

FIYTA HOLDINGS LTD.
2018 Semi-annual Report

August, 2018

Section 1 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.

Huang Yongfeng, the Company leader, Chen Zhuo, chief financial officer, and Tian Hui, the manager of the accounting department (treasurer) hereby confirm the authenticity and completeness of the financial report enclosed in this Annual Report.

With the exception of the following directors, all the other directors personally attended the board meeting where this semi-annual report was reviewed.

Names of the directors failed to personally attend the Board Meeting	Offices taken by the directors absent from the Meeting	Cause of the absence	Name of the mandatary
Fu Debin	Director	For the sake of work	Wang Bo
Chen Libin	Director	For the sake of work	Huang Yongfeng
Wang Yan	Independent director	For the sake of work	Zhang Shunwen

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 intends neither to distribute any cash dividend or bonus shares nor to convert any reserve into share capital.

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Definitions

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, Ltd.
AVIC International	Refers to	AVIC International Holding Corporation
AVIC International Shenzhen	Refers to	AVIC International Shenzhen Co., Ltd.
AVIC IHL	Refers to	AVIC International Holding 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	Shenzhen FIYTA Technology Development Co., Ltd.
the Hong Kong Co.	Refers to	FIYTA (Hong Kong) Limited
SHIYUEHUI	Refers to	Shiyuehui Boutique (Shenzhen) Co., Ltd.
Rainbow Ltd.	Refers to	Rainbow Department Store Co., Ltd.
AVIC SUNDA	Refers to	AVIC SUNDA Co., Ltd.
AVIC Property	Refers to	AVIC Property Management Co., Ltd.

Section 2 Company Profile and Financial Highlights

I. Company Profile

Short form of the stock:	FIYTAA, FIYTA B	Stock Codes:	000026 and 200026
Stock Exchange Listed with	Shenzhen Stock Exchange Listed		
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.		
Abbreviation of the Company name in foreign language (if any)	FIYTA		
Legal Representative	Huang Yongfeng		

II. Liaison Persons and Communication Information

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

III. Other Information

1. Way of Communication

There is no change in the registered address, office address and post code, company website, email during the reporting period. For the detail, refer to 2017 Annual Report.

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

Newspapers designated for disclosing the information, Internet web site designated by China Securities Regulatory Commission for publishing the Semi-annual Report, place of the Company's Semi-annual Report prepared for inquiry, for the detail, refer to 2017 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
Revenue in CNY	1,695,891,432.72	1,599,541,144.35	6.02%
Net profit attributable to the Company's shareholders, in CNY	112,367,921.44	86,708,824.76	29.59%
Net profit attributable to the Company's shareholders less the non-recurring items, in CNY	99,759,371.16	85,938,456.94	16.08%
Net cash flows arising from operating activities, in CNY	224,672,274.09	276,715,660.53	-18.81%
Basic earnings per share (CNY/share)	0.2561	0.1976	29.61%
Diluted earnings per share (CNY/share)	0.2561	0.1976	29.61%
Return on equity, weighted average	4.45%	3.65%	0.80%
	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	3,629,325,363.14	3,579,789,692.90	1.38%
Net profit attributable to the Company's shareholders, in CNY	2,578,942,362.89	2,467,967,361.20	4.50%

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	-54,407.16	Gain/loss from disposal of partial obsolete

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provision for impairment of assets.		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).	6,497,018.80	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	7,533,121.86	Operating income and expenses other than the aforesaid items
Other various non-operating revenue and expenditure with the aforesaid items exclusive	-102,663.02	Other various non-operating revenue and expenditure
Less: Amount affected by the income tax	1,264,520.20	
Total	12,608,550.28	--

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

Section 3 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

(1) Principal Business and Operation Model

FIYTA has been concentrating itself in watch industry under the strategy with the brand strategy as the guidance, with "products + channel" as the business model, is enthusiastically carrying forward integration of key value chains and construction of core ability, continuously promoting the integrative brand development strategy. So far, the Company has integrated watch R & D, design, manufacture, sales and services, has formed two general core businesses of "watch brand management + retail of famous brand watches", has constructed the proprietary product brand cluster represented by "FIYTA" Brand and watch retail channel brand represented by Harmony with mutual promotion and coordinated development of the Company's product brand business and channel retail services.

(2) Development Status of Watch Industry and the Company's Position in the Industry

At present, China has entered an important development stage of consumption demand in continuous growth and consumption structure upgrading in an accelerated way; the people's dreaming of good life and demand shall be increasingly enhanced. China's famous brand watch market started reviving in the second half year of 2016. After around two years' growth and stabilization, the growth of the market is expectable under the new background. The growth of economy and rise of the household consumption level shall continuously provide steady power for the growth of the industry. In the first half year of 2018, the quality consumption and personalized consumption has been persistently overheating, consumers are willing to pay higher prices to buy better quality products and services and medium and high end brands have kept stable growth rate. Despite some factors such as the Sino-US trade friction, capital market fluctuation, etc. may possibly impact the market at a certain level and periodically in the short run, they shall not change the judgment of the market trend towards a good prospect; in addition, differentiation has taken place in growth of the domestic watches vs Swiss watch brands (especially high-end Swiss watch brands), it shall accelerate upgrading of the domestic watch brands and development progress of the domestic watch manufacturers.

Since its establishment, the Company has concentrated itself on the watch industry persistently. After 31 years' tempering struggling, the Company has now become a flagship enterprise in China's watch industry. The Company's brand "FIYTA" has become a leading brand among the domestic watches; and the channel brand "HARMONY" has become a world watch retail and service channel leader in China. The Company shall seize the opportunity of consumption upgrading and personalized consumption growth, further quicken the steps its own brand upgrading and core ability construction, actively explore and foster and develop new businesses, continuously consolidate the Company's leading position in the industry and create greater value for the customers, shareholders and the society.

II. Significant Changes in the Prime Assets

1. Significant Changes in the Prime Assets

Prime assets	Note to the significant change
Fixed assets	Decrease of the carrying value of fixed assets as at the end of the reporting period by CNY -59,786,456.47 was mainly due to increase of the lease area of Shenyang 1928 Building and was carried to the investment oriented real estate for accounting; the book original value of the assets involved amounted to CNY 58,656,614.70 and the net value amounting to CNY 49,139,814.06.

2. Prime Assets Abroad

Inapplicable

III. Analysis on Core Competitiveness

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

No

Through many years' development, the Company has focused on the brand building and channel operation, has already successfully constructed its core competitiveness, including the abilities of product innovation, brand building, supply chain management, channel operation, quality services, strategic human resource management, etc. Based on these abilities, the Company has become an enterprise with national technology center, national industry design center, a national technological innovation demonstration enterprise and national hi-tech enterprise; has risen to one of the global three powers of spaceflight watch R&D and manufacture enterprise. During the reporting period, the Company has based itself on providing customers with better products and services, further elevated its core competitiveness, and has achieved continuous breakthrough in partial fields. In the first half year, "FIYTA" Brand released the products with entirely new style such as SOLO at Basel Fairground and received positive comments from market.

In respect of R & D, the Company further increased the R & D investment and achievement transformation. In the first half year, the Company applied for 3 patents of invention, 2 utility model patents, and 19 design patents; was granted 2 patented inventions, 6 utility model patents and 15 design patents. Meanwhile, the Company continued to devote itself to construction of the industrial standards, took lead in and participated in amendment of the standards and completed 10 national, industrial standards and 1 technical regulation of Shenzhen Municipality.

Section 4 Discussion and Analysis of the Management

I. General

During the first half year of 2018, facing the changes of the market environment, the Company insisted on the brand strategy and innovation driving, in compliance with the annual work theme of “brand upgrading, quality and efficiency improvement and innovation and development”, focused on the efficiency and benefit, carried forward various tasks. While grasping the opportunity of steady growth of the market of famous brand watches and lifting of the market shares of the domestic watches, speeded up boosting upgrading of its proprietary brand, propelled transformation of the growth way by unit price and gross profit rate and inventory turnover ratio, etc. and realized operation efficiency and further improvement of the asset efficiency. In the reporting period, the Company realized operating revenue amounting to CNY 1,695.89 million with year-on-year growth of 6.02% and realized total profit amounting to CNY 145.83 million with a year-on-year growth of 29.54%.

Steadily carrying forward brand upgrading and differentiated brand cluster building. During the reporting period, the Company kept up with the market trend and boosted construction of brand cluster differentiation according to the established strategy, various brand segments were further specified, the 3-dimension brand system with distinct features were basically shaped up, the “FIYTA” Brand positioning and development idea were further clarified, the brand building ability was further upgraded. With the help of Basel Fairground, brand spokesman, cooperation with CCTV5+Game Advertisement and the first-tier city flagship store project, etc. and multiple channels promoted the influence of “FIYTA” Brand; and as a result, the market share was steadily elevated. Such brands as “JONAS & VERUS”, “BEIJING”, “JEEP” etc. have received ideal performance in aspects of brand influence, sales revenue, etc. The breakthrough orientation in product quality, high-end watch manufacture ability, supply chain competitiveness, etc. has been further specified. Such products as KING’S SWORD triggered intense echo at the Basel World. Various tasks centering on improvement of the product competitiveness have been spread comprehensively and are being carried forward in an orderly way and have consolidated the foundation for the Company’s subsequent development.

The channel layout continuously optimized and channel operation ability improved with acceleration. During the reporting period, the Company actively carried forward offline channel structure optimization and improvement of operation ability. HARMONY World Watch seized the opportunity of the revival and growth of high-end brands, conducted in-depth study on the customers’ consumption trend, persistently carried out the per-unit-yield raising work. As a result, its customer size and unit price got improved significantly and its sales income grew steadily; to comply with the new consumption demand, HARMONY actively established close cooperative relationship with domestic excellent cooperation resources, continuously optimized and improved the structure of existing shops, developed layout of the medium and high end brands in the newly opened shops. Meanwhile, HARMONY enhanced the online business layout, improved the online operation ability and has become the designated operator of CARL F. BUCHERER in the official flagship store of JD.com. During the reporting period, the Company focused on the per-unit-yield improvement for its own brand channel, enhanced the channel operation ability, increased resource distribution in the key regions and market, carried forward channel structure optimization and adjustment in an orderly way; continued to speed up development of the online channels with building online operation ability as the key and achieved a good growth in sales income.

Enthusiastically carrying forward application of new technologies and new business layout. During the reporting

period, the Company closely followed up the movement of the market demand and technology development trend, based itself on the long term strategy, positively propelled development of new businesses, such as intelligent retail exploration and practice, smart watch, etc. During the reporting period, “FIYTA” Brand and its partners jointly launched the first pointer type aerobic capacity smart watch in the industry; JEEP Brand also newly launched a smart watch. This produced has attracted attention and enjoyed favor from the consumers as soon as it came into being.

Various work for quality and efficiency improvement being initially paid off. During the reporting period, the Company kept carrying forward the process optimization and efficiency improvement; systematically solved the key and difficult problems existing in the business operation and management by using management tools, such as 6 Sigma ; the Company kept carrying forward the adjustment for optimization of the organization structure and coordinative and high efficiency operation of various links, including “research, design, production and sales”, boosted in depth the special tasks of optimization of the product development cycle, the control of inventories and accounts receivable, etc. Through the whole staff's joint efforts, the Company achieved initial success in performances of the relevant tasks: the Company reduced the total inventories by CNY162.32 million on year-on-year basis, and by CNY 85.16 million over the beginning of the reporting period; achieved steady improvement in total assets turnover and inventory carry rate on year-on-year basis, realized net cash flow generated from business activities amounting to CNY 224.67 million, which have powerfully supported the growth of the performances in the reporting period.

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 movement
Revenue	1,695,891,432.72	1,599,541,144.35	6.02%	Inapplicable
Operating cost	976,325,736.35	941,479,684.84	3.70%	Inapplicable
Sales costs	422,113,041.69	394,286,321.79	7.06%	Inapplicable
Administrative expenses	125,528,317.71	98,170,386.95	27.87%	Inapplicable
Financial expenses	18,147,791.49	26,200,633.06	-30.74%	It was mainly due to year-on-year decrease of bank loan size during the reporting period.
Income tax expense	33,463,799.72	25,965,385.00	28.88%	Inapplicable
R&D input	21,285,926.02	21,944,615.09	-3.00%	Inapplicable
Net cash flows arising from operating activities, in CNY	224,672,274.09	276,715,660.53	-18.81%	Inapplicable
Net cash flow arising from investment activities	-52,512,866.91	-56,423,051.76	6.93%	Inapplicable
Net cash flow arising from financing activities	-78,421,466.76	-264,211,350.78	70.32%	It was mainly due to year-on-year decrease of bank loan size during the reporting period. while the

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				dividend distribution for year 2016 completed in the same period of the previous year.
Net increase of cash and cash equivalents	93,856,380.26	-43,578,751.94	315.37%	Mainly due to year-on-year increase of the net cash flow in connectino with financing activities during the reporting period.

Significant change in profit composition or profit sources during the reporting period.

Inapplicable

Composition of the principal business

In CNY

	Revenue	Operating cost	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 cost over the same period of previous year	Year-on-year increase/decrease of gross profit rate over the same period of previous year
Sectors						
Watches	1,626,297,488.93	961,750,068.78	40.86%	5.79%	3.25%	1.45%
Leases	57,539,426.21	11,490,008.03	80.03%	12.20%	33.31%	-3.16%
Others	12,054,517.58	3,085,659.54	74.40%	9.71%	116.39%	-12.62%
Products						
Famous brand watches	1,133,532,373.71	808,009,338.65	28.72%	7.79%	3.63%	2.86%
FIYTA watches	492,765,115.22	153,740,730.14	68.80%	1.47%	1.31%	0.05%
Leases	57,539,426.21	11,490,008.03	80.03%	12.20%	33.31%	-3.16%
Others	12,054,517.58	3,085,659.54	74.40%	9.71%	116.39%	-12.62%
Regions						
Northeast China	167,808,988.90	107,206,732.64	36.11%	4.85%	4.10%	0.46%
Northeast China	158,237,523.05	95,232,032.22	39.82%	-9.29%	-9.55%	0.17%
Northwest China	296,818,912.14	187,468,984.48	36.84%	12.33%	12.31%	0.01%
Southwest China	153,677,143.03	98,615,718.57	35.83%	-0.19%	-0.23%	0.02%
East China	219,099,443.56	128,259,650.78	41.46%	-0.83%	-1.16%	0.20%
South China	700,249,422.03	359,542,617.67	48.66%	11.88%	6.47%	2.60%

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 the previous year		Proportion increased/decreased	Note to significant changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary fund	281,009,271.58	7.74%	385,224,003.87	10.02%	-2.28%	Inapplicable
Accounts receivable	378,420,568.27	10.43%	315,123,497.85	8.20%	2.23%	Inapplicable
Inventories	1,735,371,328.09	47.82%	1,897,695,603.73	49.36%	-1.54%	Inapplicable
Investment real estate	348,258,775.18	9.60%	284,928,954.22	7.41%	2.19%	Inapplicable
Long-term equity investment	43,972,531.47	1.21%	43,612,496.76	1.13%	0.08%	Inapplicable
Fixed assets	463,913,136.18	12.78%	557,286,443.92	14.49%	-1.71%	Inapplicable
Construction-in-process	12,515,382.25	0.34%	1,404,130.16	0.04%	0.30%	Inapplicable
Short term borrowings	479,917,100.00	13.22%	919,078,240.00	23.90%	-10.68%	Inapplicable
Long term borrowings	62,153,235.50	1.71%	97,939,904.54	2.55%	-0.84%	Inapplicable

2. Assets and liabilities measured based on fair value

Inapplicable

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

A property owned by Switzerland based Montres Chouriet SA with net value of CNY 14,803,859.87 was used as a collateral for the overseas long term loan amounting to CNY 4,791,307.50.

V. Investment

1. General

Amount of investment during the reporting period (CNY)	Amount of investment in the same period of the previous year (CNY)	Amount of variation
1,568,081.72	1,404,130.16	11.68%

2. Significant equity investment acquired in the reporting period

Inapplicable

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

In CNY

Description	Way of investment	Is it an investment in fixed assets?	Industry involved by the investment project	Amount invested during the reporting period	Accumulative amount actually invested by the end of the reporting period	Capital source	Project progress	Predicted earning	Earnings accumulatively realized by the end of the reporting period	Cause of the failure in arriving at the planned progress and predicted earnings	Date of disclosure (if any)	Disclosure index (if any)
Construction project of FIYTA watch R&D and manufacture center	Self-built	Yes	Manufacture	1,568,081.72	12,515,382.25	Self-raised capital	100.00%	0.00	0.00	Inapplicable	March 10, 2017	http://www.cninfo.com.cn/
Total	--	--	--	1,568,081.72	12,515,382.25	--	--	0.00	0.00	--	--	--

Note: The 13th session of the Eighth Board of Directors reviewed and approved the proposal for increase of the investment in the construction project of FIYTA Watch R&D and Manufacture Center by CNY 34.0509 million. For the detail, refer to Announcement of the Resolution of the 13th Session of the Eighth Board of Directors 2017-003. Ended the reporting period, the accumulative amount of investment in the project was CNY12.5153 million.

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	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Shenzhen Harmony World Watches Center Co., Ltd.	Subsidiaries	Purchase & sale and repairing 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.	600,000,000.00	1,440,193,056.51	779,097,297.14	1,058,209,281.29	85,709,797.97	65,724,745.75
FIYTA Sales Co., Ltd.	Subsidiaries	Design, R & D and sales of watches, timing instruments, and spare and accessory parts; sales of jewelry and ornaments; import & export of watches and repairing services.	450,000,000.00	780,609,948.35	394,632,068.95	515,721,061.06	-23,367,059.41	-17,620,701.45
Shenzhen FIYTA Sophisticated Timepieces Manufacture Co., Ltd.	Subsidiaries	1. 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 (hard alloy, sophisticated ceramics) spare and accessory parts; and development of technology for the aforesaid products and supporting business; import & export. 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 parts; processing of K gold ornamental watches, superhard material (hard alloy, sophisticated ceramics) spare and accessory parts; and repairing of the aforesaid products. 2.	10,000,000.00	308,517,739.97	218,419,211.64	238,249,943.95	83,665,663.87	71,518,996.35

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Shenzhen FIYTA Technology Development Co., Ltd.	Subsidiaries	R&D, production sales of watches (excluding the products in the catalogue of measuring instruments under control according to the law); production & machining and sales of sophisticated parts and technology development; investment and initiation of industrial entities (application shall be submitted for a specific project); domestic commerce, materials supply and sales.	10,000,000.00	76,406,074.21	63,186,141.49	46,073,281.42	3,827,312.28	3,884,219.65
FIYTA (Hong Kong) Limited	Subsidiaries	Trading of watches and accessories and investment	137,737,520.00	236,496,156.12	167,266,294.17	57,729,653.35	-2,704,172.57	-5,633,718.48
Shiyuehui Boutique (Shenzhen) Co., Ltd.	Subsidiaries	General business activities; Design, R & D, sales of timing instruments and spare and accessory parts; brand planning, design, R&D, sales and 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.	5,000,000.00	20,944,271.37	-5,293,140.12	6,079,828.02	-2,177,427.21	-1,753,275.62
Liaoning Hengdarui Commerce & Trade Co., Ltd.	Subsidiaries	Wholesale, retail and repairing services of watches and components; sales of electronic products, communication equipment and materials, instruments and meters, office equipment, general merchandise, jewelry, handicrafts, toys, metal materials; conference services; property management; property lease. (For the projects subject to approval according to the law, the business activities shall not be carried out before approval by the competent authority.)	51,000,000.00	146,815,457.40	39,776,386.79	4,958,865.07	836,818.33	627,604.99
Harbin Harmony World Watch Distribution Co., Ltd.	Subsidiaries	Wholesale and retail of watches and accessories, general merchandise, jewelry, leatherwares, stationery articles,	500,000.00	50,233,677.52	3,085,542.96	21,618,950.37	-350,128.91	-480,437.64

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		costume; watch repairing; design, manufacture, agency, distribution of domestic advertising business.¶						
Emile Chouriet (Shenzhen) Limited	Subsidiaries	Wholesale, import & export of watches and accessories, jewelry, ornaments (excluding loose diamond and gold, palladium material) and the relevant supporting businesses (For the commodities not subject to administration of state-run trade, quota or license, it is necessary to make application according to the relevant regulations of the government); after-sale repairing services of watches.	41,355,200.00	108,940,423.85	75,763,067.52	44,509,243.81	-4,952,004.03	-3,741,042.18
Shanghai Watch Industry Co., Ltd.	Mutual shareholding company	Production (outward processing) and sales of watches, watch driving units, watch parts, sophisticated instruments and accessories.¶ goods import & export and technology import & export.	15,350,000.00	109,224,801.99	100,892,448.99	46,323,386.37	-182,784.65	372,053.52

Subsidiaries acquired and disposed in the reporting period

Inapplicable

Note to the principal mutual shareholding companies

Inapplicable

VIII. Structurized Entities Controlled by the Company

Inapplicable

IX. Prediction of the Performances from January to September, 2018

Inapplicable

X. Risks Possibly to be Confronted with and Measures to be Taken

1. Benefited by the growth of the residents' disposable income, the consumption market is optimistic in its medium and long term development. However, affected by such factors as the Sino-US trade friction, capital market fluctuation, exchange rate fluctuation, etc., the domestic residents' consumer confidence has been impacted somewhat. The Company needs to keep carrying out the market and customer research work, sturdily carrying forward improvement of the operation efficiency, doing a good job in brand construction, tamping the foundation of management. Meanwhile, keep carrying forward multi-brand strategy and seizing the opportunity of market segment growth.

2. Although the smart watch field is still in the stage of product optimization and improvement, but it has formed a certain consumption foundation, and brought about a certain impact upon the traditional watch industry. The Company always

pays close attention to smart watch field, enthusiastically practices, and has been involved in the smart watch market by means of FIYTA Brand and JEEP Brand. The Company shall still keep paying attention to the development trend of this field and persistently carries forward ability building and product layout.

3. The change of consumers' consumption habit, persistent rapid development of the online channel and shopping center have caused a certain bypass to the customer flow of traditional general merchandise channel. In the aspect of online channel, the Company made layout quite early and now is carrying forward improvement of operation ability. In the first half year, the Company has achieved good growth in online business; in respect of offline channels, the Company actively conducted channel structure adjustment, and building the ability of site selection, product selection and terminal operation. As a result, the number of shopping mall channels has been increasing continuously.

Section 5 Significant Events

I. General Meeting and Extraordinary General Meetings

1. General Meetings

Sessions	Meeting type	Proportion of attendance of the investors	Meeting date	Date of disclosure	Disclosure index
2017 Annual General Meeting	Annual general meeting	39.07%	June 21, 2018	June 21, 2018	www.cninfo.com.cn
2018 1st Extraordinary General Meeting	Extraordinary General Meeting	7.37%	January 16, 2018	January 17, 2018	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						
Equity incentive commitment						
Other commitments to the minority shareholders	Huang Yongfeng, Chen Libin, Lu Bingqiang, Lu Wanjun, Liu	Commitment for sales restriction on shares	The said directors and senior executives increased holding	, December 16, 2017	6 months	Completed in implementation

	Xiaoming, Pan Bo, Li Ming, Chen Zhuo		of the Company's shares and committed that within six months of the increase they shall not reduce the holding size initiatively, shall not be engaged in any inside trading, trading the shares during sensitive period or short swing trading.			
Has the commitment been timely implemented	Yes					
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.	Inapplicable					

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. Lawsuits

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 transaction	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 of the similar transaction accessible	Date of disclosure	Disclosure index
AVIC Property	Common controller	Administrative expenses	Property management fee	Market price	Inapplicable	296.62	100.00%	1,000	No	Bank transfer	Inapplicable	March 10, 2018	www.cninfo.com.cn
Rainbow Ltd.	Common controller	Sales costs	Shopping mall fees	Market price	Inapplicable	255.46	9.66%	800	No	Bank transfer	Inapplicable	March 10, 2018	www.cninfo.com.cn
AVIC Building Co.	Common controller	Principal business costs	Engineering fees	Market price	Inapplicable	46.84	88.43%	500	No	Bank transfer	Inapplicable	March 10, 2018	www.cninfo.com.cn
Shenzhen AVIC Group Enterprise Training Center	Common controller	Administrative expenses	Talent fund	Market price	Inapplicable	14.45	100.00%	50	No	Bank transfer	Inapplicable	March 10, 2018	www.cninfo.com.cn
Rainbow Ltd.	Common controller	Revenue from principal business	Sales of goods	Market price	Inapplicable	3,506.04	2.07%	11,000	No	Bank transfer	Inapplicable	March 10, 2018	www.cninfo.com.cn
Shennan Circuit Co., Ltd.	Common controller	Revenue from principal	Sales of goods	Market price	Inapplicable	330.03	15.31%	1,500	No	Bank transfer	Inapplicable	March 10, 2018	www.cninfo.com.cn

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		business											
Ganzhou 9 Square	Common controller	Revenue from principal business	Sales of goods	Market price	Inapplicable	70.14	0.04%	500	No	Bank transfer	Inapplicable	March 10, 2018	www.cninfo.com.cn
Shenzhen Grand Skylight Hotel Management Co., Ltd.	Common controller	Revenue from principal business	Sales of goods	Market price	Inapplicable	0.6	0.00%	-	No	Bank transfer	Inapplicable	March 10, 2018	www.cninfo.com.cn
AVIC Property	Common controller	Revenue from principal business	Property lease	Market price	Inapplicable	378.67	6.58%	2,000	No	Bank transfer	Inapplicable	March 10, 2018	www.cninfo.com.cn
AVIC SUNDA	Common controller	Revenue from principal business	Property lease	Market price	Inapplicable	89.89	1.56%	-	No	Bank transfer	Inapplicable	March 10, 2018	www.cninfo.com.cn
AVIC City Property Co., Ltd.	Common controller	Revenue from principal business	Property lease	Market price	Inapplicable	18.8	0.33%	-	No	Bank transfer	Inapplicable	March 10, 2018	www.cninfo.com.cn
AVIC City Development	Common controller	Revenue from principal business	Property lease	Market price	Inapplicable	0.24	0.00%	-	No	Bank transfer	Inapplicable	March 10, 2018	www.cninfo.com.cn
Guanlan Real Estate	Common controller	Revenue from principal business	Property lease	Market price	Inapplicable	5.39	0.09%	-	No	Bank transfer	Inapplicable	March 10, 2018	www.cninfo.com.cn
Tianyue Hotel	Common controller	Revenue from principal business	Property lease	Market price	Inapplicable	174.6	3.03%	-	No	Bank transfer	Inapplicable	March 10, 2018	www.cninfo.com.cn
Rainbow Ltd.	Common controller	Revenue from principal business	Property lease	Market price	Inapplicable	22.93	0.40%	-	No	Bank transfer	Inapplicable	March 10, 2018	www.cninfo.com.cn
9 Square Assets	Common controller	Revenue from	Property lease	Market price	Inapplicable	57.96	1.01%	-	No	Bank transfer	Inapplicable	March 10, 2018	www.cninfo.com.cn

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		principal business											
AVIC City Investment	Common controller	Revenue from principal business	Property lease	Market price	Inapplicable	23.26	0.40%	-	No	Bank transfer	Inapplicable	March 10, 2018	www.cninfo.com.cn
AVIC Huacheng Property	Common controller	Revenue from principal business	Property lease	Market price	Inapplicable	14.37	0.25%	-	No	Bank transfer	Inapplicable	March 10, 2018	www.cninfo.com.cn
AVIC Real Estate	Common controller	Revenue from principal business	Property lease	Market price	Inapplicable	3.34	0.06%	-	No	Bank transfer	Inapplicable	March 10, 2018	www.cninfo.com.cn
AVIC Securities	Common controller	Revenue from principal business	Property lease	Market price	Inapplicable	60.86	1.06%	200	No	Bank transfer	Inapplicable	March 10, 2018	www.cninfo.com.cn
Ganzhou 9 Square	Common controller	Sales costs	Lease expenses	Market price	Inapplicable	54.46	1.34%	300	No	Bank transfer	Inapplicable	March 10, 2018	www.cninfo.com.cn
Jiujiang AVIC Real Estate	Common controller	Sales costs	Lease expenses	Market price	Inapplicable	20.15	0.50%	-	No	Bank transfer	Inapplicable	March 10, 2018	www.cninfo.com.cn
AVIC City Property (Kunshan)	Common controller	Sales costs	Lease expenses	Market price	Inapplicable	11.08	0.27%	-	No	Bank transfer	Inapplicable	March 10, 2018	www.cninfo.com.cn
Aviation Industry Corporation of China	Common controller	Sales costs	Purchase of goods	Market price	Inapplicable	0	0.00%	800	No	Bank transfer	Inapplicable	March 10, 2018	www.cninfo.com.cn
Total				--	--	5,456.18	--	18,650	--	--	--	--	--
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 24th session of the Eighth Board of Directors and 2017 Annual General Meeting reviewed and approved the Proposal on Prediction of Routine Related Transactions in 2018. It was predicted that the total amount of the related transactions between the Company and the related parties in 2018 would not exceed CNY 186.50 million; the total amount of the related transactions actually incurred in the reporting year was CNY 54.5618 million which did not exceed the total predicted amount, where the amount actually incurred in each individual related transactions did not exceed the predicted amount.									
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

Inapplicable

5. Other Significant Related Transactions

Inapplicable

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 Gurantees	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	Implementati on status	Guarantee to related party?
Inapplicable								
Guarantee to the subsidiaries								
Names of Gurantees	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	Implementati on status	Guarantee to related party?
FIYTA (Hong Kong) Limited	March 10, 2018	8,306	April 26, 2018	2,492	Guarantee with joint responsibility	1 year	No	No
Shenzhen Harmony World Watches Center Co., Ltd.	March 10, 2017	7,500	December 30, 2017	7,500	Guarantee with joint responsibility	1 year	No	No
Total guarantee quota to the subsidiaries approved in the reporting period (B1)		8,306		Total amount of guarantee to the subsidiaries actually incurred in the reporting period (B2)		2,492		
Total guarantee quota to the subsidiaries approved at the end of the reporting period (B3)		15,806		Total balance of actual guarantee to the subsidiaries at the end of the reporting period (B4)		9,992		
Guarantee among the subsidiaries								
Names of Gurantees	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	Implementati on status	Guarantee to related party?
Total amount of guarantees (i.e. Total of the previous three major items)								
Total guarantee quota to the subsidiaries approved in the reporting period (A1+B1+C1)		8,306		Total amount of outward guarantee actually incurred in the report period (A2+B2+B3)		2,492		
Total amount of guarantees already approved at the end of the report period (A3+B3+C3)		15,806		Total ending balance of guarantees at the end of the report period (A4+B4+C4)		9,992		
Proportion of the actual guarantees in the Company's net assets (namely A4+B4 + C4)				3.87%				
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 guarantors 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
Note to the undue guarantee which may bring about joint responsibility for discharging (if any)	Inapplicable
Note to the outward guarantee against the established procedures (if any)	Inapplicable

(2) Outward guarantee against regulations

Inapplicable

3. Other Important Contracts

Inapplicable

XV. Social Responsibilities

1. Significant Issues 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?

Yes

Name of the Company or its Subsidiary	Description of the major pollutants or specific pollutant	Way of discharging	Number of discharging outlets	Distribution of the discharging outlets	Discharging concentration	Pollutant Discharge Standards in Force	Total discharge volume	Total discharge volume verified	Over-discharging
Shanghai Watch Industry Co., Ltd.	Nickel and chromium effluent	Intermittent and interruption	1	At the port of effluent treatment equipment	Nickel < 0.01, Chromium < 0.01	Nickel:0.1; chromium:0.3	2640 tons/year	3960 tons/year	None

Construction and operation of the pollution prevention and control facilities

Shanghai Watch Co., Ltd. reconstructed the clean production facility in 2016 and added 2 sets of equipment in 2018 for the purpose of ensuring discharging of nickel and chromium effluent to comply with the Emission Standard of Pollutants for Electroplating. So far, the facility has been running normally and has never over-discharged the pollutants; and has now networked the platform of the local environmental protection authority.

Environmental impact assessment on construction projects and other environmental protection administrative licensing
In 2018 Yangpu District Environmental Protection Bureau of Shanghai organized and held the Clean Production Auditing and Assessment Seminar of Shanghai Watch Co., Ltd. where the company's clean production work was assessed,

audited and approved.

Shanghai Watch Co., Ltd. has passed the pollution discharge verification organized by Yangpu District Environmental Protection Bureau of Shanghai with the Notice of Pollution Discharging Verification No.: YANG HUAN JIAN HUAN JIAN FEI HE ZI [2007] No. 05363;

In accordance with the provisions of Shanghai Environmental Protection Bureau, the Company is going to apply for the pollutant discharging licence before the end of 2019. At present, the company is making the relevant preparation work for application for the pollutant discharging licence.

Contingency Plan for Emergent Environmental Incidents

Shanghai Watch Co., Ltd. prepared the Emergency Response Plan against Emergent Environmental Incidents and regularly organizes training and exercise every year. The aforesaid plan has been approved and filed for record by Yangpu District Environmental Protection Bureau of Shanghai and has been published on the Environmental Information Disclosure Platform of Enterprises and Institutions of Shanghai.

Environment Self-Monitoring Program

Yangpu District Environmental Protection Bureau of Shanghai conducts supervision once every quarter. The company entrusts Shanghai Light Industry Environment Protection and Pressure Vessel Monitoring General Station, a competent independent agent, to conduct the monitoring every year. The company is itself equipped with monitoring instruments and conducts self-monitoring at least 4 times every month.

Other environment information necessary to be disclosed

The company has disclosed the concerned information on the Environmental Information Disclosure Platform of Enterprises and Institutions of Shanghai according to the requirements of the local environmental protection authorities.
Website: <http://xxgk.eic.sh.cn>

Other information in connection with the environmental protection

None

2. Implementation of the social responsibility of precise poverty relief

During the reporting period of half a year, the Company had neither precise poverty relief work nor follow-up precise poverty relief plan to be carried out.

XVI. Notes to Other Significant Events

Inapplicable

XVII. Significant Events of the Company's Subsidiaries

Inapplicable

Section 6 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	490,773	0.11%				-110,260	-110,260	380,513	0.09%
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	490,773	0.11%				-110,260	-110,260	380,513	0.09%
Including: Domestic corporate shares	0	0.00%				0	0	0	0.00%
Shares held by domestic natural persons	490,773	0.11%				-110,260	-110,260	380,513	0.09%
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	438,254,108	99.89%				110,260	110,260	438,364,368	99.91%
1. CNY ordinary shares	356,606,108	81.28%				110,260	110,260	356,716,368	81.30%
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	438,744,881	100.00%				0	0	438,744,881	100.00%

Cause of the change of shares

On December 15, 2017, part of the Company's directors and senior executives increased the holding of the Company's shares in a way of centralized auction trading through the securities trading system of Shenzhen Stock Exchange totaling 441,040 shares, taking 0.10% of the Company's total shares. During the reporting period, the Company released the restriction for sale on 110,260 shares.

Approval of Change of the Shares

Inapplicable

Transfer of the Shares Changed

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

Inapplicable

Other information the Company considers necessary or required by the securities regulatory authority to be disclosed.

Inapplicable

2. Change of the Restricted Shares

In shares

Names of the Shareholders	Number of restricted shares at the beginning of the reporting period	Number of restricted shares relieved in the reporting period	Number of restricted shares increased in the reporting period	Number of restricted shares at the end of the reporting period	Cause of restriction	Date of relieving the restriction
Huang Yongfeng	80,000	20,000	0	60,000	Restricted shares held by the senior executives	June 16, 2018
Chen Libin	80,000	20,000	0	60,000	Restricted shares held by the senior executives	June 16, 2018
Lu Bingqiang	79,733	7,500	0	72,233	Restricted shares held by the senior executives	June 16, 2018
Lu Wanjun	50,000	12,500	0	37,500	Restricted shares held by the senior executives	June 16, 2018
Liu Xiaoming	50,000	12,500	0	37,500	Restricted shares held by the senior executives	June 16, 2018
Pan Bo	50,000	12,500	0	37,500	Restricted shares held by the senior executives	June 16, 2018
Li Ming	50,040	12,510	0	37,530	Restricted shares held by the senior executives	June 16, 2018
Chen Zhuo	51,000	12,750	0	38,250	Restricted shares held by the senior executives	June 16, 2018
Total	490,773	110,260	0	380,513	--	--

II. Issuing and Listing

Inapplicable

III. Number of Shareholders and Shareholding

In shares

Total common shareholders at the end of the reporting period	32,013			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								
Names of the Shareholders	Nature of the shareholder	Shareholding proportion	Number of common shares held at the end of the reporting period	Increase/decrease in the reporting period	Number of the restricted common shares held	Number of the unrestricted common shares held	Pledging or freezing	
							Status of the shares	Quantity
AVIC International Holding Limited	State corporate	37.15%	162,977,327	0	0	162,977,327		
#Yang Zugui	Domestic natural persons	2.23%	9,763,469	100,000	0	9,763,469		
National Social Security Fund 114 Portfolio	Domestic non-state-owned corporate	2.15%	9,417,998	6,159,526	0	9,417,998		
Chongqing International Trust Co., Ltd. - RONGXINTONG Series Unitrust No.10	Domestic non-state-owned corporate	2.07%	9,088,723	-332,957	0	9,088,723		
Chongqing International Trust Co., Ltd. - YUXIN Trust No.2	Domestic non-state-owned corporate	1.90%	8,326,000	-777,318	0	8,326,000		
Chongqing International Trust Co., Ltd. - YUXIN No. 2 Trust	Domestic natural persons	1.59%	6,996,595	0	0	6,996,595		
Industrial and Commercial Bank of China Co., Ltd. - FUGUO Recreation & Sports and Health Stock Type Securities	Domestic non-state-owned corporate	1.26%	5,537,337	4,200,837	0	5,537,337		

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Investment Fund								
Xizang Investment Co., Ltd.	State corporate	1.13%	4,976,551	0	0	4,976,551		
MANULIFE TEDA Fund— Minsheng Bank— MANULIFE TEDA Value Growth Oriented Additional Issue No. 351 Assets Management Program	Domestic non-state-owned corporate	1.12%	4,893,559	-150,000	0	4,893,559		
Shenzhen Heli Fengyuan Commerce & Trade Co., Ltd.	Domestic non-state-owned corporate	0.75%	3,300,000	0	0	3,300,000		
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, Xizang Investment Co., Ltd., MANULIFE TEDA Fund - Minsheng Bank— MANULIFE TEDA Value Growth Oriented Additional Issue No. 351 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 and they 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 Chongqing International Trust Co., Ltd. - Rongxintong Serial Order - No. 10 Trust and Chongqing International Trust Co., Ltd. - YUXIN No. 2 Trust are subsidiaries of Chongqing International Trust Co., Ltd. Both of them are holding totaling 17,414,723 shares in the Company, which takes 3.97% of the Company's total shares.						
Shares held by top 10 shareholders of unrestricted shares								
Names of the Shareholders	Quantity of unrestricted shares held at the end of the reporting period	Share type						
		Share type	Quantity					
AVIC International Holding Limited	162,977,327	CNY ordinary shares	162,977,327					
#Yang Zugui	9,763,469	CNY ordinary shares	9,763,469					
National Social Security Fund 114 Portfolio	9,417,998	CNY ordinary shares	9,417,998					
Chongqing International Trust Co., Ltd. - RONGXINTONG Series Unitrust No.10	9,088,723	CNY ordinary shares	9,088,723					
Chongqing International Trust Co., Ltd. - YUXIN Trust No.2	8,326,000	CNY ordinary shares	8,326,000					
Chongqing International Trust Co., Ltd. - YUXIN No. 2 Trust	6,996,595	CNY ordinary shares	6,996,595					
Industrial and Commercial Bank of China Co., Ltd. - FUGUO Recreation & Sports and Health Stock Type Securities Investment Fund	5,537,337	CNY ordinary shares	5,537,337					
Xizang Investment Co., Ltd.	4,976,551	CNY ordinary shares	4,976,551					
MANULIFE TEDA Fund— Minsheng Bank—	4,893,559	CNY ordinary shares	4,893,559					

MANULIFE TEDA Value Growth Oriented Additional Issue No. 351 Assets Management Program			
Shenzhen Heli Fengyuan Commerce & Trade Co., Ltd.	3,300,000	CNY ordinary shares	3,300,000
Note to the associated relationship or consistent action among the top 10 shareholders of non-restricted common shares and that between the top 10 shareholders of non-restricted common shares and top 10 common shareholders.	Of the top 10 shareholders, both Chongqing International Trust Co., Ltd. - Rongxintong Serial Order - No. 10 Trust and Chongqing International Trust Co., Ltd. - YUXIN No. 2 Trust are subsidiaries of Chongqing International Trust Co., Ltd. Both of them are holding totaling 17,414,723 shares in the Company, which takes 3.97% of the Company's total shares.		
Note to the top 10 common 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

Section 7 About the Preferred Shares

Inapplicable

Section 8 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 2017 Annual Report.

II. Personnel Change in Directors, Supervisors and Senior Executives

No change has taken place in directors, supervisors and senior executives of the Company during the reporting period. For the detail, refer to 2017 Annual Report.

Section 9 Company Bonds

Did there exist any company bonds publically issued and listed with any stock exchange for trading while still undue at the time of issuing the Semi-annual report or not yet fully honored although already due at the end of the reporting period

No

Section 10 Financial Report

I. Auditors' Report

The Semi-Annual Report has not been audited.

II. Financial Statements

The currency applied in the financial notes and statements is Renminbi (CNY)

1. Consolidated Balance Sheet

Prepared by FIYTA Holdings Ltd.

June 30, 2018

In CNY

Items	Ending balance	Ending balance
Current assets:		
Monetary fund	281,009,271.58	187,152,891.32
Settlement reserve		
Inter-bank lending		
Financial assets which is measured based on the fair value and whose movement is counted to the current gain/loss		
Derivative financial assets		
Notes receivable	4,632,089.34	9,693,883.68
Accounts receivable	378,420,568.27	326,254,624.94
Advance payment	24,690,349.29	24,663,314.53
Receivable premium		
Reinsurance accounts receivable		
Reserve for reinsurance contract receivable		
Interest receivable		
Dividends receivable		
Other receivables	47,707,666.00	34,990,539.09
Redemptory monetary capital for sale		
Inventories	1,735,371,328.09	1,820,526,676.26

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Held-for-sale assets		
Non-current assets due within a year		
Other current assets	23,779,637.36	24,616,815.21
Total current assets	2,495,610,909.93	2,427,898,745.03
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		
Long term accounts receivable		
Long-term equity investment	43,972,531.47	43,879,518.09
Investment real estate	348,258,775.18	305,493,987.77
Fixed assets	463,913,136.18	523,699,592.65
Construction-in-process	12,515,382.25	10,947,300.53
Engineering supplies		
Clearing of fixed assets		
Productive biological asset		
Oil and gas assets		
Intangible assets	44,446,605.63	44,223,280.21
Development expenses		
Goodwill		
Long-term expenses to be apportioned	109,190,273.11	109,409,785.49
Deferred income tax asset	106,468,887.10	105,905,944.80
Other non-current assets	4,863,862.29	8,246,538.33
Total non-current assets	1,133,714,453.21	1,151,890,947.87
Total assets	3,629,325,363.14	3,579,789,692.90
Current liabilities:		
Short term borrowings	479,917,100.00	525,990,510.00
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		

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Accounts payable	266,982,797.21	263,256,495.65
Advance receipts	18,605,653.79	15,141,587.79
Funds from selling out and repurchasing financial assets		
Service charge and commission payable		
Salaries payable to the employees	40,464,315.83	71,564,367.14
Taxes payable	56,008,726.34	55,857,236.59
Interest payable	686,654.15	1,464,729.11
Dividends payable		
Other payables	84,655,036.89	57,767,536.64
Payable reinsurance		
Reserve for insurance contract		
Acting trading securities		
Income from securities underwriting on commission		
Held-for-sale liabilities		
Non-current liabilities due within a year	35,000,000.00	35,000,000.00
Other current liabilities		
Total current liabilities	982,320,284.21	1,026,042,462.92
Non-current liabilities:		
Long term borrowings	62,153,235.50	79,870,353.00
Bonds payable		
Including: preferred shares		
Perpetual bond		
Long-term accounts payable		
Long term accrued payroll		
Special accounts payable		
Predicted liabilities		
Deferred income	5,904,000.00	5,904,000.00
Deferred income tax liability		
Other non-current liabilities		
Total non-current liabilities	68,057,235.50	85,774,353.00
Total liabilities	1,050,377,519.71	1,111,816,815.92
Owner's equity:		
Capital Stock	438,744,881.00	438,744,881.00

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Other equity instruments		
Including: preferred shares		
Perpetual bond		
Capital Reserve	1,062,455,644.22	1,062,455,644.22
Less: shares in stock		
Other comprehensive income	-12,916,362.14	-11,523,442.39
Special reserve		
Surplus Reserve	206,805,713.35	206,805,713.35
Reserve against general risks		
Retained earnings	883,852,486.46	771,484,565.02
Total owners' equity attributable to the parent company	2,578,942,362.89	2,467,967,361.20
Minority shareholders' equity	5,480.54	5,515.78
Total owner's equity	2,578,947,843.43	2,467,972,876.98
Total liabilities and owners' equity	3,629,325,363.14	3,579,789,692.90

Legal representative: Huang Yongfeng

Chief Financial Officer: Chen Zhuo

Person in charge of the

Accounting Department: Tian Hui

2. Balance Sheet, Parent Company

Prepared by FIYTA Holdings Ltd.

June 30, 2018

In CNY

Items	Ending balance	Ending balance
Current assets:		
Monetary fund	253,398,514.18	131,163,944.43
Financial assets which is measured based on the fair value and whose movement is counted to the current gain/loss		
Derivative financial assets		
Notes receivable		
Accounts receivable	7,386,159.04	6,832,006.11
Advance payment		
Interest receivable		
Dividends receivable		
Other receivables	698,286,652.54	831,952,437.86

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Inventories		
Held-for-sale assets		
Non-current assets due within a year		
Other current assets	10,533,391.51	9,089,170.12
Total current assets	969,604,717.27	979,037,558.52
Non-current assets:		
Available-for-sale financial assets	85,000.00	85,000.00
Held-to-due investments		
Long term accounts receivable		
Long-term equity investment	1,375,221,122.40	1,375,128,109.02
Investment real estate	265,238,770.42	270,241,724.52
Fixed assets	334,026,583.81	340,765,873.45
Construction-in-process	12,515,382.25	10,947,300.53
Engineering supplies		
Clearing of fixed assets		
Productive biological asset		
Oil and gas assets		
Intangible assets	36,303,042.25	36,932,963.95
Development expenses		
Goodwill		
Long-term expenses to be apportioned	4,789,075.14	4,418,287.94
Deferred income tax asset	1,499,126.32	1,499,126.32
Other non-current assets	1,322,816.84	2,687,910.84
Total non-current assets	2,031,000,919.43	2,042,706,296.57
Total assets	3,000,605,636.70	3,021,743,855.09
Current liabilities:		
Short term borrowings	455,000,000.00	470,000,000.00
Financial liabilities measured based on the fair value and whose change was charged to the current gain and loss.		
Derivative financial liabilities		
Notes payable		
Accounts payable	57,686,340.48	60,520,874.66
Advance receipts	3,401,495.93	4,212,930.07
Salaries payable to the employees	4,580,915.75	9,291,422.00

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Taxes payable	2,626,857.04	1,038,481.26
Interest payable	663,902.90	929,155.39
Dividends payable		
Other payables	38,509,235.57	20,666,945.05
Held-for-sale liabilities		
Non-current liabilities due within a year	35,000,000.00	35,000,000.00
Other current liabilities		
Total current liabilities	597,468,747.67	601,659,808.43
Non-current liabilities:		
Long term borrowings	57,361,928.00	74,861,928.00
Bonds payable		
Including: preferred shares		
Perpetual bond		
Long-term accounts payable		
Long term accrued payroll		
Special accounts payable		
Predicted liabilities		
Deferred income	5,904,000.00	5,904,000.00
Deferred income tax liability		
Other non-current liabilities		
Total non-current liabilities	63,265,928.00	80,765,928.00
Total liabilities	660,734,675.67	682,425,736.43
Owner's equity:		
Capital Stock	438,744,881.00	438,744,881.00
Other equity instruments		
Including: preferred shares		
Perpetual bond		
Capital Reserve	1,068,111,185.32	1,068,111,185.32
Less: shares in stock		
Other comprehensive income		
Special reserve		
Surplus Reserve	206,805,713.35	206,805,713.35
Retained earnings	626,209,181.36	625,656,338.99
Total owner's equity	2,339,870,961.03	2,339,318,118.66

Total liabilities and owners' equity	3,000,605,636.70	3,021,743,855.09
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Legal representative: Huang Yongfeng

Chief Financial Officer: Chen Zhuo

Person in charge of the

Accounting Department: Tian Hui

3.Consolidated Profit Statement

Prepared by FIYTA Holdings Ltd.

June 30, 2018

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
I. Turnover	1,695,891,432.72	1,599,541,144.35
Including: operating income	1,695,891,432.72	1,599,541,144.35
Interest income		
Earned insurance premium		
Service charge and commission income		
II. Total operating costs	1,556,492,673.56	1,488,102,213.22
Including: Operating costs	976,325,736.35	941,479,684.84
Interest payment		
Service charge and commission payment		
Surrender Value		
Compensation expenses, net		
Provision of reserve for insurance contract, net		
Payment of policy dividend		
Reinsurance expenses		
Taxes and surcharges	17,790,786.43	15,181,497.28
Sales costs	422,113,041.69	394,286,321.79
. Administrative expenses	125,528,317.71	98,170,386.95
Financial expenses	18,147,791.49	26,200,633.06
Loss from impairment of assets	-3,413,000.11	12,783,689.30
Add: Income from change of fair value (loss is stated with "-")		
Investment income (loss is stated with "-")	93,013.38	188,871.89
Including: return on investment in associate and joint venture	93,013.38	188,871.89
Exchange income (loss stated with "-")		

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Income from disposal of assets (loss is stated with "-")	-54,407.16	-13,352.95
Other income	6,497,018.80	1,478,043.00
III. Operating Profit (loss is stated with "-")	145,934,384.18	113,092,493.07
Plus: Non-operating income	363,859.51	145,866.91
Less: Non-operating expenses	466,522.53	661,190.44
IV. Total profit (total loss is stated with "-")	145,831,721.16	112,577,169.54
Less: Income tax expense	33,463,799.72	25,965,385.00
V. Net Profit (net loss is stated with "-")	112,367,921.44	86,611,784.54
(I) Net Profit from sustainable operation (net loss is stated with "-")	112,367,921.44	86,611,784.54
(II) Net profit from termination of business operation (net loss is stated with "-")		
Net profit attributable to the parent company's owner	112,367,921.44	86,708,824.76
Minority shareholders' gain/loss		-97,040.22
VI. Net of other comprehensive income after tax	-1,392,954.99	7,086,490.52
Net of other comprehensive income after tax attributable to the parent company's owner	-1,392,919.75	7,168,544.58
(I) Other comprehensive income which cannot be re-classified into the gain and loss		
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	-1,392,919.75	7,168,544.58
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	-1,392,919.75	7,168,544.58
6. Others		
Net amount of other comprehensive income after tax attributable to minority shareholders	-35.24	-82,054.06
VII. Total comprehensive income	110,974,966.45	93,698,275.06
Total comprehensive income attributable to the parent company's owner	110,975,001.69	93,877,369.34
Total comprehensive income attributable to minority shareholders	-35.24	-179,094.28
VIII. Earnings per share:		
(I) Basic earnings per share	0.2561	0.1976
(II) Diluted earnings per share	0.2561	0.1976

Legal representative: Huang Yongfeng
Accounting Department: Tian Hui

Chief Financial Officer: Chen Zhuo Person in charge of the

4.Statement of Profit, Parent Company

Prepared by FIYTA Holdings Ltd.

June 30, 2018

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
I. Revenue	56,119,634.18	51,354,423.93
Less: Operating cost	9,578,544.70	8,618,881.55
Taxes and surcharges	2,206,362.07	1,857,724.22
Sales costs		5,024,222.36
. Administrative expenses	41,637,155.81	33,744,643.77
Financial expenses	3,554,000.36	5,846,311.05
Loss from impairment of assets		
Add: Income from change of fair value (loss is stated with "-")		
Investment income (loss is stated with "-")	93,013.38	188,871.89
Including: return on investment in associate and joint venture	93,013.38	188,871.89
Income from disposal of assets (loss is	-13,917.68	

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stated with "-")		
Other income	1,598,000.00	754,000.00
II. Operating Profit (loss is stated with "-")	820,666.94	-2,794,487.13
Plus: Non-operating income	9,480.00	35,879.89
Less: Non-operating expenses	446,782.07	20,000.00
III. Total profit (total loss is stated with "-")	383,364.87	-2,778,607.24
Less: Income tax expense	-169,477.50	-1,787,850.83
IV. Net Profit (net loss is stated with "-")	552,842.37	-990,756.41
(I) Net Profit from sustainable operation (net loss is stated with "-")	552,842.37	-990,756.41
(II) Net profit from termination of business operation (net loss is stated with "-")		
V. Net of other comprehensive income after tax		
(I) Other comprehensive income which cannot be re-classified into the gain and loss		
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		
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		
6. Others		
VI. Total comprehensive income	552,842.37	-990,756.41

VII. Earnings per share:		
(I) Basic earnings per share	0.0013	-0.0023
(II) Diluted earnings per share	0.0013	-0.0023

Legal representative: Huang Yongfeng

Chief Financial Officer: Chen Zhuo

Person in charge of the

Accounting Department: Tian Hui

5. Consolidated Cash Flow Statement

Prepared by FIYTA Holdings Ltd.

June 30, 2018

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	1,905,278,291.59	1,812,867,961.66
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 from disposal of financial assets which is measured based on the fair value and whose movement is counted to the current gain/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	185,691.63	84,719.44
Other operation activity related cash receipts	25,022,648.38	19,800,294.79
Subtotal of cash flow in from operating activity	1,930,486,631.60	1,832,752,975.89

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Cash paid for purchase of goods and reception of labor services	1,010,882,821.40	980,063,342.31
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	308,576,830.37	263,216,670.99
Taxes paid	169,009,260.06	130,097,049.65
Other business activity related cash payments	217,345,445.68	182,660,252.41
Subtotal of cash flow out from operating activity	1,705,814,357.51	1,556,037,315.36
Net cash flows arising from operating activities	224,672,274.09	276,715,660.53
II. Cash flows arising from investment activities:		
Cash received from recovery of investment		
Cash received from investment income		
Net cash from disposal of fixed assets and intangible asset and recovery of other long term assets	6,872.90	24,249.89
Net cash received from disposal of subsidiaries and other operating units		
Other investment related cash receipts		
Subtotal of cash flow in from investment activity	6,872.90	24,249.89
Cash paid for purchase/construction of fixed assets, Intangible assets and other long term assets	52,519,739.81	56,447,301.65
Cash paid for investment		
Net increase of the pledged loan		
Net cash paid for acquisition of subsidiaries and other operation units		
Other investment related cash payments		
Subtotal of cash flow out from investment activity	52,519,739.81	56,447,301.65
Net cash flow arising from investment activities	-52,512,866.91	-56,423,051.76
III. Cash flows arising from fund raising activities:		

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Cash received from absorbing investment		
Incl.: Cash received from the subsidiaries' absorption of minority shareholders' investment		
Cash received from loans	384,997,200.00	173,846,200.00
Cash received from bond issuing		
Other fund-raising related cash receipts		
Subtotal of cash flow in from fund raising activity	384,997,200.00	173,846,200.00
Cash paid for debt repayment	448,409,609.38	371,965,603.86
Cash paid for dividend/profit distribution or repayment of interest	15,009,057.38	66,091,946.92
Including: Dividend and profit paid by the subsidiaries to minority shareholders		
Cash paid for other financing activities		
Sub-total cash flow paid for financing activities	463,418,666.76	438,057,550.78
Net cash flow arising from financing activities	-78,421,466.76	-264,211,350.78
IV. Change of exchange rate influencing the cash and cash equivalent	118,439.84	339,990.07
V. Net increase of cash and cash equivalents	93,856,380.26	-43,578,751.94
Plus: Opening balance of cash and cash equivalents	184,947,891.32	427,227,755.81
VI. Ending balance of cash and cash equivalents	278,804,271.58	383,649,003.87

Legal representative: Huang Yongfeng
Accounting Department: Tian Hui

Chief Financial Officer: Chen Zhuo Person in charge of the

6.Cash Flow Statement, Parent Company

Prepared by FIYTA Holdings Ltd.

June 30, 2018

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	56,758,456.16	50,374,752.27
Rebated taxes received		
Other operation activity related cash receipts	1,204,947,705.78	264,986,637.47
Subtotal of cash flow in from operating activity	1,261,706,161.94	315,361,389.74

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Cash paid for purchase of goods and reception of labor services		
Cash paid to and for staff	33,422,054.30	31,949,428.47
Taxes paid	4,702,936.63	4,894,598.25
Other business activity related cash payments	1,045,289,650.60	13,685,482.18
Subtotal of cash flow out from operating activity	1,083,414,641.53	50,529,508.90
Net cash flows arising from operating activities	178,291,520.41	264,831,880.84
II. Cash flows arising from investment activities:		
Cash received from recovery of investment		
Cash received from investment income		
Net cash from disposal of fixed assets and intangible asset and recovery of 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		
Cash paid for purchase/construction of fixed assets, Intangible assets and other long term assets	9,442,405.28	26,633,834.50
Cash paid for investment		
Net cash paid for acquisition of subsidiaries and other operation units		
Other investment related cash payments		
Subtotal of cash flow out from investment activity	9,442,405.28	26,633,834.50
Net cash flow arising from investment activities	-9,442,405.28	-26,633,834.50
III. Cash flows arising from fund raising activities:		
Cash received from absorbing investment		
Cash received from loans	360,000,000.00	165,000,000.00
Cash received from bond issuing		
Other fund-raising related cash receipts		
Subtotal of cash flow in from fund raising activity	360,000,000.00	165,000,000.00
Cash paid for debt repayment	392,500,000.00	354,000,000.00
Cash paid for dividend/profit distribution or repayment of interest	14,108,861.83	62,917,164.79
Cash paid for other financing activities		
Sub-total cash flow paid for financing activities	406,608,861.83	416,917,164.79

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Net cash flow arising from financing activities	-46,608,861.83	-251,917,164.79
IV. Change of exchange rate influencing the cash and cash equivalent	-5,683.55	-26,249.80
V. Net increase of cash and cash equivalents	122,234,569.75	-13,745,368.25
Plus: Opening balance of cash and cash equivalents	128,958,944.43	269,372,926.47
VI. Ending balance of cash and cash equivalents	251,193,514.18	255,627,558.22

Legal representative: Huang Yongfeng

Chief Financial Officer: Chen Zhuo

Person in charge of the

Accounting Department: Tian Hui

7.Consolidated Statement of Changes in Owner's Equity

Prepared by FIYTA Holdings Ltd.

June 30, 2018

Amount in the reporting period

In CNY

Items	Reporting period												
	Owners' equity attributable to the parent company											Minority shareholders' equity	Total owner's equity
	Capital Stock	Other equity instruments			Capital Reserve	Less: shares in stock	Other comprehensive income	Special reserve	Surplus Reserve	Reserve against general risks	Retained earnings		
		Preferred shares	Perpetual bond	Others									
I. Ending balance of the previous year	438,744,881.00				1,062,455,644.22		-11,523,442.39		206,805,713.35		771,484,565.02	5,515.78	2,467,972,876.98
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				1,062,455,644.22		-11,523,442.39		206,805,713.35		771,484,565.02	5,515.78	2,467,972,876.98
III. Decrease/increase of the report year (decrease is stated with "-")							-1,392,919.75				112,367,921.44	-35.24	110,974,966.45
(I) Total comprehensive							-1,392,919				112,367,92	-35.24	110,974,9

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income							.75				1.44		66.45
(II) Owners' input and decrease of capital													0.00
1.Common shares contributed by the shareholder													0.00
2. Capital contributed by other equity instruments holders													0.00
3. Amount of payment for shares credited to owners' equity													0.00
4. Others													0.00
(III) Profit Distribution													0.00
1. Provision of surplus reserve													0.00
2. Provision of generic risk reserve													0.00
3. Distribution to the owners (or shareholders)													0.00
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. Loss made up with surplus reserve													0.00
4. Others													0.00
(V) Special reserve													0.00
1. Provision in the reporting period													0.00
2.. Applied in the reporting period													0.00
(VI) Others													0.00

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IV. Ending balance of the reporting period	438,744,881.00				1,062,455,644.22		-12,916,362.14		206,805,713.35		883,852,486.46	5,480.54	2,578,947,843.43
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Amount of the previous year

In CNY

Items	Previous period												
	Owners' equity attributable to the parent company											Minority shareholders' equity	Total owner's equity
	Capital Stock	Other equity instruments			Capital Reserve	Less: shares in stock	Other comprehensive income	Special reserve	Surplus Reserve	Reserve against general risks	Retained earnings		
		Preferred shares	Perpetual bond	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													
Correction of previous errors													
Consolidation of enterprises under the same control													
Others													
II. Opening balance of the reporting 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
III. Decrease/increase of the report year (decrease is stated with "-")							255,055.85		12,844,012.90		83,497,757.28	-3,572,138.78	93,024,687.25
(I) Total comprehensive income							255,055.85				140,216,258.28	2,116,368.91	142,587,683.04
(II) Owners' input and decrease of capital												-5,688,507.69	-5,688,507.69
1.Common shares contributed by the shareholder													
2. Capital contributed by other equity instruments holders													
3. Amount of payment for shares credited to owners' equity													

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4. Others												-5,688,507.69	-5,688,507.69
(III) Profit Distribution								12,844,012.90		-56,718,501.00			-43,874,488.10
1. Provision of surplus reserve								12,844,012.90		-12,844,012.90			
2. Provision of generic risk reserve													
3. Distribution to the owners (or shareholders)										-43,874,488.10			-43,874,488.10
4. Others													
(IV) Internal carry-over of owners' equity													
1. Conversion of capital reserve into capital (or capital stock)													
2. Conversion of surplus reserve into capital (or capital stock)													
3. Loss made up with surplus reserve													
4. Others													
(V) Special reserve													
1. Provision in the reporting period													
2. Applied in the reporting period													
(VI) Others													
IV. Ending balance of the reporting period	438,744,881.00				1,062,455,644.22		-11,523,442.39		206,805,713.35		771,484,565.02	5,515.78	2,467,972,876.98

Legal representative: Huang Yongfeng
Accounting Department: Tian Hui

Chief Financial Officer: Chen Zhuo Person in charge of the

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

Prepared by FIYTA Holdings Ltd.

June 30, 2018

Amount in the reporting period

In CNY

Items	Reporting period										
	Capital Stock	Other equity instruments			Capital Reserve	Less: shares in stock	Other comprehensive income	Special reserve	Surplus Reserve	Retained earnings	Total owner's equity
		Preferred shares	Perpetual bond	Others							
I. Ending balance of the previous year	438,744,88 1.00				1,068,111,18 5.32				206,805,713. 35	625,656,33 8.99	2,339,318,11 8.66
Plus: Change in accounting policy											
Correction of previous errors											
Others											
II. Opening balance of the reporting year	438,744,88 1.00				1,068,111,18 5.32				206,805,713. 35	625,656,33 8.99	2,339,318,11 8.66
III. Decrease/increase of the report year (decrease is stated with "-")										552,842.37	552,842.37
(I) Total comprehensive income										552,842.37	552,842.37
(II) Owners' input and decrease of capital											
1.Common shares contributed by the shareholder											
2. Capital contributed by other equity instruments holders											
3. Amount of payment for shares credited to owners' equity											
4. Others											
(III) Profit Distribution											
1. Provision of surplus reserve											
2. Distribution to the owners (or shareholders)											
3. Others											
(IV) Internal carry-over of											

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owners' equity											
1. Conversion of capital reserve into capital (or capital stock)											
2. Conversion of surplus reserve into capital (or capital stock)											
3. Loss made up with surplus reserve											
4. Others											
(V) Special reserve											
1. Provision in the reporting period											
2. Applied in the reporting period											
(VI) Others											
IV. Ending balance of the reporting period	438,744,88 1.00				1,068,111,18 5.32				206,805,713. 35	626,209,18 1.36	2,339,870,96 1.03

Amount of the previous year

In CNY

Items	Previous period										
	Capital Stock	Other equity instruments			Capital Reserve	Less: shares in stock	Other comprehensive income	Special reserve	Surplus Reserve	Retained earnings	Total owner's equity
		Preferred shares	Perpetual bond	Others							
I. Ending balance of the previous year	438,744,88 1.00				1,068,111,18 5.32				193,961,700. 45	553,934,71 0.97	2,254,752,47 7.74
Plus: Change in accounting policy											
Correction of previous errors											
Others											
II. Opening balance of the reporting year	438,744,88 1.00				1,068,111,18 5.32				193,961,700. 45	553,934,71 0.97	2,254,752,47 7.74
III. Decrease/increase of the report year (decrease is stated with "-")									12,844,012.9 0	71,721,628 .02	84,565,640.9 2
(I) Total comprehensive										128,440,12	128,440,129.

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income										9.02	02
(II) Owners' input and decrease of capital											
1. Common shares contributed by the shareholder											
2. Capital contributed by other equity instruments holders											
3. Amount of payment for shares credited to owners' equity											
4. Others											
(III) Profit Distribution								12,844,012.90	-56,718,501.00	-43,874,488.10	
1. Provision of surplus reserve								12,844,012.90	-12,844,012.90		
2. Distribution to the owners (or shareholders)									-43,874,488.10	-43,874,488.10	
3. Others											
(IV) Internal carry-over of owners' equity											
1. Conversion of capital reserve into capital (or capital stock)											
2. Conversion of surplus reserve into capital (or capital stock)											
3. Loss made up with surplus reserve											
4. Others											
(V) Special reserve											
1. Provision in the reporting period											
2. Applied in the reporting period											
(VI) Others											
IV. Ending balance of the reporting period	438,744,881.00				1,068,111,185.32			206,805,713.35	625,656,338.99	2,339,318,118.66	

Legal representative: Huang Yongfeng
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. The Company's head office is located at the 20th Floor, 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 2010, 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 AVIC Shenzhen holds 41.49% of the Company's equity based capital.

On March 03, 2011, with approval by Shenzhen Municipal Administration for Industry and Commerce, the Company was renamed as Fiyta Holdings Ltd. 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 CATIC Shenzhen holds 37.15% of the Company's equity based capital.

Ended June 30, 2018, the Company accumulatively issued altogether 438,744,881 shares. For the detail, refer to Note VII. 53 "Share Capital".

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. Self-run import and export, design and construction; import and export business (implemented according to Document SHEN MAO GUAN DENG ZHENG ZI NO. 2007-072). The Company's legal representative is Huang Yongfeng.

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 21, 2018.

There were 9 subsidiaries consolidated during the reporting period. For the detail, refer to Note IX. "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 for preparation of the financial statements

1. Preparation Basis

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), 42 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. For the detail, refer to various descriptions stated in Note V.28 "Revenue", Note V.16 "Fixed assets", Note V.21(1) "Intangible Assets", Note V.21(2) "R & D expenditure" for details.

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, 2018 and the business result and cash flow and relevant information for January to June 2018. 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 Cycle

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. Recording Currency

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 Switzerland based Montres Chouriet SA Company (hereinafter referred to as the "Swiss Company"), an overseas subsidiary of FIYTA Hong Kong Co., Ltd. (hereinafter referred to as "FIYTA HK"), has determined Swiss franc as its recording currency for accounting in accordance with the currencies available in its major economic environment where it is operated. The other overseas subsidiaries, including FIYTA HK, have determined Hong Kong currency as their recording 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 are 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 V.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 V.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 loss in a subsidiary shared by minority shareholders exceeded the share in the shareholders' equity enjoyable by the minority shareholders at the beginning of the reporting period, the minority shareholders' equity should be written down.

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 V.14 "Long-term Equity Investment" or the Note V.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 V.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 V.14 (2) ② "Long-term equity investment measured with equity method".

As a joint venture 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 venture 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 non-monetary 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 non-monetary 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 attributive 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 attributive 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.

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 gives 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.

③ Financial guarantee contract

A financial guarantee contract that is not specified as financial liabilities at fair value through profit or loss is initially recognized at fair value minus direct transaction fees, and the subsequent measurement is based on the higher of the amount recognized in accordance with Accounting Standards for Business Enterprises No.13 – Contingencies and the initially recognized amount deducting the cumulative amortization in accordance with Accounting Standards for Business Enterprises No.14 – Income.

(6) Derecognition 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. The Company does not recognize change of fair value 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:	The Company separately made devaluation testing for any single accounts receivable in large amount, individually tested financial assets which have not experienced impairment, or made devaluation testing in the portfolio of financial assets with the similar credit risk characteristics. The accounts receivable whose impairment loss has been recognized through individual item testing shall no longer be included in the portfolio of financial assets with the similar credit risk characteristics for devaluation testing.

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

Portfolio 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

Ageing	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:

Portfolio Description	Percentage of provision for accounts receivable	Percentage of provision for other receivables
Specific fund portfolio	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 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 requirements 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 weighted average (with brand world watch stocks exclusive), 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. Including:

- 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.

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. Classified as assets held for sale

The Company shall classify a non-current asset or disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction (including a non-monetary asset exchange of commercial substance, the same below) rather than through continuous use. Non-current assets or disposal group classified as held for sale shall meet the following criteria: disposable immediately under current conditions based on similar transactions for disposals of such assets or practices for the disposal group; a decision has been made on a plan for disposal and an undertaking to purchase has been obtained, and the disposal is expected to be completed within a year. Where, the disposal group refers to a group of assets which are disposed altogether by sale or other way as a whole in a transaction as well as a liability transferred in the transaction with direct connection with these assets. For an asset group or asset group portfolio attributable to the disposal group where the goodwill has been apportioned at the time of entity consolidation according to the Standards for Enterprise Accounting No. 8 - Impairment of Assets, the disposal group should be included in the goodwill apportioned to the disposal group.

When the Company makes initial measurement or makes re-measurement of the disposal group which has been classified as held for sale non-current assets and where book value is higher than the net value of fair value less disposal expenses, the difference between book value and the net value of fair value less disposal expenses is recognized as asset impairment loss in profit and loss in the current period, and at the same time, provision is made for impairment of held as available-for-sale asset. For the disposal group, the loss from impairment of the assets as recognized first offsets the carrying value of the goodwill in the disposal group and then offsets the carrying value of various non-current assets in the disposal group in compliance with the measurement provisions as specified in the Standard for Enterprise Accounting No. 42 - Held for Sale Assets, Disposal Group and Termination of Operation (hereinafter referred to as the "Standard for Holding for Sale). Where there is increase in net value of fair value less disposal expenses for non-current assets held as available-for-sale on subsequent balance sheet days, the previously charged difference should be recovered and reversed in asset impairment loss recognized applicable to the provision of the measurement standard for held-for-sale

after classification as held as available-for-sale investment; the reversal amount is recognized in profit and loss in the reporting period. The book value is increased based on the proportion of the book value of various non-current assets according to the provision of the measurement standard for held-for-sale in the disposal group with the goodwill exclusive: the book value of goodwill already offset as well as the impairment loss of the assets recognized before classification of the non-current assets applicable to the provision of the measurement standard as held-for-sale is not reversible.

No depreciation or amortization is provided for a non-current asset in the non-current assets or disposal groups held for sale. Interest and other expenses attributable to the liabilities of a disposal group held for sale shall continue to be recognized.

When a non-current asset or disposal group no longer satisfies the conditions for classification of the held-for-sale, the Company no longer classifies it as held-for-sale category or removes the non-current asset from the held-for-sale disposal group, and measures it based on the lower of the two: (1) for the book value before classification as the held-for-sale, the amount after the adjustment for depreciation, amortization or impairment which should be recognized under the condition in which it is assumed not to be classified as held-for-sale; (2) recoverable amount.

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

Measurement model for investment real estate

Measured based on the cost method

Depreciation or amortization method

Investment based real estate refers to the real estate held by the Company which creates rental or added value of capital or both, including the land use right which has already been let out, the land use right held and to be assigned after appreciation, building which has been leased out, etc.

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 methods	Depreciation life	Residual rate	Yearly depreciation
Plant & buildings	Average service life method	20 -35	5	2.7 -4.8
Machinery & equipment	Average service life method	10	5 -10	9 -9.5
Electronic equipment	Average service life method	5	5	19
Motor vehicle	Average service life method	5	5	19
Other equipment	Average service life method	5	5	19

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

The "finance lease" shall refer to a lease that has transferred in substance all the risks and rewards related to the ownership of an asset. The ownership of it may or may not eventually be transferred. For the fixed assets rented by

means of financing lease, depreciation of the rented assets is provided according to the policy identical to the proprietary assets. If it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

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:

Categories	Useful Life (Year)	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.

(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.

(3) Impairment testing method and method for provision for impairment of intangible assets

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

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 straight-line 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) Dismission 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 dismission 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 dismission 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 (dismission 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 requirements on information disclosure for special industries?

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 Provision of services

Where the outcome of a transaction involving the provision 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 Harmony, a subsidiary of the Company's. 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 day, 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 day, 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 day, 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

The "finance lease" shall refer to a lease that has transferred in substance all the risks and rewards related to the ownership of an asset. The ownership of it may or may not eventually be transferred. Other lease except the financing lease is operational 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.

Unrecognized financial charges are recognized in the current financing expenses by using the actual interest rate method within the lease term. Contingent rental is recorded in the current gain and loss when it actually incurs.

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. Contingent rental is recorded in the current gain and loss when it actually incurs.

32. Other important accounting policy and accounting estimate

Operation termination

Operation termination refers to the components which can satisfy one of the following conditions, can be separately distinguished and have been disposed or classified as the category of held-for-sale by the Company: ① this component represents an independent major business or an independent major operation region; ② this component is a part of a related plan for an independent principal business or an independent principal operation region; ③ this component is a subsidiary acquired exclusively for resale.

About the accounting treatment method for operation termination, refer to the relevant description of Note V.13 "Held-for-sale assets and disposal group"

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 basis	Tax rates
VAT	VAT is calculated and paid based on the balance of the output VAT as worked out based on 16% of the taxable revenues less the input VAT allowed to be offset in the very period.	16%

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%
Urban maintenance and construction tax	The urban maintenance and construction tax is based on 7% of the turnover tax actually paid	7%
Corporate income tax	Taxable income amount	15%-30%
Real estate tax	1.2% of 70% of the cost of the property or 12% of the rental income	1.2% and 12%

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

Taxpayers	Income tax rates
The Company (Notes①②)	25.00%
Shenzhen Harmony World Watches Center Co., Ltd. (HARMONY) (Notes①)	25.00%
Shenzhen FIYTA Sophisticated Timepieces Manufacture Co., Ltd. (the Manufacture Co.) (Notes②③)	15.00%
FIYTA Hong Kong (Note ④)	16.50%
Shenzhen FIYTA Technology Development Co., Ltd. (the Technology Co.) (Notes②③)	15.00%
Shiyuehui Boutique (Shenzhen) Co., Ltd. (Shiyuehui) (Notes⑤)	25.00%
Harbin Harmony World Watch Distribution Co., Ltd. (Harbin Company) (Notes⑤)	25.00%
Emile Chouriet (Shenzhen) Limited (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%
Montres Chouriet SA (the Swiss Co.) (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.

(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	Ending balance
Cash in stock	233,265.12	414,210.14
Bank deposit	278,565,485.60	184,528,160.32
Other Monetary Funds	2,210,520.86	2,210,520.86
Total	281,009,271.58	187,152,891.32

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	Ending balance
Bank acceptance	3,164,514.86	2,398,579.72
Trade acceptance	1,467,574.48	7,295,303.96
Total	4,632,089.34	9,693,883.68

(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 day

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					Ending 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	1,702,371.94	0.44%	1,702,371.94	13.57%	0.00	6,985,493.80	2.04%	6,985,493.80	44.40%	0.00
Receivables for which provision for bad debts have been recognized based on the portfolio	389,169,407.57	99.54%	10,748,839.30	85.66%	378,420,568.27	334,903,968.85	97.93%	8,649,343.91	54.98%	326,254,624.94
Accounts receivable with insignificant single amount	97,147.84	0.02%	97,147.84	0.77%	0.00	97,147.84	0.03%	97,147.84	0.62%	0.00

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and provision of bad debt reserve on individual basis										
Total	390,968,927.35	100.00%	12,548,359.08	100.00%	378,420,568.27	341,986,610.49	100.00%	15,731,985.55	100.00%	326,254,624.94

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	Bad debt reserve	Provision proportion	Provision reason
Xi'an Centuryginwa Qujiang Shopping Center Co., Ltd.	1,702,371.94	1,702,371.94	100.00%	Chances of recovering is remote
Total	1,702,371.94	1,702,371.94	--	--

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

In CNY

Ageing	Ending balance		
	Accounts receivable	Bad debt reserve	Provision proportion
Itemized within 1 year			
Sub-total within 1 year	200,590,710.06	10,022,012.71	5.00%
1 to 2 years	1,386,065.23	138,606.52	10.00%
2 to 3 years	726,441.81	217,932.54	30.00%
Over 3 years	740,575.05	370,287.53	50.00%
Total	203,443,792.15	10,748,839.30	5.28%

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:

Portfolio Description	Ending balance		
	Accounts receivable	Bad debt reserve	Provision proportion (%)
Specific fund portfolio	185,725,615.42	-	-

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 day 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 reserve provided, recovered or reversed in the reporting period

During the reporting period, the Company provided reserve for bad debt amounting to CNY 2,101,421.27; the reserve for bad debt recovered or reversed during the reporting period amounted to CNY 5,283,121.86.

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

In CNY

Company name	Amount recovered or reversed	Way of recovery
Xi'an Centuryginwa Shopping Co., Ltd.	5,283,121.86	Bank transfer
Total	5,283,121.86	--

(3) Accounts receivable actually written off in current period

Inapplicable

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

Total accounts receivable due from the top five debtors of the Company in the current period is CNY32,639,305.03, accounting for 8.35% 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 CNY1,631,965.25.

(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

Ageing	Ending balance		Ending balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	17,227,525.25	69.77%	20,284,829.30	82.25%
1 to 2 years	6,528,167.69	26.44%	2,034,407.41	8.25%
2 to 3 years	932,656.35	3.78%	2,344,077.82	9.50%
Over 3 years	2,000.00	0.01%	0.00	0.00%

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Total	24,690,349.29	--	24,663,314.53	--
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(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 15,260,482.94, taking 61.81% of the total 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					Ending 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	
Other receivables with significant single amount and provision of bad debt	6,784,706.55	11.73%	6,784,706.55	66.80%	0.00	6,847,372.68	15.23%	6,847,372.68	68.70%	0.00

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reserve on individual basis										
Other receivables for which bad debt reserve has been provided based on the portfolio	51,060,207.68	88.24%	3,352,541.68	33.00%	47,707,666.00	38,090,257.88	84.73%	3,099,718.79	31.10%	34,990,539.09
Other receivables with insignificant single amount and provision of bad debt reserve on individual basis	20,000.00	0.03%	20,000.00	0.20%	0.00	20,000.00	0.04%	20,000.00	0.20%	0.00
Total	57,864,914.23	100.00%	10,157,248.23	100.00%	47,707,666.00	44,957,630.56	100.00%	9,967,091.47	100.00%	34,990,539.09

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 unit)	Ending balance			
	Other receivables	Bad debt reserve	Provision proportion	Provision reason
Deposit of China Resources (Chongqing) Industrial Co., Ltd.	800,000.00	800,000.00	100.00%	Unrecoverable
Beat Blattman Marketing	3,843,487.75	3,843,487.75	100.00%	Unrecoverable
Liberty Time Center GmbH	2,141,218.80	2,141,218.80	100.00%	Unrecoverable
Total	6,784,706.55	6,784,706.55	--	--

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

In CNY

Ageing	Ending balance		
	Other receivables	Bad debt reserve	Provision proportion
Itemized within 1 year			
Sub-total within 1 year	32,815,493.64	1,442,731.93	4.40%
1 to 2 years	7,530,672.67	753,067.27	10.00%
2 to 3 years	3,446,284.94	1,033,885.48	30.00%
Over 3 years	245,714.00	122,857.00	50.00%
Total	44,038,165.25	3,352,541.68	7.61%

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:

Portfolio Description	Ending balance		
	Other receivables	Bad debt reserve	Provision proportion (%)

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Specific fund portfolio	7,022,042.43	-	-
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(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 190,156.76; the reserve for bad debt recovered or reversed during the reporting period amounted to CNY 0.00.

(3) Accounts receivable actually written off in current period

Inapplicable

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

In CNY

Nature of Payment	Ending book balance	Opening book balance
Cash deposit and deposit in security	32,937,359.59	30,200,936.65
Commodity promotion fee	3,701,674.02	3,387,360.70
Reserve	7,022,042.43	4,399,822.68
Payment for goods	5,984,706.55	6,047,372.68
Others	8,219,131.64	922,137.85
Total	57,864,914.23	44,957,630.56

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

In CNY

Company name	Nature of Payment	Ending balance	Ageing	Proportion in total ending balance of other receivables	Ending balance of the provision for bad debts
Beat Blattman Marketing	Payment for goods	3,843,487.75	Over 3 years	6.64%	3,843,487.75
China Resources (Shenzhen) Co., Ltd	Deposit in security	2,960,734.00	Within 1 year	5.12%	148,036.70
Liberty Time Center GmbH	Payment for goods	2,141,218.80	Over 3 years	3.70%	2,141,218.80
CHINA RESOURCES SUN HUNG KAI PROPERTIES (HANGZHOU) LIMITED	Deposit in security	1,497,003.00	Within 1 year	2.59%	74,850.15
Shenzhen Yitian Holiday Plaza Co., Ltd.	Deposit in security	1,171,173.00	Within 1 year	2.02%	58,558.65
Total	--	11,613,616.55	--	20.07%	6,266,152.05

(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**(1) Classification of inventories**

In CNY

Items	Ending balance			Ending balance		
	Book balance	Provision for price falling	Book value	Book balance	Provision for price falling	Book value
Raw materials	181,142,722.04	26,475,316.23	154,667,405.81	192,872,336.46	26,899,506.29	165,972,830.17
Products in process	9,992,097.03	0.00	9,992,097.03	16,744,428.79	0.00	16,744,428.79
Commodities in stock	1,632,393,233.64	61,681,408.39	1,570,711,825.25	1,708,413,402.70	70,603,985.40	1,637,809,417.30
Total	1,823,528,052.71	88,156,724.62	1,735,371,328.09	1,918,030,167.95	97,503,491.69	1,820,526,676.26

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	Ending balance	Increase in the reporting period		Decrease in the reporting period		Ending balance
		Provision	Others	Reversal or Offset	Others	
Raw materials	26,899,506.29	2,050,627.60	0.00	2,474,817.66	0.00	26,475,316.23
Products in process	0.00	0.00	0.00	0.00	0.00	0.00
Commodities in stock	70,603,985.40	0.00	0.00	8,922,577.01	0.00	61,681,408.39
Total	97,503,491.69	2,050,627.60	0.00	11,397,394.67	0.00	88,156,724.62

(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	Ending balance
Rent	4,036,993.89	5,229,782.50
Input VAT to be offset	14,235,658.91	18,745,349.24
Income tax paid in advance	803,709.68	314,917.39
Others	4,703,274.88	326,766.08
Total	23,779,637.36	24,616,815.21

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

In CNY

Items	Ending balance			Ending 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 AVIC 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	0.00	300,000.00
Balance with provision for impairment recognized at the end of the reporting period	300,000.00	0.00	300,000.00

(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 investments

In CNY

Investees	Ending balance	Increase/ Decrease (+ / -) in the reporting period								Ending balance	Ending balance of the provision for impairment
		Additional investment	Decrease of investment	Income from equity investment recognized under 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 Co., Ltd. (Shanghai Watch)	43,879,518.09	0.00	0.00	93,013.38	0.00	0.00	0.00	0.00	0.00	43,972,531.47	0.00
Sub-total	43,879,518.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	43,972,531.47	0.00

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Total	43,879,518.09	0.00	0.00	93,013.38	0.00	0.00	0.00	0.00	0.00	43,972,531.47	0.00
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Other notes

18. Investment based real estate**(1) Investment property measured based on the cost method**

In CNY

	Plant and buildings	Land use right	Construction-in-process	Total
I. Original book value				
1. Opening balance	449,153,501.16	0.00	0.00	449,153,501.16
2. Increase in the reporting period	58,656,614.70	0.00	0.00	58,656,614.70
(1) Purchased				
(2) Inventories\fixed assets/construction- in – process transferred in	58,656,614.70	0.00	0.00	58,656,614.70
(3) Increase of enterprise consolidation				
3. Amount decreased in the reporting period				
(1) Disposal				
(2) Other transfer out				
4. Ending balance	507,810,115.86	0.00	0.00	507,810,115.86
II. Accumulative depreciation and accumulative amortization				
1. Opening balance	143,659,513.39	0.00	0.00	143,659,513.39
2. Increase in the reporting period	15,891,827.29	0.00	0.00	15,891,827.29
(1) Provision or amortization	6,375,026.65	0.00	0.00	6,375,026.65
(2) Transferred in to the fixed asset	9,516,800.64	0.00	0.00	9,516,800.64
3. Amount decreased in the reporting period				
(1) Disposal				

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(2) Other transfer out				
4. Ending balance	159,551,340.68	0.00	0.00	159,551,340.68
III. Provision for impairment				
1. Opening balance				
2. Increase in the reporting period				
(1) Provision				
3. Amount decreased 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	348,258,775.18	0.00	0.00	348,258,775.18
2. Book value at the beginning of the reporting period	305,493,987.77	0.00	0.00	305,493,987.77

(2) Investment property measured based on fair value

Inapplicable

(3) Investment property without certificate of property right

Inapplicable

19. Fixed asset**(1) About fixed assets**

In CNY

Items	Plant & buildings	Machinery & equipment	Motor vehicle	Electronic equipment	Others	Total
I. Original book value						
1. Opening	548,203,064.99	76,359,195.91	15,572,717.72	43,168,802.82	56,767,439.55	740,071,220.99

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balance						
2. Increase in the reporting period	0.00	1,821,880.34	0.00	1,463,669.77	1,471,405.39	4,756,955.50
(1) Purchase	0.00	1,821,880.34	0.00	1,463,669.77	1,471,405.39	4,756,955.50
(2) Construction-in-process transferred in						
(3) Increase of enterprise consolidation						
3. Amount decreased in the reporting period	59,093,947.97	157,887.39	0.00	671,612.42	304,807.47	60,228,225.25
(1) Disposal or scrapping	437,333.27	157,887.39	0.00	671,612.42	304,807.47	1,571,640.55
(2) Transferred into investment purpose real estate	58,656,614.70	0.00	0.00	0.00	0.00	58,656,614.70
4. Ending balance	489,109,117.02	78,023,188.86	15,572,717.72	43,960,860.17	57,934,037.47	684,599,921.24
II. Accumulative depreciation						
1. Opening balance	94,955,404.27	36,106,695.76	12,805,115.03	25,960,630.90	46,543,782.38	216,371,628.34
2. Increase in the reporting period	7,080,045.25	3,131,927.12	508,303.00	2,471,305.70	1,514,155.42	14,705,736.49
(1) Provision	7,080,045.25	3,131,927.12	508,303.00	2,471,305.70	1,514,155.42	14,705,736.49
3. Amount decreased in the reporting period	9,516,800.64	32,522.96	0.00	593,038.40	248,217.77	10,390,579.77
(1) Disposal or scrapping	0.00	32,522.96	0.00	593,038.40	248,217.77	873,779.13
(2) Transferred into investment purpose real estate	9,516,800.64	0.00	0.00	0.00	0.00	9,516,800.64
4. Ending balance	92,518,648.88	39,206,099.92	13,313,418.03	27,838,898.20	47,809,720.03	220,686,785.06
III. Provision for impairment						

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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 reporting period	396,590,468.14	38,817,088.94	2,259,299.69	16,121,961.97	10,124,317.44	463,913,136.18
2. Book value at the beginning of the reporting period	453,247,660.72	40,252,500.15	2,767,602.69	17,208,171.92	10,223,657.17	523,699,592.65

(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

Inapplicable

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

In CNY

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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	12,515,382.25	0.00	12,515,382.25	10,947,300.53	0.00	10,947,300.53
Total	12,515,382.25	0.00	12,515,382.25	10,947,300.53	0.00	10,947,300.53

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

In CNY

Description	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 accumulative engineering input in the budget	Project progress	Accumulative amount involved in interest capitalization	Including: amount of the capitalized interest in the reporting period	Interest capitalization rate in the reporting period	Capital source
FIYTA Watch Building design, construction and supporting construction project	34,050,900.00	10,947,300.53	1,568,081.72	0.00	0.00	12,515,382.25	36.75%	36.75%	0.00	0.00	0.00%	Self-raised capital
Total	34,050,900.00	10,947,300.53	1,568,081.72	0.00	0.00	12,515,382.25	--	--	0.00	0.00	0.00%	--

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

Inapplicable

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

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

In CNY

Items	Land use right	Patent Right	Non-patent technology	Software system	Trademark rights	Total
I. Original book value						
1. Opening balance	34,854,239.40	0.00	0.00	19,904,736.57	9,547,313.86	64,306,289.83
2. Increase in the reporting period	79,583.00	0.00	0.00	2,077,738.43	496,358.86	2,653,680.29
(1) Purchase	79,583.00	0.00	0.00	2,077,738.43	496,358.86	2,653,680.29
(2) Internal R & D						
(3) Increase of enterprise consolidation						
3. Amount decreased in the reporting period						
(1) Disposal						
4. Ending balance	34,933,822.40	0.00	0.00	21,982,475.00	10,043,672.72	66,959,970.12

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II. Accumulative amortization						
1. Opening balance	9,887,164.24	0.00	0.00	6,951,113.14	3,244,732.24	20,083,009.62
2. Increase in the reporting period	366,015.82	0.00	0.00	1,893,226.08	171,112.97	2,430,354.87
(1) Provision	366,015.82	0.00	0.00	1,893,226.08	171,112.97	2,430,354.87
3. Amount decreased in the reporting period						
(1) Disposal						
4. Ending balance	10,253,180.06	0.00	0.00	8,844,339.22	3,415,845.21	22,513,364.49
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 reporting period	24,680,642.34	0.00	0.00	13,138,135.78	6,627,827.51	44,446,605.63
2. Book value at the beginning of the reporting period	24,967,075.16	0.00	0.00	12,953,623.43	6,302,581.62	44,223,280.21

(2) About the land use right without 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	49,334,415.56	14,981,157.22	24,086,669.23	0.00	40,228,903.55
Refurbishment expenses	58,392,053.11	18,954,360.44	14,628,775.92	0.00	62,717,637.63
Market promotion	0.00	6,792,452.86	1,698,113.22	0.00	5,094,339.64
Others	1,683,316.82	0.00	533,924.53	0.00	1,149,392.29
Total	109,409,785.49	40,727,970.52	40,947,482.90	0.00	109,190,273.11

29. Deferred tax assets and deferred tax liabilities**(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
Asset impairment reserve	81,697,110.54	19,865,559.30	93,805,178.33	22,891,430.26
Unrealized profit from the intracompany transactions	298,377,314.29	73,967,818.56	309,982,920.90	76,608,130.54
Offsetable loss	50,682,837.77	11,159,509.24	27,342,976.03	4,930,384.00
Deferred income	5,904,000.00	1,476,000.00	5,904,000.00	1,476,000.00
Total	436,661,262.60	106,468,887.10	437,035,075.26	105,905,944.80

(2) Deferred income tax liabilities without offsetting

Inapplicable

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

In CNY

Items	Amount mutually offset between the deferred income tax assets and liabilities at the end of the reporting period	Ending balance of the deferred income tax asset or liabilities after offsetting	Amount mutually offset between the deferred income tax assets and liabilities at the beginning of the reporting period	Opening balance of the deferred income tax asset or liabilities after offsetting
Deferred income tax asset	0.00	106,468,887.10	0.00	105,905,944.80

(4) Statement of deferred income tax asset not recognized

In CNY

Items	Ending balance	Opening balance
Offsetable provisional difference	29,465,221.39	29,691,944.68
Offsetable loss	52,654,047.72	41,326,518.50
Total	82,119,269.11	71,018,463.18

(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	4,863,862.29	8,246,538.33
Total	4,863,862.29	8,246,538.33

31. Short term loans**(1) Classification of short-term loans**

In CNY

Items	Ending balance	Opening balance
Secured loan	129,917,100.00	120,990,510.00
Credit loan	350,000,000.00	405,000,000.00

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Total	479,917,100.00	525,990,510.00
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(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	201,502,338.96	197,139,603.70
Payment for materials	7,881,729.77	5,596,017.29
Engineering payment	57,598,728.48	60,520,874.66
Total	266,982,797.21	263,256,495.65

(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	15,204,157.86	10,928,657.72
Rent received in advance	3,401,495.93	4,212,930.07
Total	18,605,653.79	15,141,587.79

(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	67,145,581.32	258,370,201.89	288,791,753.83	36,724,029.38
II. Post-employment benefit program - defined contribution plan.	4,418,785.82	20,093,945.06	20,772,444.43	3,740,286.45
III. Dismission welfare	0.00	0.00	0.00	0.00
IV. Other welfare due within a year	0.00	0.00	0.00	0.00
Total	71,564,367.14	278,464,146.95	309,564,198.26	40,464,315.83

(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	66,712,129.20	230,556,433.10	261,048,814.75	36,219,747.55
2. Staff's welfare	0.00	5,507,544.99	5,507,544.99	0.00
3. Social security premium	0.00	9,054,362.60	9,054,362.60	0.00
Including: medical insurance premium	0.00	8,049,893.76	8,049,893.76	0.00
Work injury insurance	0.00	410,886.39	410,886.39	0.00
Maternity Insurance	0.00	593,582.45	593,582.45	0.00
4. Public reserve for housing	0.00	8,249,237.92	8,249,237.92	0.00
5. Trade union fund and staff education fund	433,452.12	4,356,888.05	4,286,058.34	504,281.83
Compensation provided for	0.00	645,735.23	645,735.23	0.00

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severing of employment relation				
Total	67,145,581.32	258,370,201.89	288,791,753.83	36,724,029.38

(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	1,044.89	18,891,415.99	18,850,590.58	41,870.30
2. Unemployment insurance premium	0.00	529,422.59	529,422.59	0.00
3. Contribution to the enterprise annuity scheme	4,417,740.93	673,106.48	1,392,431.26	3,698,416.15
Total	4,418,785.82	20,093,945.06	20,772,444.43	3,740,286.45

Other notes:

38. Taxes payable

In CNY

Items	Ending balance	Opening balance
VAT	27,512,259.94	28,234,436.08
Consumption tax	13,792.59	0.00
Corporate income tax	23,107,706.42	24,051,749.74
Individual income tax	2,254,316.88	779,154.31
Urban maintenance and construction tax	906,564.08	948,001.89
Real estate tax	1,370,319.41	640,117.90
Education Surcharge	647,696.32	677,393.80
Stamp duty	118,885.78	401,599.97
Dyke protection surcharge	1,195.61	2,178.98
Others	75,989.31	122,603.92
Total	56,008,726.34	55,857,236.59

Other notes:

39. Interest payable

In CNY

Items	Ending balance	Opening balance
Long term loan interest with interest payment in	116,286.23	152,151.14

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installment and principal repayment upon maturity		
Interest payable for short term loan	570,367.92	1,312,577.97
Total	686,654.15	1,464,729.11

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	20,236,777.86	23,026,920.95
Fund for shop-front activities	45,720,112.79	15,096,271.16
Personal account payable	1,683,098.43	4,911,856.36
Refurbishment	2,873,345.15	3,175,612.64
Down payment	591,807.71	1,132,084.26
Others	13,549,894.95	10,424,791.27
Total	84,655,036.89	57,767,536.64

(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	Property rental deposit; still in the lease term
Oracle Research & Development Center(Shenzhen) Co., Ltd	804,000.00	Property rental deposit; still in the lease term
Rainforest Restaurant Nanshan District, Shenzhen	791,320.00	Property rental deposit; still in the lease term
SHENZHEN COMEN MEDICAL INSTRUMENTS CO., LTD.	734,775.68	Property rental deposit; still in the lease term
China Merchants Bank Co., Ltd. Shenzhen Branch	637,932.40	Property rental deposit; still in the lease term
Total	7,661,457.24	--

Other notes

42. Liabilities classified as held-for-sale liabilities

Inapplicable

43. Non-current liabilities due within a year

In CNY

Items	Ending balance	Opening balance
Long-term liabilities due within a year	35,000,000.00	35,000,000.00
Total	35,000,000.00	35,000,000.00

Other notes:

44. Other current liabilities

Inapplicable

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

In CNY

Items	Ending balance	Opening balance
Mortgage loan	4,791,307.50	5,008,425.00
Secured loan	92,361,928.00	109,861,928.00
Less: Long-term borrowings due within 1 year	-35,000,000.00	-35,000,000.00
Total	62,153,235.50	79,870,353.00

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.78.
- ③ For guaranteed borrowings and the guarantees offered by the related parties, refer to Note XII.5(4).
- ④ The interest rate of long term borrowings is 4.5325%.

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	Cause of formation
Government subsidies	5,904,000.00	0.00	0.00	5,904,000.00	
Total	5,904,000.00	0.00	0.00	5,904,000.00	--

Items involving government subsidies:

In CNY

Liabilities	Opening balance	Amount of newly	Amount counted	Amount counted	Amount offsetting	Other changes	Ending balance	Related with
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		added subsidy in the reporting period	to the non-operating income in the reporting period	to the other income in the reporting period	costs and expenses in the reporting period			assets/related with income
Special purpose fund of Shenzhen industrial design development (Note (1))	2,000,000.00	0.00	0.00	0.00	0.00	0.00	2,000,000.00	Related with assets
Funding project for construction of enterprise technology center designated by the state (Note (2))	2,000,000.00	0.00	0.00	0.00	0.00	0.00	2,000,000.00	Related with assets
Key technology R & D project of DF101 Airplane Benchmark Timing System (Note (3))	480,000.00	0.00	0.00	0.00	0.00	0.00	480,000.00	Related with income
Special purpose fund for the Self-dependent 2017 Innovation Industry Development in Nanshan District	124,000.00	0.00	0.00	0.00	0.00	0.00	124,000.00	Related with income
Special purpose fund for 2017 Industry and Informationization at Provincial Level (Note (4))	1,300,000.00	0.00	0.00	0.00	0.00	0.00	1,300,000.00	Related with income
Total	5,904,000.00	0.00	0.00	0.00	0.00	0.00	5,904,000.00	--

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 (YUE JING XIN SHENG CHAN HAN (2016) No. 53) jointly promulgated by the Economic & Information Commission of Guangdong Province and the Finance Department of Guangdong Province.

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	0.00	0.00	0.00	0.00	0.00	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)	1,047,963,195.57	0.00	0.00	1,047,963,195.57

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premium)				
Other capital reserve	14,492,448.65	0.00	0.00	14,492,448.65
Total	1,062,455,644.22	0.00	0.00	1,062,455,644.22

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	
Other comprehensive income which cannot be re-classified into the gain and loss in future	-11,523,442.39	-1,392,954.99	0.00	0.00	-1,392,919.75	-35.24	-12,916,362.14
Conversion difference in foreign currency statements	-11,523,442.39	-1,392,954.99	0.00	0.00	-1,392,919.75	-35.24	-12,916,362.14
Total other comprehensive income	-11,523,442.39	-1,392,954.99	0.00	0.00	-1,392,919.75	-35.24	-12,916,362.14

Other notes include the valid part of gain and loss of a cash-flow hedge converted into initial amount of arbitrated 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
Surplus reserve	144,820,819.35	0.00	0.00	144,820,819.35
Discretionary surplus reserve	61,984,894.00	0.00	0.00	61,984,894.00
Total	206,805,713.35	0.00	0.00	206,805,713.35

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	771,484,565.02	687,986,807.74
After adjustment: Retained earnings at the beginning of the reporting period	771,484,565.02	687,986,807.74
Plus: Net profit attributable to the parent company's owner in the report period	112,367,921.44	140,216,258.28
Less: Provision of statutory surplus public reserve	0.00	12,844,012.90
Dividends of common shares payable	0.00	43,874,488.10
Retained earnings at the end of the reporting period	883,852,486.46	771,484,565.02

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	Costs	Income	Costs
Principal business	1,683,836,915.14	973,240,076.81	1,588,553,573.96	940,053,728.29
Other businesses	12,054,517.58	3,085,659.54	10,987,570.39	1,425,956.55
Total	1,695,891,432.72	976,325,736.35	1,599,541,144.35	941,479,684.84

62. Business Taxes and Surcharges

In CNY

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Items	Amount incurred in the reporting period	Amount incurred in the previous period
Consumption tax	35,185.87	3,685.47
Urban maintenance and construction tax	8,003,388.87	6,767,130.24
Education Surcharge	5,707,461.48	4,841,191.32
Resource tax	0.00	0.00
Real estate tax	1,987,807.87	1,792,451.23
Land use tax	189,899.66	133,605.02
Tax on using vehicle and boat	375.00	1,860.00
Stamp duty	990,689.30	890,202.85
Others	875,978.38	751,371.15
Total	17,790,786.43	15,181,497.28

63. Sales expenses

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Salaries & bonus	139,546,287.86	137,774,121.37
Market promotion	74,916,847.31	52,659,388.21
Rent	37,604,819.68	33,600,054.64
Amortization of the long-term expenses to be apportioned	34,992,451.67	46,807,569.89
Shopping mall fees	26,432,225.66	30,701,374.17
Social security premium	20,980,632.82	19,188,573.59
Advertisement fee	14,113,335.56	13,600,866.95
Packing expenses	8,692,707.95	6,046,492.43
Exhibition fee	8,567,276.57	14,393,962.02
Freight	5,646,078.77	5,646,078.77
Other expenses	50,620,377.84	33,867,839.75
Total	422,113,041.69	394,286,321.79

64. Administrative expenses

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Salaries & bonus	63,138,017.67	44,368,426.25
R & D expenses	21,285,926.02	21,944,615.09
Depreciation expense	7,397,612.68	6,605,338.51

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Social security premium	5,047,581.22	4,088,475.24
Business travel expenses	3,182,680.24	2,678,668.34
Rent	3,014,559.67	647,956.03
Labor union dues	2,603,067.32	1,249,443.18
Amortization of the long-term expenses to be apportioned	2,539,439.18	1,767,821.69
Amortization of intangible assets	2,223,019.77	1,277,694.42
Public reserve for housing	2,048,849.77	2,252,733.41
Other expenses	13,047,564.17	11,289,214.79
Total	125,528,317.71	98,170,386.95

65. Financial expenses

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Interest payment	14,273,043.13	23,246,930.51
Less: capitalized interest	0.00	0.00
Less: Interest income	0.00	1,489,867.45
Exchange gain & loss	33,652.69	265,259.52
Financial service charge	4,920,682.75	4,178,310.48
Total	18,147,791.49	26,200,633.06

66. Loss from impairment of assets

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
I. Loss from impairment of assets	-5,178,800.41	6,473,689.30
II. Loss from price falling of inventories	1,765,800.30	6,310,000.00
Total	-3,413,000.11	12,783,689.30

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	93,013.38	188,871.89

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method		
Total	93,013.38	188,871.89

Other notes:

69. Income from disposal of assets

In CNY

Source of income from disposal of assets	Amount incurred in the reporting period	Amount incurred in the previous period
Profit from disposal of assets	3,490.00	3,570.55
Loss from disposal of assets	-57,897.16	-16,923.50

70. Other income

In CNY

Source of arising of other income	Amount incurred in the reporting period	Amount incurred in the previous period
2017 Shenzhen Patent Award (Note 1)	2,000.00	0.00
Special Fund of Shenzhen Standard in 2017(Note 2)	496,000.00	0.00
Financial support for integrating IT application with industrialization from the Economic Promotion Bureau of Nanshan District (Note 3)	100,000.00	0.00
19th China Patent Award(Note 4)	500,000.00	0.00
Special fund for industry transformation and upgrading in 2018(Note 5)	500,000.00	0.00
Job stabilization subsidy delivered on behalf by Administration of Social Security Funds	10,000.00	0.00
2016 R & D financial support from the Technology Innovation Commission (Note 6)	866,000.00	0.00
R & D financial support from Guangming New Zone	360,000.00	0.00
Financial support as exhibition subsidy in Guangming New Zone	50,000.00	0.00
Special financial support for economic development in Guangdong New Zone	208,000.00	0.00
Allowance for BaselWorld 2017	496,013.80	0.00
Financial support for excellence creation rating in Nanshan District (Note 7)	200,000.00	0.00
The national E-commerce demonstration enterprise award from the State Commission of Economy and Information Technology (Note 8)	1,000,000.00	0.00

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Subsidy of export credit insurance	33,005.00	0.00
Domestic patent fee award for improving the enterprise's competitiveness (Note 9)	2,000.00	0.00
Enterprise R & D financial support of year 2016(Note 10)	1,024,000.00	0.00
Subsidy for the domestic economic and trade exhibition of the special fund for the new zone economic development in 2017	50,000.00	0.00
Special fund for supporting intellectual property for the economic development of the first half year of 2018 (Note 11)	600,000.00	0.00
Prize of the 18th China Patent Award	0.00	100,000.00
Special Fund for Shenzhen Standards 2016	0.00	651,000.00
Fund for financing patent application	0.00	3,000.00
Support with Special Fund of Shenzhen Standard in 2016	0.00	499,350.00
Science & Technology Innovation Commission of Shenzhen Municipality - Innovation	0.00	7,800.00
Allowance for BaselWorld	0.00	100,000.00
Subsidy for Improving Internationalized Operation Ability 2016	0.00	57,073.00
Special Financial Support for Self-Innovation Industry Development of Nanshan District 2016	0.00	60,000.00

Other Notes:

Note 1: It refers to the patent award received according to the Circular of Market and Quality Supervision Commission of Shenzhen Municipality on Publishing the Name List of the Winners of Patent Awards of Shenzhen 2017 (SHEN SHI [2016]No.8);

Note 2: It refers to the patent award received according to Notice of Market and Quality Supervision Commission of Shenzhen Municipality on the Plan for Financial Support to Standard Related Projects for Building Shenzhen Standards in 2017 and the Circular on Issuing the Supporting Plan with Special Fund for Development of Self-dependent Innovation Industries in Nanshan District 2017 – Fund for the Sub-item of Economic Development (the Fourth Batch) (SHEN NAN JING [2017] No. 6);

Note 3: It refers to the special fund received according to the Circular on Issuing the Supporting Plan with Special Fund for Development of Self-dependent Innovation Industries in Nanshan District 2017 – Fund for the Sub-item of Economic Development (the Fourth Batch) (SHEN NAN JING [2017] No. 6).

Note 4: It refers to the patent award received according to the Circular of Market and Quality Supervision Commission of Shenzhen Municipality on Handling the Reward of the 5th Guangdong Patent Award and the Supporting Award of Guangdong Provincial Intellectual Property of the 19th China Patent Award;

Note 5: It refers to the special fund received according to the Circular of Economic, Trade and Information Commission of Shenzhen Municipality on Carrying out Declaration Work of the Special Fund for Industrial Transformation and Upgrading for Community Joint Stock Partnership Companies Reform and Improvement of the City 2018 ([2017] No. 243);

Note 6: It refers to the government financial support fund according to the Circular of Shenzhen Science & Technology Innovation Commission on the Second Batch of Enterprises to be Financially Supported in the Enterprise R & D Financial Support Plan 2017 (SHEN FA [2016] No. 7);

Note 7: It refers to the special fund received according to the Circular on Issuing the Supporting Plan with Special Fund for Development of Self-dependent Innovation Industries in Nanshan District 2017 – Fund for the Sub-item of Economic Development (the Fourth Batch) (SHEN NAN JING [2017] No. 6);

Note 8: It refers to the special fund of the government received according to the Circular of the Economic, Trade and Information Commission of Shenzhen Municipality on Disclosing the Special Fund Projects for E-commerce Development in Shenzhen 2018 (SHEN JING MAO XIN XI SHENG CHAN ZI [2018] No. 100);

Note 9: It refers to the patent award received according to the Circular of Market and Quality Supervision Commission of Shenzhen Municipality on Publishing the Name List of the Winners of Patent Awards of Shenzhen 2017 (SHEN SHI [2016]No.8);

Note 10: It refers to the government financial support fund according to the Circular of Shenzhen Science & Technology Innovation Commission on the Second Batch of Enterprises to be Financially Supported in the Enterprise R & D Financial Support Plan 2017 (SHEN FA [2016] No. 7);

Note 11: It refers to the special fund received according to the Circular on the Projects to be Financially Supported for the Strategic Projects of Intellectual Property, Quality Certification, Brand and Standardization with the Special Fund for Economic Development of Guangming New Zone in the First Half Year of 2018.

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
Disposal of account payable impossible to be paid	52,506.24	3,741.50	52,506.24
Others	311,353.27	142,125.41	311,353.27
Total	363,859.51	145,866.91	363,859.51

72. Non-operating expenditure

In CNY

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Items	Amount incurred in the reporting period	Amount incurred in the previous period	Amount counted to the current non-operating gain and loss
Outward donation	380,000.00	3,000.00	380,000.00
Others	86,522.53	658,190.44	86,522.53
Total	466,522.53	661,190.44	466,522.53

73. Income tax expense

(1) Statement of income tax expense

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Income tax expense in the reporting period	34,026,742.02	24,613,171.31
Deferred income tax expense	-562,942.30	1,352,213.69
Total	33,463,799.72	25,965,385.00

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

In CNY

Items	Amount incurred in the reporting period
Total profit	145,831,721.16
Income tax expense calculated based on the statutory/ applicable tax rate	36,457,930.29
Influence of different tax rates applicable to subsidiaries	-5,958,497.90
Influence of adjustment of the income tax in the previous period	117,154.89
Influence of the non-taxable income	-23,253.35
Influence of the non-offsetable costs, expenses and loss	479,273.82
Influence from the offsetable provisional difference or offsetable loss of the unrecognized deferred income tax asset at the end of the reporting period	3,398,258.77
Influence from the addition of the R & D expenses upon deduction of tax payment (to be stated with "-")	-1,007,066.81
Income tax expense	33,463,799.72

74. Other comprehensive income

For the detail, refer to Note X.57.

75. 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	6,072,093.46	8,162,746.84
Government subsidies	6,497,018.80	2,778,043.00
Deposit in security	4,350,761.76	1,420,812.66
Interest income	1,079,587.08	1,489,867.45
Reserve	1,406,129.93	1,707,688.82
Others	5,617,057.35	4,241,136.02
Total	25,022,648.38	19,800,294.79

(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	66,401,628.85	45,369,388.21
Rent	39,732,881.18	34,532,393.41
Shopping mall fees	26,461,676.31	30,701,374.17
Advertisement fee	11,176,335.56	12,310,866.95
Packing expenses	8,883,462.57	6,046,492.43
Business travel expenses	8,333,226.89	7,772,400.58
Water and electricity fees	7,029,160.13	4,636,608.93
R & D expenses	6,759,781.73	7,253,934.93
Office expenses	6,534,273.39	5,004,516.54
Freight	6,018,407.34	5,112,140.83
Exhibition fee	5,974,002.19	10,307,276.23
Property management fee	4,228,170.40	2,405,767.74
Business entertainment	2,830,040.57	3,093,901.20
Service fee to intermediary agencies	2,156,715.09	1,929,387.83
Others	14,825,683.48	6,183,802.43
Total	217,345,445.68	182,660,252.41

Note to other cash paid in connection with operation activities:

(3) Other investment activities related cash receipts

Inapplicable

(4) Other investment activities related cash payments

Inapplicable

(5) Other fund-raising activities related cash receipts

Inapplicable

(6) Other fund-raising activities related cash payments

Inapplicable

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

In CNY

Supplementary 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	112,367,921.44	86,611,784.54
Plus: Asset impairment reserve	-14,525,567.48	12,783,689.30
Depreciation of fixed assets, depletion of oil and gas asset, depreciation of productive biological asset	21,080,763.14	21,936,993.35
Amortization of intangible assets	2,430,354.87	1,594,234.34
Amortization of the long-term expenses to be apportioned	40,947,482.90	54,065,432.58
Loss (income is stated in "-") from disposal of fixed assets, intangible assets and other long term assets	54,407.16	13,352.95
Financial expenses (income is stated with "-")	14,273,043.13	23,246,930.51
Investment loss (income is stated with "-")	-93,013.38	-188,871.89
Decrease of the deferred income tax asset (increase is stated with "-")	-562,942.30	1,352,213.69
Decrease of inventories (Increase is stated with "-")	94,502,115.24	93,091,588.65
Decrease of operative items receivable (Increase is stated with "-")	-56,854,840.95	-12,212,990.56
Increase of operative items payable (Decrease is stated	11,052,550.32	-5,578,696.93

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with "-")		
Net cash flows arising from operating activities	224,672,274.09	276,715,660.53
2. Significant investment and fund-raising activities with no cash income and expenses involved:	--	--
3. Net change in cash and cash equivalents:	--	--
Plus: Ending balance of cash equivalent	278,804,271.58	383,649,003.87
Less: Opening balance of cash equivalent	184,947,891.32	427,227,755.81
Net increase of cash and cash equivalents	93,856,380.26	-43,578,751.94

(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
Including: Cash in stock	233,265.12	414,210.14
Bank deposit available for payment at any time	278,565,485.60	184,528,160.32
Other monetary fund used for payment at any time	5,520.86	5,520.86
II. Cash equivalents	278,804,271.58	184,947,891.32
III. Ending balance of cash and cash equivalents	278,804,271.58	184,947,891.32
Including: cash and cash equivalents restricted for use from the parent company or other subsidiaries of the Group	2,205,000.00	2,205,000.00

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

Inapplicable

78. Assets restricted in ownership or use right

In CNY

Items	Book value at the end of the reporting period	Cause of being restricted
Monetary capital	2,205,000.00	Deposit for L/G
Total	2,205,000.00	--

79. 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 capital			
Including: USD	358,309.02	6.61660	2,370,787.46
Euro	145,749.33	7.65150	1,115,201.00
HKD	5,537,161.79	0.84310	4,668,381.11
CHF	229,106.11	6.63500	1,520,119.04
Accounts receivable			
Including: USD	657,648.25	6.61660	4,351,395.41
Euro	32,872.11	7.65150	251,520.95
HKD	13,326,820.48	0.84310	11,235,842.35
CHF	164,418.90	6.63500	1,090,919.40
Advance payments			
Including: HKD	7,216,704.66	0.84310	6,084,403.70
CHF	888,530.91	6.63500	5,895,402.59
Other receivables			
Including: HKD	288,356.00	0.84310	243,112.94
CHF	905,580.00	6.63500	6,008,523.30
Accounts payable			
Including: HKD	11,482,520.80	0.84310	9,680,913.29
CHF	30,046.97	6.63500	199,361.65
Advances from customers			
HKD	218,093.00	0.84310	183,874.21
Other payables			
Including: HKD	25,926.92	0.84310	21,858.99
CHF	68,759.90	6.63500	456,221.94
Short term loans			
HKD	30,000,000.00	0.84310	25,293,000.00
Long-term Loan			
CHF	725,000.00	6.63500	4,810,375.00

(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.

For the principal business place, function currency for bookkeeping for key overseas business entities, refer to Note V.4.

80. Hedging

Inapplicable

81. Miscellaneous

Inapplicable

VIII. Change in consolidation scope

1. Consolidation of enterprises not under the same 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

Does there exist any transaction in which the enterprise consolidation is realized step by step through several transactions and the control power is obtained within the reporting period.

No

(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 notes**2. Consolidation of enterprises under the same control****(1) Consolidation of enterprises not under common control during the reporting period**

Inapplicable

(2) Consolidation cost

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

Inapplicable

6. Miscellaneous

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 proportion		Way of acquisition
				Direct	Indirect	
Harmony	Shenzhen	Shenzhen	Commerce	100.00%		Establishment or investment
the Manufacture Co.	Shenzhen	Shenzhen	Manufacture	90.00%	10.00%	Establishment or investment
FIYTA Hong Kong	Hong Kong	Hong Kong	Commerce	100.00%		Establishment or investment
Harbin Co.	Harbin	Harbin	Commerce	100.00%		Establishment or investment
Technology Co.	Shenzhen	Shenzhen	Manufacture	100.00%		Establishment or investment
SHIYUEHUI	Shenzhen	Shenzhen	Commerce	100.00%		Establishment or investment
Emile Choureit (Shenzhen)	Shenzhen	Shenzhen	Commerce	100.00%		Establishment or investment
FIYTA Sales Co., Ltd.	Shenzhen	Shenzhen	Commerce	100.00%		Establishment or investment
Hengdarui	Shenyang	Shenyang	Commerce	100.00%		Consolidation of enterprises under the same control
Swiss Company	Switzerland	Switzerland	Commerce		100.00%	Consolidation of enterprises not under the same control

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

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 structurized entity being brought to the consolidation scope and being controlled:

Inapplicable

Basis of distinguishing an agent from consignor:

Inapplicable

Other notes:

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	Main business location	Place of registration	Nature of business	Shareholding proportion		Accounting treatment method for investment in joint ventures or associates
				Direct	Indirect	
Shanghai Watch	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

Inapplicable

(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	92,802,011.32	88,035,307.16
Non-current assets	16,422,790.67	17,515,363.90
Total assets	109,224,801.99	105,550,671.06
Current liabilities	8,332,353.00	5,527,973.92
Non-current liabilities	0.00	0.00
Total liabilities	8,332,353.00	5,527,973.92
Minority shareholders' equity	0.00	0.00
Equity attributable to the parent company's shareholders	100,892,448.99	100,022,697.16
Share of net assets calculated according to the shareholding proportion	25,223,112.25	25,005,674.29
Book value of the equity investment in associates	43,972,531.47	43,879,518.09
Revenue	46,323,386.37	43,499,754.20
Net profit	372,053.52	755,487.55
Other comprehensive income	0.00	0.00
Total comprehensive income	372,053.52	755,487.55
Dividends from associates received 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. Miscellaneous

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 items in Note VII. 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.

Sensitivity analysis is adopted by the Company to analyze possible impact on the current profit and loss or shareholders' equity by the reasonable and possible changes of risk variables. Since any risk variables seldom happen individually, relativity between variables will cause significant influences on the ultimate impacted amount of the change in a risk variable, so the following statement is based on supposition that each variable happens independently.

(I) 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, lower the negative influence of the risks upon the Company's business performance to the minimum and maximize the interest of the shareholders and its other equity investors. Based on this goal, the basic strategy of risk management for the Company is to ascertain and analyze all the risks that the Group confronts, establish appropriate bottom line for risk-taking, and manage the risks accordingly, in the meantime supervise all the risks in a timely and reliable manner, controlling the risks within the limited scope.

1. Market Risks**(1) Foreign exchange risk**

Foreign exchange risk refers to the risk arising from the loss on exchange rate changes. The Company is mainly exposed to foreign exchange risk that relates to Hong Kong dollars, Swiss Franc. Except a number of the Company's subsidiaries that conduct procurement and sales in Hong Kong Dollars and Swiss Franc, the principal business activities of the Company's principal business activities are settled in Renminbi. As at 30 June 2018, except the balance of the aforesaid assets or liabilities which are stated in Hong Kong dollar, Swiss Franc, US dollar, etc., the balance of the financial assets and financial liabilities of the Company are all in Renminbi. Foreign exchange risks arising from the balance of assets and liabilities of such foreign currencies may have an impact on the operating results of the Company.

In CNY

Items	6/30/2018	Amount at the beginning of the year
Monetary capital	9,674,488.61	9,103,319.22
Accounts receivable	16,929,678.11	11,193,694.31
Advance payment for goods	11,979,806.29	12,872,520.90
Other receivables	6,251,636.24	6,290,491.67
Accounts payable	9,880,274.94	1,330,403.14
Advance from customers	183,874.21	185,101.44
Other payables	478,080.93	794,190.64
Short term loans	25,293,000.00	50,990,510.00
Long-term Loan	4,810,375.00	5,008,425.00

Sensitivity analysis on foreign exchange risks:

Assumption for sensitivity analysis on foreign exchange risks: both the net investment hedge of the overseas business and cash flow hedge are highly effective. On the basis of the aforesaid assumption, while the other variables remain unchanged, the pre-tax influence of the reasonable change of the exchange rate possibly incurred upon the current income and loss and shareholders' equity is as follows:

In CNY

Items	Change of the exchange rate	Current year		Previous year	
		Influence upon the profit	Influence upon the shareholders' equity	Influence upon the profit	Influence upon the shareholders' equity
Monetary capital	Appreciation of Renminbi by 5%	483,724.43	483,724.43	1,408,960.66	1,408,960.66
	Depreciation of Renminbi by 5%	-483,724.43	-483,724.43	-1,408,960.66	-1,408,960.66
Accounts receivable	Appreciation of Renminbi by 5%	846,483.91	846,483.91	526,006.88	526,006.88
	Depreciation of Renminbi by 5%	-846,483.91	-846,483.91	-526,006.88	-526,006.88
Advance payment for goods	Appreciation of Renminbi by 5%	598,990.31	598,990.31	0.00	0.00
	Depreciation of Renminbi by 5%	-598,990.31	-598,990.31	0.00	0.00

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Other receivables	Appreciation of Renminbi by 5%	312,581.81	312,581.81	267,418.42	267,418.42
	Depreciation of Renminbi by 5%	-312,581.81	-312,581.81	-267,418.42	-267,418.42
Accounts payable	Appreciation of Renminbi by 5%	494,013.75	494,013.75	169,110.89	169,110.89
	Depreciation of Renminbi by 5%	-494,013.75	-494,013.75	-169,110.89	-169,110.89
Advance from customers	Appreciation of Renminbi by 5%	9,193.71	9,193.71	0.00	0.00
	Depreciation of Renminbi by 5%	-9,193.71	-9,193.71	0.00	0.00
Other payables	Appreciation of Renminbi by 5%	23,904.05	23,904.05	331,358.00	331,358.00
	Depreciation of Renminbi by 5%	-23,904.05	-23,904.05	-331,358.00	-331,358.00
Short term loans	Appreciation of Renminbi by 5%	1,264,650.00	1,264,650.00	7,247,132.00	7,247,132.00
	Depreciation of Renminbi by 5%	-1,264,650.00	-1,264,650.00	-7,247,132.00	-7,247,132.00
Long-term Loan	Appreciation of Renminbi by 5%	240,518.75	240,518.75	280,757.79	280,757.79
	Depreciation of Renminbi by 5%	-240,518.75	-240,518.75	-280,757.79	-280,757.79

(2) Interest rate risk - risk from change of the cash flow

The Company's risk of movement in the cash flow of financial instrument arising from change of the interest rate arising from change of the interest rate is mainly related with the bank loan of the fluctuating interest rate (for the detail, refer to Note VI.31 and VI. 45). The Company's policy is to maintain the fluctuating interest rate of these loans.

Sensitivity analysis on interest rate risks:

Sensitivity analysis on interest rate risks is based on the following assumption:

- Influence of the change of market interest rate upon the interest income or expenses of the financial instruments with variable interest rates;
- For the financial instrument with fixed interest rate measured based on the fair value, the change of the interest rate only impact its interest income or expenses;
- For the derivative financial instrument designated as arbitrage tool, the change of the market interest rate impacts its fair value and all the interest rate intercropping date is predicted to be highly valid;

· The market interest rate as at the balance sheet day uses the discounted cash flow technique to calculate the change of the fair value of the financial instrument and other financial assets and liabilities.

On the basis of the aforesaid assumption, while the other variables remain unchanged, the pre-tax influence of the reasonable change of the interest rate possibly incurred upon the current income and loss and shareholders' equity is as follows:

In case the loan interest rate calculated based on the floating interest rate rises or falls by 50 base points as at 31st December 2017 while the other factors keep unchanged, the Company's net profit and shareholders' equity shall decrease or increase by CNY 883,800 (as at 31st December 2017: CNY 326,300).

(3) Other price risks

The investment classified as the available-for-sale financial asset held by the Company is measured at the cost value as at the balance sheet day. Therefore, there exists no price risk necessary to be disclosed in the Company.

2. Credit risk

As at 30th June 2018, the maximum credit risk exposure possibly arising from the financial loss to the Company was mainly from the loss arising from failure of the other party to the contract in implementing the obligations which caused loss from generation of the Company's financial assets, which specifically included the carrying amount of the financial assets recognized in the consolidated balance sheet. The Company provided no other guarantee which may render the Company bear the credit risk.

For the purpose of lowering the credit risk, the Company may possibly access to the guarantee, credit record and other elements from the third party based on the debtor's financial status, independent rating and other elements, such as assessment of the debtor's credit qualification, such as the current market situation and specifying the corresponding debt limit and credit term. The Company conducts regular supervision over the debtors' credit records and may take the measures of written reminders, shortening the credit period or canceling the credit period, etc. against the debtors with poor credit record so as to ensure the Company's overall credit risk to be within the controllable scope. In addition, the Company examines the recovery of the accounts receivable on each balance sheet day so as to ensure to provide sufficient bad debt reserve for the accounts impossible to be recovered. Therefore, in the opinion of the Company's management, the credit risk borne by the Company has been greatly reduced.

In the Company's accounts receivable, the accounts receivable owed by the top five customers took 8.35% of the Company's total accounts receivable (end of 2017: 6.30%); in the Company's other receivables, the total other receivables owed by the top five customers took 20.07% of the Company's total other receivables (end of 2017: 24.14%).

3. Liquidity risk

In management of the liquidity risk, the Company kept the cash and cash equivalent as sufficient as the management considered necessary and conducted supervision over the same so as to satisfy the Company's business requirements and reduced the impact from the fluctuation of cash flow. The Company's management conducted monitoring over the application of the bank loans and ensured its compliance with the loan agreements.

The Company took the capital arising from its business, bank loans and other borrowings as the major capital source. As at 30th June 2018, the amount of the bank loan not yet used by the Company was CNY 2,764.48 million (31st December 2017: CNY 2,723.97 million).

The expiry of the remaining contract obligations for the financial liabilities held by the Company not discounted is analyzed as follows:

In CNY10,000

Items	Within 1 year	1 to 2 years	2-3 years	Over 3 years	Total
Financial assets:					
Monetary capital	28,100.93	-	-	-	28,100.93
Notes receivable	463.21	-	-	-	463.21
Accounts receivable	38,916.94	-	-	-	38,916.94
Other receivables	5,106.02	-	-	-	5,106.02
Total financial assets	72,587.10	-	-	-	72,587.10
Financial liabilities:					
Short term loans	47,991.71	-	-	-	47,991.71
Accounts payable	26,698.28	-	-	-	26,698.28
Interest payable	68.67	-	-	-	68.67
Other payables	8,465.50	-	-	-	8,465.50
Non-current liabilities due within a year	3,500.00	-	-	-	3,500.00
Long-term Loan	-	3,500.00	1,750.00	965.32	6,215.32
Financial guarantee	20,491.71	-	-	-	20,491.71
Total financial liabilities and contingent liabilities	107,215.87	3,500.00	1,750.00	965.32	113,431.19

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

Inapplicable

9. Others

Inapplicable

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 the parent company in the Company	Ratio of vote right of the parent company in the Company
AVIC International Holding Limited	Shenzhen	Investment in industries, domestic trade, material supply and distribution	1,166,161,996	37.15%	37.15%

Note to the parent company:

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

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
AVIC Property Management Co., Ltd. (AVIC Property)	Controlled by the same party
Shenzhen AVIC Building Technology Co., Ltd. (AVIC Building Co.)	Controlled by the same party
Rainbow Department Store Co., Ltd. (RAINBOW)	Controlled by the same party
Shennan Circuit Co., Ltd. (Shennan Circuit)	Controlled by the same party
AVIC SUNDA Co., Ltd. (AVIC SUNDA)	Controlled by the same party
AVIC Securities Co., Ltd. (AVIC 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 AVIC City Property Development Co., Ltd.(AVIC City Property)	Controlled by the same party
Shenzhen AVIC Development Co., Ltd. (AVIC City Development)	Controlled by the same party
Shenzhen AVIC Guanlan Real Estate Development Co., Ltd. (AVIC Guanlan Real Estate)	Controlled by the same party
Shenzhen AVIC Changtai Investment Development Co., Ltd. (AVIC Changtai)	Controlled by the same party
Shenzhen AVIC 9 Square Assets Management Co., Ltd. (9 Square Asset)	Controlled by the same party
Ganzhou AVIC Real Estate Development Co., Ltd. (Ganzhou AVIC Real Estate)	Controlled by the same party
Shenzhen AVIC City Investment Co., Ltd.(AVIC City Investment)	Controlled by the same party
Shenzhen AVIC Group Enterprise Training Center	Controlled by the same party
Ganzhou AVIC 9 Square Commerce Co., Ltd. (Ganzhou 9 Square)	Controlled by the same party
Jiujiang AVIC City Real Estate Development Co., Ltd. (Jiujiang AVIC Real Estate)	Controlled by the same party
AVIC City Property (Kunshan) Co., Ltd. (AVIC City Property (Kunshan))	Controlled by the same party
Shenzhen AVIC Curtain Wall Engineering Co., Ltd. (AVIC Curtain Wall Engineering)	Controlled by the same party
AVIC Finance Co., Ltd. (AVIC Finance)	Controlled by the same party
Shenzhen AVIC Security Service Co., Ltd. (AVIC Security Service)	Controlled by the same party

Shenzhen AVIC Property Asset Management Co., Ltd. (AVIC Property Asset Management)	Controlled by the same party
Jiujiang 9 Square Commerce Management Co., Ltd. (9 Square Commerce Management)	Controlled by the same party
Shenzhen AVIC Huacheng Property Development Co., Ltd. (AVIC Huacheng Property)	Controlled by the same party
AVIC Property Management Co., Ltd. CBD Branch (AVIC Property CBD)	Controlled by the same party
AVIC Property Management Co., Ltd. Real Estate Project Branch (AVIC Property Real Estate Project)	Controlled by the same party
Shenzhen AVIC Grand Skylight Hotel Management Co., Ltd. (Grand Skylight Hotel)	Controlled by the same party
Shenzhen AVIC Real Estate Development Co., Ltd. (AVIC Real Estate)	Controlled by the same party
Huang Yongfeng	A senior executive
Wang Mingchuan	A senior executive
Fu Debin	A senior executive
Xiao Zhanglin	A senior executive
Wang Bo	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 Wanjuan	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 parties	Description of Related Transactions	Amount incurred in the reporting period	Transaction quota as approved	Has it exceeded the transaction quota	Amount incurred in the previous period
AVIC Property	Reception of services	2,966,178.17	5,000,000.00	No	3,912,604.61

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Rainbow Ltd.	Shopping mall fees/purchase of goods	2,554,556.27	3,000,000.00	No	2,529,676.00
AVIC Building Co.	Engineering fees	468,415.30	5,000,000.00	No	0.00
Shenzhen AVIC Group Enterprise Training Center	Training fee	144,548.39	500,000.00	No	0.00

Statement of sales of goods/supply of labor services

In CNY

Related parties	Description of Related Transactions	Amount incurred in the reporting period	Amount incurred in the previous period
Rainbow Ltd.	Products and labor services	35,060,373.29	37,311,632.36
Shennan Circuit Co., Ltd.	Products and labor services	3,300,322.92	1,074,050.91
Shenzhen Grand Skylight Hotel Management Co., Ltd.	Products and labor services	5,982.90	2,564.10
Ganzhou 9 Square	Products and labor services	701,423.33	0.00

Note to the related transactions of purchase and sale of commodities and supply and acceptance of labor services

(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 the previous period
AVIC SUNDA	Housing	898,931.71	679,371.90
AVIC Property	Housing	3,786,677.96	3,213,521.33
AVIC Securities	Housing	608,571.42	584,228.58
AVIC City Property Co., Ltd.	Housing	187,965.57	218,555.04
AVIC City Development	Housing	2,428.57	8,878.07
Guanlan Real Estate	Housing	53,919.42	40,199.53
Tianyue Hotel	Housing	1,746,031.74	2,095,238.09
Rainbow Ltd.	Housing	229,327.58	262,440.80
9 Square Assets	Housing	579,564.39	192,879.08
AVIC City Investment	Housing	232,636.75	547,184.70
AVIC Huacheng Property	Housing	143,684.84	165,498.96

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AVIC Real Estate Development	Housing	33,406.82	
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The Company as lessee:

In CNY

Names of lessees	Categories of leasehold properties	Rental fee recognized in the current period	Rental fee recognized in the previous period
Ganzhou 9 Square	Housing	544,600.15	0.00
Jiujiang AVIC Real Estate	Housing	201,501.48	0.00
AVIC City Property (Kunshan)	Housing	110,753.27	101,827.56
AVIC Changtai	Housing	0.00	176,273.10

(4) Related guarantee

The Company as a guarantor

In CNY

Guarantees	Amount guaranteed	Effective date	Expiring date	Is the guarantee finished
FIYTA (Hong Kong) Limited	24,917,100.00	April 26, 2018	April 26, 2019	No
Shenzhen Harmony World Watches Center Co., Ltd.	75,000,000.00	December 30, 2017	December 29, 2018	No

The Company as a guarantee

In CNY

Guarantors	Amount guaranteed	Effective date	Expiring date	Is the guarantee finished
Shenzhen Harmony World Watches Center Co., Ltd.	50,000,000.00	September 12, 2017	September 11, 2018	No
Shenzhen Harmony World Watches Center Co., Ltd.	50,000,000.00	June 12, 2018	February 28, 2019	No
Shenzhen Harmony World Watches Center Co., Ltd.	5,000,000.00	July 03, 2017	July 03, 2018	No
AVIC International Holding Limited	17,861,928.00	January 26, 2015	June 24, 2019	No
AVIC International Holding Limited	10,000,000.00	October 28, 2015	June 24, 2019	No
AVIC International Holding Limited	6,000,000.00	May 27, 2015	June 24, 2019	No
AVIC International Holding Limited	7,000,000.00	December 01, 2015	June 24, 2019	No
AVIC International Holding Limited	10,000,000.00	January 18, 2016	December 24, 2019	No
AVIC International Holding	15,000,000.00	January 26, 2016	June 24, 2020	No

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Limited				
AVIC International Holding Limited	2,000,000.00	April 20, 2016	June 24, 2020	No
AVIC International Holding Limited	7,500,000.00	May 05, 2016	June 24, 2020	No
AVIC International Holding Limited	17,000,000.00	May 19, 2016	June 24, 2020	No

(5) Borrowings and lendings among related parties

Inapplicable

(6) Assets assignment and liabilities reorganization of related parties

Inapplicable

(7) Remuneration to senior executives

Inapplicable

(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 reserve	Book balance	Bad debt reserve
Accounts receivable:	AVIC City Property Co., Ltd.	39,204.91	1,960.25	0.00	0.00
	AVIC Huacheng Property	30,803.86	1,540.19	0.00	0.00
	AVIC 9 Square Assets	260,240.52	13,012.03	0.00	0.00
	AVIC Property	272,406.30	13,620.32	0.00	0.00
	Rainbow Ltd.	7,196,437.23	359,821.86	1,782,356.36	89,117.82
	Shennan Circuit Co., Ltd.	1,331,624.48	66,581.22	786,443.94	39,322.20
	Ganzhou 9 Square	160.00	8.00	115,742.00	5,787.10
Notes receivable:	Shennan Circuit Co., Ltd.	2,514,502.57	0.00	2,398,579.72	0.00

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Other receivables:	Rainbow Ltd.	843,580.00	42,179.00	832,774.30	41,638.72
	AVIC International Holding Limited	11,101.80	555.09	0.00	0.00
	Ganzhou 9 Square	122,665.60	6,133.28	122,665.60	6,133.28
	AVIC City Property (Kunshan)	35,000.00	1,750.00	35,000.00	1,750.00
	Grand Skylight Hotel	32,000.00	1,600.00	32,000.00	1,600.00
	AVIC Training Center	155,451.61	7,772.58	150,000.00	7,500.00
	Jiujiang 9 Square Commerce Management Co., Ltd.	50,400.00	2,520.00	0.00	0.00
	AVIC Property	0.00	0.00	100.00	5.00
	Jiujiang AVIC Real Estate	0.00	0.00	50,000.00	2,500.00
	AVIC Building Co.	0.00	0.00	126,598.73	6,329.94

(2) Payables

In CNY

Description	Related parties	Ending book balance	Opening book balance
Advance Receipts:	Guanlan Real Estate	10,971.43	8,315.43
	AVIC SUNDA	0.00	148,915.46
	9 Square Assets	0.00	33,331.01
	AVIC Securities	0.00	101,428.57
Interest payable	AVIC Finance	172,187.50	0.00
Other payables:	AVIC Property	472,032.00	472,032.00
	AVIC SUNDA	442,407.92	442,407.92
	AVIC City Investment	309,732.00	309,732.00
	9 Square Assets	179,860.00	66,666.60
	AVIC Building Co.	112,710.23	89,289.47
	AVIC City Property Co., Ltd.	99,052.32	99,052.32
	AVIC Huacheng Property	73,819.68	73,819.68
	Rainbow Ltd.	60,000.00	60,000.00
	AVIC Real Estate	51,014.88	0.00
	AVIC Guanlan Real Estate	25,401.60	0.00
	AVIC Public Security Service Co.	10,533.44	0.00
	Ganzhou 9 Square	3,725.69	0.00

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	9 Square Commerce Management Co., Ltd.	2,532.20	0.00
	AVIC Changtai	4,064.81	4,064.81
	AVIC Securities	0.00	213,000.00
	AVIC City Development	0.00	5,100.00

7. Related parties' commitments**8. Miscellaneous****XIII. Stock payment****1. General**

Inapplicable

2. Stock payment for equity settlement

Inapplicable

3. Stock payment for cash settlement

Inapplicable

4. Correction and termination of stock payment

Inapplicable

5. Miscellaneous

Inapplicable

XIV. Commitments and contingencies**1. Important commitments**

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 day is as follows:

In CNY

Items	Ending balance	Opening balance
Minimum rent payment for irrevocable operational lease:		
1st year after the balance sheet day	42,593,133.47	29,799,099.00

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2nd year after the balance sheet day	20,439,242.80	14,570,632.00
3rd year after the balance sheet day	9,207,698.49	7,533,388.00
Subsequent years	5,253,776.23	1,121,206.00

2. Contingencies

(1) Significant contingencies existing as at the balance sheet day

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

There existed no such contingencies necessary to be disclosed 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

Inapplicable

XVI. Other significant events

1. Correction of the accounting errors in the previous period

(1) Retroactive restatement

Inapplicable

(2) Prospective application

Inapplicable

2. Liabilities 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

Inapplicable

(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) 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	
Receivables for which provision for bad debts have been recognized based on the portfolio	7,425,599.28	100%	39,440.24	100%	7,386,159.04	6,871,446.35	100%	39,440.24	100%	6,832,006.11
Total	7,425,599.28	100%	39,440.24	100%	7,386,159.04	6,871,446.35	100%	39,440.24	100%	6,832,006.11

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

Inapplicable

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

In CNY

Ageing	Ending balance		
	Accounts receivable	Bad debt reserve	Provision proportion
Itemized within 1 year			
Sub-total within 1 year	871,586.71	39,440.24	4.53%
Total	871,586.71	39,440.24	4.53%

Note to the basis for determining the combination:

No reserve for bad debt of the accounts receivable was provided during the reporting period while it is going to be provided at the end of the year.

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:

In CNY

Portfolio Description	Book balance	Bad debt reserve	Provision proportion
Specific fund portfolio	6,554,012.57	-	-

Based on historical experience, the Company did not provide any reserve for bad debt for the Group's receivables due from its subsidiaries which should be brought into the consolidation scope (the specific fund grouping amounting to CNY 6,554,012.57 is attributable to the rent receivable from the subsidiaries), as such receivables are highly recoverable and it is little possible to become bad debt .

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

Inapplicable

(3) Accounts receivable actually written off in current period

Inapplicable

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

In CNY

Serial No.	Names of the debtors	Nature of Payment	Amount	Ageing	Proportion taken	Bad debt reserve at the end of the reporting period	Are they related parties
1	FIYTA Sales Co., Ltd.	Rent	6,116,757.60	Within 1 year	82.37%	-	Yes
2	Shenzhen FIYTA Sophisticated Timepieces Manufacture Co., Ltd.	Rent	326,627.97	Within 1 year	4.40%	-	Yes
3	AVIC Property Management Co., Ltd.	Rent	272,406.30	Within 1 year	3.67%	13,620.32	Yes
4	Shenzhen AVIC 9 Square Assets Management Co., Ltd.	Rent	260,240.52	Within 1 year	3.50%	13,012.03	Yes
5	Shenzhen Goodfamily Sports Equipment Chain Store Co., Ltd.	Rent	178,101.30	Within 1 year	2.40%	8,900.52	No

(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

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

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	
Other receivables for which bad debt reserve has been provided based on the portfolio	698,339,717.57	100%	53,065.03	100%	698,286,652.54	832,005,502.89	100%	53,065.03	100%	831,952,437.86
Total	698,339,717.57	100%	53,065.03	100%	698,286,652.54	832,005,502.89	100%	53,065.03	100%	831,952,437.86

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

Inapplicable

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

In CNY

Ageing	Ending balance		
	Other receivables	Bad debt reserve	Provision proportion
Itemized within 1 year			
Sub-total within 1 year	369,198.43	17,840.03	4.83%
1 to 2 years	152,000.00	15,200.00	10%
Over 3 years	40,050.00	20,025.00	50%
Total	561,248.43	53,065.03	9.45%

Note to the basis for determining the combination:

No reserve for bad debt of other receivables was provided during the reporting period while it is going to be provided at the end of the year.

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:

Based on historical experience, as the reserve receivable from the employees, accounts receivable due from the subsidiaries which should be brought into the consolidation scope, accounts receivable with the nature of advance payment and the accounts receivable as the part of the premiums of endowment insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance and housing fund payable by employees are of high recoverability and low possibility of incurring bad debt, the Group provided no reserve for bad debt for them.

In CNY

Portfolio Description	Book balance	Bad debt reserve	Provision proportion
Specific fund portfolio	697,778,469.14	-	-

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

Inapplicable

(3) Accounts receivable actually written off in current period

Inapplicable

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

In CNY

Nature of Payment	Ending book balance	Opening book balance
Dealings among related parties within the consolidation scope	696,575,834.05	831,217,702.17
Reserve	1,202,635.09	0.00
Cash deposit and deposit in security	258,104.00	352,131.00
Others	303,144.43	435,669.72
Total	698,339,717.57	832,005,502.89

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

In CNY

Company name	Nature of Payment	Ending balance	Ageing	Proportion in total ending balance of other receivables	Ending balance of the provision for bad debts
Shenzhen Harmony World Watches Center Co., Ltd.	Current accounts	442,318,003.30	Within 1 year	63.34%	0.00
Liaoning Hengdarui Commerce & Trade Co., Ltd.	Current accounts	104,260,500.00	Within 1 year	14.93%	0.00
FIYTA Sales Co., Ltd.	Current accounts	100,129,598.82	Within 1 year	14.34%	0.00

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Emile Chouriet (Shenzhen) Limited	Current accounts	25,500,839.73	Within 1 year	3.65%	0.00
Shiyuehui Boutique (Shenzhen) Co., Ltd.	Current accounts	24,366,892.20	Within 1 year	3.49%	0.00
Total	--	696,575,834.05	--	99.75%	0.00

(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

3. Long-term equity investments

In CNY

Items	Ending balance			Opening balance		
	Book balance	Impairment reserve	Book value	Book balance	Impairment reserve	Book value
Investment in subsidiaries	1,331,248,590.93	0.00	1,331,248,590.93	1,331,248,590.93	0.00	1,331,248,590.93
Investment in associates and joint ventures	43,972,531.47	0.00	43,972,531.47	43,879,518.09	0.00	43,879,518.09
Total	1,375,221,122.40	0.00	1,375,221,122.40	1,375,128,109.02	0.00	1,375,128,109.02

(1) Investment in subsidiaries

In CNY

Investees	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance	Provision for impairment in the reporting period	Ending balance of the provision for impairment
Shenzhen Harmony World Watches Center Co., Ltd.	601,307,200.00	0.00	0.00	601,307,200.00	0.00	0.00
FIYTA Sales Co., Ltd.	450,000,000.00	0.00	0.00	450,000,000.00	0.00	0.00
Shenzhen FIYTA	9,000,000.00	0.00	0.00	9,000,000.00	0.00	0.00

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Sophisticated Timepieces Manufacture Co., Ltd.						
Shenzhen FIYTA Technology Development Co., Ltd.	10,000,000.00	0.00	0.00	10,000,000.00	0.00	0.00
FIYTA (Hong Kong) Limited	137,737,520.00	0.00	0.00	137,737,520.00	0.00	0.00
Shiyuehui Boutique (Shenzhen) Co., Ltd.	5,000,000.00	0.00	0.00	5,000,000.00	0.00	0.00
Harbin Harmony World Watch Co., Ltd.	2,184,484.39	0.00	0.00	2,184,484.39	0.00	0.00
Liaoning Hengdanui Commerce & Trade Co., Ltd.	36,867,843.96	0.00	0.00	36,867,843.96	0.00	0.00
Emile Chouriet (Shenzhen) Limited	79,151,542.58	0.00	0.00	79,151,542.58	0.00	0.00
Total	1,331,248,590.93	0.00	0.00	1,331,248,590.93	0.00	0.00

(2) Investment in associates and joint ventures

In CNY

Investees	Opening balance	Increase/ Decrease (+ / -) in the reporting period								Ending balance	Ending balance of the provision for impairment
		Additional investment	Decrease of investment	Income from equity investment recognized under 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 Co., Ltd.	43,879,518.09	0.00	0.00	93,013.38	0.00	0.00	0.00	0.00	0.00	43,972,531.47	0.00
Sub-total	43,879,518.09	0.00	0.00	93,013.38	0.00	0.00	0.00	0.00	0.00	43,972,531.47	0.00
Total	43,879,518.09	0.00	0.00	93,013.38	0.00	0.00	0.00	0.00	0.00	43,972,531.47	0.00

(3) Other notes**4. Operation Income and Costs**

In CNY

Items	Amount incurred in the reporting period		Amount incurred in the previous period	
	Income	Costs	Income	Costs
Principal business	56,119,634.18	9,578,544.70	51,281,774.36	8,618,881.55
Other businesses	0.00	0.00	72,649.57	0.00
Total	56,119,634.18	9,578,544.70	51,354,423.93	8,618,881.55

Other notes:

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 equity method	93,013.38	188,871.89
Total	93,013.38	188,871.89

6. Miscellaneous**XVIII. Supplementary information****1. Statement of non-recurring gains and losses in the reporting period**

In CNY

Items	Amount	Notes
Gain/Loss from disposal of non-current assets	-54,407.16	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).	6,497,018.80	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	7,533,121.86	Operating income and expenses other than the aforesaid items.
Other various non-operating revenue and expenditure with the aforesaid items exclusive	-102,663.02	Other non-operating income and expenses
Less: Amount affected by the income tax	1,264,520.20	

Total	12,608,550.28	--
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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 in the reporting period	Return on equity, weighted average	Earnings per share	
		Basic earning per share (CNY/share)	Diluted earning per share (CNY/share)
Net profit attributable to the Company's shareholders of ordinary shares	4.45%	0.2561	0.2561
Net profit attributable to the Company's shareholders of ordinary shares less non-recurring gains and loss	3.95%	0.2274	0.2274

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.

4. Miscellaneous

Inapplicable

Section11 Documents Available for Inspection

I. Financial Statements signed by and under the seal of the legal representative, the treasurer and the person in charge of the accounting department of the Company;

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.