long term assets		
Cash paid for investment	0.00	442,270,000.00
Net cash paid for acquisition of subsidiaries and other operation units	0.00	0.00
Other investment related cash payments	0.00	0.00
Subtotal of cash flow out from investment activity	26,633,834.50	498,852,660.00
Net cash flow arising from investment activities	-26,633,834.50	-369,468,910.00
III. Cash flows arising from fund raising activities:		
Cash received from absorbing investment		
Cash received from loans	165,000,000.00	441,500,000.00
Cash received from bond issuing		
Other fund-raising related cash receipts		
Subtotal of cash flow in from fund raising activity	165,000,000.00	441,500,000.00
Cash paid for debt repayment	354,000,000.00	500,000,000.00
Cash paid for dividend/profit distribution or repayment of interest	62,917,164.79	85,591,364.77
Cash paid for other financing activities		992,669.19
Sub-total cash flow paid for financing activities	416,917,164.79	586,584,033.96
Net cash flow arising from financing activities	-251,917,164.79	-145,084,033.96
IV. Change of exchange rate influencing the cash and cash equivalent	-26,249.80	0.00
V. Net increase of cash and cash equivalents	-13,745,368.25	-215,685,349.05
Plus: Opening balance of cash and cash equivalents	269,372,926.47	512,294,824.81

VI. Ending balance of cash and cash equivalents	255,627,558.22	296,609,475.76
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Legal representative: Xu Dongsheng

Chief Financial Officer: Chen Zhuo

Person in charge of the

Accounting Department: Tian Hui

7. Consolidated Statement of Change in Owner's Equity

Amount in the reporting period

in CNY

Items	Reporting Period												
	Owners' equity attributable to the parent company										Minority shareholders' equity	Total owner's equity	
	Share capital	Other equity instruments			Capital reserve	Less: shares in stock	Other comprehensive income	Special reserve	Surpluses reserve	General risk reserve			Retained earnings
	Preferred shares	Permanent liabilities	Others										
I. Ending balance of the previous year	438,744,881.00				1,062,455,644.22		-11,778,498.24		193,961,700.45		687,986,807.74	3,577,654.56	2,374,948,189.73
Plus: Change in accounting policy													0.00
Correction of previous errors													0.00
Consolidation of enterprises under the same control													0.00
Others													0.00
II. Opening balance of the reporting year	438,744,881.00	0.00	0.00	0.00	1,062,455,644.22	0.00	-11,778,498.24	0.00	193,961,700.45	0.00	687,986,807.74	3,577,654.56	2,374,948,189.73
III. Decrease/increase of the report year (decrease is							7,168,544.58				42,834,336.66	-179,094.28	49,823,786.96

stated with “-“)													
(I) Total comprehensive income							7,168,544.58				86,708,824.76	-179,094.28	93,698,275.06
(II) Owners' input and decrease of capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Common shares contributed by shareholders													0.00
2. Capital contributed by other equity instruments holders													0.00
3. Amount of payment for shares charged to owners' equity													0.00
4. Others													0.00
(III) Profit Distribution											-43,874,488.10		-43,874,488.10
1. Provision of surplus reserve													0.00
2. Provision of general risk reserve													0.00
3. Distribution to the owners (or shareholders)											-43,874,488.10		-43,874,488.10
4. Others													0.00
(IV) Internal carry-over of owners' equity													0.00
1. Conversion of capital reserve into capital (or													0.00

capital stock)														
2. Conversion of surplus reserve into capital (or capital stock)														0.00
3. Surplus reserves for making up losses														0.00
4. Others														0.00
(V) Special reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Provision in the report period														0.00
2. Applied in the report period														0.00
(VI) Others														0.00
IV. Ending balance of the reporting period	438,744,881.00	0.00	0.00	0.00	1,062,455,644.22	0.00	-4,609,953.66	0.00	193,961,700.45	0.00	730,821,144.40	3,398,560.28	2,424,771,976.69	

Amount of Previous Year

In CNY

Items	Previous period												Total owner's equity
	Owners' equity attributable to the parent company											Minority shareholders' equity	
	Capital stock	Other equity instruments			Capital Reserve	Less: shares in stock	Other comprehensive income	Special reserve	Surpluses Reserve	Reserve against general risks	Retained earnings		
	Preferred shares	Perpetual bonds	Others										
I. Balance at the end of the previous year	438,744,881.00				1,062,455,644.22		-17,145,189.71		179,743,077.15		635,417,237.55	3,614,674.43	2,302,830,324.64
Plus: Change in accounting policy													0.00
Correction of previous errors													0.00
													0.00

Consolidation of enterprises under the same control													
Others													0.00
II. Opening balance of the reporting year	438,744,881.00	0.00	0.00	0.00	1,062,455,644.22	0.00	-17,145,189.71	0.00	179,743,077.15	0.00	635,417,237.55	3,614,674.43	2,302,830,324.64
III. Decrease/increase of the report year (decrease is stated with "-")							5,366,691.47		14,218,623.30		52,569,570.19	-37,019.87	72,117,865.09
(I) Total comprehensive income							5,366,691.47				110,662,681.59	-37,019.87	115,992,353.19
(II) Owners' input and decrease of capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Common shares contributed by shareholders													0.00
2. Capital contributed by other equity instruments holders													0.00
3. Amount of payment for shares charged to owners' equity													0.00
4. Others													0.00
(III) Profit Distribution									14,218,623.30		-58,093,111.40		-43,874,488.10
1. Provision of surplus reserve									14,218,623.30		-14,218,623.30		0.00
2. Provision of general risk reserve													0.00

3. Distribution to the owners (or shareholders)														-43,874,488.10	-43,874,488.10
4. Others															0.00
(IV) Internal carry-over of owners' equity															0.00
1. Conversion of capital reserve into capital (or capital stock)															0.00
2. Conversion of surplus reserve into capital (or capital stock)															0.00
3. Surplus reserves for making up losses															0.00
4. Others															0.00
(V) Special reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Provision in the report period															0.00
2. Applied in the report period															0.00
(VI) Others															0.00
IV. Ending balance of the reporting period	438,744,881.00	0.00	0.00	0.00	1,062,455,644.22	0.00	-11,778,498.24	0.00	193,961,700.45	0.00	687,986,807.74	3,577,654.56	2,374,948,189.73		

Legal representative: Xu Dongsheng
Accounting Department: Tian Hui

Chief Financial Officer: Chen Zhuo

Person in charge of the

8. Statement of Change in Owner's Equity, Parent Company

Amount in the reporting period

In CNY

Items	Reporting period									
	Capital stock	Other equity instruments	Capital reserve	Less: shares in	Other compreh	Special reserve	Surplus reserve	Retain ed	Total owners'	

		Preferr ed shares	Perma nent liabilitie s	Others		stock	ensive income			earning s	equity
I. Ending balance of the previous year	438,74 4,881.0 0				1,068,11 1,185.32				193,961, 700.45	553,93 4,710.9 7	2,254,75 2,477.74
Plus: Change in accounting policy											0.00
Correction of previous errors											0.00
Others											0.00
II. Opening balance of the reporting year	438,74 4,881.0 0	0.00	0.00	0.00	1,068,11 1,185.32	0.00	0.00	0.00	193,961, 700.45	553,93 4,710.9 7	2,254,75 2,477.74
III. Decrease/increa se of the report year (decrease is stated with "-")										-44,865 ,244.51	-44,865, 244.51
(I) Total comprehensive income										-990,75 6.41	-990,756 .41
(II) Owners' input and decrease of capital											0.00
1. Common shares contributed by shareholders											0.00
2. Capital contributed by other equity instruments holders											0.00
3. Amount of payment for shares charged to owners' equity											0.00

4. Others											0.00
(III) Profit Distribution										-43,874,488.10	-43,874,488.10
1. Provision of surplus reserve											0.00
2. Distribution to the owners (or shareholders)										-43,874,488.10	-43,874,488.10
3. Others											0.00
(IV) Internal carry-over of owners' equity											0.00
1. Conversion of capital reserve into capital (or capital stock)											0.00
2. Conversion of surplus reserve into capital (or capital stock)											0.00
3. Surplus reserves for making up losses											0.00
4. Others											0.00
(V) Special reserve											0.00
1. Provision in the report period											0.00
2. Applied in the report period											0.00
(VI) Others											0.00
IV. Ending balance of the reporting period	438,744,881.00	0.00	0.00	0.00	1,068,111,185.32	0.00	0.00	0.00	193,961,700.45	509,069,466.46	2,209,887,233.23

Amount of Previous Year

In CNY

Items	Previous period									
	Capital stock	Other equity instruments	Capital reserve	Less: shares in	Other compreh	Special reserve	Surplus reserve	Retain ed	Total owners'	

		Preferr ed shares	Perma nent liabilitie s	Others		stock	ensive income			earnin g s	equity
I. Ending balance of the previous year	438,74 4,881.0 0				1,068,11 1,185.32				179,743, 077.15	469,84 1,589.4 0	2,156,44 0,732.87
Plus: Change in accounting policy											0.00
Correction of previous errors											0.00
Others											0.00
II. Opening balance of the reporting year	438,74 4,881.0 0	0.00	0.00	0.00	1,068,11 1,185.32	0.00	0.00	0.00	179,743, 077.15	469,84 1,589.4 0	2,156,44 0,732.87
III. Decrease/increa se of the report year (decrease is stated with "-")									14,218,6 23.30	84,093, 121.57	98,311,7 44.87
(I) Total comprehensive income										142,18 6,232.9 7	142,186, 232.97
(II) Owners' input and decrease of capital											0.00
1. Common shares contributed by shareholders											0.00
2. Capital contributed by other equity instruments holders											0.00
3. Amount of payment for shares charged to owners' equity											0.00

4. Others											0.00
(III) Profit Distribution									14,218,623.30	-58,093,111.40	-43,874,488.10
1. Provision of surplus reserve									14,218,623.30	-14,218,623.30	0.00
2. Distribution to the owners (or shareholders)										-43,874,488.10	-43,874,488.10
3. Others											0.00
(IV) Internal carry-over of owners' equity											0.00
1. Conversion of capital reserve into capital (or capital stock)											0.00
2. Conversion of surplus reserve into capital (or capital stock)											0.00
3. Surplus reserves for making up losses											0.00
4. Others											0.00
(V) Special reserve											0.00
1. Provision in the report period											0.00
2. Applied in the report period											0.00
(VI) Others											0.00
IV. Ending balance of the reporting period	438,744,881.00	0.00	0.00	0.00	1,068,111,185.32	0.00	0.00	0.00	193,961,700.45	553,934,710.97	2,254,752,477.74

Legal representative: Xu Dongsheng
Accounting Department: Tian Hui

Chief Financial Officer: Chen Zhuo

Person in charge of the

III. Company Profile

Fiyta Holdings Ltd. (hereinafter referred to as the Company) was reorganized, incorporated and renamed from Shenzhen Fiyta Timer Industry Company on December 25 1992 with approval by the General Office of Shenzhen Municipal People's Government with Document SHEN FU BAN FU [1992] No. 1259 and with China National Aero-Technology Import & Export Corporation Shenzhen Industry & Trade Center (which was renamed as AVIC International Shenzhen Company Limited) as the sponsor. Through reorganization, Shenzhen FIYTA Timekeeping Industry Company was renamed as Shenzhen FIYTA Holdings Ltd. At present, the Company's head office is located at FIYTA Technology Building, Gaoxin S. Road One, Nanshan District, Shenzhen, Guangdong Province.

On March 10, 1993, the Company, with approval by the People's Bank of China Shenzhen Special Economic Zone Branch [SHEN REN YIN FU ZI (1993) No. 070], issued publically domestic CNY based common shares (A-shares) and CNY based special shares (B-shares). In accordance with the Approval Document of Shenzhen Municipal Securities Regulatory Office SHEN ZHENG BAN FU [1993] No. 20 and the Approval Document of Shenzhen Stock Exchange SHEN ZHENG SHI ZI (1993) No. 16, the Company's A-shares and B-shares were all listed with Shenzhen Stock Exchange for trading commencing from June 3, 1993.

On January 30, 1997, with approval by Shenzhen Municipal Administration for Industry and Commerce, the Company was renamed as Shenzhen Fiyta Holdings Ltd.

On July 4, 1997, according to the equity assignment agreement between China National Aero-Technology Corporation Shenzhen (CATIC Shenzhen Corporation) and CATIC Shenzhen Holdings Limited (with original name of Shenzhen CATIC Group Co., Ltd. (hereinafter referred to as CATIC Shenzhen), CATIC Shenzhen Corporation assigned 72.36 million corporate shares (taking 52.24% of the Company's total shares) to CATIC Shenzhen. From then on, the Company's controlling shareholder turned to be CATIC Shenzhen from CATIC Shenzhen Corporation.

On October 26, 2007, the Company implemented the equity separation reform, according to which the shareholder of the Company's non-negotiable shares would pay shares to the whole shareholders of negotiable shares registered on the equity record day as designated in the equity separation reform plan at the rate of 3.1 shares for every 10 shares held by them while the Company's total 249,317,999 shares remained unchanged. So far, after the equity separation reform, the proportion of the Company's shares held by CATIC Shenzhen reduced from 52.24% to 44.69%.

On February 29, 2008, due to expansion of the Company's business scope and with approval by Shenzhen Municipal Administration for Industry and Commerce, the Company's enterprise corporate business licence number was changed from 4403011001583 into 440301103196089. In 2017, the Company finished the procedures of integrating the business license, the organization code certificate, and the certificate of taxation registration into one document and the updated unified social credit code is 91440300192189783K.

Approved by China Securities Regulatory Commission (CSRC) with the Official Reply on Approval of Non-public Issuing of Shenzhen Fiyta Holdings Ltd., ZHENG JIAN XU KE [2010] No. 1703 and the Official Reply on the Issue of Non-Public Issuing of Shenzhen Fiyta Holdings Ltd. by State-owned Assets Supervision and Administration Commission of the State Council [2010] No. 430, the Company was approved to non-publicly issue no more than 50 million common shares (A-shares). After completion of non-public issuing on December 9, 2010, the Company's registered capital increased to

CNY 280,548,479.00 and CATIC Shenzhen holds 41.49% of the Company's equity based capital.

On April 8, 2011, the Company took the total share capital of 280,548,479 shares as at December 31, 2010 as the base, converted its capital reserve into share capital at the rate of 4 shares for every 10 shares. After the conversion, the Company's total share capital became 392,767,870 shares.

On November 11, 2015, approved by China Securities Regulatory Commission (CSRC) with the Official Reply on Approval of Non-public Issuing of Fiyta Holdings Ltd., ZHENG JIAN XU KE [2015] No. 2588 and the Official Reply on the Issue of Non-Public Issuing of Fiyta Holdings Ltd. by State-owned Assets Supervision and Administration Commission of the State Council [2015] No. 415, the Company was approved to non-publicly issue no more than 46,911,649 common shares (A-shares). After completion of non-public issuing on December 22, 2015, the Company's registered capital increased to CNY 438,744,881.00 and the proportion of the equity based capital held by CATIC Shenzhen decreased to 37.15%.

Ended June 30, 2017, the Company accumulatively issued totally 438,744,881 shares of the capital stock. For the detail, refer to Note VII.53.

The principal business activities of the Company and its subsidiaries (collectively the Group) are: production and sales of various pointer type quartz watches and units, spares and parts, various timing apparatus, processing and wholesale of K gold watches and ornament watches (for production site, separate application should be submitted); domestic trade, materials supply and sales (excluding the commodities for exclusive operation, exclusive control and monopoly); property management and lease; import and export, design and construction; import and export business (implemented according to Document SHEN MAO GUAN DENG ZHENG ZI NO. 2007-072). Legal Representative: Xu Dongsheng.

The Company has established the Shareholders' General Meeting, the Board of Directors, the Supervisory Committee, the Audit Committee, the Strategy Committee and the Nomination, Remuneration and Assessment Committee as the governance organs, etc. The Company has also established a number of functional departments, including comprehensive management department, human resource department, financial department, property department, innovation & design department, strategy and information department, office of the Board of Directors, audit department, R & D department, etc.

The financial statements was approved and issued through the resolution of the Board of Directors dated August 11, 2017.

There were 15 subsidiaries consolidated from January to June, 2017. For the detail, refer to Note VIII "Equity in Other Entities". The consolidation scope of the reporting year is the same as that of the previous year. For the detail, refer to Note VIII "Change of the Consolidation Scope".

IV. Basis of preparation of Financial Statements

1. Basis of preparation

The financial statements are prepared with the going-concern assumption as the base and the transactions and matters actually occurred in accordance with the Accounting Standards for Business Enterprises - Basic Standards promulgated by the Ministry of Finance (issued by Order 33 of the Ministry of Finance and revised according to Order 76 of the Ministry of Finance), 41 specific accounting standards promulgated and revised on February 15, 2006 and afterwards, and their application guidelines, interpretations and other relevant requirements (collectively, "Accounting Standards for Enterprises").

Besides, the Company discloses the relevant financial information in accordance with Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No.15-General Provisions on Financial Reports (2014 Revision)

In accordance with the Enterprise Accounting Standards, the Company follows the accrual basis of accounting. With the exception of some financial instruments, these financial statements are measured based on the historic cost basis. If impaired, the assets shall provide for impairment in accordance with the relevant regulations.

2. Operation on Going Concern Basis

The financial statements of the Company have been prepared on going concern basis.

V. Important accounting policies and accounting estimates

Presentation on specific accounting policies and accounting estimates:

The Company and its subsidiaries have made a few of specific accounting policies and accounting estimates about cognition of revenue, depreciation of fixed assets, amortization of intangible assets, R & D expenditures and other transactions and matters in accordance with the actual operation and management characteristics and based on relevant provisions of accounting standards for business enterprises. See the Note 5.28 "Revenue", Note 5.16 "Fixed assets", Note 5.21(1) "Intangible Assets", Note 5.21(2) "R & D expenditure" for details. The description on major accounting decisions and estimates made by the management is referred to in the Note 4.27 "Major accounting decisions and estimates".

1. Statement on complying with the accounting standards for business enterprise

The financial statements prepared by the Company in accordance with the requirements of accounting standards for business enterprises truly and fully reflect the financial status of the Company on June 30, 2017 and the business result and cash flow and relevant information for January to June 2017. In addition, the Company's financial statements are in conformity with the disclosure requirements of Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 - General Provisions for Financing Reporting as amended in 2014 by China Securities Regulatory Commission on relevant financial statements and their notes in all important aspects.

2. Fiscal period

The fiscal period of the Company includes the fiscal year and interim period. The interim period refers to the reporting period less than a whole fiscal year. The fiscal year of the Company is the Gregorian year, i.e. from January first to December 31st.

3. Business

The normal business cycle refers to the period of the Company from purchasing the assets for processing to realization of cash or cash equivalent. The Company takes 12 months as a business cycle and uses it as the liquidity division standard for assets and liabilities.

4. Standard currency for accounting

Renminbi is the currency for the major economic environment where the Company and its domestic subsidiaries are

managed, and the Company and its domestic subsidiaries take Renminbi as the standard currency for accounting.

Except Montres Chouriet SA Company based in Swiss (hereinafter referred to as the "Swiss Company"), an overseas subsidiary of FIYTA Hong Kong Co., Ltd. (hereinafter referred to as "FIYTA HK Co."), has determined Swiss franc as its standard currency for accounting in accordance with the currencies available in its major economic environment where it is operated, the overseas subsidiaries of the Company, including Harmony World Watch International Co., Ltd. ("World Watch International Co."), a subsidiary of Shenzhen Harmony World Watch Center Company Limited ("Harmony Co."), FIYTA HK Co., 68 Station Co., Ltd. ("68 Station Co.") as a subsidiary of FIYTA HK Co. and the entity NATURE ART LTD ("NATURE ART") under control of 68 Station Co. for special purpose have determined Hong Kong currency as their standard currency for accounting in accordance with the currencies available in their major economic environment where they are operated. Hong Kong currency will be converted into Renminbi while in preparing financial statements.

The Company uses Renminbi while preparing these financial statements.

5. The accounting treatment on merger of enterprises under the same control and not under the same control

Merger of enterprises refers to the transaction or matter that two or more independent enterprises are merged into a reporting entity. The merger of enterprises includes merger under the same control and the merger not under the same control.

(1) Merger of enterprises under the same control

The enterprise participating in merger is under the final control of the same party or parties and such control is not temporary, this is the merger of enterprises under the same control. In the merger of enterprises under the same control, the party that obtains the control right to the other enterprises participating in merger on the date of merger is the merging party and the other enterprises participating in the merger are the merged party. The date of merger refers to the date when the merging party has actually obtained the control right to the merged party.

The assets and liabilities acquired by the merging party are measured at the book value on the merged party on the date of merger. If the book value of net assets acquired by the merging party is different with the book value paid for merger consideration (or sum of book value of issued shares), the capital reserve (premium on stock capital) shall be adjusted; if the capital reserve (premium on stock capital) is not sufficient to be written down, the retained earnings shall be adjusted.

Various direct expenses incurred by the merging party for merger of enterprises are included in the current profits and losses at the time of occurrence.

(2) Merger of enterprises not under the same control

The enterprises to be merged, if not under the final control by the same party or parties before or after merger, refer to the merger of enterprises not under the same control. For the merger of enterprises not under the same control, the party acquiring the control right to the other enterprises involved with the merger on the date of purchase is the purchasing party and the other enterprises involved with the merger are the purchased party. The date of purchase refers to the date when the purchasing party actually acquires the control right to the purchased party.

For the merger of enterprises not under the same control, the merger costs contain the assets paid by the purchasing party on the date of purchase for acquiring the control right to the purchased party, the liabilities incurred or undertaken and the fair value of the issued equity securities. The commission incurred for merger of enterprises and involved with audit, legal service, evaluation, consultation and etc., as well as other overhead expenses, are included in the current profits and losses at the time of occurrence. The transaction costs of equity securities or debt securities issued as merger

consideration by the purchasing party are included in the initial confirmation amount of equity securities or debt securities. The contingent consideration involved is included into the merger costs at the fair value on its purchase date. If it is necessary to adjust the contingent consideration because any new or further evidence for the existing situation on the purchase date appears within 12 months after the purchase date, the merged goodwill shall be modified accordingly. The merger costs incurred and the net identifiable assets acquired in the merger by the purchasing party are measured at the fair value on the purchase date. The difference that the merger costs are larger than the fair value of the net identifiable assets of the purchased party on the purchase date as acquired in the merger is confirmed as the goodwill. If the merger costs are less than the fair value of the net identifiable assets of the purchased party as acquired in the merger, the fair value of various identifiable assets, liabilities and contingent liabilities of the purchased party and measurement of merger costs are first checked, and if the merger costs are less than the fair value of net identifiable assets of the purchased party acquired in the merger, the difference is included in the current profits and losses.

If the deductible temporary difference of the purchased party acquired by the purchasing party is not confirmed for it does not conform to the confirmation conditions of deferred tax assets on the date of purchase, but new or further information obtained within 12 months after the date of purchase shows the existence of relevant situation on the date of purchase and it is expected that the economic interest arising from deductible temporary difference of the purchased party on the date of purchase could be realized, the relevant deferred tax assets are confirmed and the goodwill is reduced synchronously. If the goodwill is not sufficient to be written down, the difference is confirmed as the current profits and losses; except the above situation, if the deferred tax assets involved with merger of enterprises are confirmed, it is included in the current profits and losses.

For the merger of enterprises not under the same control as realized in steps through several transactions, whether the several transactions are "package deals" is judged in accordance with the Notice of the Ministry of Finance on Issuing the Explanation No. 5 of Accounting Standards for Business Enterprises (Cai Kuai [2012]19) and the judgment standard on "package deals" in article 51 of Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements (see the Note 5.6(2)). if they are package deals, they are treated with reference to the description of various paragraphs in front of this part and the Note 5.14 "Long-term Equity Investment"; if they are not package deals, individual financial statements and consolidated financial statements are separately made relevant accounting treatment:

In individual financial statements, the sum of the book value of the equity investment of the purchased party as held before the date of purchase and the newly increased investment costs on the date of purchase is used as the initial investment costs of the investment; if the equity of the purchased party as held before the date of purchase is involved with other comprehensive income, while this investment is being disposed, other comprehensive incomes related to it are made accounting treatment on the same basis as the purchased party directly disposing relevant assets or liabilities (namely, except the purchased party measures again the corresponding share in the change caused by the net liabilities or net assets of the set benefit plan according to the equity method, the others are included in the current profits and losses).

In the consolidated financial statements, the equity of the purchased party as held before the date of purchase is measured again at the fair value on the date of purchase of such equity, and the difference between the fair value and its book value is included in the current profits and losses; if the equity of the purchased party as held before the date of purchase is involved with other comprehensive incomes, other comprehensive incomes related to it shall be made accounting treatment on the same basis as the purchased party directly disposing relevant assets or liabilities (namely, except the purchased party measures again the corresponding share in the change caused by the net liabilities or net assets of the set benefit plan according to the equity method, the others are included in the current profits and losses).

6. Method of preparing consolidated financial statements

(1) Principle of determining the scope of consolidated financial statements

The consolidation scope of the consolidated financial statements is determined on the basis of control. Control refers to, the Company owns the power to the purchased party, enjoys variable return by participating in the relevant activities of the purchased party and is able to impact the amount of return by using the power to the purchased party. The scope of consolidation includes the Company and all of its subsidiaries. A subsidiary refers to the entity under control of the Company.

Once the change of relevant facts and situations causes the change of relevant factors involved with the above definition of control, the Company will make new evaluation.

(2) Method of preparing consolidated financial statements

As of the date when the actual control right to the net assets, production and management decision of subsidiary is acquired, the Company starts to put it into the scope of consolidation; ceases to contain it in the scope of consolidation from the date of losing the actual control right. For any subsidiary disposed, its operation result and cash flow before disposal date have been properly contained in the consolidated profit statement and consolidated cash flow; any subsidiary disposed in the current period is not modified the beginning number of the balance sheet. For any subsidiary increasing due to merger of enterprises not under the same control, its operation result and cash flow after the date of purchase have been properly contained in the consolidated profit statement and consolidated cash flow, and the beginning number and comparison number of the consolidated financial statements are not modified. For any subsidiary increasing due to merger of enterprises under the same control, its operation result and cash flow from the beginning of the current consolidation period to the date of consolidation have been properly contained in the consolidated profit statement and consolidated cash flow, and the comparison numbers of the consolidated financial statement are synchronously modified.

While preparing the consolidated financial statements, if the accounting policies or accounting period adopted by any subsidiary and the Company are not consistent, necessary modification shall be made to the subsidiary's financial statements based on the Company's accounting policies and accounting period. For any subsidiary acquired from merger of enterprises not under the same control, its financial statements are modified on the basis of the fair value of net identifiable assets on the date of purchase.

All major current account balances, transactions and unrealized profit in the Company are set off in preparation of consolidated financial statements.

In the stockholder's equity and current net profit or loss of a subsidiary, the parts not owned by the Company are solely listed under the stockholder's equity and net profit in the consolidated financial statements separately as minority equity and minority interest. If the loss of subsidiary shared by minority shareholders exceeds the share enjoyed by minority shareholders in the shareholders' equity of the subsidiary in the beginning, it still writes down the minority equity.

When the control right to the original subsidiary is lost due to disposal of partial equity investment or other reasons, the residual equity is measured again at its fair value on the date of losing the control right. The sum of the consideration acquired from disposal of equity and the fair value of residual equity is minus the share of net assets of the original subsidiary as continually calculated from the date of purchase at the original shareholding ratio, such difference is included in the investment income in the current period of losing the control right. Other comprehensive incomes related to equity investment of the original subsidiary shall be made accounting treatment on the same basis as the purchased party directly disposing relevant assets or liabilities when the control right is lost (namely, except the original subsidiary measures again the change caused by the net liabilities or net assets of the set benefit plan according to the equity method, the others are included in the current profits and losses). Thereafter, such part of the residual equity is made subsequent measurement in accordance with the Accounting Standards for Business Enterprises No. 2 - Long-term Equity Investment or Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments and other relevant provisions. See the Note 5.14 "Long-term Equity Investment" or the Note 5.10 "Financial Instruments".

If the Company disposes the investment on the subsidiary's equity in steps through several transactions and until loses the

control right, whether the various transactions disposing the investment on the subsidiary's equity until losing the control right are package deals shall be distinguished. If the terms, conditions and economic impact of various transactions disposing the investment on the subsidiary's equity conform to one or more of the following circumstances, it is usually indicated that several transactions shall be made accounting treatment as package deal: ① these transactions are concluded synchronously or in consideration of mutual impact; ② these transactions can wholly reach a complete commercial result; ③ Occurrence of a transaction lies on occurrence of at least another transaction; ④ A transaction may be uneconomic separately, but it is economical if the transaction is considered with other ones. If they are not package deals, each transaction thereof is made accounting treatment in accordance with the principle applicable for "partially disposing long-term equity investment on subsidiary in the case of not losing control right" (see (2) ④, Note 5.14 for details) and "losing control right to the original subsidiary due to disposal of partial equity investment or other reasons" (see the above paragraph) as appropriate. If the various transactions disposing the investment on the subsidiary's equity until losing control right are package deals, various transactions are made accounting treatment as a transaction of disposing the subsidiary and losing control right; however, before losing control right, the difference between every disposal amount and the share of the subsidiary's net assets enjoyed corresponding to disposal of investment is recognized as other comprehensive income in the consolidated financial statements, and is included in the current profit and loss corresponding to loss of control right.

7. Classification of joint venture arrangements and accounting treatment method of joint management

Joint venture arrangement refers to an arrangement that two or more participants jointly control. In accordance with the rights enjoyed and obligations undertaken in the joint venture arrangement, the Company classifies joint venture arrangements into joint management and joint venture. Joint management refers to the joint venture arrangement that the Company enjoys the relevant assets of the arrangement and undertakes the relevant liabilities of the arrangement. Joint venture refers to the joint venture arrangement that the Company only enjoys rights to the net assets of the arrangement.

The Company's investment on joint venture is measured with equity method and is treated in accordance with the accounting policies as stated in the Note 5.14 (2) ② "Long-term equity investment measured with equity method".

As a joint venturer in the joint management, the Company confirms the assets solely held, liabilities solely undertaken and the assets jointly held and liabilities jointly undertaken as confirmed according to the Company's share; confirms the income arising from sale of the joint management's output share enjoyed by the Company; confirms the income arising from sale of output if confirming joint management according to the Company's share; confirms the expenses solely incurred by the Company, and the expenses incurred if confirming joint management according to the Company's share.

When the Company as a joint venturer delivers or sells assets to the joint management (the assets do not constitute business, same as below), or the joint management purchases assets, before such assets are sold to a third party, the Company only confirms the parts in the profit and loss arising from such transaction and belonging to other participants of the joint management. If occurrence of such assets is in conformity with the impairment loss as stated in the Accounting Standards for Business Enterprises No. 8 - Impairment of Assets, in the event that the Company delivers or sells assets to the joint management, the Company fully confirms the loss; in the event that the Company purchases assets from the joint management, the Company confirms the loss according to its share undertaken.

8. Standard for confirming cash and cash equivalent

The cash and cash equivalent of the Company include the cash on hand, the deposit that can be used for payment at any time, and the investment held by the Company, which has short term (generally becomes mature within three months from

the date of purchase), good liquidity and is easy to be converted into known amount of cash and with low risk in change of value.

9. Foreign currency transactions and translation of foreign currency statements

(1) Translation methods for foreign currency transactions

The foreign currency transactions occurred in the Company, at the time of initial recognition, shall be translated into the amount of bookkeeping base currency at the spot exchange rate (generally refer to the medium price of the foreign exchange quotation as declared by the People's Bank of China) on the date of transaction, but any foreign currency exchanging business or any transaction related to exchange of foreign currency occurred by the Company shall be translated into the amount of bookkeeping base currency at the actual exchange rate.

(2) Translation methods for monetary items in foreign currency and nonmonetary items in foreign currency

The monetary items in foreign currency shall be translated according to the spot exchange rate on the date of balance sheet, and the balance of exchange incurred accordingly is included in the current profits and losses except the balance of exchange arising from the special borrowing in foreign currency related to purchase and building of the assets meeting capitalization conditions is treated on the principle of capitalization of borrowing cost, and for the monetary items in foreign currency available for sale, the balance of exchange arising from change of other book balances exclusive of amortized cost is included in other comprehensive incomes.

If preparation of consolidated financial statements is involved with overseas operation and any monetary item in foreign currency substantially constitutes net investment to overseas operation, the balance of exchange arising from change of exchange rate is included in other comprehensive incomes; when overseas operation is disposed, it is transferred into the current profits and losses from disposal.

The nonmonetary items in foreign currency measured with historical cost are still measured with the amount in bookkeeping base currency which is translated at the spot exchange rate on the transaction occurring date. The nonmonetary items in foreign currency measured at fair value are translated at the exchange rate on the date of recognizing fair value, and the difference between the amount in bookkeeping base currency and the previous amount in bookkeeping base currency after translated is treated as change of fair value (including change of exchange rate) and included in the current profits and losses or recognized as other comprehensive incomes.

(3) Translation methods for financial statements in foreign currency

If preparation of consolidated financial statements is involved with overseas operation and any monetary item in foreign currency substantially constitutes net investment to overseas operation, the balance of exchange arising from change of exchange rate is deemed as "translation balance of statements in foreign currency" and recognized as other comprehensive incomes; when overseas operation is disposed, it is included in the current profits and losses from disposal.

The financial statements in foreign currency for overseas operation are translated into the statements in Renminbi according to the following method: the items of assets and liabilities in the balance sheet are translated at the spot exchange rate on the date of balance sheet; in the items of stockholder's equity, except the item of "undistributed profit", other items are translated at the spot exchange rate at the time of occurrence. The items of incomes and expenses in the profit statement are translated at the current average exchange rate on the transaction occurring date. The undistributed profit at the beginning of the year is the undistributed profit at the ending of the previous year after translated; the undistributed profit at the ending of the year is listed according to the calculation of translated profit distributed on various items; after translated, the difference between the sum of assets items and liabilities items and the sum of stockholder's equity items is the translated difference of statements in foreign currency and is recognized as other comprehensive incomes. If overseas operation is disposed and the control right is lost, the translated difference of foreign currency

statements as listed under the item of stockholder's equity in balance sheet and related to overseas operation is transferred fully or at the ratio of disposing the overseas operation into the current profits and losses from disposal.

The cash flow in foreign currency and cash flow of overseas subsidiaries are translated at the current average exchange rate on the cash flow occurring date. The amount of cash impacted by change of exchange rate is used as the modification item and solely listed in the cash flow statement.

The number in the beginning of the year and the actual number in the previous year are listed according to the amount after the financial statements for the previous year are translated.

While disposing all owners' equity of the Company in overseas operation or losing the control right to overseas operation due to disposal of partial equity investment or other reasons, the foreign current statements attributable to the owners' equity of the parent company, as listed under the item of stockholder's equity in balance sheet and related to overseas operation, are translated into difference and fully transferred into the current profits and losses from disposal.

When the ratio of holding overseas operation equity caused by disposal of partial equity investment or other reasons reduces but the control right to overseas operation is not lost, the translated difference of foreign currency statements related to the overseas operation disposing part is attributable to minority equity and not transferred into the current profits and losses. When the disposal of overseas operation is involved with the partial equity of a joint venture or a cooperative enterprise, the translated difference of foreign currency statements related to the overseas operation is transferred at the ratio of disposing the overseas operation into the current profits and losses from disposal.

10. Financial instruments

A financial asset or financial liability is recognized when the Company becomes a party of financial instrument contract. Financial assets and financial liabilities are measured at fair value at the initial recognition time. For the financial assets and financial liabilities that are measured at fair value and which changes are included into the current profits and losses, the relevant transaction expenses are directly included in the profits and losses; for other financial assets and financial liabilities, the relevant transaction expenses are included in the amount of initial recognition.

(1) Methods for determining fair value of financial assets and financial liabilities

Fair value refers to the price that a market participant can receive from selling an asset or is payable for transferring a liability in the orderly transactions occurring in the date of measurement. If there is an active market for financial instruments, the Company uses the quotation in the active market to determine its fair value. The quotation in the active market refers to the price that is readily available from exchanges, brokers, industry associations and pricing service institutes on regular basis, and represents the price of market transaction actually occurring in the fair transactions. If there is not an active market for financial instruments, the company takes valuation technologies to determine its fair value. Valuation technologies include with reference to the price used in the recent transactions that the parties who are familiar with situation and willingly transact make in the market, with reference to the current fair value of other financial instruments that are substantially same, discounted cash flow and option pricing model.

(2) Classification, confirmation and measurement of financial assets

The financial assets purchased or sold in any conventional manner are made accounting confirmation and termination of confirmation on the date of transaction. At the time of initial confirmation, financial assets are classified into the financial assets that are measured at fair value and which change is included in the current profits and losses, held-to-maturity investment, loan, receivable and the financial assets available for sale.

① The financial assets that are measured at fair value and which change is included in the current profits and losses

Including trading financial assets and the financial assets designated as measurement at fair value and which change is included in the current profits and losses

The financial assets held for trading refer to the financial assets that meet one of the following conditions: A. the purpose of acquiring the financial assets is mainly for recent sale; B. are a part of the portfolio of identifiable financial instruments under concentrated management, and objective evidences showing that the Company recently administrates the portfolio with short-term profit making mode; C. are a derivative instrument, except the derivative instruments designated and being effective hedging instruments, the derivative instruments belonging to financial guarantee contract, the derivative instruments connecting with an equity instrument investment that is without quotation in an active market and which fair value cannot be reliably measured, and must be settled by delivering the equity instrument.

Any financial asset meeting one of the following conditions can be designated at the time of initial recognition as the financial asset that is measured at fair value and which change is included in the current profits and losses: A. This designation can eliminate or significantly reduce inconsistency of relevant gains or losses in the aspect of confirmation or measurement as caused due to different measurement basis of the financial asset; B. The formal written document of the risk management or investment strategy of the Company has clearly stated that the portfolio of financial assets or the portfolio of financial assets and financial liabilities containing the financial asset is managed and evaluated on the basis of fair value, and reported to the key management.

The financial assets that are measured at fair value and which change is included into the current profits and losses are made subsequent measurement at fair value, and the gains or losses formed due to change of fair value and the dividends and interests related to such financial assets are included in the current profits and losses.

② Held-to-maturity investment

Refers to non-derivative financial assets with fixed date of maturity, fixed or identifiable recovery amount, and which the Company has the clear intention and ability to hold until its maturity.

Held-to-maturity investment is subject to effective interest method and is subsequently measured according to the amortized cost. The gains or losses generating in case of terminated confirmation, occurrence of devaluation or amortization are included in the current profits and losses.

Effective interest method refers to such method that their amortized costs and interest incomes or expenditures in various periods are calculated at the effective interest rate of financial assets or financial liabilities (including a set of financial assets or financial liabilities). Effective interest rate refers to such interest rate with which the future cash flow of any financial asset or financial liability in the expected period of existence or applicable shorter period is discounted to the current book value of such financial asset or financial liability.

While calculating the effective interest rate, the Company will forecast the future cash flow on the basis of considering all contract articles of financial assets or financial liabilities (no consideration of the credit loss in the future), and will also consider various charges, transaction expenses, discount or premium paid or collected among all parties of financial assets or financial liabilities contract and belonging to a part of effective interest rate.

③ Loans and receivables

Refer to non-derivative financial assets without quotation, fixed or identifiable recovery amount in an active market. The financial assets classified as loans and receivables by the Company include notes receivable, accounts receivable, interest receivable, dividends receivable and other receivables.

Loans and receivables are subject to effective interest method and are subsequently measured according to the amortized cost. The gains or losses generating in case of terminated confirmation, occurrence of devaluation or amortization are included in the current profits and losses.

④ Financial assets available for sale

Including the non-derivative financial assets that are designated available for sale at the time of initial recognition, and the financial assets except the financial assets measured at fair value and which changes are included in the current profits and losses, loans and receivables, held-to-maturity investments.

The ending costs of debt instruments investment available for sale are determined according to the amortized cost, namely, initially recognized amount deducted with the paid principal, plus or minus the accumulative amount of amortization arising from amortizing the difference between the initially recognized amount and the amount on the date of maturity with effective interest rate, and deducted with the loss of devaluation occurred. The ending costs of equity instruments available for sale are their initially acquired costs.

The financial assets available for sale are subsequently measured at fair value, and the gains or losses from change of fair value are recognized as other comprehensive incomes except that the balance of exchange related to the amortized costs in the loss of devaluation and monetary financial assets in foreign currency are included in the current profits and losses, and they are transferred and included into the current profits and losses when the financial assets are terminated recognition. However, any equity instrument investment with quotation in an active market and which fair value cannot be reliably measured, and the derivative financial assets connecting with such equity instrument and must be settled by delivering the equity instrument are subsequently measured at costs.

The interest of any financial asset accrued in the holding period and dividend in cash as distributed upon declaration of the invested organization are included in the income from investments.

(3) Devaluation of financial assets

Except the financial assets that are measured at fair value and which changes are included into the current profits and losses, the Company checks the book values of other financial assets on the date of each balance sheet. If any objective evidence shows that devaluation of financial assets occurs, provision for impairment is set aside.

The Company separately makes devaluation testing for any single financial asset in large amount; any single financial asset without large amount is separately made devaluation testing or made devaluation testing in the portfolio of financial assets with the similar credit risk characteristics. Any financial assets not found devaluation in a single testing (including the single financial assets with or without large amount) are made devaluation testing in the portfolio of financial assets with the similar credit risk characteristics. Any financial assets recognized impairment loss in a single item are made devaluation testing not in the portfolio of financial assets with the similar credit risk characteristics.

① Devaluation of held-to-maturity investments, loans and receivables

The book value of any financial asset measured at costs or amortized costs is written down to the present value of the future cash flow forecasted, and the write-down amount is recognized as impairment loss and included in the current profits and losses. After any financial asset is recognized its impairment loss, if any objective evidence shows that such financial asset has recovered its value, and it is objectively related to the matter occurring after the loss is recognized, the previously recognized impairment loss is reversed, and the book value of financial asset after the impairment loss is reversed does not exceed the amortized cost of the financial asset on the date of reversal when it is assumed that provision for impairment is not set aside.

② Devaluation of financial assets available for sale

If it is judged according to comprehensive relevant factors that the fall of fair value of equity instrument investment available for sale is serious or non temporary, it shows that the equity instrument investment available for sale devalues.

When any financial asset available for sale devalues, the accumulative losses arising from fall of fair value as previously recorded in other comprehensive income are transferred out and included in the current profits and losses. The accumulative losses transferred out are the balance that the initially acquired cost of the asset is deducted the recovered principal and amortized amount, the current fair value and the impairment loss previously included in profits and losses.

After any financial asset is recognized its impairment loss, if any objective evidence shows that such financial asset has recovered its value, and it is objectively related to the matter occurring after the loss is recognized, the previously recognized impairment loss is reversed, the impairment loss of equity instrument investment available for sale is reversed and recognized as other comprehensive incomes, and the impairment loss of equity instrument investment available for

sale is reversed and included in the current profits and losses.

The impairment loss of the equity instrument investment without quotation in an active market and which fair value cannot be reliably measured, or the derivative financial assets connecting with the equity instrument and must be settled by delivering the equity instrument is not reversed.

(4) Recognition basis and measurement method for transfer of financial assets

Any financial asset meeting one of the following conditions is terminated recognition: ① The rights under the contract of collecting the cash flow of the financial asset are terminated; ② the financial asset has been transferred and substantially all of risks and remunerations on the ownership of the financial asset are transferred to the transferee; ③ the financial asset has been transferred, the enterprise has neither transferred nor kept substantially all of risks and remunerations on the ownership of the financial asset, but it gives up control to the financial asset.

If the enterprise has neither transferred nor kept substantially all of risks and remunerations on the ownership of the financial asset, and does not give up control to the financial asset, relevant financial assets are recognized based on the extent continually involved with the transferred financial asset, and relevant liabilities are recognized accordingly. The extent continually involved with the transferred financial asset refers to the level of risk that the enterprise suffers from value change of the financial asset.

If the whole transfer of any financial asset meets the termination recognizing conditions, the book value of the transferred financial asset and the consideration received from the transfer is minus the accumulative amount of fair value change previously included in other comprehensive incomes, and the balance is included in the recent profits and losses.

If the partial transfer of any financial asset meets the termination recognizing conditions, the book value of the transferred financial asset is shared between the termination recognizing part and non-termination recognizing part at their relative fair values. The consideration received from transfer and the accumulative amount of fair value change shared in the termination recognizing part and previously included in other comprehensive incomes, minus the shared aforesaid book value, are the balance, which is included in the current profits and losses.

If the Company sells the financial asset in mode of recourse or transfers the financial asset it holds by endorsement, it shall determine whether substantially all of risks and remunerations on the ownership of the financial asset have been transferred. If substantially all of risks and remunerations on the ownership of the financial asset have been transferred to the transferee, the financial asset's recognition is terminated; if substantially all of risks and remunerations on the ownership of the financial asset are kept, the financial asset's recognition is not terminated; if neither transfer is made nor substantially all of risks and remunerations on the ownership of the financial asset are kept, it shall continually judge whether control to the asset is maintained, and accounting treatment is made in accordance with the principles as stated in above paragraphs.

(5) Classification and measurement of financial liabilities

In the initial recognition, financial liabilities are classified as the financial liabilities that are measured at fair value and which change is included in the current profits and losses, and other financial liabilities. The initially recognized financial liabilities are measured at fair value. For financial liabilities that are measured at fair value and which change is included in the current profits and losses, the relevant transaction expenses are directly included in the current profits and losses; for other financial liabilities, relevant transaction expenses are included in the initially recognized amount.

① Financial liabilities measured at fair value and which change is included in the current profits and losses

The financial liabilities held for trading and the financial liabilities designated at the time of initial recognition as measurement at fair value and which change is included in the current profits and losses have the conditions consistent with the financial assets held for trading and the financial assets designated at the time of initial recognition as measurement at fair value and which change is included in the current profits and losses.

The financial liabilities measured at fair value and which change is included in the current profits and losses are

subsequently measured at fair value, and the gains or losses arising from change of fair value and the dividends and interests related to such financial liabilities are included in the current profits and losses.

② Other financial liabilities

The derivative financial liabilities connecting with the equity instrument without quotation in an active market and which fair value cannot be reliably measured, and must be settled by delivering the equity instrument are subsequently measured at costs. Other financial liabilities are subject to effective interest method and are subsequently measured according to the amortized cost. The gains or losses generating in case of terminated confirmation, occurrence of devaluation or amortization are included in the current profits and losses.

(6) Recognition on termination of financial liabilities

The current liabilities of financial liabilities have been wholly or partially cancelled, recognition on the financial liabilities or a part thereof can be terminated. The Company (the debtor) and the creditor enter an agreement to substitute the existing financial liabilities in the manner of undertaking new financial liabilities, and the contract's articles of new financial liabilities and the existing financial liabilities are materially different, recognition on the existing liabilities is terminated and new liabilities are recognized synchronously.

If recognition on financial liabilities is wholly or partially terminated, the difference between the book value of the part terminated to recognize and the consideration paid (including non-cash assets transferred out or new financial liabilities undertaken) is included in the current profits and losses.

(7) Derivative instruments and embedded derivatives

A derivative instrument is initially measured at fair value on the date of signing relevant contract and is subsequently measured at fair value. Except the derivative instruments designated as hedging instrument and with highly effective hedging, the gains or losses arising from which change of fair value are recognized to be included in the period of profits and losses based on the nature of hedging relationship and in accordance with the accounting requirements of hedging, the change of fair value of other derivative instruments is included in the current profits and losses.

For the mixed instruments containing embedded derivative instruments, if they are not designated as financial assets or financial liabilities measured at fair value and which change is included in the current profits and losses, the embedded derivatives and the master contract have no close relationship in the economic characteristics and risk, and have the same conditions as the embedded derivatives, the separately existing instrument meets the definition of derivative instrument, then the embedded derivatives are separated from mixed instruments and are treated as sole derivative financial instruments. If it cannot carry out separate measurement to the embedded derivatives at the time of acquisition or subsequent date of balance sheet, the mixed instruments are wholly designated as financial assets or financial liabilities measured at fair value and which change is included in the current profits and losses.

(8) Setoff of financial assets and financial liabilities

When the Company has the legal rights of setting off the recognized financial assets and financial liabilities and can currently these legal rights now, and if the Company has the plan to settle with net amount or synchronously realize these financial assets and discharge these financial liabilities, the financial assets and financial liabilities are listed in the balance sheet with the amount after mutual set-off. Except that, financial assets and financial liabilities are listed respectively in the balance sheet and are not set off mutually.

(9) Equity instruments

Equity instrument refers to the contract that can certify possession of the residual equity of the Company in the assets after deducted all liabilities. If the Company issues (including refinancing), repurchase, sell or cancel any equity instrument, this is treated as change of equity. The Company does not recognize change of fair value of equity instruments. The transaction expenses related to equity transactions are deducted from equity.

The Company makes various distributions (exclusive of stock's dividends) to the equity instrument holders from

stockholders' equity. The Company does not recognize fair value changing amount of equity instruments.

11. Receivables

(1) Individually significant receivable and provision for bad and doubtful debts individually

Criteria of individually significant receivables	The carrying amount of accounts receivables of over CNY 800,000.00 (with CNY 800,000.00 inclusive)and other receivables of over CNY500,000.00 (with CNY 500,000.00 inclusive) are recognized as individually significant receivable.
Measurement of individually recognized bad and doubtful debts provision of individually significant receivables:	Receivables that are individually significant are subject to separate impairment assessment, if there is objective evidence that the impairment occurred, recognize the provision for bad and doubtful debts according to the difference between the present value of future cash flows, which is lower, and the carrying amount.

(2) Receivables with provision for bad and doubtful debts based on the credit risk characteristics collectively

Group Description	Method of provision for bad and doubtful debts
Group of ageing	Ageing analysis method
Specific fund portfolio	Other Method

In grouping, reserve for bad debt is provided by ageing analysis method

Aging	Percentage of provision for accounts receivable	Percentage of provision for other receivables
Within 1 year (including 1 year)	5.00%	5.00%
1 - 2 years	10.00%	10.00%
2 - 3 years	30.00%	30.00%
Over 3 years	50.00%	50.00%

In grouping, the account receivable for which reserve for bad debt is provided based on balance percentage:

Inapplicable

In grouping, the accounts receivable for which the bad debt reserve is provided based on the other method:

Group description	Percentage of provision for accounts receivable	Percentage of provision for other receivables
Group of specific fund	0.00%	0.00%

(3) Accounts receivable with insignificant individual amount but individually recognized bad and doubtful debts provision

Reason of individual provision for bad and doubtful debts	Including the accounts receivable involving dispute or lawsuit/arbitration with the counterparty and the accounts receivable in which there exists evident indication showing that a debtor may possibly be unable
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	to implement the obligation of repayment.
Method for provision for bad and doubtful debts	Provision for bad and doubtful debts is based on the difference of the present value of future cash flow lower than the book value.

12. Inventories

Does the Company need to comply with the provisions on information disclosure for special industries

No

(1) Classification of Inventories

Inventories include raw materials, products-in-process, commodity stocks, etc.

(2) Pricing of Inventories Acquired and Delivered

Inventories are priced based on the actual costs at the time of acquisition. Costs of inventories include purchase cost, processing cost and other costs. Raw materials, products-in-process and merchandise inventory are priced respectively according to the first-in-first-out approach (for raw materials and products-in-process for FIYTA watches), weighted average (for FIYTA watch stocks), specific identification (for famous brand watch stocks) at the time of delivery.

(3) Basis for determination of the net realizable value of inventories and the method for provision for price falling of inventories

The net realizable value of the inventories refers to the amount of the estimated sales prices of inventories less the estimated costs up to the completion, the estimated sales costs and relevant taxes. In determining the realizable net value of inventories, with the acquired concrete evidence as the base, the purpose of holding the inventories and the influence from the events after the balance sheet day are taken into consideration at the same time.

On the balance sheet day, inventories are measured based on the lower of the cost and the realizable net value. When the realizable net value is lower than the cost, reserve for price falling of inventories is provided. Where:

- ① For the inventories directly for sale, including the finished products and the materials for sale, in process of normal production and operation, the realizable net value is the amount of the estimated sales price of the inventories less the estimated sales costs and the relevant taxes;
- ② For the material inventories necessary to be processed, the realizable net value is the amount of the estimated sales price of the finished products produced in process of normal production and operation less the costs predicted to incur at the time of finishing the work, the estimated sales expenses and the relevant taxes.

The Company provides reserve for price falling of the inventories classified based on the models of self-made FIYTA watch inventories.

For the famous brand watches in distribution, reserve for price falling of inventories is provided based on the individual items.

For the raw materials for FIYTA watches, based on the terminal sales status of FIYTA finished watches, reserve for price falling of inventories is provided with interchangeability of spares and parts and specialized classification of applications of materials taken into consideration.

The inventories are measured at the lower of cost and net realizable value on the balance sheet day. Reserve for price falling of inventories is provided when the net realizable value is lower than the cost.

After reserve for price falling of inventories is provided, if the factors influencing the price falling of the inventories have disappeared, which causes the realizable net value of the inventories to be higher than their book value, the reserve for price falling of the inventories provided previously is reversed, the amount reserved is recorded in the current gain and loss.

(4) The inventory system for the inventories is the perpetual inventory system.

(5) Amortization of low value consumables and packing materials

Low value consumables and packing materials are amortized in lump sum at the time of reception.

13. Held-for-sale Assets as Classified

Inapplicable

14. Long-term equity investments

The long-term equity investment as stated in this part refers to the long term equity investment with control over, joint control over or significant influence upon the investees. The long term equity investment without control over, joint control over or significant influence upon the investees in the Company are taken as available-for-sale financial assets or the financial assets which are measured based on the fair value and their changes are counted to the current profit and loss. For the detail of the accounting policy, refer to Note V. 10 "Financial Instruments".

Joint control refers to the joint control over some arrangement made by the Company according to the relevant agreement and the relevant activities for the arrangement must be jointly decided by all the parties sharing the control power. Significant influence refers to the Company's power of participation in making an investee's financial and operation policies but the Company cannot control or jointly control with other parties to make these policies.

(1) Determination of Investment Costs

For the long term equity investment acquired through consolidation of enterprises under the common control, the share of the book value of the consolidatee's owner's equity as at the date of consolidation in the eventual controller's financial statements is taken as the initial investment cost of the long term equity investment. The balance among the initial investment cost of the long term equity investment and the cash as paid, non-cash asset as assigned and the book value of the liabilities as assumed is used for adjustment of the capital reserve; in case the capital reserve is not enough for writing-down, the retained earnings is adjusted. In case the equity securities as issued for consolidation consideration, the share of the book value of the consolidatee's owner's equity as at the date of consolidation in the eventual controller's consolidated financial statements is taken as the initial investment cost of the long term equity investment, the total book value of the issued shares is taken as the share capital, the balance between the initial investment cost of the long term equity investment and the total face value of the issued shares is used for adjustment of the capital reserve; in case the capital reserve is not enough for writing-down, the retained earnings is adjusted. The equity in the consolidatee under the common control which is acquired in steps through a number of transactions and the consolidation of the enterprise under

control is eventually formed shall be treated depending on whether it belongs to "one package deal": if it belongs to "one package deal", all the transactions shall be taken as a transaction for acquiring the control power for accounting treatment. If it does not belong to "one package deal", the share of the book value of the consolidatee's owner's equity in the eventual controller's consolidated financial statements is taken as the initial investment cost of the long term equity investment; the balance among the initial investment cost of the long term equity investment and the book value of the long term equity investment before arrival of the consolidation plus the book value of the newly paid consideration of the shares acquired further on the consolidation date shall be used to adjust the capital reserve; in case the capital reserve is not enough for writing-down, the retained earnings is adjusted. For the equity investment held before the date of consolidation or the other comprehensive income as recognized from the available-for-sale financial assets, no accounting treatment shall be taken for time being.

For the long term equity investment acquired through consolidation of enterprises not under the common control, the consolidation cost as at the acquisition date is taken as the initial investment cost of the long term equity investment. The consolidation cost is the sum of the assets paid to the buyer, the liabilities incurred or assumed, and the fair value of the equity securities as issued. The equity which is acquired in steps through a number of transactions and eventually forms consolidation of enterprises not under the common control shall be treated depending on whether it belongs to "one package deal": if it belongs to "one package deal", all the transactions shall be taken as a transaction for acquiring the control power for accounting treatment. If it does not belong to "one package deal", the sum of the book value of the equity investment in the purchasee originally held plus the newly increased investment cost shall be taken as the initial investment cost of the long term equity investment calculated according to the cost method. In case the equity originally held is calculated based on the equity method, the relevant other comprehensive income shall not undergo accounting treatment for time being. If the equity investment originally held is an available-for-sale financial asset, the balance between its fair value and the book value and the accumulative movement of the fair value originally counted to other comprehensive income are transferred to the current profit and loss.

Intermediary fees in connection with audit, law service, appraisal and consulting, etc. incurred to the consolidator or purchaser and other relevant administrative fees shall be counted to the current profit and income at the time of incurrence. The equity investment other than the long term equity investment formed from the enterprise consolidation which is initially measured based on the cost, such costs are recognized in such ways as the fair value of the equity securities issued by the Company, the value as specified in the investment contract or agreement, the fair value or the original book value of the assets exchanged out in the non-monetary asset exchange transactions, or the own fair value of the long term equity investment, etc. depending on the ways of acquirement of the long term equity investment. The expenses, taxes and other necessary expenditures directly in connection with the acquirement of the long term equity investment are counted to the investment costs. For the long term equity investment resulted from the additional investment which may bring out significant influence upon or joint control over the investee but shall not constitute control, the cost of the long term equity investment is the sum of the fair value of the equity investment originally held as determined according to the Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments plus the cost of the newly increased investment.

(2) Subsequent measurement and recognition of gains and losses

The long term equity investment with the investee enjoying joint control (with the constitution of joint operators exclusive) or significant influence is calculated by means of equity method; and also for the long term equity investment in which the Company's financial statements can implement control over the investee by calculation based on the cost method.

① Long term equity investment calculated based on the cost method

In calculation by cost method, the long term equity investment is valued according to the initial investment cost, and for additional or recovery of investment, the cost of the long term equity investment is adjusted. Except that the actual payment or consideration paid at the time of acquiring the investment contains the cash dividend or profit already announced but not yet distributed, the return on the investment in the reporting period is recognized based on the cash dividend or profit already announced for distribution by the investee.

② Long term equity investment calculated based on the equity method

When the calculation based on the equity method is used, if the initial investment cost of the long term equity investment is greater than the share of the fair value of net identifiable assets enjoyable in the investee, the initial investment cost of the long term equity investment shall not be adjusted; when the initial investment cost is less than the share of the fair value of net identifiable assets enjoyable in the investee, the balance is counted to the current profit and loss and at the same time the cost of the long term equity investment is adjusted.

When the equity method is used for calculation, the net gains and losses realized by the investee and the share of the other comprehensive income enjoyable or sharable shall be respectively used to recognize the return on investment and other comprehensive income and at the same time the book value of the long term equity investment is adjusted; according to the profit announced for distribution by the investee or the part of the cash dividend enjoyable upon calculation, the book value of the long term equity investment is reduced correspondingly. For other change in the net profit and loss, other comprehensive income and owner's equity other than the profit distribution, the book value of the long term equity investment is adjusted and counted to the capital reserve.

In determining the net profit and loss in the investee enjoyable, with the fair value of various identifiable assets, etc. in the investee when the investment is acquired as the base, the net profit of the investee is recognized after adjustment. When the accounting policy and fiscal period adopted by the investee is different from that of the Company, the investee's financial statements are adjusted according to the accounting policy and fiscal period adopted by the Company and the return on the investment and other comprehensive income are recognized on this basis. For the transactions between the Company and its associates or joint ventures, in case the assets provided or sold do not constitute business, the part calculated based on the proportion of the unrealized internal transaction gains and losses attributable to the Company shall be offset and the gains and losses on the investment shall be recognized on this basis. However, the loss from no internal transaction between the Company and an investee shall not be offset if the loss belongs to impairment of the assets assigned. In case the assets invested in a joint venture or an associate constitutes business and the investor has acquired the long term equity investment therefrom but has not achieved the control power, the fair value of the business provided shall be taken as the initial investment cost of the newly added long term equity investment, the balance between the initial investment cost and the book value of the business provided shall all be counted to the current gains and losses. In case assets sold by the Company to its joint ventures or associates constitute business, the balance between the consideration acquired and the book value of the business shall all be counted to the current gains and losses. In case the asset provided to the Company by its joint venture or the associate constitutes business, accounting treatment shall be conducted according to the Enterprise Accounting Standards No. 20 - Enterprise Consolidation and all the amount shall be recognized as the transaction related gains and losses.

In determining the part of the net loss incurred to the investee to be shared by the Company, the book value of the long

term equity investment and other long term equity which has substantially constituted net investment in the investee shall be reduced to the limit of zero. In addition, in case the Company is obliged for extra loss in an investee, the predicted liabilities shall be recognized according to the obligation predicted to assume and counted to the current gains and losses in the investment. In case an investee realizes net profit in subsequent periods, the Company shall recover recognition of the part of income enjoyable after the recognized part of the loss shared by the Company has been made up for with the part of the benefit enjoyable.

③ Acquisition of minority equity

In preparation of the consolidated financial statements, the balance between the long term equity investment newly increased resulted from purchase of minority equity and the share of the net asset continuously calculated commencing from the date of purchase (or date of consolidation) enjoyable by the subsidiary shall be used to adjust the capital reserve. In case the capital reserve is not enough for writing-down, the retained earnings shall be adjusted.

④ Disposal of long term equity investment

In a consolidated financial statement, the parent company has partially disposed the long term equity investment in its subsidiary without losing its control power, the difference between the disposal income of the amount enjoyable in the subsidiary's net assets corresponding to the long term equity investment disposed is counted to the owner's equity. In case that the parent company has partially disposed the long term equity investment in its subsidiary has caused the parent company to have lost the control power over the subsidiary, it should be treated according to the accounting policy as specified in the "method for preparation of consolidated financial statements" of Note V. 6.(2).

If a long term equity investment is disposed under other situation, for the equity disposed, the difference between its book value and the consideration actually obtained is counted to the current gains and losses.

For the long term equity investment calculated based on the equity method, the other comprehensive income part which was originally counted to the owner's equity undergoes accounting treatment according to the corresponding proportion by using the same base for direct disposal of the relevant assets or liabilities used by the investee. The owner's equity recognized due to change of the other owners' equity of the investee with the net gains and loss, other comprehensive income and profit distribution exclusive is carried over into the current gains and losses based on the proportions.

For the long term equity investment, in case the remaining equity after disposal still needs to be calculated according to the cost method, the other comprehensive income calculated by the equity method or calculated and recognized based on the standards for recognition and measurement of financial instruments undergoes the accounting treatment by using the same base as the investee has adopted for direct disposal of the relevant assets or liabilities and carried over to the current gains and losses according to the proportion; movement of all other owners' equity calculated and determined by using the equity method with the net gains and losses in the investee's net assets as determined, other comprehensive income and profit distribution exclusive is carried over to the current gains and losses according to the proportion.

In case the Company has lost the control over an investee due to disposal of partial equity, in preparation of individual financial statements, the remaining equity after disposal can still implement joint control over or significant influence on the investee; the equity method is applied for calculation instead and the said remaining equity is adjusted as if the equity method was used for calculation commencing from the time of its acquisition; in case the remaining equity after the adjustment can no longer implement joint control over or significant influence on the investee, the accounting treatment

shall be conducted according to the provisions concerning recognition and measurement of financial instruments; the balance between the fair value as at the day of losing the control power and the book value is counted to the current gains and losses. The other comprehensive income calculated by means of the equity method or calculated and recognized according to the standards for recognition and measurement of financial instruments undergoes accounting treatment on the same base as the investee has lost control and the investee directly disposes the relevant assets or liabilities. The movement of the other owner's equity in the investee's net assets calculated and recognized by means of the equity method is carried over into the current gains and losses at the time of losing the control over the investee with the exception of the net gains and profit, other comprehensive income and profit distribution. Where, for the remaining equity after disposal calculated by means of equity method, the other comprehensive income and other owner's equity are carried over according to the proportion; in case the remaining equity after disposal is recognized and measured based on the financial instruments, the other comprehensive income and other owner's equity are all carried over.

In case the Company has lost the joint control over or significant influence on the investee due to disposal of partial equity, the remaining equity after disposal is calculated according to the standards for recognition and measurement of financial instruments while the balance between the fair value and the book value as at the day when the Company lost its joint control or significant influence is counted to the current gains and losses. The other comprehensive income from the original equity investment calculated and recognized by means of the equity method undergoes accounting treatment by using the same base as the investee directly disposes the relevant assets or liabilities when the calculation based on the equity method is terminated; the owner's equity recognized due to the movement of other owner's equity with the investee's net gains and losses, other comprehensive income and profit distribution exclusive is all transferred into the current return on investment when the equity method is stopped.

The Company disposes the equity investment in a subsidiary in steps through a number of transactions until it has lost the control power. If the aforesaid transaction belongs to a one-package transaction, the transactions shall undergo accounting treatment as a transaction in which the equity investment in a subsidiary is disposed and the control power is lost. The balance between the first disposal consideration prior to loss of the control power the book value of the long term equity investment corresponding to the equity disposed is recognized as other comprehensive income first and then all transferred into the current gains and losses from loss of the control power.

15. Investment based real estate

Investment based real estate refers to the real estate held by the Company which creates rental or added value of capital or both, including housing and building already let out.

Investment based real estate is initially measured according to the cost. Investment based real estate is initially measured based on the cost. The follow-up expenses in connection with the investment based real estate are recorded in the investment based real estate costs in case the relevant economic benefit may flow into the Company while the costs can be reliably measured. Other follow-up expenses are recorded in the current gain and loss at the time of incurrence.

The Company adopts the cost model to make follow-up measurement of the investment based real estate and makes depreciation or amortization according to the policy of coincidence with housing and building or land use right.

About the impairment test method and method for provision of reserve for impairment of the investment based real estate. For the detail, refer to Note V.22 "Impairment of Long Term Assets".

When the self-use real estate is transferred into the investment based real estate or the investment based real estate is transferred into the self-use real estate, the book value prior to the transfer is taken as the entry value after the transfer.

When the application of the investment based real estate is for self-use, the investment based real estate is transferred to fixed asset or intangible asset commencing from the date of change. When the application of the self-use real estate is changed into earning rental or increase of capital value, commencing from the date of change, the fixed asset or intangible asset are transferred into investment based real estate. When conversion takes place, for the investment based real estate measured by means of the cost module instead, the book value before conversion shall be taken as the entry value after the conversion; for the investment based real estate measured by means of fair value instead, the fair value as at the conversion date shall be taken as the entry value after conversion.

When the investment based real estate is disposed or permanently withdrawn from use and it is predicted that it is unable to earn economic benefit, the recognition of the investment based real estate is terminated. The income from disposal of investment based real estate, including sale, assignment, discarding or damage, is charged to the current gain and loss after deduction of the book value and the relevant taxes.

16. Fixed asset

(1) Recognition of fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of services, for rental to others, or for administrative purposes and have useful lives more than one accounting year. A fixed asset shall be recognized only when it is probable that economic benefits associated with the asset will flow into the enterprise and the cost of the asset can be measured reliably. A fixed asset shall be initially measured at actual cost.

(2) Depreciation methods

Categories	Depreciation method	Depreciation life	Residual rate	Yearly depreciation
Plant & buildings	Average service life method	20-35	5.00	2.70-4.80
Machinery & equipment	Average service life method	10	5.00-10.00	9.00-9.50
Motor vehicles	Average service life method	5	5.00	19.00
Electronic equipment	Average service life method	5	5.00	19.00
Others	Average service life method	5	5.00	19.00

Commencing from the next month after a fixed asset has reached the predicted applicable status, when the average service life method is used for provision of the depreciation within the service life. The service life, predicted net residual value and annual depreciation rates of various fixed assets are stated on the above form.

(3) Basis for recognizing the fixed assets under financing lease, Pricing and Depreciation Methods

Inapplicable

(4) Impairment testing method and provision for the impairment of fixed assets

For the impairment testing method and provision for the impairment of fixed assets, refer to Note V. 22 "Impairment of Long Term Assets".

(5) Other Notes

The follow-up expenses in connection with fixed assets are recorded in the costs of fixed assets if the economic benefit in connection with the fixed assets can highly probably flow into while the costs can be reliably measured and the book value of the part replaced is terminated for recognition. Besides, other follow-up expenses are recorded in the current gain and loss at the time of incurrence.

When a fixed asset is in the status of disposal or is predicted not to produce any economic benefit by application or disposal, the fixed asset shall be terminated for recognition.

Income from disposal of fixed assets, including sales, assignment, scrapping, or damage, is counted to the current gains and losses after deduction of its book value and relevant taxes.

The Company rechecks the service life, predicted net residual value and depreciation method of fixed assets at least once at the end of a year; in case any change takes place, it is taken as change in accounting estimation.

17. Construction-in-process

The cost of construction-in-process is determined according to the actual expenditure incurred for the construction, including all necessary construction expenditures incurred during the construction period, borrowing costs that shall be capitalized before the construction reaches the condition for intended use and other relevant expenses. Construction-in-process is transferred to fixed assets when the asset is ready for its intended use.

For provision for impairment of construction-in-process and the method for provision for impairment, refer to Note V.22 "Impairment of Long Term Assets".

18. Borrowing Costs

Borrowing costs include interest on borrowings, amortization of depreciation or premium, auxiliary expenses and balance of exchange resulted from foreign currency loan, etc. The borrowing costs from acquisition or production of the assets or borrowing expenses result therefrom directly attributable to compliance with the condition of capitalization starts to be capitalized when the expense of the asset has incurred, borrowing costs have incurred and the acquisition and construction or production activities necessary to let the asset reach the predicted applicable or sellable status; when the assets acquired, constructed or produced in compliance with capitalization have reached the predicted applicable status or sellable status, the capitalization stops. The other borrowing costs are recognized as expenses in the period of incurrence.

Interest expenses of special borrowings incurred actually for the current period less interest income from borrowings at bank or investment income from temporary investments is capitalized; capitalization amount is determined as accumulative asset expenditure of general borrowings over weighted average asset expenditure of special borrowings multiples capitalization rate of general borrowings. Capitalization rate is determined as calculating weighted average interest rate of general borrowings.

In the capitalization period, exchange differences of special borrowings in foreign currency is totally capitalized; exchange differences of general borrowings in foreign currency is recognized in profit or loss for the current period.

The assets in compliance with the capitalization conditions refer to such assets as fixed assets, investment based real estate, inventories, etc. which need to undergo long time of acquisition or construction or production activities before they can reach the predicted applicable or sellable status.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and when the interruption is for a continuous period of more than 3 months until the acquisition or construction or production activities of the assets restart.

19. Biological Assets

Inapplicable

20. Oil and Gas Assets

Inapplicable

21. Intangible assets

(1) Pricing Method, Service Life and Impairment Test

An intangible asset refers to a recognizable non-monetary asset without physical form possessed by or under the control of the Company.

Intangible assets are initially measured based on the cost. All expenses in connection with the intangible assets are charged to the costs of intangible assets if the relevant economic benefit can flow into the Company and the costs can be reliably measured. All the expenses of other items except that are charged to the current gain and loss at the time of incurrence.

The land use right acquired is usually calculated as intangible asset. For the buildings, such as factory building, constructed independently, the expenses in connection with the land use right and the construction cost of such building are calculated as intangible asset and fixed assets. For purchased housing and buildings, the relevant costs are distributed between the land use right and buildings; in case it is difficult to distribution rationally, they shall all be handled as fixed assets.

An intangible asset with limited service life is amortized in average by using the straight-line method over the predicted service life with its original value less the predicted residual value and the accumulated amount of the reserve for

impairment already provided commencing from the time of availability for use. The intangible asset with unidentified service life would not be amortized.

The method for amortization of intangible assets with limited service life is as follows:

Category	Useful Life	Amortization Method
Land use right	50	Straight-line method
Software system	5	Straight-line method
trademark rights	5-10	Straight-line method

At the end of a year, the Company rechecks the service life of the intangible asset and the amortization method. The change incurred is treated as change of accounting estimation. In addition, the service life of intangible asset with indefinite service life is rechecked. If there is evidence showing that the duration of the economic benefit brought about by the intangible asset for the enterprise is foreseeable, the estimated service life is amortized according to the amortization policy of intangible assets with limited service life.

For the method for impairment testing and method for provision for impairment of intangible assets, refer to Note V. 22 "Impairment of long term assets"

(2) Accounting policy for internal research and development expenditure

Expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase.

Expenditure on the research phase is recognized in profit or loss when incurred.

Expenditure on the development phase is capitalized only when the Company can satisfy all of the following conditions:

- ① the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- ② its intention to complete the intangible asset is to use or sell it; how the intangible asset will generate economic benefits.
- ③ Way of intangible assets producing economic interest, including those that can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- ④ The availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;
- ⑤ Its ability to measure reliably the expenditure attributable to the intangible asset during its development phase.

If it is impossible to distinguish research stage expenses and development stage expenses, the R & D expenses as incurred shall be all charged to the current gains and losses

The research and development projects of the Company will enter into the development stage after meeting the above conditions and passing through the technical feasibility and economic feasibility studies and the formation of the project.

Capitalized expenditure on the development phase is presented as "development costs" in the balance sheet and shall be transferred to intangible assets when the project is completed to its intended use state.

22. Impairment of long term assets

For non-current and non-financial assets such as fixed assets, construction-in-process, intangible assets with limited service life, investment based real estate measured based on the cost model, the long term equity investment in subsidiaries, joint ventures and associates, etc., the Company make judgment on whether there exists any sign of impairment on balance sheet day. In case there exists sign of impairment, the Company estimates the recoverable amount and makes impairment test. For goodwill and the intangible assets with the service life undetermined and the intangible assets which have not reached applicable status, regardless whether there exists sign of impairment, the Company makes impairment test every year.

In case impairment test result shows that the recoverable amount of asset is lower than the book value, provision for impairment is made based on the difference and is regarded in the loss for impairment. The recoverable amount is determined based on the higher of the net amount of the fair value of the asset less the expense of disposal and the present value of the predicted future cash flow of the asset. The fair value of assets is determined based on the sales agreement price in fair transaction; in case there is no sales agreement but does exist active market of asset, the fair value is determined according to the buyer's offer of the asset; in case there exists neither sales agreement nor active market of asset, the fair value of assets is estimated based on the best information obtainable. The disposal expenses include legal expenses, relevant taxes, handling fee and direct expenses incurred before the asset reaches the sellable status in connection with disposal of the assets. The present value the predicted future cash flow of assets: according to the predicted future cash flow created in process of continuous application and final disposal, choose the proper discount rate to determine the amount after discount. Provision for impairment of asset is calculated and recognized based on the individual asset. In case it is difficult to make estimation of the recoverable amount of individual asset, the recoverable amount of asset group is determined based on the asset group which the asset belongs to. The asset group is the minimum grouping of assets which can independently produce cash flow in.

For the goodwill separately stated in the financial statements, at the time of impairment testing, the book value of the goodwill is apportioned to the asset group or combination of asset groups of assets benefited from the synergistic effect of enterprise consolidation. In case the testing result shows that the recoverable amount of an asset group or combination of asset groups which contain apportioned goodwill is lower than their book value, the corresponding impairment loss is recognized. The amount of the impairment loss first offsets and is apportioned to the book value of the goodwill of the asset group or combination of asset groups, and then offset the book value of other assets according to the proportions of other various assets in the book value with the exception of goodwill in the asset group or combination of asset groups.

The impairment loss of the aforesaid assets, once recognized, shall not be reversed as the recovered part in subsequent periods.

23. Long term expenses to be apportioned

Long term expenses to be apportioned refer to various expenses which have already incurred but should be borne in the reporting period and subsequent periods with the apportioning term exceeding one year. The Company's long term expenses to be apportioned include the special counter fabrication cost, repairing fee, etc. Long term expenses to be apportioned are amortized according to the straightline method in the predicted beneficial period.

24. Payroll to Employees

(1) Accounting treatment of short term salaries

Short term salaries mainly include wages, bonus, allowances and subsidy, welfare expenses to employees, medical insurance premium, birth insurance premium, work related injury insurance premium, housing fund, labor union dues and employees' personnel education fund, non-monetary welfare, etc. The Company recognizes the short term salaries to incur during the fiscal periods when employees offer services to the Company as liabilities and count the same to the current gains and losses or the relevant cost of assets. Of them, non-monetary welfare is measured based on the fair value.

(2) Post-employment benefits

The post-employment benefits mainly include the basic endowment insurance, unemployment insurance, annuity, etc. Post-employment benefit program includes defined contribution plan. In case the defined contribution plan is used, the corresponding contributable amount is counted to the corresponding asset cost or the current gains and losses at the time of incurrence.

(3) Dismissal welfare

In case the employment relation between the Company and an employee is terminated before the employment contract term is due or for the purpose of encouraging an employee to voluntarily accept the lay-off, the Company proposes to offer compensation, and the employees' payroll liabilities resulted from the termination benefits are recognized as at the earlier of the time when the Company cannot unilaterally withdraw the dismissal welfare as specified in the plan for termination of labor relationship or the lay-off proposal and the time when the Company recognizes the costs related with the reorganization of payment of the termination benefits and such liabilities are counted to the current gains and losses. However, if the termination benefits are predicted to be unable to be fully paid within 12 months after termination of the annual reporting period, it shall be handled according to the other long term payroll to employees.

The internal retirement program for employees is handled based on the same principle as that for the aforesaid dismissal welfare. The Company plans to count the salaries paid to the internally retired employees and their social insurance premium paid by the Company from the date when the concerned employees stops offering services to the Company to the time of their official retirement to the current gains and losses (dismissal welfare) when they comply with the conditions for recognizing the predicted liabilities.

(4) Other long term employees' welfare

Other long term employees' welfare provided by the Company to its employees shall undergo the accounting treatment according to the defined contribution plan as long as it complies with the defined contribution plan. With the exception of

this, it shall undergo accounting treatment according to the defined beneficial plan.

25. Predicted liabilities

Predicted liabilities are recognized when an obligation in connection with contingencies complies with the following conditions: (1) The obligation is a present obligation of the Company; (2) It is probable that an outflow of economic benefits will be required to settle the obligation; (3) The amount of the obligation can be measured reliably.

On the balance sheet day, with consideration of such factors as contingency related risk, uncertainty and the time value of money, etc., the predicted liabilities are measured according to the best estimated amount necessary to be paid in implementation of the relevant current obligation.

If the expenses for clearing of predictive liability is fully or partially compensated by a third party, and the compensated amount can be definitely received, it is recognized separated as asset. The compensated amount shall not be greater than the carrying amount of the predictive liability.

26. Payment for shares

Inapplicable

27. Other financial instruments, such as preferred shares, perpetual liabilities, etc.

Inapplicable

28. Revenue

Does the Company need to comply with the provisions on disclosure for special industry.

No

(1) General Principle

① Sale of goods

Revenue from the sale of goods is recognized only when all of the following conditions are satisfied: the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, the Company retains neither continuing managerial involvement nor effective control over the goods sold, and related income has been achieved or evidences of receivable have been obtained, and the associated costs can be measured reliably.

② Providing of services

Where the outcome of a transaction involving the providing of services can be estimated reliably, at the end of the period, revenue associated with the transaction is recognized using the percentage of completion method. The stage of completion of a transaction involving the providing of services is determined according to the proportion of the services performed to the total services to be performed.

The outcome of a transaction involving the providing of services can be estimated reliably only when all of the following conditions can be satisfied at the same time:

①. The amount of revenue can be measured reliably; ②. The associated economic benefits are likely to flow into the

enterprise; ③. The stage of completion of the transaction can be measured reliably; ④. The costs incurred and to be incurred in the transaction can be measured reliably.

If the outcome of a transaction involving the providing of services can't be estimated reliably, the revenue of providing of services is recognized at the service cost that incurred and is estimated to obtain compensation and the service cost incurred is recognized in profit or loss for the current period. If the service cost incurred is estimated to obtain compensation, revenue isn't recognized.

When a contract or agreement signed between the Company and other enterprise covers sales of goods and supply of labor service, in case the part of sales of goods and the part of providing labor service are distinguishable and can be measured separately, the part of sales of goods and the part of providing labor service should be treated separately; in case the part of sales of goods and the part of providing labor service cannot be distinguished or cannot be separately measured despite that they are distinguishable, all the contract shall be treated as sales of goods.

③ Royalty revenue

Revenue is recognized on accrual basis according to the relevant contract or agreement.

④ Interest income

The interest income shall be calculated based on the tenure of the Company's monetary funds used by others and the actual interest rates used.

(2) Detailed method of revenue recognition

The watches sold by the Company includes two types, one is the self-manufactured FIYTA watch, the sales of which is managed by branch offices and provincial-level sale sections by regions set up by Sales Company, a subsidiary of the Company. The other is brand watches, the sales of which are controlled by HARMONY Company, a subsidiary of the Company, and we act as agent Regarding to sales modes, a small portion of the sales of self-manufactured FIYTA watches is sold through direct sales to customer and consignment sales while most self-manufactured FIYTA watches and brand watches under agent are under two sales modes, namely exclusive shop and shop-in-shop. Detailed method of revenue recognition as follows:

①. Direct sales to the customers

Under direct sales to the customers mode, the Company delivers products to customers and recognizes sales income after customers check and accept.

②. Exclusive shop

Under exclusive shop mode, the Company delivers products to customers and recognizes sales income after customers check, accept and pay.

③. Shop-in-shop

Under shop-in-shop mode, the Company delivers products to customers, sales staff issues notes to retail customers and recognizes sales income after customers check and accept and department store collects the payment from the customers.

④. Consignment sales

Under consignment sales mode, the Company receives the detail of the sales list from consignee and recognizes revenue while issuing invoice to distributors.

29. Government subsidies

(1) Basis for judging asset related government grants and the accounting treatment method

Government subsidy refers to the monetary asset and non-monetary asset obtained free by the Company from the government, excluding the capital from the government as owner's contribution. Government subsidy consists of asset-related government subsidy and income-related government subsidy.

The government subsidy in form of monetary asset is measured based on the amount received or receivable. The government subsidy in form of non-monetary asset is measured based on fair value; or measured based on nominal amount if the fair value cannot be reliably obtained. The government subsidy measured based on nominal amount is directly counted to the current gains and losses.

Asset-related government subsidy is recognized as deferred income and is distributed and counted on averaged to the current gains and losses over the service life of the relevant assets.

In case there exists any balance of the related deferred income when the government subsidy as already recognized needs to be returned, the balance is used to write down the book balance of the relevant deferred income and the exceeded part is counted to the current gains and losses; in case there exists no related deferred income, it is counted directly to the current gains and losses.

(2) Basis for judging income related government subsidy and the accounting treatment method

The income-related government subsidy used for compensate the relevant expenses and losses in the subsequent period is recognized as deferred income and counted to the current gains and losses in the period of recognizing the relevant expenses.

In case there exists any balance of the related deferred income when the government subsidy as already recognized needs to be returned, the balance is used to write down the book balance of the relevant deferred income and the exceeded part is counted to the current gains and losses; in case there exists no related deferred income, it is counted directly to the current gains and losses.

30. Deferred tax assets and deferred tax liabilities

(1) Income tax in the reporting period

At the balance sheet date, the current income tax liabilities (or asset) formed in the reporting period and previous periods are measured based on the income tax amount predicted payable (or returnable) as calculated according to the tax law. The taxable income amount based on which the current income tax expense is calculated is worked out after the corresponding adjustment of the pretax accounting profit during the reporting period according to the relevant provisions of the tax law.

(2) Deferred income tax asset and deferred income tax liability

The balance between the book value of some assets and liability items and their tax base and the provisional difference arising from the balance between the book value of the items which have not been taken as asset and liability but may be determined as tax base according to the tax law are recognized as deferred income tax asset and deferred income tax liability by means of the debt method based on balance sheet.

The taxable provisional difference which is connected with the initial recognition of goodwill and the initial recognition of the asset or liability arising from the transaction which is neither enterprise consolidation nor influences the accounting profit and taxable income amount (or may be used to offset loss) at the time of incurrence are not recognized as relevant deferred income tax liability. In addition, as to the taxable provisional difference in connection with investment in the subsidiaries, associates and joint ventures, if the Company can control the time of reversal of the provisional difference while such provisional difference may be possibly unable to be reversed in the foreseeable future and the relevant deferred income tax liability shall not be recognized either. With the exception of the aforesaid situation, the Company recognizes the deferred income tax liability arising from other taxable provisional difference.

The offsetable provisional difference which is connected with the initial recognition of the asset or liability (or may be used to offset loss) arising from the transaction which is neither enterprise consolidation nor influences the accounting profit and taxable income amount is not recognized as the relevant deferred income tax asset. In addition the offsetable provisional difference in connection with investment in the subsidiaries, associates and joint ventures, in case such provisional difference may be possibly unable to be reversed in the foreseeable future, or it is not highly possible to obtain taxable income amount which can be used to offset the offsetable provincial difference in future, shall not be recognized as the relevant deferred income tax asset. With the exception of the aforesaid situation, the Company recognizes the deferred income tax asset arising from the other offsetable provisional difference only with the taxable income amount which may possibly be obtainable for offsetting the offsetable provisional difference.

For the offsetable loss and tax payment write-down which may be carried over to the future years, only the future taxable income amount which may be obtainable and used to offset the offsetable loss and write down the tax payment may be recognized as the corresponding deferred income tax asset.

At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled according to the tax law.

At the balance sheet date, the Company reviews the carrying amount of a deferred tax asset. If it is probable that sufficient taxable profits will not be available in future to allow the benefit of the deferred tax asset to be utilized, the carrying amount of the deferred tax asset is reduced. Any such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

(3) Income tax expense

Income tax expense includes the current income tax and deferred income tax.

Except that the current income tax and deferred income tax in connection with other comprehensive income or the transactions and matters which are directly stated in the shareholders' equity are counted to the other comprehensive

income or shareholder's equity and the deferred income tax arising from enterprise consolidation is used to adjusted the book value of goodwill, all the other current income tax and deferred income tax expenses or income are counted to the current gains and losses.

(4) Income Tax Offsetting

In case the Company has legal right to make netting and is desirous to make netting or obtain assets and settle liabilities at the same time, the Company may present the net amount after offsetting the current income tax liabilities with the current income tax assets.

In case the Company has legal right to settle the current income tax asset and current income tax liability in net while the deferred income tax asset and the deferred income tax liability are related to the income tax which is collected by the same tax collection and administration authority from the same tax payer or related to the different tax payer, but during the period in future when each significant deferred income tax asset and liability are reversed, the Company present the deferred income tax asset and deferred income tax liability in net after offsetting when it involves the tax payer's desire to settle the current income tax asset and liability or obtaining asset and satisfying liability in net

31. Lease

(1) Accounting process for operating lease

Financing lease is actually the lease in which all the risks and remuneration in connection with the ownership of the asset has been transferred and whose ownership may be either eventually transferred or possibly not transferred. Operating lease refers to the leases other than financing lease.

① The Company records the operational lease business as the tenant

Rental payment of operational lease is recorded in the relevant asset cost or current gain and loss based on the straight line method over various fiscal periods within the lease term. The initial direct expense is recorded in the current gain and loss. Contingent rental is recorded in the current gain and loss when it actually incurs.

② The Company records the operational lease business as the lessor

The rental income of the operational lease is recorded in the current gain and loss according to the straight line method in different periods within the lease term. The initial direct expense with bigger amount is capitalized at the time of incurrence and is recorded in the current gain and loss periodically according to the same base in recognizing the rental income during the lease term; other initial direct expense with smaller amount is recorded in the current gain and loss at the time of incurrence. Contingent rental is recorded in the current gain and loss when it actually incurs.

(2) Accounting treatment method for finance lease

① As lessor

At the beginning date of lease period, the Company will recognize the lower of the fair value of the lease asset at the beginning of the lease and the present value of the minimum amount of rent payment as the entry value of rent asset; takes the minimum rent payment as the entry value of long term account payable and its balance as the unrecognized financial charges. In addition, when the lease negotiation takes place in the same process of conclusion of lease contract, the initial direct expenses attributable to lease item are also counted to the value of rent asset. The balance of the minimum rent

payment amount less the unrecognized financial charges is respectively stated on the long term liabilities and the long term liabilities due within a year.

② As lessee

As at the beginning date of lease period, the Company takes the sum of the minimum amount of the rent collected at the beginning of the lease and the initial direct expense as the entry value of the finance lease receivable and at the same time records the unsecured residual value; the recognizes the balance of the sum of the minimum rent collection amount, initial direct expenses and unsecured residual value and the sum of its present value as the unrealized financing income. The balance between the receivable rent from finance lease less the unrealized revenue of financing is respectively presented in the long term claim and the long term claim due within a year.

The unrecognized financial charges are calculated by means of the actual interest rate method within the lease term and recognized as the current financial expenses. The contingent rental is counted to the current gains and losses at the time of actual incurrence.

32. Other important accounting policy and accounting estimate

In process of implementing the accounting policy, due to the internal indefinity of business activities, the Company needs to make judgment, estimation and assumption of the book value of the statement items which cannot be accurately measured. These judgment, estimation and assumption are based on the management's past experience with consideration of other relevant elements. These judgment, estimation and assumption may affect the reporting amount of revenues, expenses, assets and liabilities, as well as disclosure of the contingent liabilities as at the balance sheet day. However, the actual result resulted from the uncertainty of these estimates may result in difference with the present estimation made by the management so as to further lead to significant adjustment of the carrying amount of the assets or liabilities as affected in future.

The Company rechecks regularly the aforesaid judgment, estimation and assumption based on going concern. In case the change of accounting estimates only affect the change of the present, the amount affected is recognized in the very period of the change; in case the change not only affect the change of the present but also affect the change of the future, the amount affected is recognized in the very period as well as the future period.

As at the balance sheet day, the Company needs to make judgment, estimation and assumption of the items of the financial statements in the following important fields:

(1) Bad debt provision

The allowance method is adopted by the Company to account for losses on bad debts for receivables. Impairment of accounts receivable is made based on estimation of its recoverability, which requires the management to make judgments and estimates. The difference between the actual outcome and the estimates will have effects on the carrying amounts of accounts receivable and on provision or reversal of the provision for bad debts of the accounting period in which the estimates will be changed.

(2) Provision for price falling of inventories

In accordance with the inventory accounting policy, the Company provides reserve for price falling of inventories for the

inventories with the cost higher than the net realizable value, old-fashioned or unsalable and measured based on the lower of the cost and the net realizable value. Impairment of inventories to the net realizable value is based on assessment of the vendibility and net realizable value of the inventories. Identification of the impairment of an inventory acquires the management to acquire concrete evidence, take consideration of the purpose for holding inventories, influence of the events after the balance sheet day, etc. before making judgment and estimation. The difference between the actual result and previous estimation shall affect the book value of the inventories during the period of the estimation being changed and provision or reversal of the reserve for price falling of the inventories.

(3) Impairment of available-for-sale financial assets

That the Company determines whether available-for-sale financial assets experience impairment largely depends on the management's judgment and assumption so as to determine whether it is necessary to recognize the loss from impairment in the statement of profit. In process of making judgment and assumption, the Company needs to assess the level of the fair value of the investment lower than the cost and the duration as well as the investee's financial position and short term business expectation, including the status of the industry, technical innovation, credit rating, default rate and the counterpart's risks.

(4) Provision for impairment of long term assets

At the balance sheet date, the Company judges whether there are indicators of impairment for non-current assets other than financial assets. For an intangible asset with an indefinite useful life except for annually impairment test, an impairment test will be conducted if there are any indicators of impairment occur. For non-current assets other than financial assets, an impairment test shall be made if there are evidences indicating the carrying amounts cannot be recovered in full amount.

An asset or asset group is impaired when its carrying amount is higher than its recoverable amount (i.e. the higher of its fair value less the disposal expenses and the present value of the estimated future cash flows).

The net amount of fair value less the disposal expenses are determined with reference to the quoted price of similar assets in a sales agreement in an arm's length transaction or an observable market price less incremental costs directly attributable to disposal of the asset.

When estimating the present value of future cash flows, significant judgments are involved to the production output, selling price, relevant business costs of the asset (or asset group) and the discount rate adopted in calculating the present value. In estimating the recoverable amount, the Company will adopt all information available, such as forecasts for the production output, the selling price and relevant business costs, which are made according to reasonable and supportive assumptions.

The Company conducts impairment test to goodwill at least once a year. This requires estimating the present value of future cash flows of asset group or combination of asset group to which goodwill has been allocated.

In estimating the present value of future cash flows, the Company needs estimate future cash flows generated from the asset group or the combination of asset groups and choose appropriate discount rates.

(5) Depreciation and amortization

Taking the residual value into consideration, an investment property, fixed asset and intangible asset are depreciated or

amortized on a straight-line basis over its useful life. The Group reviews the useful life periodically to determine the amount of depreciation or amortization which shall be recognized in each accounting period. The useful life is determined according to historical experience of similar assets and technological renovation estimated. The amount of depreciation or amortization shall be adjusted in future accounting periods if there are material changes in estimates made before.

(6) Deferred income tax asset

A deferred tax asset shall be recognized for the unused deductible losses to the extent that it is probable that future taxable profit will be available against which the deductible losses can be utilized. Taking the taxation planning into consideration, the management of the Group is required to make significant amount of judgments to estimate the time and the amount of future taxable profit in order to determine the amount of deferred income tax assets to be recognized.

(7) Corporate income tax

For some transactions in the Group's ordinary course of business, uncertainties exist in their tax treatment and calculation. An approval from the tax authority is needed to determine whether an item is deductible before tax. If the final confirmation from the tax authority differs with the original estimation, the difference will have effects on the current income tax and deferred income tax of the period in which the final confirmation is made by the tax authority.

(8) Predicted liabilities

The Company makes estimation based on the clauses of contracts, knowledge and historical experience available, estimation of the predicted contract loss, default penalty of delayed delivery, etc. When such contingent matter has formed a current obligation while implementation of such current obligation may possibly cause the economic benefit to flow out of the Company, the Company recognizes the best estimated amount necessary to be paid out for the contingent matter which has formed a current obligation for implementation as the predicted liabilities. Recognition and measurement of the predicted liabilities largely depends on the management's judgment. In process of making judgment, the Company needs to assess such elements as risks, uncertainty and time value of money, etc. in connection with such contingencies.

Where, the Company may predict the liabilities on the undertaking for after-sale quality improvement of the goods to the customers on sales, repairing and improvement. However, the recent repairing experience may impossibly reflect the future repairing conditions. Any increase or decrease of this reserve may affect future years' gains and losses.

33. Changes in significant accounting policies and accounting estimates

(1) Change in significant accounting policies

Inapplicable

(2) Change in significant accounting estimates

Inapplicable

34. Miscellaneous

Inapplicable

VI. Taxation

1. Types of major taxes and tax rates

Type of taxes	Tax base	Tax rates
VAT	VAT is calculated and paid based on the balance of the output VAT as worked out based on 17% of the taxable revenues less the input VAT allowed to be offset in the very period.	17.00%
Consumption tax	For the high-grade watch at the price higher than CNY 10,000 (with CNY 10,000 inclusive) imported or produced, the consumption tax is calculated and payable.	20.00%
Urban maintenance and construction tax	The urban maintenance and construction tax is based on 7% of the turnover tax actually paid	7.00%
Corporate income tax	Taxable income amount	15.00%-30.00%
Real estate tax	1.2% of 70% of the cost of the property or 12% of the rental income	1.20%and12%

In case there exist taxpayers subject to different corporate income tax rates, disclose the conditions.

Taxpayers	Income tax rates
The Company (Notes①②⑤)	25.00%
HARMONY (Notes①⑤)	25.00%
Shenzhen FIYTA Sophisticated Timepieces Manufacture Co., Ltd. (the Manufacture Co.) (Notes②③)	15.00%
FIYTA Hong Kong (Note ④)	16.50%
Station 68 Ltd. (Notes④)	16.50%
World Watch International (Notes④)	16.50%
FIYTA Technology Development Co., Ltd. (the Technology Co.) (Notes②③)	15.00%
Shiyuehui Boutique (Shenzhen) Co., Ltd. (SHIYUEHUI, whose original company name was Shenzhen Xiangji Commerce Trade Co., Ltd.) (Notes⑤)	25.00%
Beijing Henglianda Watch Center Co., Ltd (Henglianda Company) (Notes⑤)	25.00%
Harbin Harmony World Watch Distribution Co., Ltd. (Harbin Company) (Notes⑤)	25.00%
Shenzhen Harmony Culture Communication Co., Ltd	10.00%

(Culture Company) (Notes⑦)	
Emile Choureit Timing (Shenzhen) Ltd. (Emile Choureit Shenzhen Company) (Notes⑤)	25.00%
FIYTA Sales Co., Ltd. (the Sales Co.) (Notes①⑤)	25.00%
Liaoning Hengdarui Commerce & Trade Co., Ltd. (Hengdarui) (Notes⑤)	25.00%
Switzerland Company (Notes⑥)	30.00%

2. Tax Preferences

(1) Enterprise Income Tax

Note ①: According to the regulations stated in GuoShuiFa (2008) No. 28, "Interim Administration Method for Levy of Corporate Income Tax to Enterprise that Operates Cross-regionally", the head office of the Company and its branch offices, the head office of HARMONY Company and its branch offices adopt tax submission method of "unified calculation, managing by classes, pre-paid in its registered place, settlement in total, and adjustment by finance authorities" starting from 1 January 2008. 50% is shared and prepaid by branches and 50% is prepaid by the headquarters.

Note ②: According to the Notice of Improving R & D Expense Pre-tax Weighted Deduction Policy (CAI SHUI (2015) No. 119 promulgated by the Science and Technology Department of State Administration of Taxation, the R & D expenses arising from development of new technology, new products and new process in the Company, the Manufacture Company and the Technology Company may enjoy 50% weighted deduction as the R & D expenses based on the specified deduction according to fact as long as they have not formed intangible assets and counted to the current gains and loss;

Note ③: The company enjoys the "income tax rate exclusion of high-tech enterprises key supported by the state".

Note ④: These companies are registered in Hong Kong and the income tax rate of Hong Kong applicable is 16.50% this year.

Note ⑤: According to the People's Republic of China Enterprise Income Tax Law, the income tax rate is 25% for residential enterprises since 1 January 2008.

Note ⑥: The tax rate of 30% is applicable for Swiss Company as it registered in Switzerland.

Note ⑦: According to the Circular on Further Extension of the Preferential Policy Scope of Corporate Income Tax to Small Meager Profit Enterprises (CAI SHUI (2015) No. 99) promulgated by the Ministry of Finance and State Administration of Taxation, the Culture Company counts 50% of its revenues to the taxable income amount and pays corporate income tax at the rate of 20%.

(2) Property tax

According to Article 2 of the Circular on Transmission of the Provisions on the Policy in Connection with the Property Tax and Urban Land Use Tax Promulgated by the State Administration of Taxation (SHEN DI SHUI FA [2003] No. 676: for the new properties newly constructed or purchased by taxpayers, the property tax may be exempted for three years commencing from the next month after completion of the construction or purchase. Our FIYTA Watch Building located at

Guangming New Zone of Shenzhen enjoys exemption from the property tax for three years commencing from the next month of completion of the construction in September 2016.

3. Miscellaneous

Inapplicable

VII. Notes to items of consolidated financial statements

1. Monetary capital

In CNY

Items	Ending balance	Opening balance
Cash in stock	627,500.28	478,898.11
Bank deposit	383,015,982.73	426,743,336.84
Other Monetary Funds	1,580,520.86	1,580,520.86
Total	385,224,003.87	428,802,755.81
Where: total amount deposited overseas	16,963,686.66	18,354,710.70

Other note:

Note: Of the other monetary fund, CNY 1,575,000.00 (December 31, 2016: CNY 1,575,000.00) was the marginal deposit for security for the Company's application to the bank for issuing unconditional and irrevocable Letter of Guarantee

2. Financial assets measured based on fair value and its movements counted to the current gain or loss

Inapplicable

3. Derivative financial assets

Inapplicable

4. Notes receivable

(1) Presentation of classification of notes receivable

In CNY

Items	Ending balance	Opening balance
Bank acceptance	415,271.13	854,616.60
Trade acceptance	11,563,514.48	6,807,939.68
Total	11,978,785.61	7,662,556.28

(2) Notes receivable already pledged by the Company at the end of the reporting period

Inapplicable

(3) Endorsed or discounted notes receivable at the end of the reporting period, but not yet due on the balance sheet date

Inapplicable

(4) Notes transferred to receivables due to issuer's default at the end of the reporting period

Inapplicable

5. Accounts receivable**(1) Accounts receivables disclosed by types**

In CNY

Categories	Ending balance					Opening balance				
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		Book value
	Amount	Proportion	Amount	Provision proportion		Amount	Proportion	Amount	Provision proportion	
Accounts receivable with significant single amount and provision of bad debt reserve on individual basis	4,261,800.00	1.29%	4,261,800.00	100.00%	0.00	8,962,179.22	2.77%	8,962,179.22	100.00%	0.00
Receivables for which provision for bad debts have been recognized based on the portfolio	324,472,820.58	98.55%	9,349,322.73	2.78%	315,123,497.85	314,212,795.04	97.04%	7,541,773.35	2.40%	306,671,021.69
Accounts receivable with insignificant single amount and provision of bad	528,626.39	0.16%	528,626.39	100.00%	0.00	604,140.59	0.19%	604,140.59	100.00%	0.00

debt reserve on individual basis										
Total	329,263,246.97	100.00%	14,139,749.12	4.20%	315,123,497.85	323,779,114.85	100.00%	17,108,093.16	5.28%	306,671,021.69

Accounts receivable with significant single amount and provision of bad debt reserve on individual basis at the end of the reporting period

In CNY

Accounts receivable (based on units)	Ending balance			
	Accounts receivable	Provision for bad debt	Provision proportion	Provision reason
Centuryginwa Xinjiang Times Plaza Shopping Center Co., Ltd.	2,605,000.00	2,605,000.00	100.00%	The shopping mall failed to operate properly and it is almost impossible to recover the payments for goods
Xi'an Centuryginwa Qujiang Shopping Center Co., Ltd.	1,656,800.00	1,656,800.00	100.00%	The shopping mall failed to operate properly and it is almost impossible to recover the payments for goods
Total	4,261,800.00	4,261,800.00	--	--

In the combination, the accounts receivable for which the bad debt reserve is provided based on the age analysis:

In CNY

Age	Ending balance		
	Accounts receivable	Provision for bad debt	Provision proportion
Itemized based on those within 1 year			
Sub-total within 1 year	143,425,319.06	8,540,801.09	5.95%
1 to 2 years	2,106,212.80	210,621.28	10.00%
2 to 3 years	88,690.82	26,607.25	30.00%
Over 3 years	1,142,586.23	571,293.12	50.00%
Total	146,762,808.91	9,349,322.73	6.15%

Note to the basis for determining the combination:

In the combination, the account receivable for which reserve for bad debt is provided based on balance percentage:

Inapplicable

In the combination, the accounts receivable for which the bad debt reserve is provided based on the other method:

Name of portfolio	Ending Balance
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	Accounts receivable	Provision for bad debt	Provision proportion %
Portfolio of specific accounts	177,710,011.67	-	-

Note: Based on historical experience, the Company's receivables due from petty cash paid to employees, receivables due from subsidiaries of the Company and accounts receivable for the sales between the last settlement date of the same department store and the balance sheet date are with high recoverability and low possibility of incurring bad debt, as a result, no bad debt provisions are provided for such receivables.

(2) Bad debt provision accrual, received or reversed in the reporting period

During the reporting period, the Company provided reserve for bad debt amounting to CNY 184,032.75; the reserve for bad debt recovered or reversed during the reporting period amounted to CNY 0.00.

Where the significant amount of the reserve for bad debt recovered or reversed:

Inapplicable

(3) Accounts receivable actually written off in current period

In CNY

Items	Amount written-off
Accounts receivable actually cancelled after verification	3,152,376.79

Of them, the significant accounts receivable were cancelled after verification:

In CNY

Company name	Type of Accounts Receivable	Amount written-off	Reason of writing off	Procedures for implementing cancellation after verification	Was the amount resulted from related transaction
Taiyuan Guidu Department Store Co., Ltd.	Payment for goods	3,152,376.79	Unrecoverable	Resolution of the Board of Directors	No
Total	--	3,152,376.79	--	--	--

Notes to cancellation of accounts receivable:

The account receivable cancelled after verification in the reporting period amounting to CNY 3,152,376.79 was the claims formed in sales of goods with age exceeding three years. The Company provided reserve for bad debt in full for the said account receivable in July, 2016 which shall not affect the current gains and losses. The said cancellation after verification was reviewed and approved at the 16th session of the Eighth Board of Directors. For the detail, refer to the Announcement of Fiyta Holdings Ltd. on Cancellation after Verification of the Bad Debt Owed by Beijing Henglianda Watch Co., Ltd. (Announcement No. 2017-025).

(4) Accounts receivable due from the top five debtors of the Group are as follows:

Total accounts receivable due from the top five debtors of the Company in the current period is CNY31,739,073.98,

accounting for 9.64% of the total accounts receivable as at the end of the current period and the total provision for bad and doubtful debts made as at the end of the current period is CNY1,586,953.70.

(5) Accounts receivable terminated for recognition due to transfer of financial assets

Inapplicable

(6) Amount of assets, liabilities formed by transfer of accounts receivable and continuing to be involved

Inapplicable

6. Advance payments

(1) Advance payments are presented based on ages

In CNY

Age	Ending balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within a year	24,367,979.09	85.28%	24,129,365.63	71.58%
1 to 2 years	4,207,062.34	14.72%	2,634,183.83	7.81%
2 to 3 years			62,500.00	0.19%
Over 3 years			6,883,607.27	20.42%
Total	28,575,041.43	--	33,709,656.73	--

Note to the failure in timely settlement of the advance payment with significant amount with age exceeding 1 year:

During the reporting period, partial advance payment amounting to CNY 6,268,942.84 has been carried to the bade debt for accounts receivable as it has become unrecoverable.

(2) Advance payment to the top five payees of the ending balance collected based on the payees of the advance payment

The total amount of advance payment to the top five payees of the ending balance collected based on the payees of the advance payment was CNY 20,604,214.66, taking 72.11% of the toal ending balance of the advance payment.

Other notes:

Inapplicable

7. Interest receivable**(1) Classification**

Inapplicable

(2) Significant overdue interest

Inapplicable

8. Dividends receivable**(1) Dividends receivable**

Inapplicable

(2) Significant dividends receivable with age exceeding 1 year

Inapplicable

9. Other receivables**(1) Disclosure of classification of other receivables**

In CNY

Categories	Ending balance					Opening balance				
	Book Balance		Provision for bad debt		Book value	Book Balance		Provision for bad debt		Book value
	Amount	Proportion	Amount	Provision proportion		Amount	Proportion	Amount	Provision proportion	
Other receivables with significant single amount and provision of bad debt reserve on individual basis	800,000.00	1.79%	800,000.00	100.00%	0.00	1,519,703.69	4.10%	1,519,703.69	100.00%	0.00
Other receivables for which bad debt reserve has been provided based on the portfolio	43,704,052.35	97.94%	2,058,024.69	5.47%	41,646,027.66	35,437,104.25	95.58%	2,044,086.97	5.77%	33,393,017.28

Other receivables with insignificant single amount and provision of bad debt reserve on individual basis	120,000.00	0.27%	120,000.00	100.00%	0.00	120,000.00	0.32%	120,000.00	100.00%	0.00
Total	44,624,052.35	100.00%	2,978,024.69	6.67%	41,646,027.66	37,076,807.94	100.00%	3,683,790.66	9.94%	33,393,017.28

Other receivables with significant single amount and provision of bad debt reserve on individual basis at the end of the reporting period

in CNY

Other receivables (based on organizations)	Ending balance			
	Other receivables	Provision for bad debt	Provision proportion	Provision reason
Deposit of China Resources (Chongqing) Industrial Co., Ltd.	800,000.00	800,000.00	100.00%	Due poor operation of the shopping mall, it is almost impossible to get recovered
Total	800,000.00	800,000.00	--	--

In the combination, other receivables for which the bad debt reserve is provided based on the age analysis:

In CNY

Age	Ending balance		
	Other receivables	Provision for bad debt	Provision proportion
Itemized based on those within 1 year			
Sub-total within 1 year	27,935,994.15	1,074,389.35	3.85%
1 to 2 years	9,655,853.46	965,585.34	10.00%
2 to 3 years	100.00	30.00	30.00%
Over 3 years	36,040.00	18,020.00	50.00%
Total	37,627,987.61	2,380,435.05	6.33%

Note to the basis for determining the combination:

In the combination, other account receivable for which reserve for bad debt is provided based on balance percentage:

Inapplicable

In the combination, other receivable for which the bad debt reserve is provided based on other method:

Name of portfolio	Ending Balance		
	Accounts receivable	Provision for bad debt	Provision proportion %
Portfolio of specific accounts	6,076,064.74	-	-

Note: Based on historical experience, the Group's receivables due from petty cash paid to employees, receivables due from subsidiaries of the Company and accounts receivable for the sales between the last settlement date of the same department store and the balance sheet date are with high recoverability and low possibility of incurring bad debt, as a result, no bad debt provisions are provided for such receivables.

(2) Bad debt provision accrual, received or reversed in current period

The reserve for bad debt provided in the reporting period amounted to CNY 13,937.72; and reserve for bad debt recovered or reversed in the reporting period amounted to CNY 0.00.

Of which, the significant amount of the reserve for bad debt reversed or recovered:

Inapplicable

(3) Accounts receivable actually written off in current period

in CNY

Items	Amount written-off
Other receivables actually cancelled after verification	719,703.69

Of them, the significant other receivables were cancelled after verification:

in CNY

Company name	Type of Other Receivables	Amount written-off	Reason of writing off	Procedures for implementing cancellation after verification	Was the amount resulted from related transaction
Taiyuan Guidu Department Store Co., Ltd.	Deposit in security	719,703.69	Unrecoverable	Resolution of the Board of Directors	No
Total	--	719,703.69	--	--	--

Note to cancellation after verification of other receivables:

Other receivables actually cancelled after verification in the reporting period totaling CNY719,703.69 was the creditor's rights formed from sales of commodities and deposits with age exceeding three years. The Company provided reserve for bad debt in full for that part of receivables which would not affect the current gains and losses. The said cancellation after verification was reviewed and approved at the 16th session of the Eighth Board of Directors. For the detail, refer to the Announcement of Fiyta Holdings Ltd. on Cancellation after Verification of the Bad Debt Owed by Beijing Henglianda Watch Co., Ltd. (Announcement No. 2017-025).

(4) Classification of other receivables based on nature of payment

in CNY

Nature of Payment	Ending book balance	Opening book balance
Reserve	6,076,064.74	4,690,748.62
Deposit in security	26,727,850.41	27,042,008.03
Commodity promotion fee	10,357,265.41	4,351,561.26

Others	1,462,871.79	992,490.03
Total	44,624,052.35	37,076,807.94

(5) Other receivables owed by the top five owers based on the ending balance

in CNY

Company name	Nature of Payment	Ending balance	Age	Proportion in total ending balance of other receivables	Ending balance of the provision for bad debts
China Resources (Shenzhen) Co., Ltd	Deposit in security	2,824,954.00	within 1 year	6.33%	141,247.70
Shanghai Baishi Watch Co., Ltd.	Promotion expenses	2,548,555.56	within 1 year	5.71%	127,427.78
CHINA RESOURCES SUN HUNG KAI PROPERTIES (HANGZHOU) LIMITED	Deposit in security	1,497,003.00	within 1 year	3.35%	74,850.15
Shenzhen Yitian Holiday Plaza Co., Ltd.	Deposit in security	1,090,523.00	within 1 year	2.44%	54,526.15
Ernest Borel (Far East) Co., Ltd.	Promotion expenses	900,000.00	within 1 year	2.02%	45,000.00
Total	--	8,861,035.56	--	19.86%	443,051.78

(6) Accounts receivable involving government subsidy

Inapplicable

(7) Other receivables with recognition terminated due to transfer of financial assets

Inapplicable

(8) Amount of assets and liabilities formed through transfer of other receivables and continuing to be involved

Inapplicable

10. Inventories

Does the Company need to comply with the requirements for disclosure on real estate industry

No

(1) Classification of inventories

in CNY

Items	Ending balance			Opening balance		
	Book Balance	Provision for price falling	Book value	Book Balance	Provision for price falling	Book value
Raw materials	177,775,591.72	6,162,480.01	171,613,111.71	179,751,190.75	6,162,480.01	173,588,710.74
Products in process	15,938,691.55	0.00	15,938,691.55	15,344,697.28	0.00	15,344,697.28
Commodities in stock	1,757,992,735.63	47,848,935.16	1,710,143,800.47	1,849,702,719.52	41,538,935.16	1,808,163,784.36
Total	1,951,707,018.90	54,011,415.17	1,897,695,603.73	2,044,798,607.55	47,701,415.17	1,997,097,192.38

Does the Company need to comply with the requirements on disclosure according to the Guidance of Shenzhen Stock Exchange on Disclosure of Information of the Industry Engaged in No. 4 - Listed Companies Engaged in Seed Industry, Cultivation

No.

(2) Reserve for Price Falling of Inventories

In CNY

Items	Opening balance	Increase in the reporting period		Decrease in the reporting period		Ending balance
		Provision Proportion	Others	Reversal or Offset	Others	
Raw materials	6,162,480.01	0.00	0.00	0.00	0.00	6,162,480.01
Products in process	0.00	0.00	0.00	0.00	0.00	0.00
Commodities in stock	41,538,935.16	6,310,000.00	0.00	0.00	0.00	47,848,935.16
Total	47,701,415.17	6,310,000.00	0.00	0.00	0.00	54,011,415.17

(3) Note to the amount of capitalized borrowing costs involved in the ending balance of inventories

Inapplicable

(4) Assets already completed but not yet settled formed in the construction contract at the end of the reporting period

Inapplicable

11. Classified as held-for-sale assets

Inapplicable

12. Non-current assets due within a year

Inapplicable

13. Other current assets

in CNY

Items	Ending balance	Opening balance
Input VAT to be offset	13,144,087.60	15,379,195.44
Rent	1,218,166.99	3,088,189.21
Income tax paid in advance	786,149.95	1,400,591.12
Others	1,484,461.72	476,556.32
Total	16,632,866.26	20,344,532.09

14. Available-for-sale financial assets**(1) About available-for-sale financial assets**

in CNY

Items	Ending balance			Opening balance		
	Book Balance	Impairment reserve	Book value	Book Balance	Impairment reserve	Book value
Available-for-sale equity instrument	385,000.00	300,000.00	85,000.00	385,000.00	300,000.00	85,000.00
Measured based on cost	385,000.00	300,000.00	85,000.00	385,000.00	300,000.00	85,000.00
Total	385,000.00	300,000.00	85,000.00	385,000.00	300,000.00	85,000.00

(2) Available-for-sale financial assets measured based on fair value at the end of the reporting period

Inapplicable

(3) Available-for-sale financial assets measured based on costs at the end of the reporting period

in CNY

Investees	Book Balance				Impairment reserve				Holding proportion of the shares in the investees	Cash dividend in the reporting period
	Beginning of the reporting period	Increase in the reporting period	Decrease in the reporting period	End of the reporting period	Beginning of the reporting period	Increase in the reporting period	Decrease in the reporting period	End of the reporting period		
Shenzhen CATIC Culture Communication Co., Ltd.	300,000.00	0.00	0.00	300,000.00	300,000.00	0.00	0.00	300,000.00	15.00%	0.00
Xi'an Tangcheng Co., Ltd.	85,000.00	0.00	0.00	85,000.00	0.00	0.00	0.00	0.00	0.10%	0.00
Total	385,000.00	0.00	0.00	385,000.00	300,000.00	0.00	0.00	300,000.00	--	0.00

(4) Change in impairment of available-for-sale financial assets

in CNY

Classification of available-for-sale financial assets	Available-for-sale equity instrument	Available-for-sale liability instrument	Total
Balance with provision for impairment recognized at the beginning of the reporting period	300,000.00		300,000.00
Provision in the reporting period	0.00		0.00
Where: transfer-in from other comprehensive income	0.00		0.00
Decrease in the reporting period	0.00		0.00
Where: reversal of rise of the post fair value	0.00		0.00
Balance with provision for impairment	300,000.00		300,000.00

recognized at the end of the reporting period				
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(5) Note to serious falling or non-provisional falling of the fair value of available-for-sale equity instruments without provision for impairment provided

Inapplicable

15. Held-to-maturity investments

(1) About held-to-maturity investments

Inapplicable

(2) Significant held-to-maturity investments at the end of the reporting period

Inapplicable

(3) Reclassification of the held-to-maturity investments in the reporting period

Inapplicable

16. Long term accounts receivable

(1) About long term accounts receivable

Inapplicable

(2) Long term accounts receivable recognized due to termination of the transfer of financial assets

Inapplicable

(3) Transfer of long term accounts receivable while continuing to be involved in the amount of the formed assets and liabilities

Inapplicable

17. Long term equity investment

in CNY

Investee	Opening	Increase/ Decrease (+ / -) in the reporting period	Ending	Ending
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Items	balance	Addition al investme nt	Decrease of investme nt	Income from equity investme nt recogniz ed under equity method	Other compreh ensive income adjustme nt	Other equity moveme nt	Announ ced for distributi ng cash dividend or profit	Provision for impairme nt	Others	balance	balance of the provision for impairme nt
I. Joint Venture											
II. Associates											
Shanghai Watch Industry Co., Ltd. (Shanghai Watch Industry)	43,423,624.87	0.00	0.00	188,871.89	0.00	0.00	0.00	0.00	0.00	43,612,496.76	0.00
Sub-total	43,423,624.87	0.00	0.00	188,871.89	0.00	0.00	0.00	0.00	0.00	43,612,496.76	0.00
Total	43,423,624.87	0.00	0.00	188,871.89	0.00	0.00	0.00	0.00	0.00	43,612,496.76	0.00

18. Investment property

(1) Investment property measured based on the cost method

in CNY

Items	Plant and buildings	Land use right	Construction-in-process	Total
I. Original book value				
1. Opening balance	378,528,070.44			378,528,070.44
2. Increase in the reporting period	46,824,364.64			46,824,364.64
(1) Purchased				
(2) Inventories/fixed assets/construction-in-process transferred in	46,824,364.64			46,824,364.64

(3) Increase of enterprise consolidation				
3. Amount decreased in the reporting period				
(1) Disposal				
(2) Other transfer out				
4. Ending balance	425,352,435.08			425,352,435.08
II. Accumulative depreciation and accumulative amortization				
1. Opening balance	134,325,435.35			134,325,435.35
2. Increase in the reporting period	6,098,045.51			6,098,045.51
(1) Provision or amortization	5,780,308.75			5,780,308.75
(2) Transferred in to the fixed asset	317,736.76			317,736.76
3. Amount decreased in the reporting period				
(1) Disposal				
(2) Other transfer-out				
4. Ending balance	140,423,480.86			140,423,480.86
III. Provision for impairment				
1. Opening balance				
2. Increased amount in the reporting				

period				
(1) Provision				
3. Decreased amount in the reporting period				
(1) Disposal				
(2) Other transfer-out				
4. Ending balance				
IV. Book value				
1. Book value at the end of the reporting period	284,928,954.22			284,928,954.22
2. Book value at the beginning of the reporting period	244,202,635.09			244,202,635.09

(2) Investment property measured based on fair value

Inapplicable

(3) Investment property that does not have certificate for property right

In CNY

Items	Book value	Cause of failure to get the property title certificate
FIYTA Watch Building	46,824,364.64	Still in process of application for approval

(4) About transform of real estate

On January 1, 2017, partial site of the Company's FIYTA Watch Building was used for lease. The fixed asset was specially used for investment based real estate and measured based on the cost model. Its book value as at the transform date was CNY 46,506,627.88.

19. Fixed assets

(1) About fixed assets

In CNY

Items	Housing and buildings	Machines & equipment	Motor vehicles	Electronic equipment	Others	Total
I. Original book value						
1. Opening balance	622,444,195.92	79,231,401.95	17,131,588.93	37,755,352.56	42,121,192.56	798,683,731.92
2. Increase in the reporting period	1,423,622.54	2,176,846.91	197,225.73	3,542,252.91	1,439,965.89	8,779,913.98
(1)Purchase	1,423,622.54	2,176,846.91	197,225.73	3,542,252.91	1,439,965.89	8,779,913.98
(2) Transfer-in from the construction-in-process						
(3) Increase of the consolidated enterprises						
3. Amount decreased in the reporting period	46,824,364.64			66,037.37	248,822.81	47,139,224.82
(1) Disposal or scrapping				66,037.37	248,822.81	314,860.18
(2) Trnsferred into investment purpose real estate	46,824,364.64					46,824,364.64
4. Ending balance	577,043,453.82	81,408,248.86	17,328,814.66	41,231,568.10	43,312,335.64	760,324,421.08
II. Accumulative depreciation						
1. Opening balance	76,742,549.44	38,603,768.41	13,470,063.57	23,293,523.09	35,369,658.38	187,479,562.89
2. Increase in the reporting	9,225,044.53	2,990,135.56	572,668.96	2,124,926.92	1,243,908.63	16,156,684.60

period						
(1) Provision	9,225,044.53	2,990,135.56	572,668.96	2,124,926.92	1,243,908.63	16,156,684.60
3. Amount decreased in the reporting period	317,736.76			49,277.59	231,255.98	598,270.33
(1) Disposal or scrapping				49,277.59	231,255.98	280,533.57
(2) Trnasferred into investment purpose real estate	317,736.76					317,736.76
4. Ending balance	85,649,857.21	41,593,903.97	14,042,732.53	25,369,172.42	36,382,311.03	203,037,977.16
III. Provision for impairment						
1. Opening balance						
2. Increase in the reporting period						
(1) Provision						
3. Amount decreased in the reporting period						
(1) Disposal or scrapping						
4. Ending balance						
IV. Book value						
1. Book value at the end of the period	491,393,596.61	39,814,344.89	3,286,082.13	15,862,395.68	6,930,024.61	557,286,443.92
2. Book value at the	545,701,646.48	40,627,633.54	3,661,525.36	14,461,829.47	6,751,534.18	611,204,169.03

beginning of the period						
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(2) About temporarily idle fixed assets

Inapplicable

(3) Fixed assets rented through finance lease

Inapplicable

(4) Fixed assets leased through operating lease

Inapplicable

(5) Fixed assets that do not have certificate for property right

In CNY

Items	Book value	Cause of failure to get the property title certificate
FIYTA Watch Building	252,059,696.58	Still in process of application for approval
Office building of Harbin Office	295,398.29	There exists defect in the property right

20. Construction in progress**(1) About construction in progress**

In CNY

Items	Ending balance			Opening balance		
	Book Balance	Impairment reserve	Book value	Book Balance	Impairment reserve	Book value
FIYTA Watch Building design, construction and supporting construction project	1,404,130.16		1,404,130.16	0.00		0.00
Total	1,404,130.16		1,404,130.16	0.00		0.00

(2) Movements of important construction-in-progress projects in the reporting period

In CNY

Item	Budget	Opening balance	Increase in the reporting period	Transferred into the fixed assets in the current period	Other decreases in the reporting year	Ending balance	Proportion of the project put into application in the budget	Project progress	Accumulative amount involved in interest capitalization	Including: amount of the capitalized interest in the report period	Interest capitalization rate in the report period	Fund source
FIYTA Watch Building design, construction and supporting construction project	34,050,900.00	0.00	1,404,130.16	0.00	0.00	1,404,130.16	4.12%	4.12%	0.00	0.00	0.00%	其他
Total	34,050,900.00	0.00	1,404,130.16	0.00	0.00	1,404,130.16	--	--	0.00	0.00	0.00%	--

(3) Provision for impairment of construction in progress in the current period

The 13th session of the Eighth Board of Directors held on March 8, 2017 reviewed and approved the Proposal on Investment for the Construction of FIYTA Watch R & D Center. The additional investment for the Construction of FIYTA Watch R & D Center amounted to CNY 34.0509 million. The additional investment was mainly due to construction of the design and construction project and the supporting project based on the construction of the principal engineering works of FIYTA Watch R & D Center, including decoration and supporting construction of the plant, technology center, restaurant for employees, museum and training base, etc.

21. Engineering materials

Inapplicable

22. Disposal of fixed assets

Inapplicable

23. Productive biological asset**(1) Productive biological asset by using the cost measurement model**

Inapplicable

(2) Productive biological asset by using the fair value measurement model

Inapplicable

24. Oil and gas assets

Inapplicable

24. Oil and gas assets

Inapplicable

25. Intangible assets**(1) About the intangible assets**

In CNY

Items	Land use right	Patent Right	Non-patent technology	Software system	Trademark use right	Total
I. Original book value						
1. Opening balance	34,854,239.40			10,979,897.53	9,547,313.86	55,381,450.79
2. Increase in the reporting period				2,485,823.89	0.00	2,718,823.89
(1)Purchase				2,485,823.89	0.00	2,718,823.89
(2) Internal R & D						
(3) Increase of enterprise consolidation						
3. Amount decreased in						

the reporting period						
(1) Disposal						
4. Ending balance	34,854,239.40			13,465,721.42	9,547,313.86	57,867,274.68
II. Accumulative amortization						
1. Opening balance	9,155,436.95			4,240,698.21	3,233,412.21	16,629,547.37
2. Increase in the reporting period	365,863.65			989,710.67	5,660.02	1,361,234.34
(1) Provision	365,863.65			989,710.67	5,660.02	1,361,234.34
3. Amount decreased in the reporting period						
(1) Disposal						
4. Ending balance	9,521,300.60			5,230,408.88	3,239,072.23	17,990,781.71
III. Provision for impairment						
1. Opening balance						
2. Increase in the reporting period						
(1) Provision						
3. Amount decreased in the reporting period						
(1) Disposal						

4. Ending balance						
IV. Book value						
1. Book value at the end of the period	25,332,938.80			8,235,312.54	6,308,241.63	39,876,492.97
2. Book value at the beginning of the period	25,698,802.45			6,739,199.32	6,313,901.65	38,751,903.42

The proportion of intangible assets formed not through the Company's internal research and development in the balance of intangible assets was 0.00%.

(2) About the land use right that does not have certificate of title

Inapplicable

26. Development expenditure

Inapplicable

27. Goodwill

Inapplicable

28. Long-term expenses to be apportioned

In CNY

Items	Opening balance	Increase in the reporting period	Amount amortized in the reporting period	Other decrease	Ending balance
Charge of fabrication of special counters	62,548,707.72	19,219,314.57	30,841,152.70		50,926,869.59
Refurbishment expenses	62,351,629.48	12,973,707.59	18,907,880.66		56,417,456.41
Market promotion	8,115,378.72	0.00	4,057,689.36		4,057,689.36
Others	672,687.96	229,958.55	258,709.86		643,936.65
Total	133,688,403.88	32,422,980.71	54,065,432.58		112,045,952.01

29. Deferred Income Tax Asset and Deferred Income Tax Liability**(1) Deferred income tax asset without offsetting**

In CNY

Items	Ending balance		Opening balance	
	Offsetable provisional difference	Deferred income tax asset	Offsetable provisional difference	Deferred income tax asset
Provision for impairment of assets	71,129,188.98	17,074,127.58	68,493,298.99	16,426,482.25
Unrealized profit from the intracompany transactions	293,883,585.27	72,537,180.96	310,726,076.51	76,489,979.97
Offsetable loss	11,003,336.29	2,396,053.03	3,253,698.63	768,113.04
Deferred income	7,280,000.00	1,820,000.00	5,980,000.00	1,495,000.00
Total	383,296,110.54	93,827,361.57	388,453,074.13	95,179,575.26

(2) Deferred income tax liabilities without offsetting

Inapplicable

(3) Deferred income tax asset or liabilities stated with net amount after offsetting

Inapplicable

(4) Statement of deferred income tax asset not recognized

In CNY

Items	Ending balance	Opening balance
Offsetable provisional difference	6,568,942.84	300,000.00
Offsetable loss	29,429,359.59	22,867,656.64
Total	35,998,302.43	23,167,656.64

(5) Unrecognized deferred income tax asset available for offsetting loss is going to expire in the following years

Inapplicable

30. Other non-current assets

In CNY

Items	Ending balance	Opening balance
Advance payment for equipment	10,622,382.13	9,432,329.88

Prepayment for accessories	1,166,762.93	1,249,189.03
Prepayment for engineering service	1,410,394.92	0.00
Prepayment for refurbishment	1,848,667.80	0.00
Total	15,048,207.78	10,681,518.91

31. Short-term loans

(1) Classification of short-term loans

In CNY

Items	Ending balance	Opening balance
Secured borrowings	196,078,240.00	260,438,070.00
Credit borrowing	723,000,000.00	838,000,000.00
Total	919,078,240.00	1,098,438,070.00

(2) Short-term loans overdue but still remaining outstanding

Inapplicable

32. Financial liabilities measured based on fair value and the movements counted to the current gain or loss

Inapplicable

33. Derivative financial liabilities

Inapplicable

34. Notes payable

Inapplicable

35. Accounts payable

(1) Statement of accounts payable

In CNY

Items	Ending balance	Opening balance
Payment for goods	128,494,137.20	129,889,611.01
Payment for materials	6,426,451.44	7,706,304.10
Engineering payment	64,567,679.63	77,826,174.63

Total	199,488,268.27	215,422,089.74
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(2) Significant accounts payable with age exceeding 1 year

Inapplicable

36. Advances from customers**(1) Statement of advances from customers**

In CNY

Items	Ending balance	Opening balance
Advances on sales	7,911,924.00	10,691,615.06
Rent received in advance	963,873.18	3,211,088.84
Total	8,875,797.18	13,902,703.90

(2) Significant advances from customers with age exceeding 1 year

Inapplicable

(3) Unfinished projects formed in the construction contracts but already settled at the end of the reporting period

Inapplicable

37. Employee remuneration payable**(1) Statement of employee remuneration payable**

In CNY

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance
I. Short term remuneration	45,026,789.38	230,897,835.48	247,788,403.22	28,136,221.64
II. Benefit upon retirement - defined contribution plan	227,796.31	18,093,206.08	18,217,876.99	103,125.40
III. Dismissal welfare	0.00	559,856.24	559,856.24	0.00
IV. Other welfare due within a year	0.00	0.00	0.00	0.00
Total	45,254,585.69	249,550,897.80	266,566,136.45	28,239,347.04

(2) Presentation of short term remuneration

In CNY

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance
1. Salaries, bonus, allowances and subsidies	44,751,046.97	207,768,312.73	224,697,251.29	27,822,108.41
2. Staff's welfare	0.00	4,846,738.80	4,813,638.80	33,100.00
3. Social security premium	0.00	8,018,969.30	8,018,969.30	0.00
Including: medical insurance premium	0.00	7,015,124.32	7,015,124.32	0.00
Work injury <i>insurance</i>	0.00	489,804.10	489,804.10	0.00
Maternity <i>Insurance</i>	0.00	514,040.88	514,040.88	0.00
4. Public reserve for housing	0.00	8,045,046.65	8,045,046.65	0.00
5. Trade union fund and staff education fund	275,742.41	2,218,768.00	2,213,497.18	281,013.23
Total	45,026,789.38	230,897,835.48	247,788,403.22	28,136,221.64

(3) Presentation of the defined contribution plan

In CNY

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance
1. Basic endowment insurance premium	894.51	17,461,141.28	17,358,910.39	103,125.40
2. Unemployment insurance premium	0.00	632,064.80	632,064.80	0.00
3. Contribution to the enterprise annuity scheme	226,901.80	0.00	226,901.80	0.00
Total	227,796.31	18,093,206.08	18,217,876.99	103,125.40

38. Taxes payable

in CNY

Items	Ending balance	Opening balance
Value-added tax	35,777,425.54	41,019,759.02
Enterprise income tax	21,133,605.15	6,184,718.37
Individual income tax	947,419.37	726,368.87
Urban maintenance and construction tax	849,460.13	880,194.85
Real estate tax	887,385.72	894,213.22
Education Surcharge	585,341.58	591,797.48
Stamp duty	246,531.64	239,875.22
Dyke protection surcharge	3,246.79	3,941.39
Others	209,038.28	404,420.89
Total	60,639,454.20	50,945,289.31

39. Interest payable

In CNY

Items	Ending balance	Opening balance
Long term loan interest with interest payment in installment and principal repayment upon maturity	144,866.16	174,676.15
Interest payable for short term loan	1,945,205.55	2,301,293.50
Total	2,090,071.71	2,475,969.65

40. Dividend payable

Inapplicable

41. Other payables**(1) Other payments stated based on nature of fund**

In CNY

Items	Ending balance	Opening balance
Collateral and Deposit	20,918,087.29	20,066,595.17
Refurbishment	2,693,544.86	2,395,059.63
Down payment	1,881,571.69	1,660,730.93

Fund for shop-front activities	30,759,055.11	16,725,720.47
Personal account payable	1,497,591.58	2,474,103.56
Others	6,561,329.39	10,410,871.23
Total	64,311,179.92	53,733,080.99

(2) Other payables in significant amount and with aging over 1 year

in CNY

Items	Ending balance	Cause of failure in repayment or carry-over
Shenzhen Tencent Computer System Co., Ltd .	4,693,429.16	Still in the lease term
Oracle Research & Development Center(Shenzhen) Co.,Ltd	811,590.00	Still in the lease term
Rainforest Restaurant Nanshan District, Shenzhen	791,320.00	Still in the lease term
Total	6,296,339.16	--

42. Liabilities classified as held-for-sale liabilities

Inapplicable

43. Non-current liabilities due within one year

in CNY

Items	Ending balance	Opening balance
Long-term liabilities due within one year	21,500,000.00	26,117,387.52
Total	21,500,000.00	26,117,387.52

44. Other current liabilities

in CNY

Items	Ending balance	Opening balance
Accrued expenses	10,776,626.25	2,379,148.19
Total	10,776,626.25	2,379,148.19

Increase/decrease of short term bonds payable:

Inapplicable

45. Long-term Loan**(1) Classification of Long-term Borrowings**

in CNY

Items	Ending balance	Opening balance
Mortgage loan	5,577,976.54	5,666,307.52
Secured borrowings	113,861,928.00	135,752,128.00
Less: Long-term borrowings due within 1 year	-21,500,000.00	-26,117,387.52
Total	97,939,904.54	115,301,048.00

Notes to classification of long term borrowings:

Note: ① The Company has no overdue and outstanding long term borrowing.

② For classification of the categories of collaterals of secured borrowings and the amount, refer to Note VII.77.

③ For guaranteed borrowings and the guarantees offered by the related parties, refer to Note XII.5(4).

④ The interval of the interest rates of long term borrowings is 3.00%-4.53%.

46. Bonds Payable**(1) Bonds payable**

Inapplicable

(2) Increase/Decrease of bonds payable (excluding other financial instruments classified as financial liabilities, such as preferred shares, perpetual bonds, etc.)

Inapplicable

(3) Note to the conditions and time of share conversion of convertible company bonds

Inapplicable

(4) Note to other financial instruments classified as financial liabilities Inapplicable**47. Long term accounts payable****(1) Long term accounts payable stated based on the nature**

Inapplicable

48. Long term payroll payable**(1) Statement of long term payroll payable**

Inapplicable

(2) Change of defined benefit plans

Inapplicable

49. Special accounts payable

Inapplicable

50. Predicted liabilities

Inapplicable

51. Deferred income

In CNY

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance	Reasons of formation
Government subsidies	5,980,000.00	1,300,000.00		7,280,000.00	Income to be recognized
Total	5,980,000.00	1,300,000.00		7,280,000.00	--

Items involving government subsidies:

In CNY

Liabilities	Opening balance	Amount of newly added subsidy in the reporting period	Amount counted to the non-operating income in the reporting period	Other changes	Ending balance	In connection with asset/in connection with income
Special fund for Shenzhen industrial design development (Note①)	3,500,000.00	0.00	0.00	0.00	3,500,000.00	In connection with asset
Financing project for construction of enterprise	2,000,000.00	0.00	0.00	0.00	2,000,000.00	In connection with asset

technology center certified by the state (Note②)						
Key technology R & D project for DF101 Airplane standard timing system (Note③)	480,000.00	0.00	0.00	0.00	480,000.00	earning related
Special award for industry and informatization at provincial level in 2017 Note ④	0.00	1,300,000.00	0.00	0.00	1,300,000.00	In connection with asset
Total	5,980,000.00	1,300,000.00			7,280,000.00	--

Other Notes:

Note ①: It is the special fund for development of industrial design in Shenzhen obtained according to the Operation Instructions on Certification and Financial Support Program for Industrial Design Centers in Shenzhen (Trial Implementation) SHEN JING MAO IT Zi [2013] No. 227 jointly promulgated by Economy, Trade and Information Commission of Shenzhen Municipality and Finance Commission of Shenzhen Municipality;

Note ②: It is the fund from the financial support for construction of enterprise technology centers in Shenzhen obtained according to the Circular of Development and Reform Commission of Shenzhen Municipality on Issuing the First Batch of Supporting Program of Financial Support Fund for Construction of Enterprise Technology Centers in Shenzhen in 2015 (SHEN JING MAO XINXI YU [2015] No. 129 on October 28, 2015).

Note ③: It is the special fund for cooperation among organizations under the province and ministries, manufacturers and research institutions obtained according to the Public Notice on the Projects Enjoying Support with the Special Fund for Overall Strategic Cooperation of Provincial Institutions from the Special Fund for Cooperation among Organizations under the Province and Ministries, Manufacturers and Research Institutions in Year 2013 (YUE KE GONG SHI [2014] No. 13) promulgated by Department of Science and Technology of Guangdong Province on December 9, 2015.

Note ④: The special purpose fund obtained according to the Circular of the Economic and Information Commission of Guangdong Province on Doing a Good Job in Submission to the Special Project Library of Production and Services at Provincial Level in 2017.

52. Other non-current liabilities

Inapplicable

53. Capital stock

In CNY

	Opening balance	Increase / Decrease (+ / -)					Ending balance
		New issuing	Bonus shares	Shares converted from reserve	Others	Sub-total	
Total Shares	438,744,881.00						438,744,881.00

54. Other equity instruments**(1) Basic information on the outstanding other financial instruments, including preferred shares, perpetual bonds, etc. at the end of the reporting period**

Inapplicable

(2) Movement of the outstanding other financial instruments, including preferred shares, perpetual bonds, etc. at the end of the reporting period

Inapplicable

55. Capital reserve

In CNY

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance
Capital premium (capital stock premium)	1,047,963,195.57			1,047,963,195.57
Other capital reserve	14,492,448.65			14,492,448.65
Total	1,062,455,644.22			1,062,455,644.22

Other notes include notes to increase or decrease, cause of the movement, etc. in the reporting period:

Inapplicable

56. Treasury shares

Inapplicable

57. Other comprehensive income

In CNY

Items	Opening balance	Amount incurred in the reporting period					Ending balance
		Amount incurred before income tax in the reporting period	Less: Gain or loss counted to the other comprehensive income and transferred into gain or loss in the current period	Less: Income tax expense	Attributable to the parent company after tax	Attributable to minority shareholders after tax	
I. Other comprehensive income which cannot be re-classified into the gain and loss	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Other comprehensive income which cannot be re-classified into the gain and loss in future	-11,778,498.24	7,086,490.52			7,168,544.58	-82,054.06	-4,609,953.66
Translation difference in financial statements expressed in foreign currency	-11,778,498.24	7,086,490.52			7,168,544.58	-82,054.06	-4,609,953.66
Total other comprehensive income	-11,778,498.24	7,086,490.52			7,168,544.58	-82,054.06	-4,609,953.66

Other notes include the valid part of gain and loss of a cash-flow hedge converted into initial amount of amortized items for adjustment:

Inapplicable

58. Special reserve

Inapplicable

59. Surplus reserve

In CNY

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance
Statutory surplus reserve	131,976,806.45	0.00	0.00	131,976,806.45
Discretionary surplus reserve	61,984,894.00	0.00	0.00	61,984,894.00
Total	193,961,700.45	0.00	0.00	193,961,700.45

Note to surplus reserve, including the note to its increase/decrease and the cause(s) of its movement in the reporting period:

Inapplicable

60. Retained earnings

In CNY

Items	Reporting period	Previous period
Before adjustment: Retained earnings at the end of the previous period	687,986,807.74	635,417,237.55
Adjustment: Total of the retained earnings at year beginning (amount adjusted up +, amount adjusted down -)	0.00	0.00
After adjustment: Retained earnings at the beginning of the reporting period	687,986,807.74	635,417,237.55
Plus: Net profit attributable to the parent company's owner in the report period	86,708,824.76	110,662,681.59
Less: Provision of statutory surplus public reserve	0.00	14,218,623.30
Provision of discretionary surplus reserve	0.00	0.00
Provision of general risk reserve	0.00	0.00
Dividends of common shares payable	43,874,488.10	43,874,488.10
Dividend for common shares converted	0.00	0.00
Retained earnings at year end	730,821,144.40	687,986,807.74

Statement of adjustment of retained earnings at the beginning of the reporting period:

- 1). The amount involved in the retroactive adjustment according to the Enterprise Accounting Standards and the relevant new provisions influencing the retained earnings at the beginning of the reporting period was CNY 0.00.
- 2). The amount involved in change of the accounting policy influencing the retained earnings at the beginning of the reporting period was CNY 0.00.
- 3). The amount involved in correction of the significant accounting errors influencing the retained earnings at the beginning of the reporting period was CNY 0.00.
- 4). The amount involved in change of the consolidation scope caused by the common control influencing the retained earnings at the beginning of the reporting period was CNY 0.00.
- 5). The total amount involved in other adjustments influencing the retained earnings at the beginning of the reporting period was CNY 0.00.

61. Operation Income and Costs

In CNY

Items	Amount incurred in the reporting period		Amount incurred in the previous period	
	Income	Cost	Income	Cost
Principal business	1,588,553,573.96	940,053,728.29	1,469,081,337.25	880,864,674.10
Other business	10,987,570.39	1,425,956.54	10,446,445.93	798,606.41
Total	1,599,541,144.35	941,479,684.83	1,479,527,783.18	881,663,280.51

62. Business Taxes and Surcharges

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Consumption tax	3,685.47	0.00
Urban maintenance and construction tax	6,767,130.24	6,135,806.40
Education surcharge	4,841,191.32	4,299,104.46
Resource tax	0.00	0.00
Real estate tax	1,792,451.23	0.00
Land use tax	133,605.02	0.00
tax on using vehicle and boat	1,860.00	0.00
Stamp duty	890,202.85	0.00
Business tax	0.00	2,121,487.67
Others	751,371.15	512,183.59
Total	15,181,497.28	13,068,582.12

63. Sales expenses

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Wages	137,774,121.37	128,204,790.69
Market promotion	52,659,388.21	43,982,810.03
Long-term expenses to be apportioned	46,807,569.89	50,513,483.05
Rental	33,600,054.64	31,632,919.79
Supermarket expenses	30,701,374.17	25,425,759.57
Labor insurance	19,188,573.59	18,582,742.25
Exhibition	14,393,962.02	10,030,786.86
Advertisement	13,600,866.95	20,858,769.36
Packing	6,046,492.43	6,555,952.03

Depreciation	5,691,232.08	6,640,615.39
Others	33,822,686.44	35,579,011.09
Total	394,286,321.79	378,007,640.11

64. Administrative Expenses

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Wages	44,368,426.25	46,178,475.38
R & D costs	21,944,615.09	18,483,969.94
Depreciation	6,605,338.51	4,052,492.67
Labor insurance	4,088,475.24	4,431,637.75
Business travel	2,678,668.34	2,666,524.90
Housing provident fund	2,252,733.41	1,922,608.21
Long-term expenses to be apportioned	1,767,821.69	1,547,461.28
Administrative expenses	1,707,674.89	2,027,004.60
Remuneration to agent(s) engaged by the Company	1,640,549.87	1,946,271.53
Welfare	1,450,019.61	1,433,879.77
Others	9,666,064.05	10,156,683.57
Total	98,170,386.95	94,847,009.60

65. Financial expenses

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Interest payment	23,246,930.51	33,210,251.79
Less: Interest capitalized	0.00	2,193,208.35
Less: interest income	1,489,867.45	1,755,470.96
Exchange losses	265,259.52	283,183.66
Financial service charge	4,178,310.48	5,685,897.84
Total	26,200,633.06	35,230,653.98

66. Loss from impairment of assets

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
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I. Loss from bad debts	6,473,689.30	1,441,224.55
II. Loss from price falling of inventories	6,310,000.00	0.00
Total	12,783,689.30	1,441,224.55

67. Income from change of the fair value

Inapplicable

68. Return on investment

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Income from long term equity investment based on equity method	188,871.89	172.19
Total	188,871.89	172.19

69. Other income

Inapplicable

70. Non-operating income

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period	Amount counted to the current non-operating gain and loss
Total income from disposal of non-current asset	3,570.55	10,960.00	3,570.55
Where: income from disposal of fixed assets	3,570.55	10,960.00	3,570.55
Government subsidy	1,478,043.00	815,000.00	1,478,043.00
Disposal of payables impossible to pay	3,741.50	99,618.61	3,741.50
Others	142,125.41	476,781.67	142,125.41
Total	1,627,480.46	1,402,360.28	1,627,480.46

The government subsidy which counted to the current gains and losses:

In CNY

Supported	Subsidy	Causes	Nature	Does the	Is it a	Amount in	Amount in	In
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projects	providers			subsidy influence the profit or loss of the very year	special subsidy	the reporting period	the previous period	connection with asset/ In connection with income
The 17th Chinese Patents Honorable Mention	State Intellectual Property Office	Award	Subsidy received because of R & D, technology updating and innovation	Yes	No		600,000.00	In connection with income
The 17th China Industrial Design Honorable Mention	State Intellectual Property Office	Award	Subsidy received because of R & D, technology updating and innovation	Yes	No		100,000.00	In connection with income
Government subsidy for exhibition at BaselWorld paid by Shenzhen Watchmakers Association	Shenzhen Watchmakers Association	Subsidy	Subsidy obtained for the defined trades and industries encouraged and supported by the country (obtained legally according to the national policy)	Yes	No		60,000.00	In connection with income
Financial Support for Implementation of Standardized Strategic Projects of	Bao'an District Government, Shenzhen	Subsidy	Subsidy obtained for the defined trades and industries encouraged and	Yes	No		50,000.00	In connection with income

Bao'an District, Shenzhen			supported by the country (obtained legally according to the national policy)					
Financing fund for the First Patents 2016 Shenzhen	Market and Quality Supervision Commission of Shenzhen Municipality	Subsidy	Subsidy received because of R & D, technology updating and innovation	Yes	No		5,000.00	In connection with income
Cash award of the 18th China Patents Award (Note①)	Intellectual Property Bureau of Guangdong Province	Award	Subsidy received because of R & D, technology updating and innovation	Yes	No	100,000.00		In connection with income
Special Fund for Shenzhen Standards 2016 (Note ②)	Market and Quality Supervision Commission of Shenzhen Municipality	Subsidy	Subsidy received because of R & D, technology updating and innovation	Yes	No	651,000.00		In connection with income
Fund for financing patent application (Note③)	Market and Quality Supervision Commission	Subsidy	Subsidy received because of R & D, technology updating and innovation	Yes	No	3,000.00		In connection with income
Allowance for BaselWorld	Shenzhen Watchmakers	Subsidy	Subsidy obtained for the defined	Yes	No	100,000.00		In connection with income

(Note④)	Association		trades and industries encouraged and supported by the country (obtained legally according to the national policy)					
Subsidy for Improving International Operation Ability 2016 (Note⑤)	Received from Economy, Trade and Information Commission of Shenzhen Municipality	Subsidy	Subsidy obtained for the defined trades and industries encouraged and supported by the country (obtained legally according to the national policy)	Yes	No	30,130.00		In connection with income
Subsidy for Improving International Operation Ability 2016 (Note⑥)	Received from Economy, Trade and Information Commission of Shenzhen Municipality	Subsidy	Subsidy obtained for the defined trades and industries encouraged and supported by the country (obtained legally according to the national policy)	Yes	No	26,763.00		In connection with income
Special	Nanshan	Subsidy	Subsidy	Yes	No	60,000.00		In

Financial Support for Self-Innovation Industry Development of Nanshan District 2016(Note ⑦)	District Sci-Tech Incubation Service Center, Shenzhen		received because of R & D, technology updating and innovation					connection with income
Special Financial Support for Shenzhen Standards 2016 (Note⑧)	Market and Quality Supervision Commission of Shenzhen Municipality	Subsidy	Subsidy received because of R & D, technology updating and innovation	Yes	No	92,350.00		In connection with income
Science & Technology Innovation Commission of Shenzhen Municipality - Innovation (Note⑨)	Science & Technology Innovation Commission of Shenzhen Municipality	Subsidy	Subsidy received because of R & D, technology updating and innovation	Yes	No	7,800.00		In connection with income
Special Financial Support for Shenzhen Standards 2016 (Note⑩)	Market and Quality Supervision Commission of Shenzhen Municipality	Subsidy	Subsidy received because of R & D, technology updating and innovation	Yes	No	407,000.00		In connection with income
Total	--	--	--	--	--	1,478,043.00	815,000.00	--

Other notes:

Note①: Cash award of the 18th China Patents Award received according to the Decision of State Intellectual Property Office on Granting of the 18th China Patents Award (GUO ZHI FA GUAN ZI [2016] No. 95);

Note②: Special fund obtained according to the Circular of Market and Quality Supervision Commission of Shenzhen Municipality on Issuing of the Financial Support Plan for the Special Fund for Shenzhen to Create Shenzhen Standards 2016 (SHEN SHI [2017] No. 141);

Note③: Fund for financing patent application received according to the Measures of Shenzhen for Management of the Special Fund for Intellectual Property promulgated by Financial Commission of Shenzhen Municipality and Market and Quality Supervision Commission of Shenzhen Municipality (SHEN CAI GUI [2014] No. 18;

Note④: The Allowance for BaselWorld 2016 provided by Shenzhen Watchmakers Association;

Note⑤: Subsidy for Improving Internationalized Operation Ability 2016 according to the Circular of Economy, Trade and Information Commission of Shenzhen Municipality on Publicity of the 11th to 17th Batches of the Subsidy for Supporting the Improvement of Internationalized Operation Ability 2016 (SHEN JING MAO XINXI YUSUAN ZI [2017] No. 48;

Note⑥: Subsidy for Improving Internationalized Operation Ability 2016 according to the Circular of Economy, Trade and Information Commission of Shenzhen Municipality on Publicity of the 11th to 17th Batches of the Subsidy for Supporting the Improvement of Internationalized Operation Ability 2016 (SHEN JING MAO XINXI YUSUAN ZI [2017] No. 48;

Note⑦: Special Financial Support for Self-Innovation Industry Development of Nanshan District according to the Measures of Nanshan District on Management of the Special Fund for Self-Innovation Industry Development;

Note⑧: Special fund obtained according to the Circular of Market and Quality Supervision Commission of Shenzhen Municipality on Issuing Issuing of the Financial Support Plan for the Special Fund for Shenzhen to Create Shenzhen Standards 2016 (SHEN SHI [2017] No. 141;

Note⑨: Financial support with innovation bonds obtained according to the Circular on the Result of Accepting Science & Technology Innovation Bonds (SHEN KEJI CHUANGXIN JUAN JI ZI [2016] No. 2468.

Note⑩: Special fund obtained according to the Circular of Market and Quality Supervision Commission of Shenzhen Municipality on Issuing of the Financial Support Plan for the Special Fund for Shenzhen to Create Shenzhen Standards 2016 (SHEN SHI [2017] No. 141.

71. Non-operating expenses

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period	Amount counted to the current non-operating gain and loss
Total loss from disposal of non-current assets	16,923.50	94,833.03	16,923.50
including: loss from disposal of fixed assets	16,923.50	94,833.03	16,923.50
Outward donation	3,000.00	300,000.00	3,000.00
Others	658,190.44	134,135.99	658,190.44
Total	678,113.94	528,969.02	

72. Income tax expense**(1) Income tax expenses**

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Income tax expenses in the report period	24,613,171.31	8,540,581.27
Deferred income tax expenses	1,352,213.69	7,239,132.27
Total	25,965,385.00	15,779,713.54

(2) Process of adjustment of accounting profit and income tax expense

In CNY

Items	Amount incurred in the reporting period
Total profit	112,577,169.54
Income tax expense calculated based on the statutory/ applicable tax rate	28,144,292.39
Influence of different tax rates applicable to subsidiaries	-5,385,034.16
Influence of adjustment of the income tax in the previous period	-746,891.62
Influence of the non-offsetable costs, expenses and loss	1,071,489.57
Influence from use of the offsetable loss from the deferred income tax asset not recognized in the previous period	0.00
Influence from the offsetable provisional difference or offsetable loss of the unrecognized deferred income tax asset at the end of the reporting period	4,646,212.97
Profit/loss of joint ventures and associates calculated according to the equity method.	-47,217.97
Influence from the addition of the R & D expenses upon deduction of tax payment (to be stated with "-")	-1,717,466.18
Income tax expenses	25,965,385.00

73. Other comprehensive income

For the detail, refer to Note X.57.

74. Cash Flow Statement Items**(1) Other operation activities related cash receipts**

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Commodity promotion fee	8,162,746.84	8,451,835.60
Government subsidy	2,778,043.00	1,315,000.00
Deposit in security	1,420,812.66	1,454,782.40
Interest income	1,489,867.45	1,755,470.96
Reserve	1,707,688.82	63,375.00
Others	4,241,136.02	438,659.98
Total	19,800,294.79	13,479,123.94

(2) Other cash paid in connection with operation activities

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Market promotion	45,369,388.21	31,982,263.58
Rent	34,532,393.41	32,846,280.51
Payment to supermarkets	30,701,374.17	25,425,759.57
R & D expenses	16,962,271.89	15,484,698.94
Advertisement	12,310,866.95	17,028,769.36
Exhibition fee	10,307,276.23	6,070,786.86
Business travel	7,772,400.58	7,011,217.23
Packaging	6,046,492.43	6,555,952.03
Transportation	5,112,140.83	4,081,083.56
Office expenses	5,004,516.54	5,371,803.27
Others	8,541,131.17	10,192,445.00
Total	182,660,252.41	162,051,059.91

(3) Cash received from other investment related activities

Inapplicable

(4) Cash paid for other investment related activities

In CNY

Inapplicable

(5) Other financing related cash received

Inapplicable

(6) Other financing related cash paid

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Payment of the expenses in connection with the raised capital	0.00	971,661.19
Others	0.00	21,008.00
Total	0.00	992,669.19

75. Supplementary information of the cash flow statement**(1) Additional information of the cash flow statement**

In CNY

Supplemental information	Amount in the reporting period	Amount in the previous period
1. Net cash flows arising from adjustment of net profit into operating activities:	--	--
Net profit	86,611,784.54	60,363,242.22
Plus: Reserve for impairment of assets	12,783,689.30	1,441,224.55
Depreciation of fixed assets, depletion of oil and gas asset, depreciation of productive biological asset	21,936,993.35	17,832,320.29
Amortization of intangible assets	1,594,234.34	702,150.52
Long-term expenses to be apportioned	54,065,432.58	56,454,986.83
Loss (income is stated in "-") from disposal of fixed assets, intangible assets and other long term assets	13,352.95	83,873.03
Financial expenses (income is stated with "-")	23,246,930.51	33,210,251.79
Investment loss (income is stated with "-")	-188,871.89	-172.19
Decrease of the deferred income tax asset (increase is stated with "_")	1,352,213.69	7,239,132.27
Decrease of inventories (Increase is	93,091,588.65	102,198,794.50

stated with “-“)		
Decrease of operative items receivable (Increase is stated with “-“)	-12,212,990.56	-18,426,361.60
Increase of operative items payable (Decrease is stated with “-“)	-5,578,696.93	-43,489,709.67
Net cash flow arising from operating activities	276,715,660.53	217,609,732.54
2. Significant investment and fund-raising activities with no cash income and expenses involved:	--	--
3. Net change in cash and cash equivalents:	--	--
Ending balance of cash	383,649,003.87	497,096,980.62
Less: Opening balance of cash	427,227,755.81	637,387,875.93
Net increase in cash and cash equivalents	-43,578,751.94	-140,290,895.31

(2) Net cash paid for acquisition of subsidiary in the reporting period

Inapplicable

(3) Net cash received from disposal of subsidiary in the reporting period

Inapplicable

(4) Composition of cash and cash equivalents

In CNY

Items	Ending balance	Opening balance
I. Cash	383,649,003.87	427,227,755.81
Incl: Cash in hand	627,500.28	1,342,735.40
Bank deposit available for payment at any time	383,015,982.73	495,748,724.36
Other monetary fund used for payment at any time	5,520.86	5,520.86
Due from the central bank available for payment		
Due from banks		
Interbank offer		

II. Cash equivalents		
Where: investment in bonds due within 3 months		
III. Ending balance of cash and cash equivalents	383,649,003.87	427,227,755.81
Including: cash and cash equivalents restricted for use from the parent company or other subsidiaries of the Group		

76. Notes to items of statement of change in owner's equity

Inapplicable

77. Assets restricted in ownership or use right

In CNY

Items	Book value at the end of the period	Cause of being restricted
Monetary fund	1,575,000.00	Deposit for L/G
Fixed assets	19,901,217.68	Security guarantees
Total	21,476,217.68	--

78. Foreign currency monetary items

(1) Foreign currency monetary items

In CNY

Items	Ending balance of foreign currency	Conversion rate	Ending balance of Renminbi converted
Monetary fund	--	--	28,179,213.27
Including: USD	1,229,923.05	6.7744	8,331,990.71
Euro	1,041.45	7.7496	8,070.82
HKD	20,991,536.32	0.86792	18,218,974.20
CHF	226,475.15	7.0888	1,605,437.04
S. \$	3,000.00	4.9135	14,740.50
Accounts receivable	--	--	10,520,137.51
Including: USD	345,493.67	6.7744	2,340,512.32
Euro	0.00	7.7496	0.00

HKD	9,307,096.02	0.86792	8,077,814.78
CHF	14,362.15	7.0888	101,810.41
Other receivables			5,348,368.49
Including: HKD	333,016.50	0.86792	289,031.68
CHF	713,708.50	7.0888	5,059,336.81
Accounts payable			3,382,217.77
Including: HKD	1,510,671.63	0.86792	1,311,142.12
CHF	292,161.67	7.0888	2,071,075.65
Other payables			6,627,160.00
Including: HKD	1,459,593.93	0.86792	1,266,810.76
CHF	756,171.60	7.0888	5,360,349.24
Short-term Loan			144,942,640.00
Including: HKD	167,000,000.00	0.86792	144,942,640.00
Long-term Loan	--	--	5,615,155.89
Including: USD	0.00	6.7744	0.00
Euro	0.00	7.7496	0.00
HKD	139,800.78	0.86792	121,335.89
CHF	775,000.00	7.0888	5,493,820.00

(2) Note to overseas operating entities, including important overseas operating entities, which should be disclosed about its principal business place, function currency for bookkeeping and basis for the choice. In case of any change in function currency, the cause should be disclosed.

Inapplicable

79. Hedging

Inapplicable

80. Others

Inapplicable

VIII. Change in consolidation scope

1. Consolidation of enterprises not under common control**(1) Consolidation of enterprises not under common control during the reporting period**

Inapplicable

(2) Consolidation cost and goodwill

Inapplicable

(3) Purchasee's distinguishable assets and liabilities as at the date of purchase

Inapplicable

(4) Profit or loss of the equity held before the date of purchase arising from re-measurement based on the fair value

Yes

(5) Note to the consolidation consideration or the fair value of the distinguishable assets and liabilities of the purchasee which cannot be reasonably identified as at the date of purchase or at the end of the very period of consolidation

Inapplicable

(6) Other note

Inapplicable

2. Consolidation of enterprises under the common control**(1) Consolidation of enterprises under the common control during the reporting period**

Inapplicable

(2) Consolidation costs

Inapplicable

(3) Book value of the consolidatee's assets and liabilities as at the date of consolidation

Inapplicable

3. Counter purchase

Inapplicable

4. Disposal of subsidiaries

Does there exist any such situation that a single disposal may cause the control power over the investment in a subsidiary lost?

No

Does there exist any such situation that disposal in steps through a number of transactions may cause the control power over the investment in a subsidiary lost during the reporting period?

No

5. Change of consolidation scope due to other reason

Specify the change of the consolidation scope caused by other reasons (such as establishment of a new subsidiary, liquidation of a subsidiary, etc.) and the relevant situation:

Inapplicable

6. Others

Inapplicable

IX. Equity in other entities

1. Equity in a subsidiary

(1) Composition of an enterprise group

Subsidiaries	Main business location	Place of registration	Nature of business	Shareholding ratio		Way of acquisition
				Direct	Indirect	
HARMONY	Shenzhen	Shenzhen	Commerce	100.00%		Establishment or investment
Manufacture Co.	Shenzhen	Shenzhen	Manufacture	90.00%	10.00%	Establishment or investment
FIYTA (Hong Kong) Limited	Hong Kong	Hong Kong	Commerce	100.00%		Establishment or investment
Station 68	Hong Kong	Hong Kong	Commerce		60.00%	Establishment or investment
Harbin Company	Harbin	Harbin	Commerce	25.00%	75.00%	Establishment or investment

Henglianda Company	Beijing	Beijing	Commerce		100.00%	Establishment or investment
Technology Company	Shenzhen	Shenzhen	Manufacture		100.00%	Establishment or investment
Shiyuehui Company	Shenzhen	Shenzhen	Commerce		100.00%	Establishment or investment
Culture Company	Shenzhen	Shenzhen	Commerce		100.00%	Establishment or investment
Emile Choureit (Shenzhen) Ltd.	Shenzhen	Shenzhen	Commerce		100.00%	Establishment or investment
World Watch International Co.	Hong Kong	Hong Kong	Commerce		100.00%	Establishment or investment
FIYTA Sales Co.	Shenzhen	Shenzhen	Commerce		100.00%	Establishment or investment
Hengdarui Co.	Shenyang	Shenyang	Commerce		100.00%	Consolidation of enterprises under the common control
Switzerland Company	Switzerland	Switzerland	Commerce		100.00%	Consolidation of enterprises not under the common control
Nature Art Limited	Hong Kong	Hong Kong	Commerce			Note ①

Note to the proportion of shareholding in a subsidiary different from the proportion of voting power:

Note: ① According to the equity trust agreement concluded among Station 68 and Nature Art Limited, two subsidiaries of FIYTA (Hong Kong) Limited and the trustee of Baoding Company on December 10, 2009, Station 68, as the trustor, held shares, beneficial right of equity and other relevant rights in Nature Art Limited and Baoding Company. According to the contract, the trustee agreed to transfer its rights at any time as ordered by the trustor, Station 68 therefore held the control power over Nature Art Limited and Baoding Company and therefore they were brought into the consolidation scope of Station 68. Baoding Company was cancelled in year 2015.

Basis of holding less than a half of the voting power but still controlling the investee and holding more than a half of the voting power but not controlling the investee:

Inapplicable

Basis of an important structured entity being brought to the consolidation scope and being controlled:

Inapplicable

Basis of distinguishing an agent from consignor:

Inapplicable

Other note:

Inapplicable

(2) Important non-wholly-owned subsidiaries

Inapplicable

(3) Key financial information of important non-wholly-owned subsidiaries

Inapplicable

(4) Significant restriction on use of enterprise group's assets and paying off the enterprise group's liabilities

Inapplicable

(5) Financial support or other support provided to the structured entities incorporated in the scope of consolidated financial statements

Inapplicable

2. Transaction with a subsidiary with the share of the owner's equity changed but still under control

(1) Note to change in the share of the owner's equity in subsidiaries

Inapplicable

(2) Affect of the transaction on the minority equity and owner's equity attributable to the parent company

Inapplicable

3. Equity in joint venture arrangement or associates

(1) Important joint ventures or associates

Name of joint venture or associate	Principal business location	Place of registration	Business nature	Shareholding proportion		Accounting treatment method for investment in
				Direct	Indirect	

						joint ventures or associates
① Associate						
Shanghai Watch Industry	Shanghai	Shanghai	Manufacture	25.00%		Equity method

Note to the proportion of the shareholding in a joint venture or an associate different from voting power therein:

Inapplicable

Basis of holding below 20% voting power but having significant influence or holding more than 20% voting power but not having significant influence

(2) Key financial information of important joint ventures

Inapplicable

(3) Key financial information of important associates

In CNY

	Ending balance/amount incurred in the reporting period	Opening balance/amount incurred in the reporting period
Current assets	89,233,112.52	85,987,663.95
Non-Current Assets	18,805,076.49	19,468,754.45
Total assets	108,038,189.01	105,456,418.40
Current liabilities	9,083,577.19	7,546,723.24
Total liabilities	9,083,577.19	7,546,723.24
Shareholders' equity attributable to the parent company	98,954,611.82	97,909,695.16
Share of net assets calculated according to the shareholding proportion	24,738,652.96	24,477,423.79
Book value of the equity investment in associates	43,612,496.76	43,423,624.87
Revenues	43,499,754.20	38,165,667.56
Net profit	755,487.55	688.77
Total comprehensive income	755,487.55	688.77
Dividends received from associates in the current year	0.00	0.00

(4) Financial information summary of unimportant joint ventures and associates

Inapplicable

(5) Note to significant restriction on the competence of a joint venture or an associate in transferring funds to the Company

Inapplicable

(6) Excessive loss incurred to a joint venture or an associate

Inapplicable

(7) Unrecognized commitment in connection with investment in a joint venture

Inapplicable

(8) Contingent liabilities in connection with investment in joint ventures or associates

Inapplicable

4. Important joint operation

Inapplicable

5. Equity in the structured entities not incorporated in the consolidated financial statements

Inapplicable

6. Others

Inapplicable

X. Financial instruments and risk management

The Company's major financial instruments consist of monetary funds, accounts receivable, notes receivable, other receivables, other current assets, available-for-sale financial assets, accounts payable, interest payable, dividend payable, other payables, short term loan, non-current liabilities due within a year, long term loan, bonds payable. The detailed information about various financial instruments has been disclosed in the corresponding notes. The risks involved in these financial instruments and the Company's risk control policies aiming at reducing these risks are stated as follows. The Company's management conducts management and monitoring of these risk exposures so as to ensure risks to be controlled within a specific limitation.

1. Risk management goals and policies

The goal of risk management is to keep proper balance between risk and profit, to reduce negative influence of financial

risk to financial performance of the Company. Based on the goal, the Company has formulated risk management policies to identify and analyze risks the Company faces, set proper acceptable risk level and design relevant internal control procedures, to supervise risk level. The Company will regularly review those risk management policies and relevant internal control system, to adapt to market situation and change of operating activities. The internal audit department of the Company will also regularly or randomly check whether the execution of internal control system complies with risk management policies.

Main risks financial instruments of the Company may lead to include credit risks, liquidity risk, market risk, etc.

(1) Credit risk

Credit risk refers to the risk of financial loss of the Company caused due to default of contract obligation of transaction counterparty.

The Company manages credit risk by portfolio. Credit risk mainly arises from bank deposit and accounts receivable.

Bank deposit of the Company is mainly in state-owned banks and other large and medium listed banks. There are no significant credit risks of estimated bank deposits.

As for accounts receivable, the Company sets relevant policies to control credit risk exposure. Based on the financial status of debtor, external rating, guarantee possibility, credit record gained from the third party and other factors such as current market status, the Company evaluates credit qualification of debtor and set corresponding debt limit and credit period. The Company will regularly supervise credit record of debtor. For debtor with bad credit record, the Company will ensure the whole credit risk of the Company within controllable range in the forms of written reminder letter, reducing credit period and cancelling credit period.

The biggest credit risk exposure undertaken by the Company is carrying amount of each financial asset in balance sheet. The Company sets guarantees to any other credit risks that the Company may bear.

Amount accounts receivable, the total accounts receivable of top 5 accounts with amount in arrear account for 9.64% of total accounts receivable of the Company (as at December 31, 2016: 7.32%); in other accounts receivable, the total accounts receivable of top 5 accounts with amount in arrear account for 19.86% of total accounts receivable of the Company (as at December 31, 2016: 22.06%).

(2) Liquidity risk

Liquidity risk refers to risk of capital shortage caused when the Group executes obligations of settlement in the manner of cash payment or other financial assets.

In managing liquidity risk, the Group keeps the cash and cash equivalents that the Group deems sufficient and controls them to meet operating needs, reduce influence of cash liquidity fluctuation. The Group management monitors the use of bank loans and ensures to comply with borrowing agreement. At the same time, the Group gains the commitment for providing sufficient reserve funds from main financial institutions, to meet short-term and long-term capital needs.

The Group finance operation funds through capital and bank and other borrowings incurred in operating business. As at

June 30, 2017, bank borrowing facility that the Group has not yet used is CNY 2,171.68 million (as at December 31, 2016: CNY 1,742.30 million).

Maturity analysis of financial liabilities and off-balance-sheet guarantee items by undiscounted remaining contract cash flow at the end of the period (in CNY 10,000):

Items	Within a year	1 to 2 years	2 to 3 years	Over 3 years	Total
Financial assets:					
Monetary funds	38,522.40	-	-	-	38,522.40
Notes receivable	1,197.88	-	-	-	1,197.88
Accounts receivable	32,926.32	-	-	-	32,926.32
Other receivables	4,462.41	-	-	-	4,462.41
Subtotal of financial assets	77,109.01	0	0	0	77,109.01
Financial Liabilities:					
Short-term Loan	91,907.82	-	-	-	91,907.82
Accounts payable	19,948.83	-	-	-	19,948.83
Interest payable	209.01	-	-	-	209.01
Other payables	6,431.12	-	-	-	6,431.12
Other current liabilities (with deferred income exclusive)	1,077.66	-	-	-	1077.66
Non-current liabilities due within a year	2,150.00	-	-	-	2,150.00
Long term borrowings	-	3,398.42	5,100.00	1,295.57	9,793.99
Financial guarantee	30,200.00	-	-	-	30,200.00
Total financial liabilities and contingent liabilities	151,924.44	3,398.42	5,100.00	1,295.57	161,718.43

Maturity analysis of financial liabilities and off-balance-sheet guarantee projects held by the Group in the prior period according to cash flow of undiscounted remaining contracts (in CNY 10,000):

Items	Within a year	1 to 2 years	2 to 3 years	Over 3 years	Total
Financial assets:					
Monetary funds	42,880.28	-	-	-	42,880.28
Notes receivable	766.26	-	-	-	766.26
Accounts receivable	31,421.28	-	-	-	31,421.28
Other receivables	3,543.71	-	-	-	3,543.71
Subtotal of financial assets	78,611.53	-	-	-	78,611.53

Financial Liabilities:					
Short-term Loan	109,843.81	-	-	-	109,843.81
Accounts payable	21,542.21	-	-	-	21,542.21
Interest payable	247.60	-	-	-	247.60
Other payables	5,373.31	-	-	-	5,373.31
Other current liabilities (with deferred income exclusive)	237.91	-	-	-	237.91
Non-current liabilities due within a year	2,611.74	-	-	-	2,611.74
Long term borrowings	-	3,500.00	3,500.00	4,530.10	11,530.10
Financial guarantee	22,566.53	-	13,789.02	-	36,355.55
Total financial liabilities and contingent liabilities	162,423.11	3,500.00	17,289.02	4,530.10	187,742.23

The amount of financial liability disclosed in the above table is undiscounted contract cash flow and thus may be different with the carrying amount of balance sheet.

(3) Market risk

Market risk refers to the risk of fluctuation of fair value or future cash flow of financial instruments caused due to market price change, including interest risk, exchange rate risk and other price risk.

Interest risk

Interest risk refers to the risk of fluctuation of fair value or future cash flow of financial instruments caused due to interest change. Interest risk may arise from confirmed interest accrual financial instrument and unconfirmed financial instrument (such as some loan commitments)

The interest risk of the Company mainly arises from long-term bank loans and bonds payable and long-term interest-bearing debt. Financial liabilities with floating rate lead the Company to cash flow interest risk. Fixed interest rate financial liabilities lead the Company to fair value interest risk. According to current market environment the Company determines the proportion of fixed interest and floating interest rate contract, maintaining proper fixed and floating interest instrument combination through regular review and supervision.

As at June 30, 2017, if borrowing rate measured at floating rate rises or drops 50 base points, and other factors keep unchanged, net profit and shareholders' equity of the Company will decrease or increase about CNY 0.6465 million (As at December 31, 2016: CNY 1.4416 million)

Exchange rate risk

Exchange rate risk refers to the risk of fluctuation of fair value or future cash flow of financial instruments caused due to exchange rate change. Exchange rate risk may arise from the financial instrument measured at foreign currencies other than recording currency.

The Company's main business activities are within the territory of the People's Republic of China, and main businesses are settled in Renminbi. Therefore, the market risk of exchange fluctuations undertaken by the Company is not significant.

For the detail of financial assets and financial liabilities in foreign currencies at the end of the reporting period, refer to Note VII.78 - Note to Items in Foreign Currencies.

2. Capital management

The capital management policies of the Company are formulated to guarantee the Company can keep operation, and thus provide returns to shareholders and benefit other stakeholders, and at the same time to keep the optimal capital structure to reduce capital cost.

To keep or adjust capital structure, the Company may adjust amounts of dividends paid for shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The Company supervises capital structure based on asset liability ratio (total liabilities divided by total assets). As at June 30, 2017, the asset-liability ratio of the Company is 36.94% (as at December 31, 2016: 40.70%).

XI. Disclosure of Fair Value

1. Fair value at the end of the reporting period of the assets and liabilities measured based on the fair value

Inapplicable

2. Basis for determining the market price of the items measured based on the continuous and non-continuous first level fair value

Inapplicable

3. Items measured based on the continuous or uncontinuous 2nd level fair value, valuation technique as used, nature of important parameters and quantitative information

Inapplicable

4. Items measured based on the continuous or uncontinuous 3rd level fair value, valuation technique as used, nature of important parameters and quantitative information

Inapplicable

5. Items measured based on the continuous 3rd level fair value, sensitivity analysis on adjusted information and unobservable parameters between the book value at beginning and end of the period

Inapplicable

6. In case items measured based on fair value are converted between different levels incurred in the current period, state the cause of conversion and determine conversion time point

Inapplicable

7. Change of valuation technique incurred in the current period and cause of such change

Inapplicable

8. Fair value of financial assets and financial liabilities not measured at fair value

The Company's financial assets and liabilities measured based on the amortized cost mainly include: monetary capital, notes receivable, accounts receivable, other receivables, short term borrowings, notes payable, accounts payable, other payables and long term accounts payable, etc.

The difference between the book value of financial assets and financial liabilities that are not measured at fair value and fair value is very small.

9. Others

As at June 30, 2017, there existed no asset and liability measured based on the fair value.

XII. Related parties and transactions

1. Details of the parent company of the Company

Name of the parent company	Place of registration	Nature of business	Registered capital	Shareholding ratio of parent company to the Company	Ratio of vote right of parent company to the Company
AVIC International Holdings	Shenzhen	Investment in industries, domestic trade, material supply and distribution	116,616.1996	37.15%	37.15%

Note to the parent company of the Company:

Note:

CATIC Shenzhen holds 33.93% of the shares in AVIC International Holdings. CATIC Shenzhen is a wholly owned subsidiary of CATIC International, and China Aviation Industry Corporation (AVIC) directly holds 62.52% of the equity of CATIC International. Therefore, the eventual controller of the Company is AVIC.

The Company's eventual controller is Aviation Industry Corporation of China.

2. Subsidiaries of the Company

Refer to Note IX. 1 for details of subsidiaries of the Company

3. Joint venture and association of the Company

Refer to NOTE IX.3 for details of the Company's major joint ventures or associates.

4. Other related parties of the Company

Names of other related parties	Relationship between other related parties and the Company
CATIC Property Management Co., Ltd.(CATIC Property)	Controlled by the same party
Shenzhen CATIC Building Technology Co., Ltd.(CATIC Building)	Controlled by the same party
Rainbow Supermarket Co., Ltd. (Rainbow Supermarket)	Controlled by the same party
Shennan Circuits Co., Ltd. (Shennan Circuits)	Controlled by the same party
CATIC Real Estate Co., Ltd. (CATIC Real Estate)	Controlled by the same party
CATIC Securities Co., Ltd.(CATIC Securities)	Controlled by the same party
Xi'an Skytel Hotel Co., Ltd. (Skytel Hotel)	Controlled by the same party
Shenzhen AVIC Nanguang Elevator Co., Ltd. (AVIC Nanguang)	Controlled by the same party
Shenzhen CATIC City Property Development Co., Ltd.(CATIC City Property)	Controlled by the same party
Shenzhen CATIC City Development Co., Ltd.(CATIC City Development)	Controlled by the same party
Shenzhen CATIC Guanlan Property Development Co., Ltd.(Guanlan Property)	Controlled by the same party
Shenzhen CATIC Changtai Investment Development Co., Ltd.(CATIC Changtai)	Controlled by the same party
Shenzhen CATIC 9 Square Assets Management Co., Ltd.(9 Square Assets)	Controlled by the same party
Shenzhen CATIC City Investment Co., Ltd.(CATIC City Investment)	Controlled by the same party
Chengdu CATIC Real Estate Development Co., Ltd.(Chengdu CATIC Real Estate)	Controlled by the same party
CATIC Electronic Measuring Instruments Co., Ltd(CATIC Electronic Measuring Instruments)	Controlled by the same party

Shenzhen CATIC Theme Real-estate Co., Ltd (CATIC Theme Real-estate)	Controlled by the same party
Shenzhen CATIC Group Enterprise Training Center	Controlled by the same party
Ganzhou CATIC 9 Square Commerce Co., Ltd.(Ganzhou 9 Square)	Controlled by the same party
Jiujiang CATIC City Real Estate Development Co., Ltd.(Jiujiang CATIC Real Estate)	Controlled by the same party
CATIC City Property (Kunshan) Co., Ltd.(CATIC City Property (Kunshan))	Controlled by the same party
Shenzhen CATIC Huacheng Real Estate Co., Ltd.(CATIC Huacheng Property)	Controlled by the same party
Shenzhen CATIC Curtain Wall Engineering Co., Ltd. (CATIC Curtain Wall Engineering)	Controlled by the same party
AVIC Finance Co., Ltd. (AVIC Finance)	Controlled by the same party
Shenzhen CATIC Property Assets Management Co., Ltd. (CATIC Assets Management Co.)	Controlled by the same party
Jiujiang 9 Square Commerce Management Co., Ltd. (9 Square Commerce Management Co.)	Controlled by the same party
Shenzhen CATIC City Grand Skylight Hotel Co., Ltd. (Grand Skylight Hotel Co.)	Controlled by the same party
FIYTA Technology Building Management Office of CATIC Property Management Co., Ltd. (CATIC Property Management Office)	Controlled by the same party
CBD Branch of CATIC Property Management Co., Ltd. (CBD Branch of CATIC Property)	Controlled by the same party
Xu Dongsheng	A senior executive
Wang Mingchuan	A senior executive
Fu Debin	A senior executive
Zhong Sijun	A senior executive
Cao Zhen	A senior executive
Chen Libin	A senior executive
Zhang Hongguang	A senior executive
Zhang Shunwen	A senior executive
Wang Yan	A senior executive
Wang Baoying	A senior executive
Sheng Qing	A senior executive
Wang Jingqi	A senior executive

Lu Bingqiang	A senior executive
Lu Wanjun	A senior executive
Liu Xiaoming	A senior executive
Pan Bo	A senior executive
Li Ming	A senior executive
Chen Zhuo	A senior executive

5. Related transactions

(1) Related transactions of purchase and sale of commodities and supply and acceptance of labor services

Statement of purchase of commodities and acceptance of labor services

In CNY

Related party	Details of related transaction	Amount incurred in the reporting period	Transaction quota approved	Has it exceeded the transaction quota	Amount incurred in prior period
Rainbow Supermarket	Shopping mall expenses	2,529,676.00	6,000,000.00	No	804,897.94
CATIC Property	Property management fee	3,912,604.61	8,000,000.00	No	1,356,331.47
CATIC International Shenzhen and its controlling shareholder	Investment in construction-in-process	0.00	5,000,000.00	No	890,979.82
Shenzhen CATIC Group Training Center	Training at Managers' College	0.00	500,000.00	No	0.00

Statement of sales of goods/supply of labor services

In CNY

Related parties	Description of related transaction	Amount incurred in the reporting period	Amount incurred in prior period
Rainbow Supermarket	Products and labor service	37,311,632.36	35,378,435.06
AVIC	Sales of products	0.00	92,208.55
Shennan Circuit Co.	Sales of materials	1,074,050.91	3,326,724.20
Shenzhen Grand Skylight Hotel	Sales of products	2,564.10	0.00

(2) Related entrusted management/contracted and mandatory management/contracting

Inapplicable

(3) Related lease

The Company as lessor:

In CNY

Names of lessees	Categories of leasehold properties	Rental income recognized in the current period	Rental income recognized in prior period
CATIC Real Estate	Building	679,371.90	800,003.94
CATIC Property	Building	3,213,521.33	3,745,420.80
CATIC Securities	Building	584,228.58	578,548.58
CATIC City Property	Building	218,555.04	292,804.66
CATIC City Development	Building	8,878.07	11,834.37
Guanlan Property	Building	40,199.53	47,337.51
Skytel Hotel	Building	2,095,238.09	2,300,000.00
Rainbow Supermarket	Building	262,440.80	242,761.30
9 Square Assets	Building	192,879.08	178,932.00
CATIC City Investment	Building	547,184.70	729,392.16
CATIC Huacheng Property	Building	165,498.96	221,560.96

Company as a lessee:

In CNY

Name of lessor	Type of leased assets	Rental expenses charged in current period	Rental expenses charged in prior period
CATIC Changtai	Building	176,273.10	142,709.78
CATIC City Property (Kunshan)	Building	101,827.56	93,690.83
Chengdu CATIC Real Estate	Building	0.00	400.00

(4) Related guarantee

The Company as a guarantor

In CNY

Guarantees	Amount guaranteed	Effective date	Expiring date	If the guarantee finished?
HARMONY	85,000,000.00	December 30, 2016	December 29, 2017	No
FIYTA Hong Kong	3,936,240.00	October 14, 2016	October 31, 2017	No

FIYTA Hong Kong	3,936,240.00	November 24, 2016	October 31, 2017	No
FIYTA Hong Kong	20,118,560.00	September 7, 2016	October 31, 2017	No
FIYTA Hong Kong	8,747,200.00	May 23, 2017	May 23, 2018	No
FIYTA Hong Kong	43,736,000.00	August 3, 2016	June 24, 2017	No
FIYTA Hong Kong	65,604,000.00	July 4, 2016	June 24, 2017	No

The Company as the guarantee

In CNY

Guarantors	Amount guaranteed	Effective date	Expiring date	If the guarantee finished?
CATIC International	10,000,000.00	2015年01月08日	June 24, 2020	No
CATIC International	9,361,928.00	2014年09月05日	June 24, 2020	No
CATIC International	20,000,000.00	2015年01月26日	June 24, 2020	No
CATIC International	6,000,000.00	2015年05月27日	June 24, 2021	No
CATIC International	10,000,000.00	2015年10月28日	June 24, 2021	No
CATIC International	7,000,000.00	2015年12月01日	December 24, 2021	No
CATIC International	15,000,000.00	2016年01月26日	June 24, 2022	No
CATIC International	10,000,000.00	2016年01月18日	December 24, 2021	No
CATIC International	2,000,000.00	2016年04月20日	June 24, 2022	No
CATIC International	7,500,000.00	2016年05月05日	December 24, 2022	No
CATIC International	17,000,000.00	2016年05月19日	June 24, 2023	No
HARMONY	50,000,000.00	2016年10月24日	October 19, 2019	No

(5) Borrowings and lendings among related parties

Inapplicable

(6) Assets assignment and liabilities reorganization of related parties

Inapplicable

(7) Remuneration to senior executives

In CNY

Description	Amount incurred in the reporting period	Amount incurred in the previous period
Remuneration to senior executives	6,545,286.00	4,230,100.00

(8) Other related transactions

Inapplicable

6. Accounts receivable from and payable to related parties**(1) Receivables**

In CNY

Description	Related parties	Ending balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Rainbow Supermarket	5,344,761.80	267,238.09	9,332,325.17	466,616.26
	Shennan Circuit Co.	315,019.86	15,750.99	555,224.70	27,761.24
	CATIC Property	504,166.45	25,208.32	0.00	0.00
	Ganzhou 9 Square Co.	93,003.00	4,650.15	0.00	0.00
Notes receivable	Shennan Circuit Co.	415,271.13	0.00	854,616.60	0.00
Other receivables	Rainbow Supermarket	802,380.00	40,119.00	687,471.00	34,373.55
	Ganzhou 9 Square Co.	122,665.60	61,332.80	122,665.60	6,133.28
	CATIC Changtai	50,000.00	2,500.00	50,000.00	2,500.00
	Jiujiang CATIC Real Estate Co.	0.00	0.00	50,000.00	2,500.00
	CATIC City Property (Kunshan)	42,120.00	2,106.00	42,120.00	2,106.00
	Shenzhen CATIC Group Enterprise Training Center	150,000.00	7,500.00	0.00	0.00
	Grand Skylight Hotel	32,000.00	1,600.00	32,000.00	1,600.00

(2) Payables

In CNY

Description	Related parties	Ending book balance	Opening book balance
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Advance receipt	CATIC Real Estate	0.00	133,848.00
	Guanlan Real Estate	0.00	7,920.00
	CATIC City Development	0.00	1,980.00
Other payables	CATIC Property	472,032.00	1,993,817.45
	CATIC Real Estate	424,800.00	424,800.00
	CATIC City Investment	244,068.00	244,068.00
	CATIC Securities	187,440.00	187,440.00
	CATIC Building	89,289.47	103,424.92
	CATIC City Property	97,912.32	97,912.32
	CATIC Huacheng Property	73,819.68	73,819.68
	9 Square Assets	66,666.60	66,666.60
	Rainbow Supermarket	60,000.00	60,000.00
	CATIC City Development	3,960.00	3,960.00

7. Related parties' commitments

Inapplicable

8. Others

The Group's outstanding of deposits with AVIC Finance at the end of the reporting period amounted to CNY 99,922,763.94, of which the interest of the deposit received in the reporting period amounted to CNY 15,245.11.

XIII. Stock payment

1. General of stock payment

Inapplicable

2. Stock payment for equity settlement

Inapplicable

3. Stock payment for cash settlement

Inapplicable

4. Correction and termination of stock payment

Inapplicable

5. Others

Inapplicable

XIV. Commitments and contingencies

Important commitments existing as at the balance sheet day

(1) Operating lease commitment

Implementation of irrevocable operating lease contract signed by the Company ended the balance sheet date is as follows:

Items	Ending balance	Opening balance
Minimum rent payment for irrevocable operational lease		
1 st year after the balance sheet day	17,541,276.92	32,454,718.47
2 nd year after the balance sheet day	13,798,395.91	14,752,206.79
3 rd year after the balance sheet day	3,491,656.79	3,856,133.62
Subsequent years	3,339,900.00	3,353,900.00
Total	38,171,229.62	54,416,958.88

(2) Other commitments

There existed no other significant commitments necessary to be disclosed ended June 30, 2017.

2. Contingencies**(1) Significant contingencies existing as at the balance sheet day**

① Contingent liabilities arising from debt guarantee for other organizations and the consequent affect on the finance.

For the details about the outward guarantees to various companies within the consolidation and the mutual guarantees with the parent company and subsidiaries, refer to Note XII.5(4).

② Other contingent liabilities and the financial influence

There existed no other contingencies necessary to be disclosed ended June 30, 2017.

(2) Important contingencies unnecessary to be disclosed but necessary to be explained

There existed no such contingencies in the Company.

3. Others

Inapplicable

XV. Events after balance sheet day

1. Significant non-adjustment events

Inapplicable

2. Profit distribution

Inapplicable

3. Sales return

Inapplicable

4. Note to other matters after the balance sheet date

The 18th session of the Eight Board of Directors held on August 11, 2017 reviewed and approved the Proposal for Conclusion of Financial Service Agreement with AVIC Finance Co., Ltd. according to which the Company was to conclude a new Financial Service Agreement with AVIC Finance Co., Ltd.. For the detail, refer to the Announcement on Conclusion of a Financial Service Agreement with AVIC Finance Co., Ltd., a Related Transaction (Announcement No. 2017-036)

XVI. Other significant events

1. Correction of the accounting errors in the previous period

(1) Retroactive restatement

Inapplicable

(2) Prospective application

Inapplicable

2. Debt restructuring

Inapplicable

3. Replacement of assets

(1) Non-monetary assets exchange

Inapplicable

(2) Other assets exchange

Inapplicable

4. Pension plan

Inapplicable

5. Discontinuing operation

Inapplicable

6. Segment information**(1) Basis for determining the reporting segments and accounting policy**

Inapplicable

(2) Financial information of the reporting segments

Inapplicable

(3) In case there is no reporting segment or the total assets and liabilities of the reporting segments cannot be disclosed, explain the reason

There is no reporting segment in the Company.

(4) Other notes

Inapplicable

7. Other significant transactions and matters that may affect investors' decision making

Inapplicable

8. Others

Inapplicable

XVII. Notes to the parent company's financial statements**1. Accounts receivable****(1) Disclosure of classification of accounts receivable**

In CNY

Categories	Ending balance					Opening balance				
	Book Balance		Provision for bad debt		Book value	Book Balance		Provision for bad debt		Book value
	Amount	Proportion	Amount	Provision proportion		Amount	Proportion	Amount	Provision proportion	
Accounts receivable grouped based on the credit risk characteristics for which reserve for bad debt is provided	1,804,032.14	100.00%	13,473.46	0.75%	1,790,558.68	269,469.10	100.00%	13,473.46	5.00%	255,995.64
Total	1,804,032.14	100.00%	13,473.46	0.75%	1,790,558.68	269,469.10	100.00%	13,473.46	5.00%	255,995.64

Other receivables that are individually significant in amount and provided for bad debt separately at the end of period:

Inapplicable

In the portfolio, other receivables with provision for bad and doubtful debts based on aging analysis method:

In CNY

Age	Ending balance		
	Other receivables	Provision for bad debt	Provision proportion
Itemized based on those within 1 year			
Sub-total within 1 year	1,804,032.14	13,473.46	0.75%
Total	1,804,032.14	13,473.46	0.75%

Note to the basis for determining that portfolio:

Inapplicable

In the portfolio, other receivables with provision for bad and doubtful debts based on the balance percentage method:

Inapplicable

In the portfolio, other receivables with provision for bad and doubtful debts based on other method.

Inapplicable

(2) Bad debt provision accrual, received or reversed in current period

Inapplicable

(3) Other receivables actually written off in the current period

Inapplicable

(4) Accounts receivable attributable to the top five debtors of the ending balance

The total amount of the accounts receivable attributable to the top five debtors of the ending balance was CNY 1,568,110.34 taking 86.92% of the total ending balance of the accounts receivable and the total amount of the ending balance for which reserve for bad debt was provided was CNY 13,473.46.

(5) Accounts receivable which was determined for recognition due to transfer of financial assets

Inapplicable

(6) Amount of assets and liabilities formed from transfer of the accounts receivable while continued to be involved in

Inapplicable

2. Other receivables**(1) Disclosure of other receivables based on categories**

In CNY

Categories	Ending balance					Opening balance				
	Book Balance		Provision for bad debt		Book value	Book Balance		Provision for bad debt		Book value
	Amount	Proportion	Amount	Provision proportion		Amount	Proportion	Amount	Provision proportion	
Other receivables for which bad debt reserve has been provided based on the portfolio with credit risk characteristics	952,827,552.19	100.00%	16,748.67	0.00%	952,810,803.52	1,191,963,803.24	100.00%	16,748.67	0.00%	1,191,947,054.57
Total	952,827,552.19	100.00%	16,748.67	0.00%	952,810,803.52	1,191,963,803.24	100.00%	16,748.67	0.00%	1,191,947,054.57

Other receivables that are individually significant in amount and provided for bad debt separately at the end of period:

Inapplicable

In the portfolio, other receivables with provision for bad and doubtful debts based on aging analysis method:

In CNY

Age	Ending balance		
	Other receivables	Provision for bad debt	Provision proportion
Itemized based on those within 1 year			
Sub-total within 1 year	1,351,886.99	16,748.67	1.24%
Total	1,351,886.99	16,748.67	1.24%

Note to the basis for determining that portfolio:

Inapplicable

In the portfolio, other receivables with provision for bad and doubtful debts based on the balance percentage method:

Inapplicable

In the portfolio, other receivables with provision for bad and doubtful debts based on other method.

Name of portfolio	Book Balance	Provision for bad debt	Provision proportion %
Portfolio of specific accounts	951,475,665.20	-	-

Based on historical experience, the Group's receivables due from petty cash paid to employees, receivables due from subsidiaries of the Company and accounts receivable for the sales between the last settlement date of the same department store and the balance sheet date are with high recoverability and low possibility of incurring bad debt, as a result, no bad debt provisions are provided for such receivables.

(2) Bad debt provision accrual, received or reversed in current period

Inapplicable

(3) Other receivables actually written off in the current period

Inapplicable

(4) Classification of the other receivables based on the nature of fund

In CNY

Nature of Payment	Ending book balance	Opening book balance
Dealings among related parties within the consolidation scope	950,818,139.55	1,191,058,623.23
Reserve	657,525.65	737,693.28
Deposit in security	40,050.00	40,050.00
Others	1,311,836.99	127,436.73
Total	952,827,552.19	1,191,963,803.24

(5) Other receivables attributable to the top five debtors of the ending balance

In CNY

Company names	Nature of Payment	Ending balance	Age	Proportion in total ending balance of other receivables	Ending balance of the provision for bad debts
HARMONY	Current accounts	705,331,324.09	Within 1 year	74.03%	0.00
Sales Company	Current accounts	165,486,164.76	Within 1 year	17.37%	0.00
Emile Choureit (Shenzhen) Ltd.	Current accounts	61,622,278.94	Within 1 year	6.47%	0.00
Shiyuehui Company	Current accounts	13,046,441.57	Within 1 year	1.37%	0.00
Technology Company	Current accounts	4,557,495.39	Within 1 year	0.48%	0.00
Total	--	950,043,704.75	--	99.71%	0.00

(6) Accounts receivable in connection with government subsidy

Inapplicable

(7) Other receivables derecognized due to transfer of financial assets

Inapplicable

(8) Amount of assets and liabilities formed due to transfer of other receivables and continuing to be involved

Inapplicable

3. Long term equity investment

In CNY

Items	Ending balance			Opening balance		
	Book Balance	Impairment reserve	Book value	Book Balance	Impairment reserve	Book value
Investment in subsidiaries	1,213,169,720.00	0.00	1,213,169,720.00	1,213,169,720.00	0.00	1,213,169,720.00
Investment in associates and joint ventures	43,612,496.76	0.00	43,612,496.76	43,423,624.87	0.00	43,423,624.87
Total	1,256,782,216.7	0.00	1,256,782,216.7	1,256,593,344.8	0.00	1,256,593,344.8

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(1) Investment in subsidiaries

In CNY

Investees	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance	Provision reserve provided in the reporting period	Ending balance of the provision for impairment
HARMONY	601,307,200.00	0.00	0.00	601,307,200.00	0.00	
FIYTA Sales Co.	450,000,000.00	0.00	0.00	450,000,000.00	0.00	
Manufacture Co.	9,000,000.00	0.00	0.00	9,000,000.00	0.00	
Technology Company	10,000,000.00	0.00	0.00	10,000,000.00	0.00	
FIYTA (Hong Kong) Limited	137,737,520.00	0.00	0.00	137,737,520.00	0.00	
Shiyuehui Company	5,000,000.00	0.00	0.00	5,000,000.00	0.00	
Harbin Company	125,000.00	0.00	0.00	125,000.00	0.00	
Total	1,213,169,720.00	0.00	0.00	1,213,169,720.00	0.00	0.00

(2) Investment in joint venture and associates

In CNY

Investors	Opening balance	Increase/ Decrease (+ / -) in the reporting period								Ending balance	Ending balance of the provision for impairment
		Additional investment	Investment decreased	Investment gain and loss recognized based on the equity method	Other comprehensive income adjustment	Other equity movement	Announced for distributing cash dividend or profit	Provision for impairment	Others		
I. Joint Venture											
II. Associates											
Shanghai Watch Industry	43,423,624.87	0.00	0.00	188,871.89	0.00	0.00	0.00	0.00	0.00	43,612,496.76	0.00
Sub-total	43,423,624.87	0.00	0.00	188,871.89	0.00	0.00	0.00	0.00	0.00	43,612,496.76	0.00

Total	43,423,624.87	0.00	0.00	188,871.89	0.00	0.00	0.00	0.00	0.00	43,612,496.76	0.00
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(3) Other notes

Inapplicable

4. Operating revenue and operating costs

In CNY

Items	Amount incurred in the reporting period		Amount incurred in the previous period	
	Income	Cost	Income	Cost
Principal business	51,281,774.36	8,618,881.55	49,145,205.51	6,783,241.62
Other businesses	72,649.57	0.00	0.00	0.00
Total	51,354,423.93	8,618,881.55	49,145,205.51	6,783,241.62

5. Return on investment

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Income from long term equity investment based on cost method		135,344,660.36
Income from long term equity investment based on equity method	188,871.89	172.19
Total	188,871.89	135,344,832.55

6. Others

Inapplicable

XVIII. Supplemental Information**1. Details of non-recurring gain or loss for the year**

In CNY

Items	Amount	Note:
Gain/loss from disposal of non-current assets	-13,352.95	It refers to the gain or loss from disposal of partial obsolete office fixed assets
Government grants included in current	1,478,043.00	For the detail, refer to Note VII. And

profit or loss (except for the fixed or quantitative government grants, enjoyed in a consecutive way, which closely related to the enterprise businesses and according to certain state policies and or on a nation-wide unified standard)		XVIII: Description of government subsidy counted to the current gain or loss
Other non-operating income and expenses other than the above items	-515,323.53	Other various non-operating revenue and expenditure
Less: amount of income tax affected	178,998.70	
Total	770,367.82	--

For the Company's non-recurring gain/loss items as defined in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering their Securities to the Public – Non-recurring Gains and Losses and its non-recurring gain/loss items as illustrated in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering their Securities to the Public – Non-recurring Gains and Losses which have been defined as recurring gains and losses, it is necessary to explain the reason.

Inapplicable

2. ROE and EPS

Profit of the report period	Net assets-income ratio, weighted average	Earnings per share	
		Basic earnings per share, in CNY/share	Diluted earnings per share (CNY/share)
Net profit attributable to the Company's shareholders of ordinary shares	3.65%	0.1976	0.1976
Net profit attributable to the Company's shareholders of ordinary shares less non-recurring gains and loss	3.62%	0.1959	0.1959

3. Discrepancy in accounting data between IAS and CAS

(1) Discrepancy in net profit and net assets as disclosed in the financial report respectively according to IAS and CAS

Inapplicable

(2) Discrepancy in net profit and net assets as disclosed in the financial report respectively according to the accounting standards outside Mainland China and CAS

Inapplicable

(3) Note to the discrepancy in accounting data under the accounting standards outside Mainland China. In case the discrepancy in data which have been audited by an overseas auditing agent has been adjusted, please specify the name of the overseas auditing agent.

Inapplicable

4. Others

Inapplicable

Section11 Documents Available for Inspection

I. Financial Statements signed by and under the seal of the legal representative, chief accountant and accounting supervisors;

II. All the manuscripts of the Company's documents and announcements disclosed in the newspapers (Securities Times and Hong Kong Commercial Daily) designated by China Securities Regulatory Commission.