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中航國際控股股份有限公司

AVIC INTERNATIONAL HOLDINGS LIMITED

(formerly known as CATIC Shenzhen Holdings Limited (深圳中航集團股份有限公司))
(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00161)

OVERSEAS REGULATORY ANNOUNCEMENT

The document attached hereof is the announcement of Fiyta Holdings Limited in relation to the 2016 half year report of Fiyta Holdings Limited posted on the website of Shenzhen Stock Exchange by Fiyta Holdings Limited. Fiyta Holdings Limited is a subsidiary of AVIC International Holdings Limited.

The aforesaid announcement is originally prepared in Chinese. In case of any inconsistency between the Chinese version and the English version, the Chinese version shall prevail.

By Order of the Board
AVIC International Holdings Limited
Wu Guang Quan
Chairman

Shenzhen, the People's Republic of China, 25 August 2016

As at the date of this announcement, the board of directors of AVIC International Holdings Limited comprises a total of 9 directors, Mr. Wu Guang Quan, Mr. Lai Wei Xuan, Mr. You Lei, Mr. Pan Lin Wu, Mr. Chen Hong Liang and Mr. Liu Jun as executive directors; and Ms. Wong Wai Ling, Mr. Wu Wei and Mr. Wei Wei as independent non-executive directors.

Section 1 Important Notice, Table of Contents and Definitions

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.

Except the following directors, all the other directors personally attended the board meeting for reviewing the Annual Report:

Names of the directors failed in attending the board meeting personally	Titles of the directors failed in attending the board meeting personally	Cause of failure in attending the board meeting personally	Names of the attorneys
Liu Aiyi	Director	Business trip	Cao Zhen
Zhong Sijun	Director	Business trip	Wang Mingchuan
Wang Yan	Independent director	Business trip	Zhang Shunwen

The Company is not going to conduct interim dividend distribution, bonus share distribution or conversion of reserve into share capital.

Mr. Xu Dongsheng, the Company leader, Mr. Hu Xinglong, chief financial officer, and Mr. Tian Hui, the manager of the accounting department (treasurer) hereby confirm the authenticity and completeness of the financial report enclosed in this Annual Report.

Any perspective description involved in the Report, such as the future plan, development strategy, etc. shall not compose the Company's substantial undertaking to the investors. Investors are advised to pay attention to the risks involved in their investment.

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2016 Semi-Annual Report

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Definition

Terms to be defined	Refers to	Definition
This Company, the Company or Fiyta	Refers to	FIYTA Holdings Ltd.
AVIC International Holdings	Refers to	AVIC International Holdings Limited
HARMONY	Refers to	Shenzhen Harmony World Watches Center Co., Ltd.
Rainbow Supermarket	Refers to	Rainbow Supermarket Co., Ltd.
CATIC Real Estate	Refers to	CATIC Real Estate Co., Ltd.
CATIC Property	Refers to	CATIC Property Management Co., Ltd.

Section 2 Company Profile

I. Company Profile

Abbreviation of the stock	FIYTA A, FIYTA B	Stock Code	000026 and 200026
Stock Exchange Listed with	Shenzhen Stock Exchange		
Company Name in Chinese	飞亚达 (集团)股份有限公司		
Abbreviation of company name in Chinese (if any)	飞亚达 (集团)股份有限公司		
Company Name in English (if any)	FIYTA		
Abbreviation of Company Name in English (if any)	FIYTA HOLDINGS LTD.		
Legal Representative of the Company	Xu Dongsheng		

II. Liaison Persons and Way of Communication

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

III. Other Information

1. Way of Communication with the Company

Is there any change in the Company's registered address, office address, postal code, website, e-mail address in the reporting period?

Inapplicable

2. Information Disclosure and Place of Regular Reports Prepared for Inquiry

There is no change in the name of the newspapers designated for disclosing the information, internet web site designated by China Securities Regulatory Commission for publishing the company's semi-annual report: and place of the company's semi-annual report prepared for inquiry. For the detail, please refer to 2015 Annual Report

3. Changes of the Registration Data

No change took place with the Company's registration date, registration number of the business licence, tax registration number, organization code, etc. during the reporting period. For more detailed information, please refer to 2015 Annual Report.

Section 3 Financial Highlights

I. Summary of Accounting and Financial Data

May the Company make retroactive adjustment or restatement of the accounting data of the previous years due to change of the accounting policies and correction of accounting errors?

No

	Reporting period	Same period of the previous year	Year-on-year increase/decrease
Turnover in RMB	1,479,527,783.18	1,683,793,247.59	-12.13%
Net profit attributable to the Company's shareholders, in RMB	60,513,019.44	73,109,419.73	-17.23%
Net profit attributable to the Company's shareholders less the non-recurring items, in RMB	59,792,409.84	71,958,085.27	-16.91%
Net cash flows arising from operating activities, in RMB	217,609,732.54	172,253,778.56	26.33%
Basic earning per share (RMB/share)	0.1379	0.1861	-25.90%
Diluted earning per share (RMB/share)	0.1379	0.1861	-25.90%
Return on equity, weighted average (%)	2.59%	4.36%	-1.77%
	End of reporting period	End of previous year	Increase/decrease at the end of the reporting period over the end of the previous year
Total assets, in RMB	4,012,803,246.93	4,246,670,045.02	-5.51%
Net assets attributable to the Company's shareholders (owner's equity attributable to the Company's shareholders, in RMB)	2,325,432,058.26	2,299,215,650.21	1.14%

II. 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

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

In RMB

Items	Amount	Notes
Gaub/loss from disposal of non-current assets, including the part written-off with the provision for impairment of assets	-83,873.03	It refers to the gain/loss from disposal of the office fixed assets in the current period
Government subsidy recognized in current gains and losses (excluding those closely related to the Company's business and granted under the state's policies according to certain quota of amount or volume)	815,000.00	For the detail, refer to Note VII and XVIII Government Subsidy Counted To The Current Profit And Loss.
Income and expenses from the business other than the above items	142,264.29	Other various non-operating revenue and expenditure
Less: Amount affected by the income tax	152,781.66	
Total	720,609.60	--

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 4 Report of the Board of Directors

I. Overview

During the reporting period, the environment of the macroeconomy and the retail consumption industry were still confronted with bigger pressure of growth. The situation of the domestic watch retail market was still not optimistic. Under such background, the Company faced the environment pressure with the attitudes of innovation and progressiveness, working hard for prosperity, and facing challenges, continued to stick to its own philosophy and brand development strategy, constantly improved the business operation in the Chinese market with "deep ploughing, fusion, innovation and improving efficiency" as its strategic theme of the year, constantly improved the business in the Chinese market and kept a close watch on the Chinese people's market; with customers' demand as the original point, carefully studied the trend of the industry, accurately identified the customers' demands, kept creating excellent own brand ethnic group and high efficiency famous watch retail comprehensive service supplier, focused on brand construction, customer study, business model innovation and new business exploration, etc. and tried every means to realized good performance result. In the reporting period, the Company realized operating revenue amounting to RMB 1,479,527,783.18, a 12.13% year-on-year drop; realized net profit amounting to RMB 60,513,019.44, a 17.23% year-on-year drop. In the second quarter, the comprehensive growth on moving base of the net profit realized by the Company was 22.06% over the first quarter.

During the reporting period, HARMONY carried out the operation work in series in a deep-going way with all the work centering the customers, strove to improve output of individual shops, continuously optimized the inventory structure,

shop-front structure, vitalized the low efficiency assets, energetically developed repairing services, kept carrying forward rapid development of e-commerce. During the reporting period, HARMONY continued to enhance transformation and upgrading of the business model, realized operating revenue amounting to RMB 929,986,317.85, a 17.76% year-on-year drop but the operating profit got improved mildly.

During the reporting period, the Company implemented the customer study in full operation for the own brand business with FIYTA as the core, looked into and grasped the trend of demand of different consumer groups, further refined and enriched the DNA of the own brand, optimized the progress of launching new products, reinforced the cost control ability; accelerated increase of investment in accurate marketing through the Internet, enhanced the exposure of the brand and improved the brand influence and reputation; enhanced the construction of shopping guide ability, improved the capability of channel operation. In the reporting period, the Company kept carrying forward newly-developing businesses, and realized good development in smart watches, e-commerce, ONAS&VERUS and overseas business

During the reporting period, the Company kept steady growth in income from properties and realized revenue amounting to RMB 49,145,205.51, a 3.70% year-on-year growth.

II. Analysis on Principal Business

Year-on-year change of the principal financial data

In RMB

	Reporting period	Same period of the previous year	Year-on-year increase/decrease	Causes of Movements
Operating revenue	1,479,527,783.18	1,683,793,247.59	-12.13%	
Operating cost	881,663,280.51	1,037,981,721.35	-15.06%	
Sales expenses	378,007,640.11	386,297,227.92	-2.15%	
Administrative expenses	94,847,009.60	100,131,176.65	-5.28%	
Financial expenses	35,230,653.98	50,889,786.79	-30.77%	The Company failed in raising proceeds by non-public issuing of A shares at the end of 2015. As a result, the operational cash stock was quite abundant during the reporting period and partial interest bearing liabilities have been repaid.
Income tax expenses	15,779,713.54	22,261,660.23	-29.12%	During the reporting period, the Company's total profit dropped by

				20.49% over the same period of the previous year. The manufacture company, one of the Company's subsidiaries, as a hi-tech enterprise enjoying key support from the central government with preferential enterprise income tax rate, completed the re-valuation of the fourth quarter of 2015. During the reporting period, the enterprise income tax was counted at 15% while the applicable rate of the same period of the previous year was 25%.
R & D investment	18,483,969.94	18,788,221.52	-1.62%	
Net cash flow from operating activities	217,609,732.54	172,253,778.56	26.33%	During the reporting period, based on the increasingly complicated market environment, the Company controlled properly the network development speed and inventories procurement, and enhanced the management of the cash flow.
Net cash flow from investment activities	-100,946,266.01	-110,919,548.69	-8.99%	
Net cash flow from financial activities	-257,228,709.41	-17,014,123.13	1,411.85%	The Company failed in raising proceeds by non-public issuing of A shares at the end of

				2015. As a result, the operational cash stock was quite abundant during the reporting period and partial interest bearing liabilities have been repaid.
Net increase of cash and cash equivalents	-140,290,895.31	43,999,662.37	-418.85%	It was mainly due to that the proceeds raised in the reporting period was put into application.

Great change has taken place in profit composition or profit sources in the reporting period

Inapplicable

Future development and plan extended to the reporting period as disclosed in the documents of public disclosure, such as the company's prospectus, letter of intent on the offering and asset reorganization report, etc.

Inapplicable

Review and summary of the progress of the operation plan in the reporting period the Company disclosed previously

Inapplicable

III. Composition of Principal Businesses

In RMB

	Operating revenue	Operating costs	Gross margin	Increase/decrease of revenue in the same period of the previous year	Increase/decrease of principal business cost over the same period of previous year	Increase/decrease of gross profit rate over the same period of the previous year
Sectors						
Watches	1,419,936,131.74	874,081,432.48	38.44%	-12.65%	-15.09%	1.77%
Leases	49,145,205.51	6,783,241.62	86.20%	3.70%	-2.35%	0.86%
Products						
Sales of famous brand watches	929,986,317.85	696,749,754.94	25.08%	-17.76%	-19.33%	1.45%
Sales of FIYTA watches	489,949,813.89	177,331,677.54	63.81%	-0.97%	6.99%	-2.69%

Property lease	49,145,205.51	6,783,241.62	86.20%	3.70%	-2.35%	0.86%
Regions						
Northeast China	151,667,894.58	97,691,934.85	35.59%	-8.09%	-7.45%	-0.44%
North China	179,720,581.18	115,279,446.67	35.86%	-35.35%	-38.78%	3.59%
Northwest China	253,190,904.95	164,030,335.28	35.21%	-8.74%	-11.96%	2.37%
Southwest China	151,356,328.94	98,573,038.91	34.87%	-18.70%	-19.52%	0.66%
East China	191,582,266.32	115,775,006.13	39.57%	-16.46%	-19.13%	1.99%
South China	541,563,361.28	289,514,912.26	46.54%	0.83%	-0.36%	0.64%

IV. Analysis on Core Competitiveness

The Company's core competitiveness is a collection of techniques and technologies which enable the Company to provide the customers with specific value and is the competitiveness which products or services must rely on in process of taking a leading position. Such abilities consist of abilities of brand building, quality services, product innovation, strategic human resource management and knowledge management. At present, the Company is a national industrial design center and national technology center. All the manufacturing enterprises are national hi-tech manufacturers. In addition, the Company has participated in preparation and amendment work of a number of national and industrial standards.

In addition that the aforesaid core abilities have kept consolidation, during the reporting period, the Company achieved great success in technology platform construction and science and technology innovation. The Company was elected a pilot enterprise in implementing the Informationization and Industrialization Intergration Management System and the Company's technology center was certified as a key laboratory of light industry in China. During the first half year of 2016, the Company applied for 4 patents of invention, 3 patents for utility models and 20 design patents; was granted 1 patent of invention, 7 patents of utility models and 24 design patents; took lead or participated in preparation and amendment of 3 national standards.

V. Analysis on Investment Status

1. External Equity Investment

(1) External Investment

Inapplicable

(2) Holding of the Equity in Financial Enterprises

Inapplicable

(3) Investment in Securities

Inapplicable

(4) Explanation on Holding Equity in Other Listed Companies

Inapplicable

2. Entrusted Financing, Investment in Derivative Products and Entrusted Loan**(1) Entrusted Financing**

Inapplicable

(2) Investment in Derivatives

Inapplicable

(3) Entrusted Loan

Inapplicable

3. Application of the Raised Capital**(1) General Application of the Raised Capital**

In RMB10,000

Total raised capital	98,550
Total raised capital invested in the reporting period	21,231
Total raised capital accumulatively invested	77,590
Total raised capital whose application has been changed in the reporting period	0
Total raised capital whose application has been changed accumulatively	0
Proportion of the total raised capital whose application has been changed accumulatively	0.00%

Note to Application of the Raised Capital

The Company held the 33rd meeting of the Sixth Board of Directors and 2012 1st extraordinary general meeting respectively on June 19, 2012 and July 6, 2012. The meetings reviewed and approved the Proposal of Issuing Company Bonds, etc. according to which, the Company planned to issue company bonds with a size not exceeding RMB400 million and with a term not exceeding 5 years (with 5 years inclusive) which would be used for replacing bank loan and replenishing the working capital. On September 9, 2012, approved through verification by China Securities Regulatory Commission (CSRC) with Document ZHENG JIAN XU KE [2012] No. 1209, the Company was approved to issue company bonds with the size not exceeding RMB 400 million. The Company issued RMB 400 million of bonds in the said period. After deduction of the issuing costs, the net raised capital amounting to RMB396.9 million was remitted to the bank account designated by the Company on March 5, 2013. RSM China CPAs, the CPAs engaged by the Company

issued the capital verification reports of ZHONG RUI YUE HUA YAN ZI [2013] No. 0053, ZHONG RUI YUE HUA YAN ZI [2013] No. 0054 and ZHONG RUI YUE HUA YAN ZI [2013] No. 0055 respectively for the frozen capital for subscription of the on-line bond issuing, the frozen capital for subscription of the off-line placement and the actual raised capital conditions. Approved by Shenzhen Stock Exchange with Document SHEN ZHENG SHANG [2013] No. 99, the bonds have been listed with both SZSE Centralized Bidding System and the Comprehensive Agreement Based Transaction Platform commencing from March 29, 2013 with the abbreviation of the security as “12 YADA BOND” and security code as “112152”. The issuing of the company bonds has been completed. The capital raised from the issuing was remitted to the bank account designated by the Company on March 5, 2013. Up to now, the Company had used up all the raised capital and no change has taken place in the application purpose of the raised capital. By February 29, 2016, the Company had redeemed all the company bonds and the company bonds have been delisted.

The Company held the 18th meeting of the Seventh Board of Directors and 2014 Annual General Meeting respectively on April 16, 2015 and June 17, 2015. The meetings reviewed and approved the Proposal on the Plan for Non-public Issuing of A-shares to the Specified Investors, etc., according to which the Company planned to issue in a non-public way A-shares to no more than 10 (with 10 inclusive) specified investors with the total raised capital not exceeding RMB 600 million, which would be applied for four projects, including the project of launching new FIYTA watches and supplement the working capital. The application for non-public issuing of A-shares was reviewed and approved by CSRC Securities Issuance Examination Committee (CSIEC) on October 30, 2015. On November 17, 2015, the Company received Official Reply to FIYTA Holdings Ltd. on Approval for Non-public Issuing (ZHENG JIAN XU KE [2015] No. 2588 which authorized the Company to issue no more than 46,911,649 new shares in non-public way. The actual number of A-shares actually issued in the non-public issuing activity was 45,977,011 shares and the raised capital amounted to RMB 599 million. After deduction of the issuing costs, the net raised capital amounting to RMB583 million was remitted to the bank account designated by the Company on December 18, 2015. Grant Thornton Certified Public Accountants (Special General Partnership) issued the Capital Verification Reports ZHI TONG YAN ZI (2015) No. 441ZC0653, ZHI TONG YAN ZI (2015) No. 441ZC0652 respectively for the raised capital. The A-shares issued in a non-public way were registered for listing on January 15, 2016 and locked for 12 months. The Company has published the Announcement of Commitment concerning the Shares Issued in a Non-public Way. Up to now, the capital raised from non-public issuing of A-shares is going to be applied for the originally designated application purpose and there exists no such a case that the application purpose has been changed. The concerned follow-up commitments are in process of implementation.

(2) Projects Invested with Raised Capital as Promised

In RMB 10,000

Promised investment projects and investment with the over-raised capital	Has the project been changed (including partial change)	Total promised investment with raised capital	Total investment after adjustment (1)	Amount invested in the report period	Amount accumulatedly invested up to the end of the report period (2)	Investment progress by the end of the report period (%) (3) = (2)/(1)	Date when the project has reached the predicted applicable status	Result realized in the reporting period	Has the predicted operation result been reached?	Has significant change taken place in the feasibility of the project?
Projects invested with raised capital as promised										
Repayment of bank loan	No	30,000	30,000	0	30,000	100.00%		0	Yes	No

Replenishing the working capital.	No	10,000	10,000	0	10,000	100.00%		0	Yes	No
New arrival project of FIYTA watch products	No	18,000	18,000	14,265	14,283	79.35%		0	Yes	No
FIYTA E-commerce project	No	12,000	12,000	2,051	3,265	27.21%		0	Yes	No
FIYTA Brand marketing and promotion project	No	10,000	10,000	1,219	5,920	59.20%		0	Yes	No
Technic Service Website Construction Project	No	5,000	5,000	616	1,042	20.83%		0	Yes	No
Replenishing working capital	No	15,000	15,000	3,080	13,080	87.20%		0	Yes	No
Subtotal of investment projects as committed	--	100,000	100,000	21,231	77,590	--	--	0	--	--
Intended investment with the over-raised capital										
Inapplicable										
Total	--	100,000	100,000	21,231	77,590	--	--	0	--	--
Description and causes of failure in realizing the planned progress or expected earning (based on specific projects)	Inapplicable									
Explanation on great change in project feasibility	Inapplicable									
Amount of the over-raised proceeds, application and progress of application	Inapplicable									
Change of the place for implementation of the investment project with the raised capital	Inapplicable									
Adjustment of the way for implementation of the investment project with the raised capital	Inapplicable									
Advance investment in	Applicable									

the investment project with raised capital and the replacement	<p>The Company raised proceeds amounting to RMB 599 million from the project of non-public issuing of A shares. After deduction of the underwriting fee, the raised proceeds amounted to RMB 585 million. After deduction of the other expenses in connection with the non-public issuing, the net amount of the raised capital was RMB583 million.</p> <p>According to the Proposal on Replacing the Self-raised Fund for the Investment Project with the Raised Capital as reviewed and approved at the 5th meeting of the Eighth Board of Directors, the Company decided to replace the self-raised fund as put into previously and the amount of the raised capital for the replacement was RMB 63.5839 million. Ended June 30, 2016, the Company finished the replacement with the raised capital. The replacement did not conflict with the implementation plan for the projects invested with the raised capital from the non-public issuing and did not affect the normal operation of the projects invested with the raised capital. There existed no such situation of changing in disguised form the investment orientation for the raised capital which may harm the shareholders' interest. The time distance of the replacement from the arrival of the proceeds at the account was less than 6 months.</p>
Provisional replenishment of the working capital with the idle raised capital	Inapplicable
Amount of balance of the raised capital in project implementation and the cause	Inapplicable
Application and the place of going of the raised capital not yet used	Inapplicable
Problems and other conditions existing in application of the raised capital and disclosure	Inapplicable

(3) Change of the Projects Invested with the Raised Capital

Inapplicable

(4) Projects Invested with the Raised Capital

Inapplicable

4. Analysis on Principal Subsidiaries and Mutual Shareholding Companies

Particulars about the Principal Subsidiaries and Mutual Shareholding Companies

In RMB

Company Names	Company type	Sectors engaged in	Leading products and services	Registered capital	Total assets	Net assets	Turnover	Operating profit	Net profit
Shenzhen	Subsidiary	Retail	Mainly	600,000,000(1,962,164,60	736,548,679.	965,848,684.	23,798,142	19,873,414.85

Harmony World Watches Center Co., Ltd.			engaged in sales of world famous brand watch, including purchase, sales and maintenance service of timepieces and parts	RMB)	9.51	35	25	.06	
FIYTA Sales Co., Ltd.	Subsidiary	Retail	Sales and repairing of watches and spares and parts and sales of jewelry and ornaments	450,000,000(RMB)	805,923,498.44	418,102,818.49	458,389,161.42	6,933,246.52	7,298,365.59
Shenzhen FIYTA Sophisticated Timepieces Manufacture Co., Ltd.	Subsidiary	Manufacture	Mainly engaged in production and sales of FIYTA watches, including production and maintenance of clocks and watches, and driving units, spares and parts, sophisticated timepieces	10,000,000(RMB)	144,969,139.05	52,210,581.09	173,311,487.69	42,192,630.66	36,256,206.62
Shenzhen FIYTA Technology Development Co., Ltd.	Subsidiary	Manufacture	R & D, production and sales of watches, production, machining,	10,000,000(RMB)	86,972,887.18	58,222,410.44	64,711,454.11	4,085,040.83	3,516,637.24

			sales and technology development of sophisticated parts.						
FIYTA (Hong Kong) Limited	Subsidiary	Retail	Mainly engaged in trade and overseas market development of FIYTA watches	115,060,000(HKD)	455,027,208.59	210,015,734.38	55,415,710.65	-5,590,444.75	-6,061,994.03
Shenzhen Symphony Trading Co., Ltd.	Subsidiary	Retail	Sales of clocks and watches and gifts and consultation of relevant information and other domestic trading	5,000,000(RMB)	3,340,871.76	2,925,047.34	2,365,470.10	461,232.89	461,232.89
Shanghai Watch Industry Co., Ltd.	Mutual shareholding company	Manufacture	Sales of watches and spares and parts	15,350,000(RMB)	101,469,978.50	95,670,740.65	38,165,667.56	918.36	688.77

5. Projects Invested with Funds not Raised through Share Offering

Inapplicable

VI. Prediction of the Operation Performances from January to September 2015

Inapplicable

VII. Explanation of the Board of Directions and the Supervisory Committee on the Qualified Auditor's Report Issued by the CPAs

Inapplicable

VIII. Explanation of the Board of Directions to the Matters in Connection with “Qualified Auditors’ Report” of the Previous Year

Inapplicable

IX. Implementation of Profit Distribution in the Reporting Period

Implementation or adjustment of the profit distribution plan, especially cash dividend plan and plan for conversion of capital reserve into share capital implemented in the reporting period

2015 Profit Distribution Plan was reviewed and approved at the 6th meeting of the Eighth Board of Directors held on March 8, 2016 and 2015 Annual General Meeting held on May 20, 2016. It was resolved that with the share capital as at January 15, 2016 totaling 438,744,881 shares as the base, the Company was to distribute cash dividend to the whole shareholders at rate of RMB1.00 (with tax inclusive) for every 10 shares and bonus shares at the rate of 0 share and no reserve was converted into the share capital. The profit distribution plan was finished in implementation by June 28, 2016. For the detail, refer to the Announcement on the Implementation of the Equity Distribution of Year 2015 No. 2016-024.

Special description of the cash dividend distribution policy	
Whether the plan complies with the Articles of Association and resolution of the General Meeting:	Yes
Whether the dividend distribution rate and proportion are clear and definite:	Yes
Whether the relevant decision making procedures and mechanism are complete:	Yes
Have the independent directors have done their duty and brought their due role into full play:	Yes
Have the minority shareholders fully expressed their opinions and been given the opportunity of fully expressing their opinions and appeal and has their legal interests have been fully protected:	Yes
Are any adjustment or alteration, conditions and procedures of the cash dividend policy in compliance or transparent:	Inapplicable

X. Preplan for Profit Distribution and Conversion of Capital Reserve into Share Capital

XI. Statement of such activities as reception, research, communication, interview in the reporting period

Inapplicable

Section 5 Significant Events

I. Overview of the Corporate Governance

The Company continuously improved the Company's corporate governance structure, established the modern enterprise system, and standardized the company operation. As a result, there existed no discrepancy between the situation of the Company's corporate governance and the requirements of the regulatory documents of China Securities Regulatory Commission concerning governance of listed companies.

II. Major Lawsuits and Arbitration Affairs

Inapplicable

III. Media Query

Inapplicable

IV. Bankruptcy or Reorganization Related Events

Inapplicable

V. Asset Transactions

1. Acquisition of Assets

Inapplicable

2. Sales of Assets

Inapplicable

3. Enterprise Consolidation

Inapplicable

VI. Implementation of the Company's Equity Incentive Plan and its Influences

Inapplicable

VII. Material Related Transactions

1. Related transactions in connection with daily operation

Related Parties	Relationship	Type of related parties	Description of Related Transactions	Principle of pricing of the related transactions	Price of related transactions	Amount of the related transaction (in RMB 10,000)	Proportion in the amount of the similar transactions (%)	Amount of transactions approved (in RMB 10,000)	Has it exceeded the amount approved?	Way of settlement for the related transaction	Similar market price obtainable	Disclosure date	Disclosure index
Rainbow Supermarket	Common controller	Sales costs	Shopping mall expenses	Negotiated price	Inapplicable	80.49	3.17%		No	Bank account transfer	Inapplicable	March 10, 2016	www.cninfo.com.cn
CATIC Property	Common controller	Administrative expenses etc.	Property management fee	Negotiated price	Inapplicable	135.63	5.37%		No	Bank account transfer	Inapplicable	March 10, 2016	www.cninfo.com.cn
Shenzhen CATIC Building Technology Co., Ltd.	Common controller	Construction-in-process	Engineering fee	Negotiated price	Inapplicable	89.09	3.53%		No	Bank account transfer	Inapplicable	March 10, 2016	www.cninfo.com.cn
Rainbow Supermarket	Common controller	Revenue from principal business	Sales of goods	Negotiated price	Inapplicable	3,537.84	2.39%		No	Bank account transfer	Inapplicable	March 10, 2016	www.cninfo.com.cn
Aviation Industry Corporation of China	Eventual controller	Revenue from principal business	Sales of goods	Negotiated price	Inapplicable	9.22	0.01%		No	Bank account transfer	Inapplicable	March 10, 2016	www.cninfo.com.cn
Shennan Circuit Co., Ltd.	Common controller	Revenue from principal business	Sales of goods	Negotiated price	Inapplicable	332.67	16.92%		No	Bank account transfer	Inapplicable	March 10, 2016	www.cninfo.com.cn
CATIC Real Estate	Common controller	Revenue from principal business	Property lease	Negotiated price	Inapplicable	80	1.63%		No	Bank account transfer	Inapplicable	March 10, 2016	www.cninfo.com.cn
CATIC Property	Common controller	Revenue from	Property lease	Negotiated price	Inapplicable	374.54	7.62%		No	Bank account	Inapplicable	March 10, 2016	www.cninfo.com.cn

		principal business								transference			om.cn
CATIC Securities Co., Ltd.	Common controller	Revenue from principal business	Property lease	Negotiated price	Inapplicable	57.85	1.18%		No	Bank account transference	Inapplicable	March 10, 2016	www.cninfo.com.cn
Shenzhen CATIC City Property Development Co., Ltd.	Common controller	Revenue from principal business	Property lease	Negotiated price	Inapplicable	29.28	0.60%		No	Bank account transference	Inapplicable	March 10, 2016	www.cninfo.com.cn
Shenzhen CATIC City Development Co., Ltd.	Common controller	Revenue from principal business	Property lease	Negotiated price	Inapplicable	1.18	0.02%		No	Bank account transference	Inapplicable	March 10, 2016	www.cninfo.com.cn
Shenzhen CATIC Guanlan Property Development Co., Ltd.	Common controller	Revenue from principal business	Property lease	Negotiated price	Inapplicable	4.73	0.10%		No	Bank account transference	Inapplicable	March 10, 2016	www.cninfo.com.cn
Xi'an Tianyue Hotel Co., Ltd.	Common controller	Revenue from principal business	Property lease	Negotiated price	Inapplicable	230	4.68%		No	Bank account transference	Inapplicable	March 10, 2016	www.cninfo.com.cn
Rainbow Supermarket	Common controller	Revenue from principal business	Property lease	Negotiated price	Inapplicable	24.28	0.49%		No	Bank account transference	Inapplicable	March 10, 2016	www.cninfo.com.cn
Shenzhen CATIC 9 Square Assets Management Co., Ltd.	Common controller	Revenue from principal business	Property lease	Negotiated price	Inapplicable	17.89	0.36%		No	Bank account transference	Inapplicable	March 10, 2016	www.cninfo.com.cn
Shenzhen	Common	Revenue	Property	Negotiated	Inapplicable	72.94	1.48%		No	Bank	Inapplicable	March	www.c

n CATIC City Investment Co., Ltd.	controller	from principal business	lease	ed price	ble					account transference	ble	10, 2016	ninfo.com.cn
Shenzhen CATIC Theme Real Estate Co., Ltd.	Common controller	Revenue from principal business	Property lease	Negotiated price	Inapplicable	22.16	0.45%		No	Bank account transference	Inapplicable	March 10, 2016	www.cninfo.com.cn
Ganzhou CATIC Real Estate Development Co., Ltd.	Common controller	Sales costs	Property lease	Negotiated price	Inapplicable	53.14	1.68%		No	Bank account transference	Inapplicable	March 10, 2016	www.cninfo.com.cn
Jiujiang CATIC City Real Estate Development Co., Ltd.	Common controller	Sales costs	Property lease	Negotiated price	Inapplicable	13.86	0.44%		No	Bank account transference	Inapplicable	March 10, 2016	www.cninfo.com.cn
Shenzhen CATIC Changtai Investment Development Co., Ltd.	Common controller	Sales costs	Property lease	Negotiated price	Inapplicable	14.27	0.45%		No	Bank account transference	Inapplicable	March 10, 2016	www.cninfo.com.cn
CATIC City Property (Kunshan) Co., Ltd.	Common controller	Sales costs	Rental fee	Negotiated price	Inapplicable	9.37	0.30%		No	Bank account transference	Inapplicable	March 10, 2016	www.cninfo.com.cn
Chengdu CATIC Real	Common controller	Sales costs	Rental fee	Negotiated price	Inapplicable	0.04	0.00%		No	Bank account transference	Inapplicable	March 10, 2016	www.cninfo.com.cn

Estate Development Co., Ltd.										nce			
Total			--	--	5,190.47	--	0	--	--	--	--	--	--
Details of large amount of sales returns	Inapplicable												
Actual implementation of the routine related transactions incurred during the reporting period whose total amount had been predicted based on the categories (if any)	Inapplicable												
Cause of bigger difference between the bargain price and the market reference price (if any)	Inapplicable												

2. Repeated transactions in connection with assets acquisition and sale

Inapplicable

3. Related transaction in connection joint external investment

Inapplicable

4. Related credits and debts

Credit due from related parties:

Related parties	Relationship	Causes of formation	Does there exist non-operation capital occupancy?	Opening balance (in RMB10,000)	Newly increased amount in the reporting period (in RMB10,000)	Amount recovered in the reporting period (in RMB10,000)	Interest rate	Interest in the reporting period (in RMB10,000)	Ending balance (in RMB10,000)
Rainbow Supermarket	Common controller	Payment for goods	No	801.28	4,139.28	3,695.9			1,244.66
Shennan Circuit Co., Ltd.	Common controller	Payment for goods	No	147.4	389.23	427.92			108.71
Ganzhou CATIC 9 Square Commerce	Common controller	Payment for goods	No	28.96	0	13.92			15.04

Co., Ltd.									
Aviation Industry Corporation of China	Eventual controller	Payment for goods	No	1.35	10.79	8.96			3.18
Shennan Circuit Co., Ltd.	Common controller	Payment for goods	No	569.78	0	299.26			270.52
Rainbow Supermarket	Common controller	Shopping mall deposit	No	56.31	14.5	0			70.81
CATIC Property	Common controller	Rental	No	22.59	27.86	0			50.45
Ganzhou CATIC 9 Square Commerce Co., Ltd.	Common controller	Rental deposit	No	12.27	0	12.27			0
Chengdu CATIC Real Estate Development Co., Ltd.	Common controller	Rental deposit	No	11.56	0	11.56			0
Shenzhen CATIC Changtai Investment Development Co., Ltd.	Common controller	Rental deposit	No	5	0	0			5
Jiujiang CATIC City Real Estate Development Co., Ltd.	Common controller	Rental deposit	No	5	0	0			5
CATIC City Property (Kunshan) Co., Ltd.	Common controller	Rental deposit	No	3.71	0.5	0			4.21
Ganzhou CATIC Real Estate Development	Common controller	Rental deposit	No	0	12.27	0			12.27

Co., Ltd.									
Shenzhen CATIC City Property Development Co., Ltd.	Common controller	Rental deposit	No	0	9.75	0			9.75
Shenzhen CATIC Theme Real Estate Co., Ltd.	Common controller	Rental deposit	No	0	7.76	0			7.76
Shenzhen CATIC Group Enterprise Training Center	Common controller	Training fee	No	0	15	0			15
Influence of the related rights of credit and liabilities upon the Company's operation results and financial position	Inapplicable								

Due to related parties:

Related Parties	Relationship	Causes of formation	Opening balance (in RMB10,000)	Amount newly increased in the reporting period(in RMB10,000)	Amount repaid in the reporting period(in RMB10,000)	Interest rate	Interest in the reporting period(in RMB10,000)	Ending balance (in RMB10,000)
CATIC Real Estate	Common controller	Rent received in advance	13.38	0	0			13.38
Rainbow Supermarket	Common controller	Rent received in advance	0	3.91	0			3.91
Shenzhen CATIC City Development Co., Ltd.	Common controller	Rent received in advance	0	0.2	0			0.2
CATIC Property	Common controller	Rent received in advance	0	4.52	0			4.52
CATIC	Common	Rental	47.2	0	0			47.2

Property	controller	deposit						
CATIC Real Estate	Common controller	Rental deposit	42.48	0	0			42.48
Shenzhen CATIC City Investment Co., Ltd.	Common controller	Rental deposit	24.41	0	0			24.41
CATIC Securities Co., Ltd.	Common controller	Rental deposit	18.74	0	0			18.74
Shenzhen CATIC City Property Development Co., Ltd.	Common controller	Rental deposit	9.79	0	0			9.79
Shenzhen CATIC Theme Real Estate Co., Ltd.	Common controller	Rental deposit	7.38	0	0			7.38
Shenzhen CATIC 9 Square Assets Management Co., Ltd.	Common controller	Rental deposit	6.06	0	0			6.06
Rainbow Supermarket	Common controller	Rental deposit	6	0	0			6
Chengdu CATIC Real Estate Development Co., Ltd.	Common controller	Rental deposit	1.65	0	1.65			0
Shenzhen CATIC Building Technology Co., Ltd.	Common controller	Rental deposit	0.96	1.42	0			2.38
Shenzhen CATIC City Development Co., Ltd.	Common controller	Rental deposit	0.4	0	0			0.4
Influence of the related liabilities upon the Company's	Inapplicable							

operation results and financial position.	
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5. Other Material Related Transactions

Inapplicable

VIII. The Company's fund occupied by its controlling shareholder or related party for non-operation purpose

Inapplicable

IX. Important Contracts and Implementation

1. Custody, Contacting and Leases

(1) Custody

Inapplicable

(2) Contracts

Inapplicable

(3) Leases

Inapplicable

2. Guarantees

In RMB 10,000

Outward guarantees (excluding guarantee to the subsidiaries)								
Names of Guarantees	Date of the announcement on the guarantee line	Guarantee line	Date of occurrence (date of agreement execution)	Actual amount of guarantee	Type of guarantee	Guarantee period	Implementation status	Guarantee to related party? (Y/N)
Guarantees between the Company and the Subsidiaries								
Names of Guarantees	Date of the announcement on the guarantee line	Guarantee line	Date of occurrence (date of agreement execution)	Actual amount of guarantee	Type of guarantee	Guarantee period	Implementation status	Guarantee to related party? (Y/N)
Shenzhen Harmony	March 12,	30,000	November 20,	5,000	Guarantee	3 years	No	No

World Watches Center Co., Ltd.	2015		2015		with joint responsibility			
Shenzhen Harmony World Watches Center Co., Ltd.	March 12, 2015	30,000	December 2, 2015	6,000	Guarantee with joint responsibility	3 years	No	No
Shenzhen Harmony World Watches Center Co., Ltd.	March 12, 2015	10,000	December 2, 2015	5,000	Guarantee with joint responsibility	3 years	No	No
Shenzhen Harmony World Watches Center Co., Ltd.	March 12, 2015	40,000	December 30, 2015	10,000	Guarantee with joint responsibility	3 years	No	No
FIYTA (Hong Kong) Limited	March 1, 2013	11,965.8	July 11, 2013	4,273.5	Guarantee with joint responsibility	3 years	No	No
FIYTA (Hong Kong) Limited	March 1, 2013	11,965.8	August 5, 2013	4,273.5	Guarantee with joint responsibility	3 years	No	No
FIYTA (Hong Kong) Limited	March 1, 2013	11,965.8	January 6, 2014	1,709.4	Guarantee with joint responsibility	3 years	No	No
FIYTA (Hong Kong) Limited	February 28, 2014	11,965.8	March 3, 2014	1,716.4	Guarantee with joint responsibility	3 years	No	No
FIYTA (Hong Kong) Limited	March 12, 2015	6,837.6	September 16, 2015	1,970.81	Guarantee with joint responsibility	1 year	No	No
FIYTA (Hong Kong) Limited	March 10, 2016	6,837.6	July 10, 2015	598.29	Guarantee with joint responsibility	1 year	No	No
FIYTA (Hong Kong) Limited	March 10, 2016	6,837.6	May 18, 2016	358.97	Guarantee with joint responsibility	1 year	No	No
FIYTA (Hong Kong) Limited	March 12, 2015	6,837.6	June 8, 2016	406.38	Guarantee with joint responsibility	1 year	No	No
Total guarantee quota to the subsidiaries approved in the reporting period (B1)			6,837.6	Total amount of guarantee to the subsidiaries actually incurred in the reporting period (B2)				765.35
Total guarantee quota to the			98,803.4	Total balance of actual guarantee				41,307.25

subsidiaries approved at the end of the reporting period (B3)				to the subsidiaries at the end of the reporting period (B4)				
Guarantees among Subsidiaries								
Names of Guarantees	Date of the announcement on the guarantee line	Guarantee line	Date of occurrence (date of agreement execution)	Actual amount of guarantee	Type of guarantee	Guarantee period	Implementation status	Guarantee to related party? (Y/N)
The Company's total guarantee (i.e. total of the first three main items)								
Total guarantee quota approved in the reporting period (A1+B1+C1)		6,837.6		Total amount of guarantee actually incurred in the reporting period (A2+B2+C2)		765.35		
Total guarantee quota already approved at the end of the reporting period (A3+B3+C3)		98,803.4		Total balance of the actual guarantee at the end of the reporting period (A4+B4+C4)		41,307.25		
Proportion of the actual guarantees in the Company's net assets (namely A4+B4+C4)				17.76%				
Including:								
Amount of guarantees offered for the shareholder(s), actual controller and their related parties (D)				0				
Amount of guarantee offered directly or indirectly for the liabilities owed by the warrantee whose asset-liability ratio exceeds 70% (E)				0				
Amount of guarantee with the total guarantee exceeding 50% of the net assets (F)				0				
Total amount of the aforesaid three items of guarantee (D+E+F)				0				
Description of the possibility of bearing joint repayment liability due to undue guarantee (if any)				Inapplicable				
Description of external guarantee against the specified procedures (if any)				Inapplicable				

Description of the guarantee with complex method

Inapplicable

(1) Outward guarantee against the regulations

Inapplicable

3. Other Important Contracts

Inapplicable

4. Other Important Transactions

Inapplicable

X. The commitments of the Company and its shareholders holding over 5% of the Company's total shares in the report year or extending to the report year from previous year(s)

Commitments	Promiser	Commitment type	Commitment time	Commitment deadline	Implementation status
Commitment for Equity Separation Reform					
Commitments in the acquisition report or the written report on change of equity					
Commitment made at the time of asset reorganization					
Commitment made at IPO or re-financing	Caitong Fund Management Co., Ltd.; MANULIFE TEDA Fund Management Co., Ltd.; Xizang Investment Co., Ltd.; Golden Eagle Asset Management Co., Ltd.; Sws Mu Fund Management Co., Ltd	Commitment of the investors of the non-public issuing - Caitong Fund Management Co., Ltd., MANULIFE TEDA Fund Management Co., Ltd., Xizang Investment Co., Ltd., Golden Eagle Asset Management Co., Ltd., Sws Mu Fund Management Co., Ltd: the shares subscribed by them from the non-public issuing shall not be transferred in 12 months commencing from the dater of listing.	January 15, 2016	1 year	In process of implementation
Other commitments to the minority shareholders					

Has the commitment been timely implemented?	Yes
The specific cause of failure in implementation and the next plan (if any)	Inapplicable

XI. Engagement/Disengagement of CPAs

Has the semi-annual financial report been audited?

No

XII. Punishment and Rectification

Inapplicable

XIII. Disclosure of the Delisting Risk due to Breach of Law/Regulations

Inapplicable

XIV. Notes to Other Significant Events

1. About Non-public Issuing of A-shares

The 18th meeting of the Seventh Board of Directors held on April 16, 2015 reviewed and approved the Proposal on the Plan for Non-public Issuing of A-shares to the Specified Investors and other relevant proposal(s). For the detail, refer to the Announcement on the Resolutions of the 18th Meeting of the Seventh Board of Directors. 2015-008;

On June 2, 2015, the Company received the Official Reply to some Issues concerning Non-public Issuing of A-shares by FIYTA Holdings Ltd. (GUO ZI CHAN QUAN [2015] No. 415 from the State-owned Assets Supervision and Administration Commission of the State Council. For the detail, refer to the Announcement on the Official Reply of the State-owned Assets Supervision and Administration Commission of the State Council to some Issues concerning Non-public Issuing 2015-08 disclosed on Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn.

2014 Annual General Meeting held on June 17, 2015 reviewed and approved the Proposal on the Plan for Non-public Issuing of A-shares to the Specified Investors and other relevant proposals, for the detail, refer to the Announcement on the Resolution of 2014 Annual General Meeting 2015-020 disclosed on Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn.

On July 1, 2015, the Company received the Notice of China Securities Regulatory Commission on Accepting the Application for Administrative Licensing issued by China Securities Regulatory Commission (CSRC) (No. 152013). For the detail, refer to the Announcement on Accepting Application for Non-public Issuing of A-shares by China Securities Regulatory Commission 2015-021 disclosed on Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn;

On September 8, 2015, the Company received the Notice on the Feedback Opinions of China Securities Regulatory Commission on Examination of the Administrative Licensing Project (No. 152013). For the detail, refer to the Announcement on the Receiving of the Notice on the Feedback Opinions of China Securities Regulatory Commission on

Examination of the Administrative Licensing Project 2015-034 disclosed on Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn;

The Company and the relevant intermediary carefully studied and implemented the Feedback Opinions, supplemented the materials and submitted reply to the questions according to the requirements of the Feedback Opinions. For the detail, refer to the Announcement on the Reply to the Feedback Opinions on the Application for Non-public Issuing of A-shares 2015-035, disclosed on Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn;

The 17th meeting of the Seventh Board of Directors and 2014 Annual General Meeting reviewed and approved the Profit Distribution Plan for Year 2014. According to the relevant provisions of the Rules for Implementation on Non-public Issuing of Listed Companies, etc., if the Company had ex-rights/ex-dividend events such as dividend distribution, bonus shares distribution, conversion of capital reserve into share capital, etc., during the period from the pricing benchmark to the issuing day, the issuing price would be adjusted correspondingly. Within the authorization by the Board of Directors, the Company made adjustment of the plan of the non-public issuing of A-shares. For the detail, refer to the Announcement on Adjustment of the Issuing Price and Issuing Volume of the A-shares to be Issued in a Non-public Way 2015-036, disclosed on Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn.

In compliance with the Feedback Opinions, the Company disclosed the Announcement on the Indication of Risk of Diluting the Immediate Returns from the Non-public Issuing and the Measures the Company Intends to Take 2015-037 and the Announcement on the Penalty Given or Supervision Measures Taken by the Securities Regulatory Authority and the Stock Exchange in the Past Five Years 2015-038;

On October 30, 2015, the application for non-public issuing of A-shares was approved by CSRC Securities Issuance Examination Committee. For the detail, refer to the Announcement on Approval of the Application for Non-public Issuing of A-shares by CSRC Securities Issuance Examination Committee, 2015-042;

On November 17, 2015, the Company received the Official Reply to FIYTA Holdings Ltd. for Approval of Non-public Issuing of Shares of (ZHENG JIAN XU KE [2015]No. 2588). For the detail, refer to the Announcement on Approval of the Application for Non-public Issuing of A-shares by China Securities Regulatory Commission 2015-043;

On January 15, 2016, the Company's A-shares issued in a non-public way got listed with Shenzhen Stock Exchange and the Company published the announcement for listing and the announcement on the related commitments. For the detail, refer to the Report on the Non-public Issuing and Announcement on Listing 2016-003 and the Announcement on the Commitments for the Shares Issued in a Non-public Way 2016-004.

2. Amendment of Articles of Association

The 5th meeting of the Eighth Board of Directors held on January 19, 2016 and 2015 Annual General Meeting held on May 20, 2016 reviewed and approved the Proposal on Amendment of the Articles of Association. For the detail, refer to the Announcement on the Resolutions of the 5th meeting of the Eighth Board of Directors 2016-005, the Announcement on the Resolution of 2015 Annual General Meeting 2016-025 and the Bill of Amendment of the Articles of Association disclosed on Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn.

3. Redemption of Company Bonds

The 4th meeting of the Eighth Board of Directors held on January 8, 2016 reviewed and approved the Proposal on the

Issuer to Exercise the Redemption Option for “12 YA DA ZHAI” Company Bond, for which the Company published indicative announcements respectively on January 13, 2016, January 22, 2016, February 2, 2016 and February 23, 2016. For the detail, refer to the Announcement on Giving up the Option of Adjusting High the Nominal Interest Rate and the Investors’ Redemption Option & Exercising the Issuer’s Redemption Option for “12 YA DA ZHAI” Company Bond 2016-0016, the First Indicative Announcement on Redemption & Delisting of “12 YA DA ZHAI” Company Bond 2016-002, the Second Indicative Announcement on Redemption & Delisting of “12 YA DA ZHAI” Company Bond 2016-010, the Third Indicative Announcement on Redemption & Delisting of “12 YA DA ZHAI” Company Bond 2016-011 and the Fourth Indicative Announcement on Redemption & Delisting of “12 YA DA ZHAI” Company Bond 2016-012, which were all disclosed on Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn. Implementation of the redemption of the company bonds was completed on February 29, 2016.

4. Special Project of Investor-Protection Oriented “Blue Sky Action”

For the purpose of implementing the Circular of CSRC Shenzhen Office on Carrying out the Special Project of Investors-Protection Oriented “Blue Sky Action” (SHEN ZHENG JU FA [2016] No. 15) and further reinforcing the work of protecting the investors, establishing and improving the management mechanism of paying back the investors so as to help investors in building up a principle of reasonable investment and long term investment, improve their awareness of risks and ability of self-protection, and promote value maximization for the investors, the Company worked out a Plan for Implementing the Special Project of Investors-Protection Oriented “Blue Sky Action”. During the reporting period, this special project was carried forward steadily strictly according to the said implementation plan.

XV. Information in Connection with Company Bonds

Did there exist any company bonds which were issued publically and listed with stock exchange but undue as at the date when this Semi-annual Report was approved or had not been all honored upon maturity?

No.

Section 6 Change of Shares and Particulars about Shareholders

I. 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	49,733	0.01%	45,977,011	0	0	0	45,977,011	46,026,744	10.49%
1. Shares held by the state	0	0.00%	0	0	0	0	0	0	0.00%
2. State corporate shares	0	0.00%	0	0	0	0	0	0	0.00%
3. Other domestic shares	49,733	0.01%	45,977,011	0	0	0	45,977,011	46,026,744	10.49%
Including: Domestic corporate shares	0	0.00%	45,977,011	0	0	0	45,977,011	45,977,011	10.48%
Shares held by domestic natural persons	49,733	0.01%	0	0	0	0	0	49,733	0.01%
4. Foreign invested shares	0	0.00%	0	0	0	0	0	0	0.00%
Including: Foreign corporate shares	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by foreign natural persons	0	0.00%	0	0	0	0	0	0	0.00%
II. Non-restricted shares	392,718,137	99.99%	0	0	0	0	0	392,718,137	89.51%
1. RMB ordinary shares	311,070,137	79.20%	0	0	0	0	0	311,070,137	70.90%
2. Foreign invested shares listed in Mainland China	81,648,000	20.79%	0	0	0	0	0	81,648,000	18.61%
3. Foreign invested shares listed abroad	0	0.00%	0	0	0	0	0	0	0.00%
4. Others	0	0.00%	0	0	0	0	0	0	0.00%
III. Total shares	392,767,870	100.00%	45,977,011	0	0	0	45,977,011	438,744,881	100.00%

Causes of Change of Shares

In 2015, the Company issued 45,977,011 shares in a non-public way which got listed with Shenzhen Stock Exchange on January 15, 2016. The new shares were not allowed to be listed for trading or assigned within 12 months from the first day of listing. Ended the day of disclosing the Report, the Company had totally 438,744,881 shares, including 46,026,744

restricted shares and 392,718,137 negotiable shares.

Approval of Change of the Shares

The Company held the 18th meeting of the Seventh Board of Directors and 2014 Annual General Meeting respectively on April 16, 2015 and June 17, 2015. The meetings reviewed and approved the proposal on non-public issuing of A-shares to the designated investors. The application for non-public issuing of A-shares was approved by CSRC Securities Issuance Examination Committee on October 30, 2015; on November 17, 2015, the Company received Official Reply to FIYTA Holdings Ltd. on Approval for Non-public Issuing (ZHENG JIAN XU KE [2015] No. 2588 on November 17, 2015, according to which the Company was approved to issue new shares with size not exceeding 46,911,649 shares. The total number of A-shares actually issued in a non-public way this time was 45,977,011 shares.

Transfer of the Shares Newly Issued

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

In the reporting period, the Company completed the non-public issuing of A-shares in the reporting period. At the end of the reporting period, the EPS and ROE were calculated based on the weighted average.

ROE, Weighted average (%)		EPS			
		Basic EPS (RMB/share)		Diluted EPS (RMB/share)	
2016 semi-annual	2015 semi-annual	2016 semi-annual	2015 semi-annual	2016 semi-annual	2015 semi-annual
2.59%	4.36%	0.1379	0.1861	0.1379	0.1861

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

Inapplicable

Explanation to the change of the Company's total shares and the structure and the change of the company's asset and liability structure arising therefrom

Ended December 22, 2015, the Company finished the work of non-public issuing of 45,977,011 A-shares to the specified investors. After completion of the work, the Company's registered capital newly increased by RMB 45,977,011, the registered capital turned to be RMB 438,744,881, the capital reserve increased to RMB 536,947,362.62, the proportion of the shares held by the controlling shareholder decreased from 41.49% to 37.15%. The Company's asset-liability ratio before the non-public issuing was 55.27% and the Company's asset-liability ratio after the non-public issuing ended June 30, 2016 was 41.96%. The newly issued shares got listed with Shenzhen Stock Exchange on January 15, 2016.

II. Number of Shareholders and Shareholding

In shares

Total shareholders of ordinary shares at the end of the reporting period	35,906	Total shareholders of preferred shares (if any) whose voting power has been recovered in the reporting period (refer to Note 8)	0
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Shares held by the shareholder holding over 5% of the total shares or the top 10 shareholders								
Shareholder's Name	Nature	Shareholding proportion (%)	Quantity at the end of the reporting period	Increase/decrease in the reporting period	Number of the restricted shares held	Number of the non-restricted shares held	Pledging or freezing	
							Status of the shares	Quantity
AVIC International Holdings Limited	State corporate shareholder	37.15%	162,977,327	0	0	162,977,327		
Golden Eagle-Minsheng Bank-Golden Eagle-Wens – Junye Flexible Configuration No. 3 Assets Management Plan	Domestic non-state corporate shareholder	2.08%	9,131,232	0	4,674,329	4,456,903		
Manulife Teda Fund – Minsheng Bank - Manulife Teda Value Growth Oriented additional issuance No. 351 Asset Management Plan	Domestic non-state corporate shareholder	2.07%	9,093,259	0	9,093,259	0		
Sws Mu Assets-China Merchants Bank – China Resources Szitic Trust – Ruihua Fixed Growth Hedge Fund No. 2	Domestic non-state corporate shareholder	1.92%	8,429,118	0	8,429,118	0		

Assembled Funds Trust Plan								
Tibet Autonomous Region Investment Co., Ltd.	State corporate shareholder	1.13%	4,976,551	0	4,976,551	0		
Manulife Teda Fund – ICBC – Manulife Teda International Trade Orient Dingzengbao No. 1 Assets Management Plan	Domestic non-state corporate shareholder	1.04%	4,546,630	0	4,546,630	0		
China Life Insurance Company Ltd. – Dividend – Personal Dividend - 005L-FH002 Shen	Domestic non-state corporate shareholder	0.80%	3,500,000	461,000	0	3,500,000		
China Life Insurance(Group) Company – Traditional – General Insurance Product	Domestic non-state corporate shareholder	0.63%	2,773,800	2,773,800	0	2,773,800		
Dai Wen	Domestic natural person	0.46%	2,009,321	0	0	2,009,321		
Essence International Securities (Hong Kong) Limited	Overseas corporate	0.46%	2,000,000	-610,000	0	2,000,000		
About the fact that a strategic investor or ordinary corporate	Of the top ten shareholders, Golden Eagle-Minsheng Bank-Golden Eagle-Wens – Junye Flexible Configuration No. 3 Assets Management Plan, Manulife Teda Fund – Minsheng Bank - Manulife Teda							

became one of the top ten shareholders due to placement of new shares (if any) (Refer to Note 3)	Value Growth Oriented additional issuance No. 351 Asset Management Plan, Sws Mu Assets-China Merchants Bank – China Resources Sztic Trust – Ruihua Fixed Growth Hedge Fund No. 2 Assembled Funds Trust Plan, Tibet Autonomous Region Investment Co., Ltd. and Manulife Teda Fund – ICBC – Manulife Teda International Trade Orient Dingzengbao No. 1 Assets Management Plan were all the shareholders involved in the non-public issuing. The newly issued shares subscribed by them were listed with Shenzhen Stock Exchange on January 15, 2016, and of them the restricted shares were not allowed to be traded or assigned within 12 months commencing from the date of listing.		
Explanation on associated relationship or consistent action of the above shareholders	Of the top ten shareholders, both Manulife Teda Fund – Minsheng Bank - Manulife Teda Value Growth Oriented Additional Issuance No. 351 Asset Management Plan and Manulife Teda Fund – ICBC – Manulife Teda International Trade Orient Dingzengbao No. 1 Assets Management Plan are subsidiaries of Manulife Teda Fund Management Co., Ltd. and the total 13,639,889 shares held by them were restricted shares issued by the Company in a non-public way. Both China Life Insurance Company Ltd. – Dividend – Personal Dividend - 005L-FH002 Shen and China Life Insurance(Group) Company – Traditional – General Insurance Product are subsidiaries of China Life Insurance(Group) Company and the total 6,273,800 shares held by them were outstanding Renminbi common shares.		
Shareholding of top 10 shareholders of non-restricted common shares			
Shareholder's Name	Quantity of non-restricted common shares held at the end of the reporting period	Share type	
		Share type	Quantity
AVIC International Holdings Limited	162,977,327	A-shares	162,977,327
Golden Eagle-Minsheng Bank-Golden Eagle-Wens – Junye Flexible Configuration No. 3 Assets Management Plan	4,456,903	A-shares	4,456,903
China Life Insurance Company Ltd. – Dividend – Personal Dividend - 005L-FH002 Shen	3,500,000	A-shares	3,500,000
China Life Insurance(Group) Company – Traditional – General Insurance Product	2,773,800	A-shares	2,773,800
Dai Wen	2,009,321	A-shares	2,009,321
Essence International Securities (Hong Kong) Limited	2,000,000	B-shares	2,000,000
China Merchants Securities (Hong Kong) Limited	1,491,241	B-shares	1,491,241
Tang Xilong	800,000	A-shares	800,000
Ge Zhongwei	737,700	A-shares	737,700
VANGUARD TOTAL	710,020	B-shares	710,020

INTERNATIONAL STOCK INDEX FUND			
Explanation on the associated relationship or consistent action among the top 10 shareholders of non-restricted common shares and that among the top 10 shareholders of non-restricted common shares and top 10 shareholders of common shares.	Both China Life Insurance Company Ltd. – Dividend – Personal Dividend - 005L-FH002 Shen and China Life Insurance(Group) Company – Traditional – General Insurance Product are subsidiaries of China Life Insurance(Group) Company and the total 6,273,800 shares held by them were outstanding Renminbi common shares.		
Note to the top 10 shareholders of common shares 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 ordinary shares conduct contractual repurchase during the reporting period?

No

III. Change of the Controlling Shareholder or the Actual Controller

Inapplicable

IV. Share Acquisition Plan Proposed or Implemented by the Company's Shareholder and its Concerted Actor in the Reporting Period

Inapplicable

Section 7 About Preferred Shares

Inapplicable

Section 8 Directors, Supervisors and Senior Executives

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

There was no change in shares held by directors, supervisors and senior executives during the reporting period. For the detail, refer to 2015 Annual Report.

II. Change of Directors, Supervisors and/or Senior Executives

Names	Office Taken	Type	Date	Cause
Du Xi	Deputy GM	Resignation	April 29, 2016	Resigned the office of deputy GM due to

				personal reason
Sheng Qing	Supervisor	Elected	May 14, 2016	Taking the office of a Company's supervisor through election at the conference of employees.
Tang Boxue	Supervisor	Resignation	May 13, 2016	Resigned the office of a Company's supervisor due to job transfer.

Section 9 Financial Report

I. Auditors' Report

Has the semi-annual report been audited

No

II. Financial Statements

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

1. Consolidated Balance Sheet

Prepared by FIYTA Holdings Ltd.

June 30, 2016

In RMB

Items	Ending balance	Opening balance
Current assets:		
Monetary funds	498,671,980.62	638,962,875.93
Settlement Reserve		
Inter-bank lending		
Financial assets which were measured based on the fair value and its change was counted to the current gain and loss		
Derivative financial assets		
Notes receivable	8,808,123.43	7,197,788.08
Accounts receivable	328,952,478.70	304,725,676.29
Prepayments	36,175,028.32	48,869,563.60
Insurance premium receivable		
Reinsurance accounts receivable		
<i>Accounts receivable reinsurance reserve</i>		
Interest receivable		
Dividends receivable		
Other receivables	43,686,928.80	39,847,732.76

Buying and selling back financial assets		
Inventories:	1,990,492,224.79	2,092,691,019.29
Assets classified as that held for sale		
Non-current assets due within a year		
Other current assets	11,059,605.27	15,796,773.56
Total current assets	2,917,846,369.93	3,148,091,429.51
Non-Current Assets:		
Loan provision and advances		
Available-for-sale financial assets	85,000.00	85,000.00
Held –to-maturity investment		
Long-term accounts receivable		
Long-term equity investment	42,837,994.24	43,221,572.05
Investment based real estate	212,376,320.08	216,948,193.02
Fixed assets	353,632,933.94	361,979,828.01
Construction-in-progress	199,813,392.72	173,189,274.57
Engineering supplies		
Disposal of fixed assets		
Productive biological assets		
Oil and gas asset		
Intangible assets	37,052,737.78	36,429,626.66
Development expenses		
Goodwill		
Long-term expenses to be apportioned	143,037,385.47	155,704,564.39
Deferred income tax asset	98,662,590.89	105,901,723.16
Other non-current assets	7,458,521.88	5,118,833.65
Total non-current assets	1,094,956,877.00	1,098,578,615.51
Total assets	4,012,803,246.93	4,246,670,045.02
Current liabilities:		
Short-term Loan	1,183,344,590.08	988,186,200.00
Borrowings from central bank		

Receipt of deposits and deposits from other banks		
Loans from other banks		
Financial liabilities which were measured based on the fair value and its change was charged to the current gain and loss		
Derivative financial liabilities		
Notes payable		
Accounts payable	105,071,067.57	155,939,686.54
Advance receipts	18,436,237.69	18,031,129.87
Funds from selling out and repurchasing financial assets		
Service charge and commission payable		
Salaries payable to the employees	17,992,470.71	39,396,747.95
Taxes payable	46,655,893.08	68,921,732.81
Interest payable	1,796,860.90	19,211,630.02
Dividends payable		
Other payables	39,287,003.37	48,131,616.20
Reinsurance payable		
Insurance contract reserve		
Funds from securities trading agency		
Funds from underwriting securities agency		
Liabilities classified as that held for sale		
Non-current liabilities due within a year	119,728,000.00	108,914,000.00
Other current liabilities	20,876,226.66	1,988,252.38
Total current liabilities	1,553,188,350.06	1,448,720,995.77
Non-Current Liabilities:		
Long term borrowings	125,845,919.44	90,994,964.33
Bonds payable	0.00	399,823,760.28
Including: preferred shares		

Permanent liabilities		
Long term accounts payable		
Long term remuneration payable to employees		
Special accounts payable		
Predicted liabilities		
Deferred income	4,800,000.00	4,300,000.00
Deferred income tax liability		
Other non-current liabilities		
Total non-current liabilities	130,645,919.44	495,118,724.61
Total liabilities	1,683,834,269.50	1,943,839,720.38
Owner's equity		
Capital stock	438,744,881.00	438,744,881.00
Other equity instruments		
Including: preferred shares		
Permanent liabilities		
Capital reserve	1,062,455,644.22	1,062,455,644.22
Less: shares in stock		
Other comprehensive income	-7,567,313.00	-17,145,189.71
Special reserve		
Surplus reserve	179,743,077.15	179,743,077.15
General risk reserve		
Retained earnings	652,055,768.89	635,417,237.55
Total owner's equity attributable to the parent company	2,325,432,058.26	2,299,215,650.21
Minority equity	3,536,919.17	3,614,674.43
Total owners' equity	2,328,968,977.43	2,302,830,324.64
Total liabilities and owners' equity	4,012,803,246.93	4,246,670,045.02

Legal representative: Xu Dongsheng
Accounting Department: Tian Hui

Chief Financial Officer: Hu Xinglong

Person in charge of the

2. Balance Sheet, Parent Company

In RMB

Items	Ending balance	Opening balance
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Current assets:		
Monetary funds	298,184,475.76	513,869,824.81
Financial assets which were measured based on the fair value and its change was counted to the current gain and loss		
Derivative financial assets		
Notes receivable		
Accounts receivable		
Prepayments		
Interest receivable		
Dividends receivable	6,344,660.36	
Other receivables	1,259,869,389.83	1,527,756,817.18
Inventories:		
Assets classified as that held for sale		
Non-current assets due within a year		
Other current assets	3,418,990.51	2,089,651.83
Total current assets	1,567,817,516.46	2,043,716,293.82
Non-Current Assets:		
Available-for-sale financial assets	85,000.00	85,000.00
Held –to-maturity investment		
Long-term accounts receivable		
Long-term equity investment	1,256,007,714.24	814,121,292.05
Investment based real estate	212,376,320.08	216,948,193.02
Fixed assets	112,785,858.61	113,553,719.50
Construction-in-progress	199,813,392.72	173,189,274.57
Engineering supplies		
Disposal of fixed assets		
Productive biological assets		
Oil and gas asset		
Intangible assets	30,733,176.08	30,104,404.98
Development expenses		
Goodwill		

Long-term expenses to be apportioned	4,383,192.81	4,693,186.19
Deferred income tax asset	1,081,888.10	1,081,888.10
Other non-current assets	7,458,521.88	5,118,833.65
Total non-current assets	1,824,725,064.52	1,358,895,792.06
Total assets	3,392,542,580.98	3,402,612,085.88
Current liabilities:		
Short-term Loan	990,000,000.00	700,000,000.00
Financial liabilities which were measured based on the fair value and its change was charged to the current gain and loss		
Derivative financial liabilities		
Notes payable		
Accounts payable	211,339.76	23,711,339.76
Advance receipts	3,097,503.75	3,207,516.61
Salaries payable to the employees	966,862.72	8,188,793.56
Taxes payable	3,180,971.40	2,857,031.42
Interest payable	1,458,960.18	18,170,745.35
Dividends payable		
Other payables	16,075,159.62	17,550,238.03
Liabilities classified as that held for sale		
Non-current liabilities due within a year		
Other current liabilities		
Total current liabilities	1,014,990,797.43	773,685,664.73
Non-Current Liabilities:		
Long term borrowings	119,861,928.00	68,361,928.00
Bonds payable		399,823,760.28
Including: preferred shares		
Permanent liabilities		
Long term accounts payable		
Long term remuneration payable to employees		

Special accounts payable		
Predicted liabilities		
Deferred income		
Deferred income tax liability		
Other non-current liabilities	4,800,000.00	4,300,000.00
Total non-current liabilities	124,661,928.00	472,485,688.28
Total liabilities	1,139,652,725.43	1,246,171,353.01
Owner's equity		
Capital stock	438,744,881.00	438,744,881.00
Other equity instruments		
Including: preferred shares		
Permanent liabilities		
Capital reserve	1,068,111,185.32	1,068,111,185.32
Less: shares in stock		
Other comprehensive income		
Special reserve		
Surplus reserve	179,743,077.15	179,743,077.15
Retained earnings	566,290,712.08	469,841,589.40
Total owners' equity	2,252,889,855.55	2,156,440,732.87
Total liabilities and owners' equity	3,392,542,580.98	3,402,612,085.88

Legal representative: Xu Dongsheng
Accounting Department: Tian Hui

Chief Financial Officer: Hu Xinglong

Person in charge of the

3. Consolidated Profit Statements

In RMB

Items	Amount incurred in the reporting period	Amount incurred in the previous period
I. Gross Revenue	1,479,527,783.18	1,683,793,247.59
Including: revenue	1,479,527,783.18	1,683,793,247.59
Interest income		
Earned premium		
Service charge and commission income		
II. Total operating cost	1,404,258,390.87	1,590,005,469.65
Including: operating costs	881,663,280.51	1,037,981,721.35

Interest payment		
Service charge and commission payment		
Refunded premiums		
Compensation pay-out, net		
Net amount of reserves for reinsurance contract		
Policy dividend payment		
Reinsurance expenses		
15. Business taxes and surcharge	13,068,582.12	15,078,616.55
Sales expenses	378,007,640.11	386,297,227.92
Administrative expenses	94,847,009.60	100,131,176.65
Financial expenses	35,230,653.98	50,889,786.79
Loss from impairment of assets	1,441,224.55	-373,059.61
Add: Income from change of fair value (loss is stated with "-")		
Investment income (loss is stated with "-")	172.19	250,015.75
Including: income from investment in associates and joint ventures	172.19	250,015.75
Exchange income (loss is stated with "-")		
III. Operating Profit (loss is stated with "-")	75,269,564.50	94,037,793.69
Plus: Non-operating income	1,402,360.28	1,849,835.27
Including: gain from disposal of non-current assets	10,960.00	69,750.00
Less: Non-operating expenses	528,969.02	345,400.59
Including: Loss from disposal of non-current assets	1,300.22	35,549.22
IV. Total profit (total loss is stated with "-")	76,142,955.76	95,542,228.37
Less: Income tax expense	15,779,713.54	22,261,660.23

V. Net Profit (net loss is stated with "-")	60,363,242.22	73,280,568.14
Net profit attributable to the parent company's owner	60,513,019.44	73,109,419.73
Minority shareholders' gain/loss	-149,777.22	171,148.41
VI. Net of other comprehensive income after tax	9,649,898.67	7,162,790.77
Net of other comprehensive income after tax attributable to the parent company's owner	9,577,876.71	7,163,176.26
(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	9,577,876.71	7,163,176.26
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	9,577,876.71	7,163,176.26

6. Others		
Net other after-tax comprehensive income attributable to minority shareholders	72,021.96	-385.49
VII. Total comprehensive income	70,013,140.89	80,443,358.91
Total comprehensive income attributable to the owner of the parent company	70,090,896.15	80,272,595.99
Total comprehensive income attributable to minority shareholders	-77,755.26	170,762.92
VIII. Earning per share:		
(I) Basic earnings per share	0.1379	0.1861
(II) Diluted earnings per share	0.1379	0.1861

For the enterprises under the same control consolidated in the reporting period, the net profit realized by the consolidatee before the consolidation is RMB 0. Net profit realized by the consolidatee in the previous period is RMB 0.

Legal representative: Xu Dongsheng
Accounting Department: Tian Hui

Chief Financial Officer: Hu Xinglong

Person in charge of the

4. Profit Statement, Parent Company

In RMB

Items	Amount incurred in the reporting period	Amount incurred in the previous period
I. Revenue	49,145,205.51	47,530,000.90
Less: Business costs	6,783,241.62	6,946,511.39
15. Business taxes and surcharge	2,056,046.32	2,528,230.20
Sales expenses	0.00	
Administrative expenses	27,638,190.90	25,040,053.99
Financial expenses	6,578,866.10	189,713.16
Loss from impairment of assets		-434,290.83
Add: Income from change of fair value (loss is stated with "-")		
Investment income (loss is stated with "-")	135,344,832.55	131,638,156.33
Including: income from investment in associates and joint	172.19	250,015.75

ventures		
II. Operating Profit (loss is stated with "-")	141,433,693.12	144,897,939.32
Plus: Non-operating income	112,119.88	174,000.00
Including: gain from disposal of non-current assets		
Less: Non-operating expenses	300,000.00	14,678.42
Including: Loss from disposal of non-current assets	0.00	14,678.42
III. Total profit (total loss is stated with "-")	141,245,813.00	145,057,260.90
Less: Income tax expense	922,202.22	2,907,939.50
IV. Net Profit (net loss is stated with "-")	140,323,610.78	142,149,321.40
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	140,323,610.78	142,149,321.40
VII. Earning per share:		
(I) Basic earnings per share	0.3198	0.362
(II) Diluted earnings per share	0.3198	0.362

Legal representative: Xu Dongsheng
Department: Tian Hui

Chief Financial Officer: Hu Xinglong

Person in charge of the Accounting

5. Consolidated Cash Flow Statement

In RMB

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	1,669,094,350.46	1,830,270,229.94
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 former insurance contract premium		
Net cash received from reinsurance business		
Net increase of insurance reserve and investment		
Net increase of financial		

assets which were measured based on the fair value and its change was counted to the current gain and loss		
Cash received from interest, service charge and commission		
Net increase of borrowings		
Net increase of fund from repurchases		
Rebated taxes received	6,421.29	0.00
Other operation activity related cash receipts	13,479,123.94	14,720,508.19
Subtotal of cash flow in from operating activity	1,682,579,895.69	1,844,990,738.13
Cash paid for purchase of goods and reception of labor services	905,753,936.17	1,068,142,690.95
Net increase of loans and advances to customers		
Net increase of due from central bank and due from banks		
Cash paid for indemnity of original insurance contract		
Cash paid for interest, service charge and commission		
Cash paid for insurance policy dividend		
Cash paid to and for staff	255,700,203.02	255,570,670.71
Taxes paid	141,464,964.05	145,291,060.41
Other business activity related cash payments	162,051,059.91	203,732,537.50
Subtotal of cash flow out from operating activity	1,464,970,163.15	1,672,736,959.57
Net cash flow arising from operating activities	217,609,732.54	172,253,778.56
II. Cash flows arising from investment activities:		
Cash received from recovery of investment		

Cash received from investment income	383,750.00	0.00
Net amount of cash received from disposal of fixed assets, intangible assets and other long term assets	420.00	180,880.00
Net cash received from disposal of subsidiaries and other operating units		
Other investment related cash receipts		
Subtotal of cash flow in from investment activity	384,170.00	180,880.00
Cash paid for construction/purchase of fixed assets, intangible assets and other long term assets	101,330,436.01	111,100,428.69
Cash paid for investment		
Net increase of hypothecated loans		
Net cash received from payment by subsidiaries and other operating units		
Other investment related cash payments		
Subtotal of cash flow out from investment activity	101,330,436.01	111,100,428.69
Net cash flow arising from investment activities	-100,946,266.01	-110,919,548.69
III. Cash flows arising from fund raising activities:		
Cash received from absorption of investment		
Incl.: Cash received from subsidiaries' absorption of minority shareholders' investment		
Cash received from borrowings	449,044,295.81	945,805,587.19
Cash received from bond		

issuing		
Other fund-raising related cash receipts	0.00	13,500,000.00
Subtotal of cash flow in from fund raising activity	449,044,295.81	959,305,587.19
Cash paid for liabilities repayment	612,200,422.81	820,307,480.05
Cash paid for dividend/profit distribution or repayment of interest	93,079,913.22	55,561,222.27
Including: Dividend and profit paid by subsidiaries to minority shareholders		
Other fund-raising related cash payments	992,669.19	100,451,008.00
Subtotal of cash flow out from fund raising activity	706,273,005.22	976,319,710.32
Net cash flow arising from fund-raising activities	-257,228,709.41	-17,014,123.13
IV. Influence from change of exchange rate upon cash and cash equivalents	274,347.57	-320,444.37
V. Net increase of cash and cash equivalents	-140,290,895.31	43,999,662.37
Plus: Opening balance of cash and cash equivalents	637,387,875.93	114,880,070.54
VI. Ending balance of cash and cash equivalents	497,096,980.62	158,879,732.91

Legal representative: Xu Dongsheng
Accounting Department: Tian Hui

Chief Financial Officer: Hu Xinglong

Person in charge of the

6. Cash Flow Statement, Parent Company

In RMB

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	48,326,245.09	55,944,541.75

Rebated taxes received		
Other operation activity related cash receipts	297,292,855.21	2,697,740.04
Subtotal of cash flow in from operating activity	345,619,100.30	58,642,281.79
Cash paid for purchase of goods and reception of labor services		
Cash paid to and for staff	31,521,273.39	28,749,906.40
Taxes paid	4,378,264.62	5,193,858.41
Other business activity related cash payments	10,851,967.38	31,570,558.35
Subtotal of cash flow out from operating activity	46,751,505.39	65,514,323.16
Net cash flow arising from operating activities	298,867,594.91	-6,872,041.37
II. Cash flows arising from investment activities:		
Cash received from recovery of investment		
Cash received from investment income	129,383,750.00	131,388,140.58
Net amount of cash received from disposal of fixed assets, intangible assets and other long term assets	0.00	100,800.00
Net cash received from disposal of subsidiaries and other operating units		
Other investment related cash receipts		
Subtotal of cash flow in from investment activity	129,383,750.00	131,488,940.58
Cash paid for construction/purchase of fixed assets, intangible assets and other long term assets	56,582,660.00	49,328,711.80
Cash paid for investment	442,270,000.00	40,100,000.00
Net cash received from		

payment by subsidiaries and other operating units		
Other investment related cash payments		
Subtotal of cash flow out from investment activity	498,852,660.00	89,428,711.80
Net cash flow arising from investment activities	-369,468,910.00	42,060,228.78
III. Cash flows arising from fund raising activities:		
Cash received from absorption of investment		
Cash received from borrowings	441,500,000.00	796,000,000.00
Cash received from bond issuing		
Other fund-raising related cash receipts		
Subtotal of cash flow in from fund raising activity	441,500,000.00	796,000,000.00
Cash paid for liabilities repayment	500,000,000.00	663,000,000.00
Cash paid for dividend/profit distribution or repayment of interest	85,591,364.77	45,286,133.74
Other fund-raising related cash payments	992,669.19	100,451,008.00
Subtotal of cash flow out from fund raising activity	586,584,033.96	808,737,141.74
Net cash flow arising from fund-raising activities	-145,084,033.96	-12,737,141.74
IV. Influence from change of exchange rate upon cash and cash equivalents		
V. Net increase of cash and cash equivalents	-215,685,349.05	22,451,045.67
Plus: Opening balance of cash and cash equivalents	512,294,824.81	35,485,566.79
VI. Ending balance of cash and cash equivalents	296,609,475.76	57,936,612.46

Legal representative: Xu Dongsheng
Accounting Department: Tian Hui

Chief Financial Officer: Hu Xinglong

Person in charge of the

7. Consolidated Statement of Changes in Owner's Equity

Amount in the reporting period

In RMB

Items	Reporting period												
	Owner's equity attributable to the parent company										Minority equity	Total owners' equity	
	Capital stock	Other equity instruments			Capital reserve	Less: shares in stock	Other comprehensive income	Special reserve	Surpluses reserve	General risk reserve			Retained earnings
Preferred shares		Permanent liabilities	Others										
I. Ending balance of the previous year	438,744,881.00				1,062,455,644.22		-17,145,189.71		179,743,077.15		635,417,237.55	3,614,674.43	2,302,830,324.64
Plus: Change in accounting policy													
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		-17,145,189.71		179,743,077.15		635,417,237.55	3,614,674.43	2,302,830,324.64
III. Decrease/increase of the report year (decrease is stated with "-")							9,577,876.71				16,638,531.34	-77,755.26	26,138,652.79
(I) Total comprehensive							9,577,876.71				60,513,019.44	-77,755.26	70,013,140.89

income													
(II) Owners' input and decrease of capital													
1. Common shares contributed by shareholders													
2. Capital contributed by other equity instruments holders													
3. Amount of payment for shares credited to owners' equity													
4. Others													
(III) Profit Distribution										-43,874,488.10		-43,874,488.10	
1. Provision of surplus reserve													
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 report period													
2. Applied in the report period													
(VI) Others													
IV. Ending balance of the reporting period	438,744,881.00				1,062,455,644.22		-7,567,313.00		179,743,077.15		652,055,768.89	3,536,919.17	2,328,968,977.43

Amount of Previous Year

In RMB

Items	Previous period												
	Owner's equity attributable to the parent company											Minority equity	Total owners' equity
	Capital stock	Other equity instruments			Capital reserve	Less: shares in stock	Other comprehensive income	Special reserve	Surpluses reserve	General risk reserve	Retained earnings		
	Preferred shares	Permanent liabilities	Others										
I. Ending balance of the previous year	392,767,870.00				525,508,281.60		-17,609,265.22		165,915,466.89		566,819,577.37	3,078,356.59	1,636,480,287.23
Plus: Change in accounting policy													
Correction of previous errors													
Consolidation of enterprises under the same control													

Others												
II. Opening balance of the reporting year	392,767,870.00			525,508,281.60	-17,609,265.22		165,915,466.89		566,819,577.37	3,078,356.59	1,636,480,287.23	
III. Decrease/increase of the reporting year (decrease is stated with "-")	45,977,011.00			536,947,362.62	464,075.51		13,827,610.26		68,597,660.18	536,317.84	666,350,037.41	
(I) Total comprehensive income					464,075.51				121,702,057.44	536,317.84	122,702,450.79	
(II) Owners' input and decrease of capital	45,977,011.00			536,947,362.62							582,924,373.62	
1. Common shares contributed by shareholders	45,977,011.00			536,947,362.62							582,924,373.62	
2. Capital contributed by other equity instruments holders												
3. Amount of payment for shares credited to owners' equity												
4. Others												
(III) Profit Distribution							13,827,610.26		-53,104,397.26		-39,276,787.00	
1. Provision of surplus reserve							13,827,610.26		-13,827,610.26			
2. Provision of generic risk reserve												
3. Distribution to the owners (or shareholders)									-39,276,787.00		-39,276,787.00	

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 report period													
2. Applied in the report period													
(VI) Others													
IV. Ending balance of the reporting period	438,744,881.00			1,062,455,644.22		-17,145,189.71		179,743,077.15		635,417,237.55		3,614,674.43	2,302,830,324.64

Legal representative: Xu Dongsheng
Accounting Department: Tian Hui

Chief Financial Officer: Hu Xinglong

Person in charge of the

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

Amount in the reporting period

In RMB

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

		Preferr ed shares	Perma nent liabilitie s	Others		stock	ensive income			earnin g s	equity
I. Ending balance of the previous year	438,74 4,881.0 0				1,068,11 1,185.32				179,743, 077.15	469,84 1,589.4 0	2,156,44 0,732.87
Plus: Change in accounting policy											
Correction of previous errors											
Others											
II. Opening balance of the reporting year	438,74 4,881.0 0				1,068,11 1,185.32				179,743, 077.15	469,84 1,589.4 0	2,156,44 0,732.87
III. Decrease/increa se of the report year (decrease is stated with "-")										96,449, 122.68	96,449,1 22.68
(I) Total comprehensive income										140,32 3,610.7 8	140,323, 610.78
(II) Owners' input and decrease of capital											
1. Common shares contributed by shareholders											
2. Capital contributed by other equity instruments holders											
3. Amount of payment for shares credited											

to owners' equity											
4. Others											
(III) Profit Distribution									-43,874,488.10	-43,874,488.10	
1. Provision of surplus reserve											
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 report period											
2. Applied in the report period											
(VI) Others											
IV. Ending balance of the reporting period	438,744,881.00				1,068,111,185.32				179,743,077.15	566,290,712.08	2,252,889,855.55

Amount of Previous Year

In RMB

Items	Previous period
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	Capital stock	Other equity instruments			Capital reserve	Less: shares in stock	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total owners' equity
		Preferr ed shares	Perma nent liabilities	Others							
I. Ending balance of the previous year	392,767,870.00				531,163,822.70				165,915,466.89	384,669,884.08	1,474,517,043.67
Plus: Change in accounting policy											
Correction of previous errors											
Others											
II. Opening balance of the reporting year	392,767,870.00				531,163,822.70				165,915,466.89	384,669,884.08	1,474,517,043.67
III. Decrease/increase of the report year (decrease is stated with "-")										102,872,534.40	102,872,534.40
(I) Total comprehensive income										142,149,321.40	142,149,321.40
(II) Owners' input and decrease of capital											
1. Common shares contributed by shareholders											
2. Capital contributed by other equity instruments holders											
3. Amount of payment for											

shares credited to owners' equity											
4. Others											
(III) Profit Distribution										-39,276,787.00	-39,276,787.00
1. Provision of surplus reserve											
2. Distribution to the owners (or shareholders)										-39,276,787.00	-39,276,787.00
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 report period											
2. Applied in the report period											
(VI) Others											
IV. Ending balance of the reporting period	392,767,870.00				531,163,822.70				165,915,466.89	487,542,418.48	1,577,389,578.07

Legal representative: Xu Dongsheng
Accounting Department: Tian Hui

Chief Financial Officer: Hu Xinglong

Person in charge of the

I. 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 China National Aero-Technology Corporation Shenzhen) as the sponsor.

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 RMB based common shares (A-shares) and RMB 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.

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

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

On November 11, 2015, approved by China Securities Regulatory Commission (CSRC) with the Official Reply on Approval of Non-public Issuing of Fiyta Holdings Ltd., ZHENG JIAN XU KE [2015] No. 2588 and the Official Reply on the Issue of Non-Public Issuing of Fiyta Holdings Ltd. by State-owned Assets Supervision and Administration Commission of the State Council [2015] No. 415, the Company was approved to non-publically 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 RMB 438,744,881.00 and the proportion of the equity based capital held by AVIC International decreased to 37.15%.

Ended June 30, 2016, the Company accumulatively issued totally 438,744,881 shares of capital stock. For the detail, refer to Note VII.53.

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

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 and the notes to the financial statements were approved at the 18th meeting of the Eighth Board of Directors held on August 24, 2016.

For the detail, refer to Note IX. Equity in other Entities.

IV. Basis of preparation of Financial Statements

1. Basis of preparation

The financial statements are prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance and their application guidelines, interpretations and other relevant requirements (collectively, "Accounting Standards for Business Enterprises"). Besides, the Group 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 (2014Revision) announced by China Securities Regulatory Commission.

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

The Group follows the accrual basis of accounting. The financial statements are prepared under the historical cost convention except for certain financial instruments. 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. Significant accounting policies and accounting estimates

Notice on specific accounting policy and accounting estimates:

The Group determines the policies of depreciation of fixed asset, amortization of intangible assets, capitalized conditions of R&D expenses and revenue recognition according to the characteristics of its production and operation. Refer to Note VI.16, Notes V.21 and Note V.28 for specific accounting policies.

1. Representation of compliance with the Accounting Standards for Business Enterprises

These financial statements comply with the requirements of the Accounting Standards for Business Enterprises, have truly and completely presented the consolidation and the financial position of the Company as at June 30, 2016 and the consolidation, the operating results and consolidation, cash flows and other relevant information for the first half year of 2016.

2. Accounting period

The Group adopts a calendar year as a fiscal year, namely a year starting from the 1st January and ending at the 31st December.

3. Operating Cycle

An operating cycle of the Group is 12 months.

4. Functional currency

The Company and its domestic subsidiaries adopt Renminbi (RMB) as the functional currency.

Except Switzerland based Montres Chouriet SA (hereinafter referred to as the Switzerland Company), a subsidiary of FIYTA (Hong Kong) Limited (hereinafter referred to as FIYTA (Hong Kong) which takes Swiss Franc as the recording currency according to the major economic environment of the place where its premises is located, the other overseas subsidiaries, including Harmony World Watches International Limited (World Watch International), one of the subsidiaries of Shenzhen Harmony World Watches Center Co., Ltd. (Harmony), FIYTA (Hong Kong) Limited, 68-Station Limited (68-Station), one of FIYTA (Hong Kong) Limited's subsidiaries, NATURE ART LTD., an entity controlled by 68-Station for special purpose (Nature Art) and PROTOP LTD (PROTOP) as its recording currency according to the major economic environment of the place where their premises are located.

The currency adopted by the Group in preparation of the financial statements is Renminbi (RMB).

5. Accounting treatment for business combinations involving entities under common control and not under Common control

(1) Business combinations involving entities under common control

For a business combination involving enterprises under common control, assets and liabilities that are obtained in a business combination shall be measured at the carrying amount of the owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at combination date, except for the adjustments of different accounting policies. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or total par value of shares issued) shall be adjusted to capital reserve, if the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Business combinations involving entities under common control achieved in stages that involves multiple transactions

In the separate financial statements, the initial investment cost is the absorbing party's share of the carrying amount of the owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at combination date. The difference between initial investment cost and original investment carrying amount plus additional investment cost at the combination date shall be adjusted to capital reserve (share/capital premium), if the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

In the consolidated financial statements, assets and liabilities that are obtained in a business combination shall be measured at the carrying amount of the owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at combination date, except for the adjustments of different accounting policies. The difference between the original investment carrying amount plus additional investment cost at the combination date and the carrying amount of the net assets obtained shall be adjusted to capital reserve (share/capital premium), if the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings. The long-term equity investment of the absorbing party prior to combination, profit or loss, other comprehensive income and changes of other owners' equity recognized between the later of obtaining date and when the absorbing party and the absorbed party are under common ultimate control and combination date shall offset the opening retained earnings or profit or loss for the current period in the comparative statement.

(2) Business combination involving entities not under common control

For business combinations involving entities not under common control, the consideration for each combination is measured at the aggregate of the fair values, at the acquisition date, of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. At the acquisition date, the acquired assets, liabilities and contingent liabilities of the acquiree are recognized at their fair value.

Business combinations involving entities not under common control achieved in stages that involves multiple transactions.

In the separate financial statements, the initial investment cost is the sum of the carrying amount of equity investment of the acquiree held prior to the acquisition date and the additional investment cost at the acquisition date. When the previously-held equity investment is accounted for under the equity method, any other comprehensive income previously recognized shall be accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. The owners' equity recognized as the changes of the investee's other owners' equity except for net profit or loss, other comprehensive income and profit distribution shall be transferred to profit or loss for the current period when disposing the investment. For the previously-held equity investment which was accounted for in accordance with —Accounting Standard for Business Enterprises No.22 – Financial Instruments: Recognition and

Measurement the accumulated changes in fair value included in other comprehensive income shall be transferred to profit or loss for the current period upon commencement of the cost method.

In the consolidated financial statements, the cost of combination amount to the consideration paid at the acquisition date plus the fair value of equity investment of the acquiree held prior to the acquisition date. The cost of equity investment of the acquiree held prior to the acquisition date shall be re-measured at the fair value at the acquisition date, the difference between the fair value and par value shall be recognized as profit or loss for the current period. Other comprehensive income and changes of other owners' equity involving the acquiree's previously-held equity except for other comprehensive income due to the movement of net liabilities or assets in the investee's re-measurement defined benefit plan.

(3) Transaction costs for business combination

The intermediary and other relevant administrative expenses such as audit, legal and valuation advisory for business combinations are recognized in profit or loss when incurred. Transaction costs of equity or debt securities issued as the considerations of business combination are included in the initial recognition amounts.

6. Preparation of consolidated financial statements

(1) The scope of consolidated financial statements

The scope of consolidated financial statements shall be determined on the basis of control. Control exists when the investor has all the following: power over the investee; exposure, or rights to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. A subsidiary is an entity that is controlled by the Company (such as enterprises, deemed separate entities, and structured entities controlled by the enterprises).

(2) Preparation of consolidated financial statements

The consolidated financial statements are prepared by the Company, based on the financial statements of the Company and its subsidiaries, according to other relevant information. The accounting policies and accounting periods of the subsidiaries should be in accordance with those established by the Company, all significant intercompany accounts and transactions are eliminated on consolidation.

Where a subsidiary or business has been acquired through a business combination involving enterprises under common control in the reporting period, the subsidiary and its business are included in the consolidated financial statements from when they are controlled together under the ultimate party, and operation results and cash flows are included in the consolidated income statement and consolidated cash flow statement from when they are controlled together under the ultimate party, where a subsidiary or business has been acquired through a business combination not involving enterprises under common control, the subsidiary's or business income, expenses and profits are included in the consolidated income statement, and cash flows are included in the consolidated cash flow statement from the acquisition date to the end of the reporting date.

The portion of a subsidiary's equity that is not attributable to the parent is treated as minority interests and presented in the consolidated balance sheet within shareholders' equity. That portion of net profit or loss of subsidiaries for the period attributable to minority interests shall be presented in the consolidated income statement below the net profit line item as minority interests. When the amount of loss for the current period attributable to the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess shall be allocated against the minority interests.

Transactions that acquire the minority interests of subsidiaries or dispose part of equity investment but not lose control of this subsidiary are accounted for equity transactions that adjust shareholders' equity attributable to the parent and minority interests to reflect the changes of equity in subsidiaries. The difference between the adjustment of minority interests and the fair value of consideration paid/received shall be adjusted to capital reserve, if the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

(3) Acquisition of the minorities' equity of the subsidiaries

Due to the difference between the costs of the long term equity investment newly obtained from acquisition of the minorities' equity and the share of the net assets of the subsidiaries enjoyable calculated based on the new additional holding proportion which was continuously calculated starting from the date of acquisition or the date of consolidation as well as the difference between the disposal consideration from the disposal of partial equity investment in the subsidiaries under the condition of losing the control over them and the share of the net assets of the subsidiaries corresponding to the long term equity investment as disposed enjoyable calculated continuously from the date of acquisition or the date of consolidation, all the capital reserves (capital stock premium) on the consolidated balance sheet are adjusted. Should the capital reserve is not sufficient for offsetting, the retained earnings are adjusted.

(4) Losing control over the investee

When an enterprise loses control over investee because of disposing part of equity investment or other reasons, the remaining part of the equity investment should be re-measured at fair value at the date when losing control over the investee; the cash received in disposal of the equity investment and the fair value of remaining part of the equity investment, deducting net assets proportion calculated by original share percentage since the acquisition date should be recorded in profit or loss for current period of disposal and the goodwill related to the subsidiary shall also be derecognised; other comprehensive income related to the equity investment in subsidiaries before disposal date shall be transferred to profit or loss for the current period of disposal.

The other comprehensive income in connection with the equity investment in the existing subsidiaries, etc. are transferred to the gains and losses of the very period when the control is lost. However the other comprehensive income generated from the change in net liabilities or net assets due to the investee's remeasurement of the established income plan is the exception.

(5) Disposing equity step by step until control being lost

(I) Principle of adjusting whether disposing equity step by step until control being lost belongs to "a bundled transaction";

(II) Accounting treatment method in the parent company's financial statements and consolidated financial statements in case of belonging to "a bundled transaction";

(III) Accounting treatment method in the parent company's financial statements and consolidated financial statements in case of not belonging to "a bundled transaction";

In case the terms and conditions of various transactions involving disposal of equity step by step by a number of transactions and the economic influence comply with one or more of the following conditions, the Company take a number of transactions as a bundled transaction for accounting treatment:

① The transactions are entered into at the same time or in contemplation of each other;

-
- ② The transactions form a single transaction designed to achieve an overall commercial effect;
 - ③ The occurrence of one transaction is dependent on the occurrence of at least one other transaction;
 - ④ One transaction considered on its own is not economically justified, but it is economically justified when considered together with other transactions

In case various transactions of disposing equity by step by step until the control being lost do not belong to “a bundled transaction” in some financial statement, the carrying value of the long term equity investment corresponding to every disposal of equity is carried forward, the balance between the consideration obtained therefrom and the carrying value of the long term equity investment as disposed is counted to the current return on investment; in case it belongs to “a bundled transaction”, the balance between the consideration from every disposal before losing the control and the carrying value of the long term equity investment corresponding to the equity as disposed is recognized as other comprehensive income first and then transferred together to the current gain and loss of losing the control.

In the consolidated financial statements, for disposing equity investment until losing control step by step, for the measurement of remaining equity and accounting for profit or loss of disposing equity, refer to the above “Losing control over the investee”. The difference between each consideration and the share of the subsidiary’s equity related to disposing investment before losing control is treated as follows respectively:

- ① Belong to “a bundled transaction”, is recognized as other comprehensive income and is transferred to profit or loss for the current period when losing control.
- ② Not belong to “a bundled transaction”, is recognized as equity transactions and capital reserve and isn’t allowed to be transferred to profit or loss for the current period when losing control.

7. Joint arrangement

A joint arrangement is an arrangement of which two or more parties have joint control. The Group classifies joint arrangements into joint operations and joint ventures.

(1) Joint operations

A joint operation is a joint arrangement whereby the joint operators have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Group shall recognize the following items in the relation to its interest in a joint operation, and account for them in accordance with relevant accounting standards:

- A. its solely-held assets, and its share of any liabilities incurred jointly;
- B. its solely-assumed liabilities, and its share of any liabilities incurred jointly;

C. its revenue from the sale of its share of the output arising from the joint operation;

D. its share of the revenue from the sale of the output by the joint operation; and

E. its solely-incurred expenses, and its share of any expenses incurred jointly.

(2) Joint ventures

A joint venture is a joint arrangement whereby the joint ventures have rights to the net assets of the arrangement.

The Group shall account for its investment in a joint venture in accordance with the requirement of long-term equity investments relating to equity method.

8. Cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily drawn on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

9. Foreign currency transactions and translation of foreign currency statement

(1) Foreign currency transactions

If foreign currency transactions occur, translate them into the amount of functional currency by applying the spot exchange rate at the dates of the transactions.

At the end of the period, foreign currency monetary items are translated to RMB using the spot exchange rate at the balance sheet date. Exchange differences arising from the differences between the spot exchange rate prevailing at the balance sheet date and those spot rates used on initial recognition or at the previous balance sheet date are recognized in profit or loss for the current period; foreign currency non-monetary items carried at historical cost continue to be measured at the amounts in functional currency translated using the spot exchange rates at the dates of the transactions; foreign currency non-monetary items carried at fair value are translated using the spot exchange rates at the date when the fair value was determined. Differences between the translated amount and the original amount of functional currency are included in profit or loss for the current period.

(2) Translation of foreign currency statement

At the balance sheet date, when translating the foreign currency financial statements of overseas subsidiaries, the assets and liabilities of the balance sheet are translated to RMB using the spot exchange rate at the balance sheet date; all items except for "undistributed profits" of the shareholders' equity are translated at the spot exchange rate.

The revenue and expenses in the income statement are translated using the average exchange rate for the period. All items of the cash flow statement are translated using the average exchange rate for the period. As an adjustment item, the impact of exchange rate changes on cash amount is reflected separately in the cash flow as "the impact of exchange rate changes on cash and cash equivalents".

Differences arising from the translation of financial statements are separately presented as the “other comprehensive income” in the shareholders’ equity of the balance sheet.

When disposing overseas operations and losing control, the “difference of translation of foreign currency statement” related to the overseas operation presented in shareholders’ equity in the balance sheet shall be transferred together or as the percentage of disposing the overseas operation to profit or loss for the current period of disposal.

10. Financial instruments

Financial instruments refer to the contracts of forming enterprise financial assets and other entities’ financial liabilities or equity instruments.

(1) Recognition and derecognition of financial instruments

A financial asset or financial liability is recognized when the Company becomes one party of financial instrument contracts.

If one of the following conditions is met, the financial assets are terminated:

- ① The right of the contract to receive the cash flows of financial assets terminates;
- ② The financial asset has been transferred, and is in accordance with the following conditions for derecognition.

If the obligations of financial liability have been discharged in total or in part, derecognize all or part of it. If the Company (debtor) makes an agreement with the creditor to replace the current financial liability of assuming new financial liability which contract provisions are different in substance, derecognize the current financial liability and meanwhile recognize as the new financial liability.

If the financial assets are traded routinely, recognize and derecognize them at the transaction date.

(2) Classification and measurement of financial assets

Financial assets are, upon initial recognition, classified into the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets. Financial assets are initially recognized at fair value. In the case of financial assets at fair value through profit or loss, the related transaction costs are recognized in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in the initial recognition amounts.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition as at fair value through profit or loss. This kind of financial assets are subsequently measured at fair value, all realized and unrealized gains and losses are recognized in profit or loss for the current period.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method; gains and losses arising from derecognition, impairment or amortization is recognized in profit or loss for the current period.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market including account receivables and other receivables (Note V.11). Receivables are subsequently measured at amortized cost using the effective interest method; gains and losses arising from derecognition, impairment or amortization is recognized in profit or loss for the current period.

Available-for-sale financial assets (AFS financial assets)

AFS financial assets are those non-derivative financial assets that are designated as available for sale and those financial assets in addition to those above mentioned. AFS financial assets are subsequently measured at fair value, the discount or premium are amortized using the effective interest method and recognized as interest income. The gains and losses arising from changes in fair value of AFS financial assets (other than impairment losses and foreign exchange gains and losses resulted from foreign currency monetary assets which are recognized in profit or loss for the current period) are recognized as other comprehensive income, until the financial assets are derecognized, are transferred to profit or loss for the current period. Interest income and dividends related to the AFS financial assets are recognized as profit or loss for the current period.

Equity instrument investment with no quoted price in active markets and with not reliably measured fair value, and derivative financial assets for the equity instrument and settled by paying the equity instrument are measured at cost.

(3) Classification and measurement of financial liabilities

On initial recognition, financial liabilities are classified as: financial liabilities at fair value through profit or loss (FVTPL) or other financial liabilities. For financial liabilities not classified as at fair value through profit or loss financial liabilities, the transaction costs are recognized in the initially recognized amount.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include transaction financial liabilities and financial liabilities designated as at fair value through profit or loss in the initial recognition. Such financial liabilities are subsequently measured at fair value, all realized and unrealized gains and losses are recognized in profit or loss for the current period.

Other financial liabilities

Derivative financial liabilities which are linked to equity instrument that is not quoted in an active market and its fair value cannot be reliably measured and settled by delivering the equity instrument are subsequently measured at cost. Other financial liabilities are subsequently measured at amortized cost using the effective interest method; gains and losses arising from derecognition or amortization is recognized in profit or loss for the current period.

(4) Derivative financial instruments and embedded derivative instruments

Derivative financial instruments of the Group are initially measured at the fair value of the date a derivative contract entered into and subsequently measured at their fair value. Derivative financial instruments of positive fair value are recognized as assets; those of negative fair value are recognized as liabilities. Any gains or losses arising from changes in fair value which do not meet the requirements of hedge accounting are directly recognized to profit or loss for the current period.

For hybrid instruments including embedded derivative instruments such as designated financial assets or liabilities measured at fair value through profit or loss that there isn't close relationship between embedded derivative instruments and their principal contract in the aspects of economic features and risks and is the same as the conditions for embedded derivatives and individual instruments satisfy the definition of derivative instruments, embedded derivative instruments are separated from hybrid instruments and treated as separate derivative financial instruments. If embedded derivative instruments isn't separately measured initially or subsequently at balance sheet date, hybrid instruments as a whole is designated as financial assets or liabilities measured at fair value through profit or loss.

(5) Fair value of financial instruments

Determination of fair value of financial assets and financial liabilities refers to Note V.10.

(6) Impairment of financial assets

The Company assesses the carrying amount of financial assets at each balance sheet date other than those at fair value through profit or loss, if there is objective evidence that financial assets are impaired, the Company determines the amount of impairment loss. Objective evidence of impairment of financial assets are the matters that occurred after the initial recognition of financial assets which has impact on the expected future cash flows of financial assets, and can be reliably measured by the Company.

There's objective evidence that the financial assets are impaired including the following observable situations:

- ① The issuer or debtor has severe financial difficulties;
- ② The debtor has violated terms of the contract, such as the payment of the interest or principal is default or overdue;
- ③ Considering economic or legal factors, the Company made concessions to a debtor in financial difficulties;
- ④ The debtor has probably bankruptcy or other financial reorganization;
- ⑤ The issuer has so severe financial difficulties that financial assets can't continue to be traded in an active market;
- ⑥ The cash flow of some asset in a group of financial assets can not be identified to be reduced, but after evaluating it as a whole according to the public data, the expected future cash flow of the group of financial assets since its initial recognition has definitely been reduced and measurable, including:

- The group of financial assets of the debtor 's ability to pay gradually deteriorates;
- The economy in the debtor's country or region appears likely to lead to the situation that the group of financial assets can not pay

⑦ The adverse changes of technology, market, economic or other legal environment the debtor operates in cause investors in equity instrument may not recover the investment cost;

⑧ The fair value of equity instrument declines seriously or untemporarily, such as the fair value of equity instrument at the balance sheet date is over 50% less than the initial investment cost (including 50%) or the period that is less than the initial investment cost lasts more than 12 months (including 12 months).

The period that is less than the initial investment cost lasts more than 12 months (including 12 months) refers to that the average fair value of equity investment is less than the initial investment cost monthly for 12 months.

⑨ There are other objective evidences that financial assets are impaired.

Financial asset measured at amortized cost.

If there's objective evidence that the financial assets are impaired, then the carrying amount of financial assets shall be reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred), with the reduced amount recognized to profit or loss for the current period. The present value of estimated future cash flows is carried according to the financial asset's original effective interest rate, and considers the value of collateral.

For a financial asset that is individually significant, the Company assesses the asset individually for impairment, if there is objective evidence that it has been impaired; recognize the impairment loss in profit or loss for the current period. For a financial asset that is not individually significant, the Company assesses the asset by including the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. For an individually assessed financial asset (whether the financial asset is individually significant or not individually significant), the Company includes the asset in a group of financial assets with similar credit risk characteristics and collectively assessment for impairment. Asset for which an impairment loss is individually recognized is not included in a collective assessment of impairment.

If, after an impairment loss has been recognized on financial assets measured at amortized cost, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. A reversal of an impairment loss will not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

Available-for-sale financial assets

If there's objective evidence that AFS financial assets are impaired, accumulated losses due to decreases in fair value

previously recognized directly in other comprehensive income are reversed and charged to profit or loss for the current period. The reversed accumulated losses are the asset's initial acquisition costs after deducting amounts recovered and amortized, current fair value and impairment losses previously recognized in profit or loss.

If, in a subsequent period, the fair value of financial assets increases and the increase can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment losses are reversed and charged to profit or loss for the current period. The impairment losses of AFS equity instruments shall not be reversed through profit or loss.

Financial assets measured at cost

If there's objective evidence that the financial assets are impaired, the difference between the carrying amount and the present value discounted at the market rate of return on future cash flows of the similar financial assets shall be recognized as impairment loss in profit or loss. The impairment loss recognized shall no longer be reversed.

(7) Transfer of financial assets

Transfer of financial assets refers to the transference or deliverance of financial assets to the other party (the transferee) other than the issuer of financial assets.

The Group derecognizes a financial asset only if it transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; the Group should not derecognize a financial asset if it retains substantially all the risks and rewards of ownership of the financial asset.

The Group neither transfers nor retains substantially all the risks and rewards of ownership, shows as the following circumstances: if the Group has forgone control over the financial assets, derecognize the financial assets and verify the assets and liabilities; if the Group retains its control of the financial asset, recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognize an associated liability.

(8) Offset between financial assets and financial liabilities

When the Group has the legal right of offset the recognized financial assets and financial liabilities, by now is able to carry out the legal right and the Group plans to settle by net amount or meanwhile realise the financial assets and pay off financial liabilities, the amount after offsetting financial assets and financial liabilities each other is presented in the balance sheet. Besides, financial assets and financial liabilities are presented separately in the balance sheet and not allowed to offset each other.

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 RMB 800,000.00 (with RMB 800,000.00 inclusive)and other receivables of over RMB500,000.00 (with RMB 500,000.00 inclusive) are recognized as individually significant receivable.
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Measurement of individually recognized bad and doubtful debts provision of individually significant receivables:	Receivables that are individually significant are subject to separate impairment assessment, if there is objective evidence that the impairment occurred, recognize the provision for bad and doubtful debts according to the difference between the present value of future cash flows, which is lower, and the carrying amount.
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(2) Receivables with provision for bad and doubtful debts based on the credit risk characteristics collectively

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

For group of ageing, the rate of provision for bad and doubtful debts in ageing analysis method is as follows:

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

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

Inapplicable

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

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

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

Reason of individual provision for bad and doubtful debts	Including the accounts receivable involving dispute or lawsuit/arbitration with the counterparty and the accounts receivable in which there exists evident indication showing that a debtor may possibly be unable 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

(1) Classification

Inventory mainly includes raw material, work-in-process and finished goods.

(2) Determination of cost

Inventories are determined at the actual cost when acquired. Costs of raw materials, work in progress, finished goods are calculated in weighted average costing (for finished goods of watches with FIYTA brand name), specific identification method (for finished goods of branded watches), and first-in-first-out method (for raw material for FIYTA watches) when issued.

(3) Recognition of the net realizable value and provision for decline in value of inventories

Net realizable value ("NRV") is based on the estimated selling price deducting the estimated costs to be incurred when completed, the estimated selling expenses and related taxes amount. Recognition of the net realizable value is based on the verified evidences and considers the purpose of holding inventories and the effect of post balance sheet events. In particular:

① the NRV of inventories that are available for sale such as finished goods and materials held for trading are determined using the estimated selling price less estimated selling expenses and related taxes if the business is in the ordinary course of operation;

② the NRV of materials that need to be processed are determined using estimated selling price of finished goods which is manufactured from the material less estimated cost of completion, estimated selling expenses and related taxes if the business is in the ordinary course of operation.

The Company recognizes inventory impairment provision for FIYTA brand watches based on models category.

Impairment provisions for branded watches are recognized on an item-by-item basis.

Impairment provisions for raw materials of FIYTA watches are recognized by categories based on ultimate-customer selling status of FIYTA finished watches taking into considerations of the exchangeability of the spare parts and the special usage of materials.

If the cost of closing inventory of the Company exceeds its net realizable value at balance sheet date, recognize provision for decline in value of inventories. The Company usually recognize provision for decline in value of inventories by a single inventory item. If the factors of value of inventory previously written-down have disappeared, reverse provision for decline in value of inventories in the amount originally made.

(4) Inventory system

The Group adopts perpetual inventory system

(5) Amortization method of low-value consumables and packaging material

The Group uses one-off amortization method when low-value consumables and packaging material are received for use.

13. Held-for-sale Assets as Classified

Inapplicable

14. Long-term equity investments

Long-term equity investments refer to equity investments where an investor has control of, or significant influence over, an investee, as well as equity investments in joint ventures. Where the Group can exercise significant influence over the investee, the investee is its associate.

(1) Recognition of investment cost

For a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at combination date; for a business combination not involving enterprises under common control, the initial investment cost of the long-term equity investment acquired shall be the cost of acquisition.

For a long-term equity investment acquired by paying cash, the initial investment cost shall be the actual purchase price has been paid; for a long-term equity investment acquired by the issue of equity securities, the initial investment cost shall be the fair value of the equity securities issued.

(2) Subsequent measurement and recognition of profit or loss

Where the Group is able to exercise control over an investee, the long-term equity investment shall be accounted for using the cost method; where the Group has investment in associates and operation ventures, the long-term equity investment is accounted for using the equity method.

For long-term equity investment which is accounted for using the cost method, investment income is recognized in profit or loss for the current period as the cash dividend or profit announced and distributed, except for those cash dividend or profit which have already included in the actual payment or consideration of offer when the investment was made.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's interest in the fair values of the investee's identifiable net assets, no adjustment is made to the initial investment cost; where the initial investment cost is less than the Group's interest in the fair values of the investee's identifiable net assets, the difference is charged to profit or loss for the current period, and the carrying amount of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group shall recognize its share of the investee's net profit or losses, as well as its share of the investee's other comprehensive income, as investment income or losses and other comprehensive income, and adjust the carrying amount of the investment accordingly. The carrying amount of the investment shall be reduced by the portion of any profit distributions or cash dividends declared by the investee that is attributable to the Group. The Group's share of the investee's owners' equity changes, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution, shall be recognized in the Groups' equity, and the carrying amount of the long-term equity investment shall be adjusted accordingly. The share of the investee's net profit or loss for the current period is recognised after adjusting the investee's net profit in accordance with the Group's accounting policies and accounting period based on the fair value of the identifiable assets when the investment is made.

When the Group becomes capable of exercising joint control or significant influence (but not control) over an investee due

to additional investment or other reasons, the Group shall change to the equity method and use the fair value of the previously-held equity investment, together with additional investment cost, as the initial investment cost under the equity method. Where the previously-held equity investment is classified as available-for-sale financial assets, the differences between the fair value and carrying amount and the accumulated changes in fair value included in other comprehensive income shall be transferred to profit or loss for the current period upon commencement of the equity method.

When the Group can no longer exercise joint control of or significant influence over an investee due to partial disposal of equity investment or other reasons, the remaining equity investment shall be charged to profit or loss for the current period for the difference between the fair value and the carrying amount at the date of the loss of joint control or significant influence in accordance with Accounting Standard for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments. When the previously-held equity investment is accounted for under the equity method, any other comprehensive income previously recognized shall be accounted for on the same basis as would have been required if the Group had directly disposed of the related assets or liabilities for the current period upon discontinuation of the equity method; Other movement of owner's equity related to original equity investment is transferred in profit or loss for the current period.

When the Group can no longer exercise control over an investee due to partial disposal of equity investment or other reasons and the remaining equity after disposal can exercise joint control of or significant influence over an investee, the remaining equity is adjusted as using equity method from acquisition under equity method; when the remaining equity can no longer exercise joint control of or significant influence over an investee, the remaining equity investment shall be charged to profit or loss for the current period for the difference between the fair value and the carrying amount at the date of the loss of control in accordance with Accounting

Standard for Business Enterprises No.22-Recognition and Measurement of Financial Instruments.

For the unrealized profit or loss between the Group and an associate or joint venture, the part belongs to the Group, calculated with the percentage held by the Group, should be offset, and accordingly, the Group recognizes the investment income or loss. Any losses resulting from transactions between the Group and the investee, which are attributable to asset impairment shall not be eliminated.

For the long-term equity investments of associates and joint ventures held before January 1, 2007, if there exists equity investment debit balance related to the investment, recognize investment income or loss after deducting the equity investment debit balance in the original straight-line basis over the remaining period.

(3) Basis for recognition of joint control or significant influence over an investee

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. In assessing whether an enterprise has joint control of an arrangement, the Group shall first assess whether all the parties, a group of the parties, control the arrangement collectively. All the parties, or a group of the parties, control the arrangement collectively when they must act together to direct the relevant activities. Then assess whether decisions about the relevant activities require the unanimous consent of those parties that control the arrangement collectively. When more than one combination of the parties can control an arrangement collectively, joint control does not exist. A party that holds only protective rights does not have joint control of the arrangement.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. When determining whether an investor can exercise significant influence over an investee, the effect of potential voting rights (for example, warrants, share options and convertible bonds) held by the investors or other parties that are currently exercisable or convertible shall be considered.

Significant influence refers to the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When the Company, directly or indirectly through subsidiaries, owns 20% of the investee (including 20%) or more but less than 50% of the voting shares, it has significant impact on the investee unless there is clear evidence to show that in this case the Company cannot participate in the production and business decisions of the investee, and cannot form a significant influence; when the Company owns 20% (excluding) or less of the voting shares, generally it isn't considered to have a significant impact on the investee, unless there is clear evidence to show that in this case the Company can participate in the production and business decisions of the investee so as to form a significant influence.

(4) Method of impairment testing and impairment provision

For investment of subsidiaries, associates and joint ventures, refer to Note V. 22 for the Group's method of asset impairment.

15. Investment property

Method for measurement of investment property

Measured according to the cost method

Depreciation or amortization method

Investment property is a property held to earn rentals or for capital appreciation or both, comprising a land use right that is leased out, a land use right held and ready to transfer after appreciation, a building that is leased out.

The Group's investment property is initially measured at acquisition cost, and is depreciated or amortized on schedule in accordance with the relevant rules of fixed assets or intangible assets.

Refer to Note V. 22 for asset impairment method of investment property subsequently measured using the cost model.

Disposal consideration of sale, transfer, retirement or damage of investment property after deducting its carrying amount and related taxes amount is recognized in profit or loss for the current period.

Category	Useful years (year)	Residual rate %	Annual depreciation rate %
Plant & buildings	20-35 years	5	2.7-4.8

16. Fixed asset

(1) Recognition of fixed assets

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

(2) Depreciation methods

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

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

Inapplicable

17. Construction in progress

The cost of construction in progress 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 progress is transferred to fixed assets when the asset is ready for its intended use.

For provision for impairment of construction in progress, refer to Note V.22.

18. Borrowing cost

(1) Recognition principle of borrowing cost capitalization

For borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, they shall be capitalized and included in the cost of related assets; other borrowing costs are recognized as expenses and included in profit or loss when incurred. Capitalization of such borrowing costs can commence only when all of the following conditions are satisfied:

① Expenditures for the asset are being incurred, capital expenditure includes the expenditure in the form of cash payment, transfer of non-cash assets or the interest bearing liabilities for the purpose of acquiring or constructing assets eligible for capitalization;

② Borrowing costs are being incurred; and

③ Activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.

(2) Capitalization period of borrowing costs

Capitalization of such borrowing costs ceases when the qualifying assets being acquired, constructed or produced become ready for their intended use or sale. The borrowing cost incurred after that is recognized as an expense in the period in which they are incurred and included in profit or loss for the current period.

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; the borrowing costs in the normally interrupted period continue to capitalize.

(3) Capitalization rate of borrowing costs and calculation of capitalization amount

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.

19. Biological Assets

Inapplicable

20. Oil and Gas Assets

Inapplicable

21. Intangible assets

(1) Pricing Method, Service Life and Impairment Test

Intangible assets of the Group include land use rights, software system, trademark rights etc.

The Group initially measures the intangible asset at cost, and analyzes and judges its service life when obtained. An intangible asset with a finite useful life is amortized using the method which can reflect the expected realization of economic benefits related to the asset over its expected useful life from when the asset is available for use; an intangible asset whose expected realization can't be reliably determined is amortized using straight-line amortization; an intangible asset with an indefinite useful life is not amortized.

Amortization methods of an intangible asset with a finite useful life are shown as follows:

Category	Useful Life	Amortization Method	Remarks
Land use right	45-50 years	Straight-line method	-
Software system	5 years	Straight-line method	-
trademark rights	5-10 years	Straight-line method	-

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at the end of each financial year, if it is different from the previous estimates, adjust the previous estimates and deal with it according to changes in accounting estimates.

The Group estimates an intangible asset can no longer bring future economic benefits to the Group at the end of a period, the carrying amount of which should be reversed to profit or loss for the current period.

Refer to Note V. 22 for impairment provision method for intangible assets.

(2) Accounting policy for internal research and development expenditure

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

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

Expenditure on the development phase is capitalized only when the Group can satisfy all of the following conditions: the technical feasibility of completing the intangible asset so that it will be available for use or sale; its intention to complete the intangible asset is to use or sell it; how the intangible asset will generate economic benefits. Among other things, the Group 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; the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; its ability to measure reliably the expenditure attributable to the intangible asset during its development phase. Otherwise, it is charged to profit or loss.

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

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

22. Impairment of long term assets

The impairment of subsidiaries, associates and joint ventures in the long-term equity investments, investment property subsequently measured at cost model, fixed assets, construction in progress, intangible assets, goodwill and related facilities, etc. (Excluding inventories, investment property measured at fair value model, deferred income tax assets and financial assets) are determined as follows:

At the balance sheet date, the Group determines whether there may be evidence of impairment, if there is any, the Group will estimate the recoverable amount for impairment, and then test for impairment.

For goodwill arising from a business combination, intangible assets with indefinite useful life and the intangible assets that have not yet ready for use are tested for impairment annually regardless of whether such evidence exists.

The recoverable amount of an asset is determined by the higher amount of fair value deducting disposal costs and net present value of future cash flows expected from the assets.

The Group estimates the recoverable amount based on individual asset; for individual asset which is difficult to estimate the recoverable amount, the recoverable amount of the asset group is determined based on the asset group involving the asset. The identification of the asset group is based on whether the cash flow generated from the asset group is independent of the major cash inflows from other assets or asset groups.

When the asset or asset group's recoverable amount is lower than its carrying amount, the Group reduces its carrying amount to its recoverable amount, the reduced amount is included in profit or loss, while the provision for impairment of assets is recognized.

For tests of goodwill impairment, the carrying amount of goodwill arising from a business combination shall be amortized to the related asset group at reasonable method; that which is difficult to be amortized to the related asset group shall be amortized to the group of asset groups. Related asset group or group of asset groups is asset group or group of asset groups which can benefit from synergies of a business combination and is not greater than the reportable segment of the Group.

When testing impairment, if asset group or group of asset groups relating to goodwill exists evidence of impairment, first of all, the Group shall conduct impairment testing for asset group or group of asset groups which does not include goodwill, and recognize corresponding impairment losses. Then asset group or group of asset groups which includes goodwill shall be conducted impairment testing and compare its carrying amount and recoverable amounts. If the recoverable amount is less than the carrying amount, then recognize the impairment loss of goodwill.

Once impairment loss is recognized, it can't be reversed in subsequent accounting periods.

23. Long-term deferred expenses

Long-term unamortized expenses occurred shall be priced at actual cost and averagely amortized during the predicted benefit period. The long-term unamortized expenses that would not benefit the future accounting periods, the amortization value shall be fully recorded in current profits and losses.

24. Employee benefits

(1) Short-term employee benefit

The Group shall recognize employee wages or salaries incurred, bonus, social security contributions such as premiums or contributions on medical insurance, work injury insurance and maternity insurance and housing funds as liabilities through profit or loss or related cost of assets for the financial year in which the employees render the related services. If the liability is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the

employees render the related services and have significant financial effects, it shall be measured at the discounted value.

(2) Post-employment benefits

Post-employment benefit plan includes defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which an enterprise pays fixed contributions into a separate fund and will have no obligation to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Defined contribution plans

Defined contribution plans include primary endowment insurance and unemployment insurance.

The Group shall recognize, in the accounting period in which an employee provides service, the contribution payable to a defined contribution plan as a liability, with a corresponding charge to the profit or loss for the current period or the cost of a relevant asset.

For defined benefit plans, independent actuaries shall actuarial value at the balance sheet date to determine the cost of rendering welfare under estimated accumulated welfare unit method. The Group shall recognize the following components of employee benefits cost arising from defined benefit plan:

① service cost, comprising current service cost, past service cost and any gain or loss on settlement. Current service cost is the increase in the present value of the defined benefit plan obligation resulting from employee service in the current period. Past service cost is the increase or decrease in the present value of the defined benefit plan obligation for employee service in prior periods, resulting from a plan amendment.

② net interest on the net defined benefit plan liabilities(asset), including interest income on plan assets, interest cost on the defined benefit plan obligation and interest on the effect of the asset ceiling.

③ changes as a result of remeasurement of the net defined benefit liability(asset).

Item① and item② above should be recognized in profit or loss for the current period unless another Accounting Standard requires or permits the inclusion of the employee benefit costs in the cost of assets. Item ③ shall be recognized in other comprehensive income and shall not be reclassified to profit or loss in a subsequent period. However, the Group may transfer those amounts recognized in other comprehensive income within equity.

(3) Termination benefits

The group which provides termination benefits to employees shall recognize an employee benefits liability for termination benefits, with a corresponding charge to the profit or loss for the current period, at the earlier of the following dates: When the Group cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; When the Group recognizes costs or expenses related to a restructuring that involves the payment of termination benefits.

For retirement plans within the Group and economic compensation before the formal retirement date attributable to termination benefits, the salaries to pay retirement within the Group and social securities is recognized one-off in profit or

loss for the current period between the employees' stop rendering service and formal retirement. Economic compensation after formal retirement date (such as formal endowment insurance) shall be accounted for as post-employment benefits.

(4) Other long-term employee benefits

When other long-term employee benefits provided by the Group to the employees satisfied the conditions for classifying as a defined contribution plan, those benefits shall be accounted for in accordance with the above requirements relating to defined contribution plan, but the movement of net liabilities or assets in the investee's re-measurement defined benefit plan in the cost of relevant employee benefits shall be recognized in profit or loss for the current period or the relevant cost of assets.

25. Predicted liabilities

An obligation for additional losses of investees related to a contingency is recognized as a provision when all of the following conditions are satisfied:

- (1) The obligation is a present obligation of the Group;
- (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.

Provisions are initially measured at the best estimate of the payment to settle the associated obligations and consider the relevant risk, uncertainty and time value of money. If the impact of time value of money is significant, the best estimate is determined as its present value of future cash outflow. The Group reviews the carrying amount of provisions at the balance sheet date and adjusts the carrying amount to reflect the best estimate.

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

(1) General

① Sale of goods

Revenue from the sale of goods is recognized only when all of the following conditions are satisfied: the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, the Group retains neither continuing managerial involvement nor effective control over the goods sold, and related income has been achieved or evidences of

receivable have been obtained, and the associated costs can be measured reliably.

② Providing of services

Where the outcome of a transaction involving the providing of services can be estimated reliably, at the end of the period, revenue associated with the transaction is recognized using the percentage of completion method.

The stage of completion of a transaction involving the providing of services is determined according to the proportion of the services performed to the total services to be performed.

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

A. The amount of revenue can be measured reliably; B. The associated economic benefits are likely to flow into the enterprise; C. The stage of completion of the transaction can be measured reliably; D. 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.

③ Transfer of the right to use assets

The Group will recognize revenue when the economic benefits related to transfer of the right to use assets can flow in and the amount of revenue can be measured reliably.

④ Interest income

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

⑤ Revenue from property leasing

The amount of revenue from property leasing are recognized when the rentals are collected or evidence of receipt of payments are obtained in accordance with the tenure (consider rental-free period, if any) and rental stated in the leasing contract or agreement.

(2) Detailed method of revenue recognition

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

A. Direct sales to the customers

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

B. Exclusive shop

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

C. Shop-in-shop

Under shop-in-shop mode, the Group 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.

D. Consignment sales

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

29. Government grants**(1) Basis for judging asset related government grants and the accounting treatment method**

A government grant related to an asset refers to the government grant obtained by the Group and used for purchase or construction or formation in other way of long term assets. In addition, a government grant may be an income related government grant.

A government grant related to an asset is recognized as deferred income, and evenly amortized to profit or loss over the useful life of the related asset.

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

A government grant related to an asset refers to the government grant obtained by the Group and used for purchase or construction or formation in other way of long term assets. In addition, there is also a government grant related to an income.

A government grant related to an asset value that the government document does not specify the grantee and can form the long-term asset is treated as a government grant related to an asset. Otherwise, the government grant is treated as a government grant related to income. If it is difficult to distinguish, the government grant as a whole is treated as a government grant related to income.

For a government grant related to income, if the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the current period; if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and then recognized in profit or loss over the periods in which the costs are recognized. Government grants measured at nominal amounts are directly recognized in profit or loss for the period. For repayment of a government grant already recognized, if there is related deferred income, the repayment is offset against the carrying amount of the deferred income, and any

excess is recognized in profit or loss for the period. If there is no related deferred income, the repayment is recognized immediately in profit or loss for the period.

30. Deferred tax assets and deferred tax liabilities

Tax expense comprises current tax expense and deferred tax expense. Current tax and deferred tax are included in profit or loss for the current period as tax expense, except for deferred tax related to transactions or events that are directly recognized in shareholders' equity which are recognized directly in shareholders' equity, and deferred tax arising from a business combination, which is adjusted against the carrying amount of goodwill.

Temporary differences arising from the difference between the carrying amount of an asset or liability and its tax base are recognized as deferred tax using the balance sheet liability method.

All the taxable temporary differences are recognized as deferred tax liabilities except for those incurred in the following transactions:

(1) The initial recognition of goodwill, and the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) when the transaction occurs;

(2) The taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, and the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group recognizes a deferred tax asset for the carry forward of deductible temporary differences, deductible losses and tax credits to subsequent periods, to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, deductible losses and tax credits can be utilized, except for those incurred in the following transactions:

(1) The transaction is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) when the transaction occurs;

(2) The deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, the corresponding deferred tax asset is recognized when both of the following conditions are satisfied: it is probable that the temporary difference will reverse in the foreseeable future, it is probable that taxable profits will be available in the future, against which the temporary difference can be utilized.

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

At the balance sheet date, the Group reviews the carrying amount of a deferred tax asset. If it is probable that sufficient taxable profits will not be available in future periods 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.

31. Lease

(1) Accounting treatment method for operating lease

The Group recognizes the lease with all the risks and consideration in connection with the ownership of the asset substantially transferred as financing lease. The leases other than financing lease are recognized as operating lease.

① As lessor

Lease from operating leases is recognized in profit or loss on a straight-line basis respectively over different periods of the lease term. The initial direct costs incurred are recognized in profit or loss for the current period.

② As lessee

Lease from operating leases is recognized in the cost of relevant assets or profit or loss on a straight-line basis over the lease term. The initial direct costs incurred are recognized in profit or loss for the current period

(2) Accounting treatment method for finance lease

① As lessor

In finance leases, at the beginning date of lease period, the Group will recognize the sum of minimum lease collection and initial direct costs as the recorded value of finance leases receivable and meanwhile is recorded as unguaranteed residual value; the difference between the sum of minimum lease collection, initial direct costs and unguaranteed residual value and their present value is recorded as unrecognized financing charges.

② As lessee

In finance leases, at the beginning date of lease period, the Group will recognize the lower of the fair value of leased asset of the beginning date of lease period and the present value of minimum lease payment as the recorded value of the leased asset, their difference is recorded as unrecognized financing charges. Initial direct costs are recognized in leased assets' value. Unrecognized financing charges are measured at amortized cost using the effective interest method in the periods of leasing and recognized in financing charges for the current period. The Group depreciates the leased assets by adopting the depreciation policy consistent with self-owned fixed assets.

32. Other important accounting policy and accounting estimate

The Group gives continuous assessment of the reasonable expectations of future events and the critical accounting estimates and key assumptions based on its historical experience and other factors.

The critical accounting estimates and key assumptions that are likely to lead to significant adjusted risks of the carrying amount of assets and liabilities for the next financial year are listed as follows:

(1) Bad debt provision

The allowance method is adopted by the Group to account for losses on bad debts for receivables. Impairment of

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

(2) Impairment provision for non-current non-financial assets

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

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

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

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

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

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

(3) Depreciation and amortization

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

(4) Deferred income tax asset

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

the amount of future taxable profit in order to determine the amount of deferred income tax assets to be recognized.

(5) Corporate income tax

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

(6) After-sale quality warranty

The Group has the obligation to provide warrant to the quality of goods sold, and is responsible for damages arising from the repair and replacement due to defective goods. The Group estimates and draws related provision on its after-sale quality warranty commitment to customers with respect to the goods sold. In the case that the contingent event becomes a current obligation and performance of the current obligation may be very likely to cause economic benefit flow out of the Group, the Group recognizes provision based on the best estimates to be spent for fulfilling the related current obligation. Otherwise, if the event does not become a current obligation, no predictions needed. In the course of judgment, the Group needs to consider the recent maintenance data which may not be likely to reflect the future maintenance situations. Any increase or reduction of the provision may possibly affect the profit or loss in the future year.

33. Changes in significant accounting policies and accounting estimates

Inapplicable

34. Miscellaneous

Inapplicable

VI. Taxation

1. Types of taxes and tax rates

Type of taxes	Tax base	Tax rates
VAT	Taxable income	17
Consumption tax	Import or produce high-class watches	20
Business tax	Taxable income	5
Urban maintenance and construction tax	Turnover tax payable	7
Corporate income tax	Turnover tax payable	15-30
Educational surcharges	Turnover tax payable	3
Local educational surcharge	Turnover tax payable	2
Real estate tax	70% of the cost of the property, rental income	1.2,12

In case there exist any taxpayer paying corporate income tax at different tax rates, disclose the information

Names of taxpayers	Income tax rates
The Company (Notes ①②)	25
Shenzhen Harmony World Watches Center Co., Ltd. (Note ①)	25
Shenzhen FIYTA Sophisticated Timepieces Manufacture Co., Ltd. (Manufacture Company (Note③))	15
FIYTA (Hong Kong) Limited (Note ⑤)	16.5
Station 68 (Note⑤)	16.5
Nature Art Limited (Note⑤)	16.5
World Watches International (Note⑤)	16.5
Shenzhen FIYTA Technology Development Co., Ltd.(Technology Company) (Notes②and ④)	15
Shenzhen Symphony Trading Co., Ltd. (Trading Company) (Note ⑥)	25
Beijing Henglianda Watch Center Co., Ltd (Henglianda Company) (Note ⑥)	25
Kunming Lishan Department Store Co., Ltd. (Lishan Department Store Co.) (Note⑥)	25
Harbin World Watches Distribution Co., Ltd. (Harbin Company) (Note⑥)	25
Shenzhen Harmony Culture Communication Co., Ltd (Culture Company) (Note⑥)	25
Emile Choureit Timing (Shenzhen) Ltd. (Emile Choureit Shenzhen Company) (Note⑥)	25
FIYTA Sales Co., Ltd. (Sales Company)(Note①⑥)	25
Liaoning Hengdarui Commercial & Trade Co., Ltd (Hengdarui Company)(Note⑥)	25
Switzerland Company(Note⑦)	30

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 Notice of “Pre-tax Deduction of Enterprise Research and Development Expenses (Interim)”, GuoShui FA (2008) No. 116 issued by State Administration of Taxation on 10 Dec. 2008, research and development expenses, which are charged to profit or loss instead of being capitalized as intangible assets, that incurred by the

Company and the Manufacture Company for developing new technology, new product and new technique can be deducted by 50% extra on top of actual expensed charged in profit or loss.

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

Note ④: According to ShenGuoShuiBao Xi GaoXinNian Du Bei (2014) No. 0027 “Notice to Acceptance of Annual Information Filing of High-tech Enterprises —issued by Xixiang Tax Sub Bureau of National Taxation Bureau of Baoan District of Shenzhen, the Company enjoys the “income tax rate exclusion of high-tech enterprises key supported by the state”.

Note ⑤: These companies are registered in Hong Kong and the income tax rate of Hong Kong applicable is 16.50% this year.

Note ⑥: 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 ⑦: The tax rate of 30% is applicable for Switzerland Company as it registered in Switzerland.

(2) Property tax

In accordance with Article 5 of “Circular on Printing and Issuing ‘Reply to Issues Related to Property Tax and Vehicle and Vessel Usage Tax’”, Shen Di ShuiFa (1999) No.374 issued by Shenzhen Local Taxation Bureau, property leased out by manufacturing or business entity are taxed at 1.2% on the bases of 70% of the original cost of the property.

Properties of the Group situated in Shenzhen are taxed according to this notice. Properties situated in other cities are taxed according to local regulations.

3. Miscellaneous

Inapplicable

VII. Notes to items of consolidated financial statements

1. Monetary capital

In RMB

Items	Ending balance	Opening balance
Cash on hand	1,342,735.40	387,241.40
Bank deposit	495,748,724.36	636,995,113.67
Other monetary capital	1,580,520.86	1,580,520.86
Total	498,671,980.62	638,962,875.93
Including total amount deposited overseas	0.00	0.00

Other note:

Amount of RMB1,580,520.86 in other monetary funds is the security deposit with Shenzhen Center Branch of Agricultural Bank of China for issuing of irrevocable letter of guarantee.

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

Inapplicable

3. Derivative financial assets

Inapplicable

4. Notes receivable

(1) Presentation of classification of notes receivable

In RMB

Items	Ending balance	Opening balance
Bank acceptance bill	3,340,209.46	5,697,788.08
Trade acceptance bill	5,467,913.97	1,500,000.00
Total	8,808,123.43	7,197,788.08

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

Inapplicable

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

Inapplicable

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

Inapplicable

5. Accounts receivable

(1) Accounts receivables disclosed by types

In RMB

Categories	Ending balance			Opening balance		
	Book balance	Bad debt reserve	Book	Book balance	Bad debt reserve	Book

	Amount	Proportion	Amount	Provision proportion	value	Amount	Proportion	Amount	Provision proportion	value
Individually significant accounts receivable with separate provision for doubtful debts	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00%	0.00
Accounts receivable with provision for doubtful debts based on combination of credit risk features	338,353,834.12	100.00%	9,401,355.42	100.00%	328,952,478.70	312,581,896.15	100.00%	7,856,219.86	100.00%	304,725,676.29
Individually insignificant accounts receivable with separate provision for doubtful debts	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00%	0.00
Total	338,353,834.12	100.00%	9,401,355.42	100.00%	328,952,478.70	312,581,896.15	100.00%	7,856,219.86	100.00%	304,725,676.29

Other receivables with individually significant amount and provision for bad and doubtful debts individually provided at the end of the reporting period.

Inapplicable

Among the portfolio, other receivables that are provided for bad debt based on aging analysis

In RMB

Age	Ending balance		
	Other receivables	Bad debt reserve	Provision proportion
Itemized based on those within 1 year			
Sub-total within 1 year	147,025,265.00	7,351,263.25	5.00%
1 to 2 years	4,164,370.70	416,437.07	10.00%
2 to 3 years	3,138,681.42	941,604.43	30.00%
Over 3 years	1,384,101.34	692,050.67	50.00%
Total	155,712,418.46	9,401,355.42	

Note to the basis for determining the portfolio:

Other receivables with provision for bad and doubtful debts based on the balance percentage method in the portfolio
Inapplicable

Other receivables with provision for bad and doubtful debts based on the other method in the portfolio:

Name of portfolio	Book Balance	Provision for bad debt	Provision proportion %
Portfolio of specific accounts	182,641,415.66	-	-

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

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

Inapplicable

(3) Accounts receivable actually written off in current period

Inapplicable

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

Total accounts receivable due from the top five debtors of the Group in the current period is RMB24,170,746.89, accounting for 5.52% 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 RMB1,208,537.35.

(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 RMB

Age	Ending balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	31,981,436.31	88.41%	40,458,069.74	82.78%

1 to 2 years	3,466,932.60	9.58%	7,684,834.45	15.73%
2 to 3 years	103,176.35	0.29%	103,176.35	0.21%
Over 3 years	623,483.06	1.72%	623,483.06	1.28%
Total	36,175,028.32	--	48,869,563.60	--

(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 RMB 25,044,561.86, taking 50.00% of the total ending balance of the advance payment.

7. Interest receivable

Inapplicable

8. Dividends receivable

Inapplicable

9. Other receivables

(1) Disclosure of classification of other receivables

In RMB

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	
Individually significant other receivables for which bad debt reserve has been provided separately	800,000.00	1.73%	800,000.00	29.95%	0.00	800,000.00	1.88%	800,000.00	28.86%	0.00
Other receivables for which bad debt reserve has been provided based on the portfolio	45,438,441.80	98.02%	1,751,513.00	65.56%	43,686,928.80	41,699,818.24	97.84%	1,852,085.48	66.81%	39,847,732.76
Other receivables	120,000.	0.25%	120,000.	4.49%	0.00	120,000	0.28%	120,000.	4.33%	0.00

with insignificant single amount and provision of bad debt reserve on individual basis	00		00			0.00		00		
Total	46,358,441.80	100.00%	2,671,513.00	100.00%	43,686,928.80	42,619,818.24	100.00%	2,772,085.48	100.00%	39,847,732.76

Other receivables with individually significant amount and provision for bad and doubtful debts individually provided at the end of the reporting period:

In RMB

Other receivables (based on units)	Ending balance			
	Other receivables	Bad debt reserve	Provision proportion	Cause of provision
Deposit in security	800,000.00	800,000.00	100.00%	Unrecoverable
Total	800,000.00	800,000.00	--	--

Other receivables with provision for bad and doubtful debts based on the other method in the portfolio:

In RMB

Age	Ending balance		
	Other receivables	Bad debt reserve	Provision proportion
Itemized based on those within 1 year			
Sub-total within 1 year	39,629,683.01	1,737,390.60	4.38%
1 to 2 years	5,244.00	524.40	10.00%
2 to 3 years	9,000.00	2,700.00	30.00%
Over 3 years	21,796.00	10,898.00	50.00%
Total	39,665,723.01	1,751,513.00	

Note to the basis for determining the portfolio:

Other receivables with provision for bad and doubtful debts based on the balance percentage method in the portfolio
Inapplicable

Other receivables with provision for bad and doubtful debts based on the other method in the portfolio:

Name of portfolio	Book Balance	Provision for bad debt	Provision proportion %
Portfolio of specific accounts	5,772,718.79	-	-

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

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

Inapplicable

(3) Accounts receivable actually written off in current period

Inapplicable

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

In RMB

Nature of Payment	Ending book balance	Opening book balance
Reserve	5,772,718.79	4,917,828.70
Deposit in security	11,622,707.83	9,126,499.58
Deposit in security	19,803,097.02	19,654,321.18
Commodity promotion fee	6,079,711.62	6,617,843.27
Others	3,080,206.54	2,303,325.51
Total	46,358,441.80	42,619,818.24

(5) Other receivables of the ending balance due from the top five debtors of the Group are as follows:

In RMB

Names	Nature	Ending balance	Age	% of the balance of other receivables	Ending balance of provision for bad and doubtful debts
China Resources (Shenzhen) Co., Ltd	Guarantee deposit	2,800,054.00	Within 1 year	6.04%	140,002.70
Ernest Borel (Far East) Co., Ltd.	Brand promotion fee	1,501,000.00	Within 1 year	3.24%	75,050.00
Shenzhen Yitian Holiday Plaza Co., Ltd.	Deposit	1,090,523.00	Within 1 year	2.35%	54,526.15
Oris International Trade (Shanghai) Co., Ltd.	Brand promotion fee	942,700.00	Within 1 year	2.03%	47,135.00
Astro swiss Time Iirshed	Brand promotion fee	806,275.00	Within 1 year	1.74%	40,313.75

Total	--	7,140,552.00	--	15.40%	357,027.60
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(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 RMB

Items	Ending balance			Opening balance		
	Book Balance	Provision for price falling	Book value	Book Balance	Provision for price falling	Book value
Raw materials	136,400,872.44	6,305,697.86	130,095,174.58	160,662,691.18	6,305,697.86	154,356,993.32
Products in process	10,965,647.21	0.00	10,965,647.21	17,310,018.61	0.00	17,310,018.61
Commodities in stock	1,871,637,523.52	22,206,120.52	1,849,431,403.00	1,943,230,127.88	22,206,120.52	1,921,024,007.36
Total	2,019,004,043.17	28,511,818.38	1,990,492,224.79	2,121,202,837.67	28,511,818.38	2,092,691,019.29

(2) Provision for price falling of inventories

In RMB

Items	Opening balance	Increase in the reporting period		Decrease in the reporting period		Ending balance
		Provision Proportion	Others	Reversal or Offset	Others	
Raw materials	6,305,697.86	0	0	0	0	6,305,697.86
Products in process	0.00	0	0	0	0	0.00
Commodities in	22,206,120.52	0	0	0	0	22,206,120.52

stock						
Total	28,511,818.38	0	0	0	0	28,511,818.38

(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 RMB

Items	Ending balance	Opening balance
Input VAT to be offset	5,492,636.22	10,185,449.99
Rent	3,128,141.46	4,065,558.45
Others	2,438,827.59	1,545,765.12
Total	11,059,605.27	15,796,773.56

14. Available-for-sale financial assets

(1) Description of available-for-sale financial assets

In RMB

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

on cost						
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 RMB

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			Beginning of the reporting period	Increase in the reporting period	Decrease in the reporting period	End of the reporting period		
Shenzhen CATIC Culture Communication Co., Ltd	300,000.00	0	0	300,000.00	300,000.00	0	0	300,000.00	15.00%	
Xian Tangcheng Co., Ltd.	85,000.00	0	0	85,000.00		0	0		0.10%	
Total	385,000.00	0	0	385,000.00	300,000.00	0	0	300,000.00	--	

(4) Movement of impairment of available-for-sale financial assets in the reporting period

In RMB

Classification of available-for-sale financial assets	Available-for-sale equity instrument	Available-for-sale liability instrument	Total
Opening balance of the impairment reserve provided	300,000.00	0	300,000.00
Ending balance of the impairment reserve provided	300,000.00	0	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

Inapplicable

16. Long term accounts receivable

Inapplicable

17. Long term equity investment

In RMB

Investees	Opening balance	Increase/ Decrease (+ / -) in the reporting period								Ending balance	Ending balance of the provision for impairment
		Addition al investme nt			Other compreh ensive income adjustme nt	Other equity moveme nt	Cash dividend or profit announc ed for distributi on	Provision for impairme nt	Others		
I. Joint Venture											
II. Associates											
Shangha i Watch Industry Co., Ltd.(Sha nghai Watch Industry)	43,221,5 72.05			172.19			383,750. 00			42,837,9 94.24	
Sub-total	43,221,5 72.05			172.19			383,750. 00			42,837,9 94.24	
Total	43,221,5 72.05			172.19			383,750. 00			42,837,9 94.24	

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

In RMB

Items	Housing and buildings	Land use right	Construction-in-progress	Total
I. Carrying amount of cost	340,029,020.44			340,029,020.44
1. Opening balance	340,029,020.44			340,029,020.44
2. Increased amount in the reporting period				
(1) Procured				
(2) Inventories\fixed assets\transfer-in of the construction-in-process				
(3) Increase from consolidation of enterprises				
3. Decreased amount in the reporting period				
(1) Disposed				
(2) Other transfer-out				
4. Ending balance	340,029,020.44			340,029,020.44
II. Total of accumulative depreciation and accumulative amortization				
1. Opening balance	123,080,827.42			123,080,827.42

2. Increased amount in the reporting period	4,571,872.94			4,571,872.94
(1) Provision or amortization	4,571,872.94			4,571,872.94
3. Decreased amount in the reporting period				
(1) Disposed				
(2) Other transfer-out				
4. Ending balance	127,652,700.36			127,652,700.36
III. Provision for impairment				
1. Opening balance				
2. Increased amount in the reporting period				
(1) Provision				
3. Decreased amount in the reporting period				
(1) Disposed				
(2) Other transfer-out				
4. Ending balance				
IV. Book value				
1. Book value at the end of the period	212,376,320.08			212,376,320.08
2. Book value at the beginning of the	216,948,193.02			216,948,193.02

period				
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(2) Investment property measured based on fair value

Inapplicable

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

Inapplicable

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

In RMB

Items	Housing and buildings	Machines & equipment	Motor vehicles	Electronic equipment	others	Total
I. Carrying amount of cost:						
1. Opening balance	359,056,823.22	79,465,117.28	16,519,643.99	33,860,418.53	40,158,846.40	529,060,849.42
2. Increased amount in the reporting period	2,773,152.16	813,551.59	137,756.93	3,065,101.86	513,010.57	7,302,573.11
(1) Purchased	2,773,152.16	813,551.59	137,756.93	3,065,101.86	513,010.57	7,302,573.11
(2) Transfer in of the construction-in-progress						
(3) Increase from consolidation of enterprises						
3. Decreased amount in the reporting period	0.00	2,465,412.14	280,066.00	182,664.87	102,636.00	3,030,779.01
(1)	0.00	2,465,412.14	280,066.00	182,664.87	102,636.00	3,030,779.01

Disposal or scrapping						
4. Ending balance	361,829,975.38	77,813,256.73	16,377,334.92	36,742,855.52	40,569,220.97	533,332,643.52
II. Accumulative depreciation						
1. Opening balance	64,764,532.05	32,745,907.86	12,388,527.12	24,125,690.46	33,056,363.92	167,081,021.41
2. Increased amount in the reporting period	6,342,186.69	3,592,937.69	717,433.20	1,644,196.97	963,692.82	13,260,447.37
(1) Provision	6,342,186.69	3,592,937.69	717,433.20	1,644,196.97	963,692.82	13,260,447.37
3. Decreased amount in the reporting period	0.00	163,845.67	266,016.00	146,196.92	65,700.59	641,759.18
(1) Disposal or scrapping	0.00	163,845.67	266,016.00	146,196.92	65,700.59	641,759.18
4. Ending balance	71,106,718.74	36,174,999.88	12,839,944.32	25,623,690.51	33,954,356.15	179,699,709.60
III. Provision for impairment						
1. Opening balance						
2. Increased amount in the reporting period						
(1) Provision						
3. Decreased amount in the reporting period						

(1) Disposal or scrapping						
4. Ending balance						
IV. Book value						
1. Book value at the end of the period	290,723,256.64	41,638,256.85	3,537,390.60	11,119,165.01	6,614,864.82	353,632,933.92
2. Book value at the beginning of the period	294,292,291.17	46,719,209.42	4,131,116.87	9,734,728.07	7,102,482.48	361,979,828.01

(2) About temporarily idle fixed assets

Inapplicable

(3) Fixed assets rented through finance lease

Inapplicable

(4) Fixed assets leased through operating lease

Inapplicable

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

In RMB

Item	Book value	Reason for not having certificate for property rights
Office rooms for Harbin Branch	311,503.20	Defective in property right

Other note:

As at June 30, 2016, the plant and building with original book value of RMB 26,852,039.58 (net book value amounting to RMB 20,596,594.27) was taken as the collateral for the long term loan amounting to RMB 5,983,991.44.

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

In RMB

Projects	Ending balance			Opening balance		
	Book Balance	Impairment reserve	Book value	Book Balance	Impairment reserve	Book value
Clock & Watch base in Guangming New District	198,425,573.20	0.00	198,425,573.20	173,189,274.57	0.00	173,189,274.57
Toilet decoration engineering in the public area of FIYTA Technology Building	608,270.77	0.00	608,270.77	0.00	0.00	0.00
Outdoor storm sewage bypass project of FIYTA Technology Building	282,709.05	0.00	282,709.05	0.00	0.00	0.00
Xi'an Grand Noble roofing glazed tile anti-falling engineering	496,839.70	0.00	496,839.70	0.00	0.00	0.00
Total	199,813,392.72	0.00	199,813,392.72	173,189,274.57	0.00	173,189,274.57

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

In RMB

Projects	Budget	Opening balance	Increase in the reporting period	Transferred into the fixed assets in the reporting period	Other decreases in the reporting year	Ending balance	Proportion of the project put into application in the budget	Project progress	Accumulative amount involved in interest capitalization	Including: amount of the capitalized interest in the reporting period	Interest capitalization rate in the reporting period	Fund source
Clock & Watch base in Guangming New District	300,000,000.00	173,189,274.57	25,236,298.63			198,425,573.20	66.14%	66.14%	5,579,560.73	2,193,208.35	4.53%	Loan from financial institutions

Total	300,000,000.00	173,189,274.57	25,236,298.63			198,425,573.20	--	--	5,579,560.73	2,193,208.35	4.53%	--
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(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

Inapplicable

24. Oil and gas assets

Inapplicable

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

In RMB

Items	Land use right	Patent	Non patent technology	Software system	Trademark use right	Total
I. Carrying amount of cost						
1. Opening balance	34,854,239.40			6,958,309.33	9,547,313.86	51,359,862.59
2. Increased amount in the reporting period	0.00			1,325,261.64	0.00	1,325,261.64
(1) Purchased	0.00			1,325,261.64	0.00	1,325,261.64
(2)						

Internal R & D						
(3) Increase from consolidation of enterprises						
3. Decreased amount in the reporting period	0.00	0.00	0.00	0.00	0.00	0.00
(1) Disposed						
4. Ending balance	34,854,239.40			8,283,570.97	9,547,313.86	52,685,124.23
II. Accumulative amortization:						
1. Opening balance	8,423,709.66			3,284,434.09	3,222,092.18	14,930,235.93
2. Increased amount in the reporting period	172,037.16			0.00	530,113.36	702,150.52
(1) Provision	172,037.16			0.00	530,113.36	702,150.52
3. Decreased amount in the reporting period	0.00			0.00	0.00	0.00
(1) Disposed						
4. Ending balance	8,595,746.82			3,284,434.09	3,752,205.54	15,632,386.45
III. Provision for impairment						
1.						

Opening balance						
2. Increased amount in the reporting period						
(1) Provision						
3. Decreased amount in the reporting period						
(1) Disposed						
4. Ending balance						
IV. Book value						
1. Book value at the end of the period	26,258,492.58			4,999,136.88	5,795,108.32	37,052,737.78
2. Book value at the beginning of the period	26,430,529.74			3,673,875.24	6,325,221.68	36,429,626.66

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

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

Inapplicable

26. Development expenditure

Inapplicable

27. Goodwill**(1) Book value of goodwill**

In RMB

Investees or matters forming the goodwill	Opening balance	Increase in the reporting period		Decrease in the reporting period		Ending balance
Lishan Department Store Co.	1,735,756.48	0	0	0	0	1,735,756.48
Total	1,735,756.48	0	0	0	0	1,735,756.48

(2) Provision for impairment of goodwill

In RMB

Investees or matters forming the goodwill	Opening balance	Increase in the reporting period		Decrease in the reporting period		Ending balance
Lishan Department Store Co.	1,735,756.48	0	0	0	0	1,735,756.48
Total	1,735,756.48	0	0	0	0	1,735,756.48

Method for impairment testing and provision of reserve for impairment

HARMONY, one of the Company's subsidiaries acquired 100% equity in Lishan Department Store on March 31, 2008 with valuable consideration of RMB 1,200,000.00 and the fair value of the recognizable net assets of Lishan Department Store on the acquisition day was RMB - 535,756.48. HARMONY presented the margin amounting to RMB 1,735,756.48 in the consolidated financial statements as "goodwill". At the end of 2008, HARMONY made impairment test of the goodwill and charged the loss from impairment of the goodwill lower than the recoverable amount totaling RMB 1,735,756.48 to the gain and loss of the year 2008.

Other Note:

Method for impairment testing and provision of reserve for impairment

HARMONY, one of the Company's subsidiaries acquired 100% equity in Lishan Department Store on March 31, 2008 with valuable consideration of RMB 1,200,000.00 and the fair value of the recognizable net assets of Lishan Department Store on the acquisition day was RMB - 535,756.48. HARMONY presented the margin amounting to RMB 1,735,756.48 in the consolidated financial statements as "goodwill". At the end of 2008, HARMONY made impairment test of the goodwill and charged the loss from impairment of the goodwill lower than the recoverable amount totaling RMB 1,735,756.48 to the gain and loss of the year 2008.

28. Long-term expenses to be apportioned

In RMB

Items	Opening balance	Increase in the reporting period	Amount amortized in the reporting period	Other decrease	Ending balance
Cost for making special counters	66,887,503.25	30,836,015.44	34,209,768.10		63,513,750.59
Refurbishment	71,772,662.17	12,835,391.53	17,686,446.46		66,921,607.24
Endorsement fee	16,373,614.53	0.00	4,200,546.45		12,173,068.08
Others	670,784.44	116,400.94	358,225.82		428,959.56
Total	155,704,564.39	43,787,807.91	56,454,986.83		143,037,385.47

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

In RMB

Items	Ending balance		Opening balance	
	Offsetable provisional discrepancy	Deferred income tax asset	Offsetable provisional discrepancy	Deferred income tax asset
Reserve for impairment of the assets	40,584,686.80	9,451,784.18	53,423,315.43	12,781,048.95
Unrealized profit of internal transaction	347,658,479.86	85,800,515.82	371,236,241.47	87,969,273.73
Offsetable loss	9,768,722.91	2,210,290.89	16,561,138.12	4,076,400.48
Deferred income	4,800,000.00	1,200,000.00	4,300,000.00	1,075,000.00
Total	402,811,889.57	98,662,590.89	445,520,695.02	105,901,723.16

(2) Deferred income tax liabilities without offsetting

Inapplicable

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

Inapplicable

(4) Statement of deferred income tax asset not recognized

In RMB

Items	Ending balance	Opening balance
Offsetable provisional discrepancy	2,035,756.48	2,035,756.48
Total	2,035,756.48	2,035,756.48

(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 RMB

Items	Ending balance	Opening balance
Prepayment for equipment	7,458,521.88	5,118,833.65
Total	7,458,521.88	5,118,833.65

31. Short-term loans

(1) Classification of short-term loans

In RMB

Items	Ending balance	Opening balance
Secured borrowings	293,344,590.08	338,186,200.00
Credit borrowings	890,000,000.00	650,000,000.00
Total	1,183,344,590.08	988,186,200.00

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

Inapplicable

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

Inapplicable

33. Derivative financial liabilities

Inapplicable

34. Notes payable

Inapplicable

35. Accounts payable**(1) Statement of accounts payable**

In RMB

Items	Ending balance	Opening balance
Loan	93,779,278.60	111,750,463.34
Payment for materials	11,080,449.21	20,477,883.44
Engineering warranty fee	211,339.76	23,711,339.76
Total	105,071,067.57	155,939,686.54

(2) Significant accounts payable with age exceeding 1 year

Inapplicable

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

In RMB

Items	Ending balance	Opening balance
Loan	15,338,733.94	14,823,613.26
Rental	3,097,503.75	3,207,516.61
Total	18,436,237.69	18,031,129.87

(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 RMB

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance
I. Short term	38,910,666.81	219,931,896.02	240,850,957.32	17,991,605.51

remuneration				
II. Post-employment Benefit- Defined Contribution Plan	486,081.14	17,464,331.84	17,949,547.78	865.20
III. Dismissal welfare	0.00	2,835,626.03	2,835,626.03	0.00
Total	39,396,747.95	240,231,853.89	261,636,131.13	17,992,470.71

(2) Statement of short-term remuneration

In RMB

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance
1. Salaries, bonus, allowance and subsidy	38,695,841.28	197,120,505.36	218,083,838.14	17,732,508.50
2. Employee's welfare		5,014,645.55	5,014,645.55	0.00
3. Social insurance premium		7,754,877.77	7,754,877.77	
Including:				
Medical insurance premium		6,866,719.31	6,866,719.31	0.00
Service injury insurance premium		344,592.44	344,592.44	0.00
Maternity insurance premium		543,566.02	543,566.02	0.00
4. Housing provident fund		7,796,409.01	7,796,409.01	0.00
5. Trade union dues and employee's education budget	214,825.53	2,107,930.33	2,063,658.85	259,097.01
8. Other short term remuneration		137,528.00	137,528.00	0.00
Total	38,910,666.81	219,931,896.02	240,850,957.32	17,991,605.51

(3) Statement of defined contribution plan

In RMB

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance
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1. Basic endowment insurance premium	837.80	16,747,177.31	16,747,149.91	865.20
2. Unemployment insurance premium	0.00	717,154.53	717,154.53	0.00
3. Enterprise annuity payment	485,243.34	0.00	485,243.34	0.00
Total	486,081.14	17,464,331.84	17,949,547.78	865.20

38. Taxes payable

In RMB

Items	Ending balance	Opening balance
Value-added tax	40,077,675.98	38,446,286.82
Consumption tax	0.00	
Business tax	180,829.69	585,194.96
Business income tax	4,176,803.21	27,163,568.79
Individual income tax	825,803.07	1,102,201.03
Urban maintenance and construction tax	301,679.39	612,201.25
Real estate tax	571,712.73	45,596.12
Education surcharge	167,143.85	395,801.04
Stamp duty	220,901.71	242,297.50
Dyke protection surcharge	5,201.89	22,414.09
Others	128,141.56	306,171.21
Total	46,655,893.08	68,921,732.81

39. Interest payable

In RMB

Items	Ending balance	Opening balance
Interest of long term loans with interest payment by installment and repayment of principal at maturity	126,987.97	605,563.29
Interest of the enterprise bond		16,800,000.00
Interest of short term loan payable	1,669,872.93	1,806,066.73
Total	1,796,860.90	19,211,630.02

40. Dividend payable

Inapplicable

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

In RMB

Items	Ending balance	Opening balance
Collateral and deposit	17,629,643.55	17,427,761.30
Refurbishment expense	2,151,081.00	4,268,223.01
Down payment	137,989.06	3,052,393.03
Fund for shop-front activities	3,945,441.90	8,504,697.12
Personal account payable	1,390,935.79	1,802,485.42
Incomings and outgoings among FIYTA internal related parties	0.00	0.00
Housing allowances	0.00	1,760,000.00
Placement costs	0.00	1,146,772.99
Others	14,031,912.07	10,169,283.33
Total	39,287,003.37	48,131,616.20

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

In RMB

Items	Ending balance	Cause of remaining outstanding or carry-over
Shenzhen Tencent Computer System Co., Ltd.	4,693,429.16	Still in the lease term
Grand fortress corporation limited	1,693,141.66	Not yet settled
Oracle R&D Center (Shenzhen) Limited	811,590.00	Still in the lease term
Wu Dongmei	700,000.00	Still in the lease term
CATIC Property Management Co., Ltd.	472,032.00	Still in the lease term
Shenzhen Xiangya Food Co., Ltd.	471,760.00	Still in the lease term
CATIC Real Estate Co., Ltd.	424,800.00	Still in the lease term
Wen Qingbo(which has been changed into Wen Jianbo)	416,700.00	Still in the lease term

Shenzhen Honestar Technologies Co., Ltd	375,144.00	Still in the lease term
Shenzhen Good Family Sports-Ware Chain Limited	351,030.00	Still in the lease term
Shenzhen Yitianxun Technology Co., Ltd.	345,435.66	Still in the lease term
Shenzhen Uni-phone Self-service Kara-Ok Entertainment Supermarket Limited	334,880.00	Still in the lease term
Shenzhen Oriental Boiler Control Co., Ltd.	318,491.60	Still in the lease term
Shenzhen Yongantang Chain Pharmacy Limited	301,644.00	Still in the lease term
China Tenth Metallurgy Group Limited Corporation	300,000.00	Still in the lease term
Shenzhen CATIC City Investment Co., Ltd.	244,068.00	Still in the lease term
Broadway Technology (Shenzhen) Co., Ltd.	243,547.28	Still in the lease term
Shenzhen Hangjian Engineering Cost Consultation Co., Ltd	242,424.00	Still in the lease term
Total	12,740,117.36	--

42. Liabilities classified as held-for-sale liabilities

Inapplicable

43. Non-current liabilities due within one year

In RMB

Items	Ending balance	Opening balance
Long-term loan due within one year	119,728,000.00	108,914,000.00
Total	119,728,000.00	108,914,000.00

44. Other current liabilities

In RMB

Items	Ending balance	Opening balance
Short term bonds payable	0.00	0.00

Accrued expenses	20,876,226.66	1,988,252.38
Total	20,876,226.66	1,988,252.38

45. Long-term Loan

(1) Classification of Long-term Borrowings

In RMB 元

Items	Ending balance	Opening balance
Pledged borrowings	5,983,991.44	5,877,036.33
Secured borrowings	239,589,928.00	194,031,928.00
Less: Long-term borrowings due within 1 year	-119,728,000.00	-108,914,000.00
Total	125,845,919.44	90,994,964.33

Other notes, including the interest rate interval:

- ① There was no long term loan already due but still remaining outstanding.
- ② As stated in Note VII.19, the property with the book cost of RMB 26,852,039.58 (net value of RMB 20,596,594.27) was used as the collateral for the long term loan amounting to RMB 5,983,991.44.
- ③ For the detail about the guarantee to related parties, refer to Note XII.5(4).

46. Liabilities Payable

(1) Bonds payable

In RMB

Items	Ending balance	Opening balance
12 YADA Bond	0.00	399,823,760.28
Total	0.00	399,823,760.28

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

In RMB

Bond name	Par value	Issuing date	Bond time limit	Issuance amount	Opening balance	Issuing in the reporting period	Interest provided based on the	Amortization of premium and discount	Repayment in the reporting period		Ending balance

							book value	nt			
12 YADA Bond	400,00 0,000. 00	2013-2 -27	3+2 years	400,00 0,000. 00	399,82 3,760. 28	0.00	3,360, 000.00	176,23 9.72	400,00 0,000. 00		0.00
Total	--	--	--	400,00 0,000. 00	399,82 3,760. 28	0.00	3,360, 000.00	176,23 9.72	400,00 0,000. 00		0.00

(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 in defined benefit plan

Inapplicable

49. Special accounts payable

Inapplicable

50. Predicted liabilities

Inapplicable

51. Deferred income

In RMB

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance	Reasons of formation
Government subsidies	4,300,000.00	500,000.00	0.00	4,800,000.00	
Total	4,300,000.00	500,000.00	0.00	4,800,000.00	--

Items involving government subsidies:

In RMB

Projects in debt	Opening balance	Amount of newly added subsidy in the reporting period	Amount counted to the non-operating income in the reporting period	Other changes	Ending balance	In connection with asset/in connection with income
Special fund for Shenzhen industrial design industry development (Note①)	1,500,000.00	0.00	0.00		1,500,000.00	Asset related
Financing project for construction of enterprise technology center certified by the state (Note②)	2,000,000.00	0.00	0.00		2,000,000.00	Asset related
Key technology R & D project for DF101 Airplane standard timing system (Note③)	800,000.00	0.00	0.00		800,000.00	Income related
Reward from the 17 th Patent Award	0.00	500,000.00			500,000.00	Income related
Total	4,300,000.00	500,000.00	0.00		4,800,000.00	--

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.

52. Other non-current liabilities

Inapplicable

53. Capital stock

In RMB

	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

Other Note:

The aforesaid capital stock has been verified by Grant Thornton Certified Public Accountants (Special General Partnership) with the Capital Verification Report ZHI TONG YAN ZI (2015) No. 441ZC065.

54. Other equity instruments

Inapplicable

55. Capital reserve

In RMB

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance
Capital premium (capital stock premium)	1,047,963,195.57	0.00	0.00	1,047,963,195.57
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 RMB

Items	Opening balance	Amount incurred in the reporting period					Ending balance
		Amount incurred before income tax in the reporting period	Less: gain/loss previously recorded in other comprehensive gains transferred to the current gain/loss	Less: Income tax expense	Attributable to parent company after tax	Attributable to minority shareholders after tax	
II. Other comprehensive income which cannot be re-classified into the gain and loss in future	-17,145,189.71	9,649,898.67			9,577,876.71	72,021.96	-7,567,313.00
Translation difference in financial statements expressed in foreign currency	-17,145,189.71	9,649,898.67			9,577,876.71	72,021.96	-7,567,313.00
Total other comprehensive income	-17,145,189.71	9,649,898.67			9,577,876.71	72,021.96	-7,567,313.00

Other note: Adjustment of the initially recognized amount of the valid part of the gain/loss of cash-flow hedge converted into arbitrated items:

Note: Net after-tax other comprehensive income incurred in current period is RMB 9,649,898.67. Amongst, the amount attribute to parent company shareholders is RMB9,577,876.71, and net other after-tax comprehensive income attributable to minority shareholders incurred in the reporting period amounted to RMB 72,021.96.

58. Special reserve

Inapplicable

59. Surplus reserve

In RMB

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance
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Statutory surplus reserve	117,758,183.15	0.00	0.00	117,758,183.15
Discretionary surplus reserve	61,984,894.00	0.00	0.00	61,984,894.00
Total	179,743,077.15	0.00	0.00	179,743,077.15

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

In accordance with the Company Law and the Articles of Association, the Company provides the Statutory surplus reserve based on 10% of the Company's net profit. The statutory surplus reserve may no longer be provided when the accumulative amount of the statutory surplus reserve becomes more than 50% of the Company's registered capital.

60. Retained earnings

In RMB

Items	Reporting period	Previous period
Before adjustment: Retained earnings at the end of the previous period	635,417,237.55	566,819,577.37
After adjustment: Retained earnings at the beginning of the reporting period	635,417,237.55	566,819,577.37
Plus: Net profit attributable to the parent company's owner in the report period	60,332,425.80	73,109,419.73
Dividends of common shares payable	43,874,488.10	39,276,787.00
Retained earnings at year end	651,875,175.25	600,652,210.10

61. Operation Income and Costs

In RMB

Items	Amount incurred in the reporting period		Amount incurred in the previous period	
	Income	Cost	Income	Cost
Principal business	1,469,081,337.25	880,864,674.10	1,673,028,130.56	1,036,384,680.04
Other business	10,446,445.93	798,606.41	10,765,117.03	1,597,041.31
Total	1,479,527,783.18	881,663,280.51	1,683,793,247.59	1,037,981,721.35

62. Business Taxes and Surcharges

In RMB

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Consumption tax	0.00	0.00

Business tax	2,121,487.67	2,674,030.74
Urban maintenance and construction tax	6,135,806.40	6,808,734.25
Education surcharge	4,299,104.46	4,757,348.20
Others	512,183.59	838,503.36
Total	13,068,582.12	15,078,616.55

63. Sales expenses

In RMB

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Wages	128,204,790.69	129,998,396.21
Long-term expenses to be apportioned	50,513,483.05	48,078,068.57
Market promotion	43,982,810.03	37,009,378.62
Rental	31,632,919.79	32,849,091.00
Supermarket expenses	25,425,759.57	25,749,987.82
Advertisement	20,858,769.36	29,778,834.08
Labor insurance	18,582,742.25	19,265,374.37
Exhibition	10,030,786.86	6,977,469.24
Depreciation	6,640,615.39	7,141,527.36
Packing	6,555,952.03	7,984,140.77
Others	35,579,011.09	41,464,959.88
Total	378,007,640.11	386,297,227.92

64. Administrative Expenses

In RMB

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Wages	46,178,475.38	45,287,133.52
R & D costs	18,483,969.94	18,788,221.52
Labor insurance	4,431,637.75	5,067,404.28
Depreciation	4,052,492.67	4,068,125.00
Business travel	2,666,524.90	3,541,532.40
Administrative expenses	2,027,004.60	2,110,915.63
Remuneration to agent(s) engaged by the Company	1,946,271.53	1,966,345.00

Housing provident fund	1,922,608.21	1,533,670.91
Long-term expenses to be apportioned	1,547,461.28	1,443,837.13
Welfare	1,433,879.77	1,262,184.36
Others	10,156,683.57	15,061,806.90
Total	94,847,009.60	100,131,176.65

65. Financial expenses

In RMB

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Interest payment	33,210,251.79	46,490,128.21
Less: Capitalized interest	2,193,208.35	1,239,280.88
Less: interest income	1,755,470.96	885,212.57
Exchange losses	283,183.66	877.53
Service charges and others	5,177,171.78	6,523,274.50
Total	35,230,653.98	50,889,786.79

66. Loss from impairment of assets

In RMB

Items	Amount incurred in the reporting period	Amount incurred in the previous period
I. Loss from bad debt	1,441,224.55	-315,964.63
II. Loss from price falling of inventories	0.00	-57,094.98
Total	1,441,224.55	-373,059.61

67. Income from change of the fair value

Inapplicable

68. Return on investment

In RMB

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Return on long term equity investment based on equity method	172.19	250,015.75
Total	c172.19	250,015.75

69. Non-operating income

In RMB

Items	Amount incurred in the reporting period	Amount incurred in the previous period	Amount recorded in the non-recurring gain/loss in the reporting period
Total gains from disposal of non-current asset	10,960.00	69,750.00	0.00
Including: Income from disposal of fixed assets	10,960.00	69,750.00	10,960.00
Government subsidies	815,000.00	1,603,451.99	815,000.00
Disposal of accounts payable which are impossible to be paid	99,618.61	108,732.73	99,618.61
Others	476,781.67	67,900.55	476,781.67
Total	1,402,360.28	1,849,835.27	1,402,360.28

Government subsidy counted to the current gain and loss:

In RMB

Subsidy Items	Granting principal	Cause of granting	Nature type	Did the subsidy affect the gain/loss of the very year	Is it a special subsidy	Amount incurred in the reporting period	Amount incurred in the previous period	In connection with asset/in connection with income
Honorable Mention of 17 th Chinese Patent Award (Note①)	State Intellectual Property Office of the P.R.C.	Reward	Subsidy for R&D, technology upgrading & improvement, etc.	No	No	600,000.00		earnings related
Honorable mention at the 17 th Chinese Industrial Design Award (Note 2)	State Intellectual Property Office of the P.R.C.	Reward	Subsidy for R&D, technology upgrading & improvement, etc.	No	No	100,000.00		earnings related
Government subsidy for BaselWorld	Shenzhen Watch & Clock Association	subsidy	Subsidy obtained due to engagement	No	No	60,000.00	431,491.63	earnings related

2016 received from Shenzhen Watch & Clock Association (Note 3)			in specific businesses and industries encouraged and supported by the state (obtained legally according to the provisions of national policy)					
Financial support from Bao'an District, Shenzhen for implementing standardized strategic proujects (Note 4)	Bao'an District Government Shenzhen	subsidy	Subsidy for R&D, technology upgrading & improvement, etc.	No	No	50,000.00		earnings related
Shenzhen First Batch of Patent Financial Support Fund 2016 (Note 5)	Market & Quality Supervision Commission of Shenzhen Municipality	subsidy	Subsidy for R&D, technology upgrading & improvement, etc.	No	No	5,000.00		earnings related
Honorable mention at the 15 th Chinese Industrial Design Award	State Intellectual Property Office of the P.R.C.	Reward	Subsidy for R&D, technology upgrading & improvement, etc.	No	No		100,000.00	earnings related
Monetary reward from 2013 Science & Technology Award of Guangdong Province	the People's Government of Guangdong Province	Reward	Subsidy for R&D, technology upgrading & improvement, etc.	No	No		50,000.00	earnings related

Financial support for encouraging brand cultivating project	Economy, Trade and Information Commission of Shenzhen Municipality	Subsidy	Subsidy obtained due to engagement in specific businesses and industries encouraged and supported by the state (obtained legally according to the provisions of national policy)	No	No		900,000.00	earnings related
Financial support from Shenzhen Association of Staff and Workers Education and Vocational Training	Shenzhen Association of Staff and Workers Education and Vocational Training	Subsidy	Subsidy obtained due to engagement in specific businesses and industries encouraged and supported by the state (obtained legally according to the provisions of national policy)	No	No		121,960.36	earnings related
Total	--	--	--	--	--	815,000.00	1,603,451.99	--

Other notes:

1. It refers to the honorable mension and the supporting pmonetary award at the 17th Chinese Patent Award obtained in accordance with Document GUO ZHI FA GUAN ZI (2015) No. 67 issued by the State Intellectaul Property Office of the P.R.C.;

2. It refers to the honorable mention at the 17th Chinese Industrial Design Award obtained according to Document GUO ZHI FA GUAN ZI (2015) No. 67 issued by the State Intellectaul Property Office of the P.R.C.;

3. It refers to the subsidy for BaselWorld 2016 provided by Shenzhen Watch & Clock Association

4. It refers to the financial support from Bao'an District, Shenzhen for implementing standardized strategic projects in accordance with the Measures of Bao'an District on Management of the Special Financial Fund at District Level (SHEN

BAO GUI (2013) No. 14) and the Operation Specifications of Bao'an District for Implementation of the Standardized Strategic Financial Support (SHEN BAO FU BAN [2013] No. 15);

5. It refers to the patent financing fund distributed by Market & Quality Supervision Commission of Shenzhen Municipality in accordance with the Measures for Management of the Special Fund for Intellectual Property in Shenzhen (SHEN CAI GUI (2014) No. 18).

70. Non-operating expenses

In RMB

Items	Amount incurred in the reporting period	Amount incurred in the previous period	Amount recorded in the non-recurring gain/loss in the reporting period
Total loss from disposal of the non-current assets	94,833.03	35,549.22	0.00
Including: Loss from disposal of fixed assets	94,833.03	35,549.22	94,833.03
External donation	300,000.00	300,000.00	300,000.00
Others	134,135.99	9,851.37	134,135.99
Total	528,969.02	345,400.59	

71. Income tax expense

(1) Income tax expenses

In RMB

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Current income tax expense	8,540,581.27	31,859,444.11
Deferred income tax expense	7,239,132.27	-9,597,783.88
Total	15,779,713.54	22,261,660.23

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

In RMB

Items	Amount incurred in the reporting period
Total profit	75,962,362.12
Income tax expense calculated according to the statutory/applicable tax rate	18,945,485.17
Influence from applicable different tax rates on subsidiaries	-2,838,458.02
Influence from adjustment of the income tax of the previous	120,770.31

period	
Influence of non-taxable income	45,105.36
Influence from un-deductable costs, expenses and losses	79,310.72
Influence from use of the offsetable loss from the deferred income tax asset not recognized in the previous period	0.00
Influence from the offsetable provisional difference or offsetable loss of the unrecognized deferred income tax asset at the end of the reporting period	0.00
Influence from the addition of the R & D expenses upon deduction of tax payment (to be stated with "-")	-572,500.00
Income tax expense	15,779,713.54

72. Other comprehensive income

For the detail, refer to Note VII.57.

73. Cash Flow Statement Items

(1) Other operation activities related cash receipts

In RMB

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Commodity promotion	8,451,835.60	9,333,292.34
Government subsidies	1,315,000.00	1,603,451.99
Deposit	1,454,782.40	1,182,075.52
Interest income	1,755,470.96	885,212.57
Reserves	63,375.00	203,646.34
Others	438,659.98	1,512,829.43
Total	13,479,123.94	14,720,508.19

(2) Other cash paid in connection with operation activities

In RMB

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Rental	32,846,280.51	34,001,507.19
Market promotion	31,982,263.58	28,278,326.28
Supermarket expenses	25,425,759.57	25,749,987.82
Advertisement	17,028,769.36	27,118,834.08

R & D costs	15,484,698.94	16,624,631.81
Business travel	7,011,217.23	9,281,083.68
Packing	6,555,952.03	7,984,140.77
Water and electricity	6,544,217.89	7,361,322.68
Exhibition	6,070,786.86	1,057,469.24
Administrative expenses	5,371,803.27	6,997,934.01
Others	7,729,310.67	39,277,299.94
Total	162,051,059.91	203,732,537.50

(3) Cash received from other investment related activities

Inapplicable

(4) Cash paid for other investment related activities

Inapplicable

(5) Other financing related cash received

In RMB

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Letter of Credit	0.00	13,500,000.00
Total	0.00	13,500,000.00

(6) Other financing related cash paid

In RMB

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Borrowings paid to related parties	0.00	100,000,000.00
Bank financial charges	0.00	420,000.00
Fund raising related charges paid	971,661.19	0.00
Others	21,008.00	31,008.00
Total	992,669.19	100,451,008.00

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

In RMB

Supplemental Information	Amount in the reporting period	Amount in the previous period
1. Net cash flows arising from adjustment of net profit into operating activities:	--	--
Net profit	60,182,648.58	73,280,568.14
Plus: Provisions for impairment of assets	1,441,224.55	-373,059.61
Depreciation of fixed assets, oil and gas assets, production based biological asset	17,832,320.31	18,916,809.59
Amortization of intangible assets	702,150.52	689,122.13
Long-term expenses to be apportioned	56,454,986.83	53,661,523.66
Loss (income is stated with "-") from disposal of fixed assets, intangible assets and other long term assets	83,873.03	-34,200.78
Financial expenses (income is stated with "-")	31,017,043.44	46,490,128.21
Investment loss (income is stated with "-")	-172.19	-250,015.75
Decrease of deferred income tax asset (increase is stated with "-")	7,239,132.27	-8,468,887.13
Increase of deferred income tax asset (decrease is stated with "-")		130,940.80
Decrease of inventories (increase is stated with "-")	102,198,794.50	37,599,295.21
Decrease of operative items receivable (increase is stated with "-")	-18,426,361.60	-110,237,568.24
Increase of operative items receivable (decrease is stated with "-")	-41,296,501.34	60,849,122.33
Net cash flow arising from operating activities	217,609,732.54	172,253,778.56
2. Significant investment and fund-raising activities not involved in cash income and expenses:	--	--
3. Net change of cash and cash equivalents:	--	--
Ending cash balance	497,096,980.62	158,879,732.91
Less: Opening cash balance	637,387,875.93	114,880,070.54
Net increase in cash and cash equivalents	-140,290,895.31	43,999,662.37

(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 RMB

Items	Ending balance	Opening balance
I. Cash	497,096,980.62	637,387,875.93
III. Balance of cash and cash equivalent at the end of the report period	497,096,980.62	637,387,875.93

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

Inapplicable

76. Assets restricted in ownership or use right

In RMB

Items	Book value at the end of the period	Cause of restriction
Monetary funds	1,575,000.00	Cash deposit by L/G
Fixed assets	20,596,594.27	Long-term loan collateral
Total	22,171,594.27	--

77. Foreign currency monetary items**(1) Foreign currency monetary items**

In RMB

Items	Ending foreign currency balance	Conversion rate	Ending Renminbi balance after conversion
Monetary funds	--	--	
Where: USD	589,265.83	6.6312	3,907,539.56
Euro	524.45	7.375	3,867.82
HKD	600,074.98	0.85467	512,866.08
CHF	150,092.93	6.773	1,016,579.41

Accounts receivable	--	--	
Where: USD	23,214.00	6.6312	153,936.68
Euro			
HKD	13,883,895.00	0.85467	11,866,148.54
CHF	761,008.77	6.773	5,154,312.40
Advance to suppliers			
Where: HKD	5,584,615.24	0.85467	4,773,003.11
CHF	3,600,274.88	6.773	24,384,661.76
Other receivables			
Where: HKD	9,208,296.98	0.85467	7,870,055.18
CHF	1,334.03	6.773	9,035.39
Accounts payable			
Where: HKD	11,283,299.00	0.85467	9,643,497.16
CHF	161,249.16	6.773	1,092,140.56
Advance from customers			
Where: HKD	583,606.75	0.85467	498,791.18
Other payables			
Where: HKD	2,853,487.12	0.85467	2,438,789.84
CHF	20,329.36	6.773	137,690.76
Short-term Loan			
Where: HKD	34,258,558.00	0.85467	29,280,789.52
CHF	600,000.00	6.773	4,063,800.00
Non-current liabilities due within a year			0.00
Where: HKD	140,081,900.00	0.85467	119,728,000.00
Long term borrowings	--	--	
Where: USD			
Euro			
HKD	410,639.00	0.85467	361,928.00
CHF	831,687.00	6.773	5,633,017.50

(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 of important overseas operating entities and the function currencies for bookkeeping,

refer to Note V.4.

78. Hedging

Inapplicable

79. Others

Inapplicable

VIII. Change in consolidation scope

Inapplicable

IX. Equity in other entities

1. Equity in subsidiaries

(1) Composition of enterprise group

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

Company						
World Watches International	Hong Kong	Hong Kong	Commerce		100.00%	Establishment or investment
Sales Company	Shenzhen	Shenzhen	Commerce	100.00%		Establishment or investment
Hengdarui Company	Shenyang	Shenyang	Commerce		100.00%	Consolidation of enterprises under common control
Lishan Department Store Co.	Kunming	Kunming	Commerce		100.00%	Consolidation of enterprises not under common control
Switzerland Company	Switzerland	Switzerland	Commerce		100.00%	Consolidation of enterprises not under common control
Nature Art Limited	Hong Kong	Hong Kong	Commerce			①

Other note:

① According to the equity trust agreement signed by and between Station 68 a subsidiary of FIYTA Hong Kong and the trustee of Protop Limited on 10 December 2009, Station 68, as the trustor, owns shares, stock rights and related rights of Nature Art Limited and Protop Limited, and both parties agree that trustee may transfer its right anytime according to the instructions of trustor. Therefore, Station 68 owns the control right of Nature Art Limited and Protop Limited, and include them into its scope of consolidation.

(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

Inapplicable

3. Equity in joint venture arrangement or associates

(1) Important joint ventures or associates

Name of joint venture or associate	Principal business location	Place of registration	Business nature	Shareholding proportion		Accounting treatment method for investment in joint ventures or associates
				Direct	Indirect	
① Associate						
Shanghai Watch Industry	Shanghai	Shanghai	Manufacture	25.00%		Equity method

(2) Key financial information of important joint ventures

Inapplicable

(3) Key financial information of important associates

In RMB

	Ending balance/amount incurred in the reporting period	Opening balance/amount incurred in the previous period
Current assets	80,975,581.08	85,404,253.13
Non-Current Assets	20,494,397.42	20,902,422.63
Total assets	101,469,978.50	106,306,675.76
Current liabilities	5,799,237.85	9,638,478.88
Non-Current Liabilities	0.00	0.00
Total liabilities	5,799,237.85	9,638,478.88
Minority equity	0.00	0.00
Shareholders' equity attributable to the parent company	95,670,740.65	96,668,196.88
Portion of net assets calculated based on the shareholding ratio	23,917,685.16	24,167,049.22
Adjustment:	0.00	0.00

--Goodwill	0.00	0.00
--Unrealized profit of internal transaction	0.00	0.00
-- Others	0.00	0.00
Book value of the investment in the associate's equity	42,837,994.24	43,221,572.05
Fair value of the investment in the associate's equity with public offer	0.00	0.00
Operating revenue	38,165,667.56	46,811,242.00
Net profit	688.77	1,220,537.78
Net profit from termination of operation	0.00	0.00
Other comprehensive income	0.00	0.00
Total comprehensive income	688.77	1,220,537.78
Dividend received from the associates in the reporting period	0.00	0.00

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

Inapplicable

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

Inapplicable

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

Inapplicable

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

Inapplicable

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

Inapplicable

4. Important joint operation

Inapplicable

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

Inapplicable

6. Others

Inapplicable

X. Financial instruments and risk management

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

1. Risk management goals and policies

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

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

(1)Credit risk

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

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

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

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

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

Amount accounts receivable, the total accounts receivable of top 5 accounts with amount in arrear account for 7.14% of total accounts receivable of the Group (2015: 7.98%); in other accounts receivable, the total accounts receivable of top 5 accounts with amount in arrear account for 15.40% of total accounts receivable of the Group (2015: 17.79%).

(2) Liquidity risk

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

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

The Group finance operation funds through capital and bank and other borrowings incurred in operating business. As at 30 June 2016, bank borrowing facility that the Group has not yet used is RMB 1,200.14 million (30 June 2016: RMB 881.37 million).

Maturity analysis of financial liabilities and off-balance-sheet guarantee items by undiscounted remaining contract cash flow at the end of the period (Unit: RMB ten thousand):

Items	Ending balance				Total
	Within a year	one to two years	two to three years	Over 3 years	
Financial assets:					
Monetary fund	498,671,980.62				498,671,980.62
Notes receivable	8,808,123.43				8,808,123.43
Accounts receivable	338,353,834.12				338,353,834.12
Other receivables	46,358,441.80				46,358,441.80
Other current assets	11,059,605.27				11,059,605.27
Other non-current assets	7,458,521.88				7,458,521.88
Total financial assets	910,710,507.12	0.00	0.00	0.00	910,710,507.12
Financial Liabilities:					
Short-term Loan	1,183,344,590.08				1,183,344,590.08
Accounts payable	105,071,067.57				105,071,067.57
Interest payable	1,796,850.90				1,796,850.90
Other payables	39,287,003.37				39,287,003.37
Other current liabilities (with deferred income exclusive)	20,876,226.66				20,876,226.66

Long term borrowings	119,728,000.00	15,361,928.00	10,350,973.94	100,133,017.50	245,573,919.44
Bonds payable					0.00
Financial guarantee					544,572,590.08
			513,072,590.08	31,500,000.00	
			8	0	
Total financial liabilities and contingent liabilities	1,470,103,748.58	15,361,928.00	523,423,564.02	131,633,017.50	2,140,522,258.10

Maturity analysis of financial liabilities and off-balance-sheet guarantee projects held by the Group in the prior period according to cash flow of undiscounted remaining contracts (Unit: ten thousand RMB):

Items	Ending balance				Total
	Within a year	one to two years	two to three years	Over 3 years	
Financial assets:					
Monetary fund	63,896.29				63,896.29
Notes receivable	719.78				719.78
Accounts receivable	31,258.19				31,258.19
Other receivables	4,261.98				4,261.98
Other current assets	1,579.68				1,579.68
Other non-current assets	511.88				511.88
Total financial assets	102,227.80	0.00	0.00	0.00	102,227.80
Financial Liabilities:					
Short-term Loan	98,818.62				98,818.62
Accounts payable	15,593.97				15,593.97
Interest payable	1,921.16				1,921.16
Other payables	4,813.16				4,813.16
Other current liabilities (with deferred income exclusive)	198.83				198.83
Long term borrowings	10,891.40	2,255.35	2,000.00	4,844.15	19,990.90
Bonds payable	40,000.00				40,000.00
Financial guarantee			39,710.02	1,675.60	41,385.62
Total financial liabilities and contingent liabilities	172,237.14	2,255.35	41,710.02	6,519.75	222,722.26

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

(3) Market risk

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

Interest risk

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

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

As at 30 June 2016, if borrowing rate measured at floating rate rises or drops 50 base points, and other factors keep unchanged, net profit and shareholders' equity of the Group will decrease or increase about RMB 1.3647 million (As at 30 June 2015: RMB 0.88 million)

Exchange rate risk

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

Main operation of the Group is within China, and main businesses are settled in RMB. Therefore, the market risk of exchange fluctuations undertaken by the Company is not significant.

Refer to Details of other foreign currencies of Notes to the Financial Statement for financial assets of foreign currencies and financial liabilities of foreign currencies at the end of the period.

2. Capital management

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

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

The Group supervises capital structure based on asset liability ratio (total liabilities divided by total assets). As at 30 June 2016, the asset-liability ratio of the Group is 41.96% (30 June 2015: 56.09%).

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

Quotation of the same assets or liabilities in the active market (unadjusted).

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

Directly (price) or indirectly (derive from price) use observable input value other than market quote of assets or liabilities in the first level.

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

Use any input value not based on observable market data in assets or liabilities (unobservable input value).

(1) Items and amounts measured at fair value

As at 31 December 2014, there are no assets and liabilities measured at fair value.

(2) Items and amounts not measured at fair value but with fair value disclosed

Financial assets and financial liabilities measured at amortized cost mainly include: cash and bank balances, notes receivable, accounts receivable, other receivables, short-term loans, notes payable, accounts payable, other payables, long-term payables, etc.

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

Inapplicable

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

Inapplicable

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

Inapplicable

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

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

9. Others

Inapplicable

XII. Related party relationship and transactions

1. Details of the parent company of the Company

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

Note to the parent company of the Company:

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

Other note:

CATIC Shenzhen holds 33.93% shareholding of AVIC International Holdings. CATIC Shenzhen is a wholly owned subsidiary of China Aero Space International Holdings Limited (CASI), and China Aviation Industry Corporation (AVIC) directly holds 62.52% of the equity of CASI. 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 Group

Inapplicable

4. Other related parties of the Group

Names of other related parties	Relationship between other related parties and the Company
CATIC Property Management Co., Ltd.(CATIC Property)	Controlled by the same party
Shenzhen CATIC Building Technology Co., Ltd.(CATIC Building)	Controlled by the same party

Rainbow Supermarket Co., Ltd. (Rainbow Supermarket)	Controlled by the same party
Shennan Circuits Co., Ltd. (Shennan Circuits)	Controlled by the same party
CATIC Real Estate Co., Ltd. (CATIC Real Estate)	Controlled by the same party
CATIC Securities Co., Ltd.(CATIC Securities)	Controlled by the same party
Xi'an Skytel Hotel Co., Ltd. (Skytel Hotel)	Controlled by the same party
Shenzhen AVIC Nanguang Elevator Co., Ltd. (AVIC Nanguang)	Controlled by the same party
Shenzhen CATIC City Property Development Co., Ltd.(CATIC City Property)	Controlled by the same party
Shenzhen CATIC City Development Co., Ltd.(CATIC City Development)	Controlled by the same party
Shenzhen CATIC Guanlan Property Development Co., Ltd.(Guanlan Property)	Controlled by the same party
Shenzhen CATIC Changtai Investment Development Co., Ltd.(CATIC Changtai)	Controlled by the same party
Shenzhen CATIC 9 Square Assets Management Co., Ltd.(9 Square Assets)	Controlled by the same party
Ganzhou CATIC Real Estate Development Co., Ltd.(Ganzhou CATIC Real Estate)	Controlled by the same party
Shenzhen CATIC City Investment Co., Ltd.(CATIC City Investment)	Controlled by the same party
Chengdu CATIC Real Estate Development Co., Ltd.(Chengdu CATIC Real Estate)	Controlled by the same party
CATIC Electronic Measuring Instruments Co., Ltd(CATIC Electronic Measuring Instruments)	Controlled by the same party
Shenzhen CATIC Theme Real-estate Co., Ltd (CATIC Theme Real-estate)	Controlled by the same party
Shenzhen CATIC Group Enterprise Training Center	Controlled by the same party
Ganzhou CATIC 9 Square Commerce Co., Ltd.(Ganzhou 9 Square)	Controlled by the same party
Jiujiang CATIC City Real Estate Development Co., Ltd.(Jiujiang CATIC Real Estate)	Controlled by the same party
CATIC City Property (Kunshan) Co., Ltd.(CATIC City Property (Kunshan))	Controlled by the same party
Shenzhen CATIC Huacheng Real Estate Co., Ltd.(CATIC Huacheng Property)	Controlled by the same party
Shenzhen CATIC Curtain Wall Engineering Co., Ltd. (CATIC Curtain Wall Engineering)	Controlled by the same party

AVIC Finance Co., Ltd. (AVIC Finance)	Controlled by the same party
Diao Weicheng	Senior executive
Xu Dongsheng	Senior executive
Wang Mingchuan	Senior executive
Liu Aiyi	Senior executive
Zhong Sijun	Senior executive
Cao Zhen	Senior executive
Zhang Hongguang	Senior executive
Zhang Shunwen	Senior executive
Wang Yan	Senior executive
Sui Yong	Senior executive
Chen Zhuo	Senior executive
Sheng Qing	Senior executive
Chen Libin	Senior executive
Lu Bingqiang	Senior executive
Lu Wanjun	Senior executive
Hu Xinglong	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 RMB

Related party	Details of related transaction	Amount incurred in the reporting period	Transaction quota approved	Has it exceeded the transaction quota	Amount incurred in prior period
Rainbow Supermarket	Shopping mall expenses	804,897.94	5,000,000.00	No	2,245,772.14
CATIC Property	Property management fee	1,356,331.47	3,000,000.00	No	1,448,900.66
CATIC Curtain Wall Engineering	Engineering fee				210,000.00
CATIC Building	Engineering fee	890,979.82			89,021.67
CATIC Development	Engineering fee				100,000.00
AVIC Nanguang	Engineering fee				179,313.80

Shanghai Watch Industry	Purchase of materials				128,205.12
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Statement of sales of goods/supply of labor services

In RMB

Related parties	Description of related transaction	Amount incurred in the reporting period	Amount incurred in prior period
Rainbow Supermarket	Products and labor service	35,378,435.06	41,152,135.05
Aviation Industry Corporation of China	Sales of products	92,208.55	129,774.36
Shennan Circuits	Sales of materials	3,326,724.20	8,308,488.66

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

Inapplicable

(3) Related lease

The Company as lessor:

In RMB

Names of lessees	Categories of leasehold properties	Rental income recognized in the current period	Rental income recognized in prior period
CATIC Real Estate	Building	800,003.94	766,714.84
CATIC Property	Building	3,745,420.80	1,330,272.00
CATIC Securities	Building	578,548.58	562,320.00
CATIC City Property	Building	292,804.66	82,563.86
CATIC City Development	Building	11,834.37	11,341.94
Guanlan Property	Building	47,337.51	45,367.74
CATIC Changtai	Building		480,384.00
Skytel Hotel	Building	2,300,000.00	2,350,000.00
Rainbow Supermarket	Building	242,761.30	230,640.02
9 Square Assets	Building	178,932.00	181,818.00
CATIC City Investment	Building	729,392.16	218,657.29
CATIC Theme Real-estate	Building		353,338.00
CATIC Huacheng Property	Building	221,560.96	55,960.08

Company as a lessee:

In RMB

Name of lessor	Type of leased assets	Rental expenses charged in	Rental expenses charged in
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		current period	prior period
Ganzhou CATIC Real Estate	Building	531,426.25	509,379.75
Jiujiang CATIC Real Estate	Building	138,605.81	153,054.77
CATIC Changtai	Building	142,709.78	85,154.99
CATIC City Property (Kunshan)	Building	93,690.83	
Chengdu CATIC Real Estate	Building	400.00	

(4) Related guarantee

The Company as a guarantor

In RMB

Guarantees	Amount guaranteed	Effective date	Expiring date	If the guarantee finished?
HARMONY	50,000,000.00	November 20, 2015	November 19, 2018	No
HARMONY	60,000,000.00	December 2, 2015	December 1, 2018	No
HARMONY	50,000,000.00	December 2, 2015	August 12, 2018	No
HARMONY	100,000,000.00	December 30, 2015	December 19, 2018	No
FIYTA Hong Kong	42,735,000.00	July 11, 2013	July 11, 2018	No
FIYTA Hong Kong	42,735,000.00	August 5, 2013	August 5, 2018	No
FIYTA Hong Kong	17,094,000.00	January 6, 2014	July 11, 2018	No
FIYTA Hong Kong	17,164,000.00	March 3, 2014	January 11, 2019	No
FIYTA Hong Kong	19,708,150.08	September 16, 2015	September 15, 2018	No
FIYTA Hong Kong	5,982,900.00	July 9, 2015	July 8, 2018	No
FIYTA Hong Kong	3,589,740.00	May 18, 2016	May 18, 2019	No
FIYTA Hong Kong	4,063,800.00	June 8, 2016	June 8, 2019	No

The Company as the guaranteee

In RMB

Guarantors	Amount guaranteed	Effective date	Expiring date	If the guarantee finished?
AVIC International	361,928.00	Decenver 24, 2013	December 25, 2018	No
AVIC International	5,000,000.00	January 15, 2014	June 24, 2019	No
AVIC International	10,000,000.00	September 5, 2014	June 24, 2020	No
AVIC International	10,000,000.00	January 8, 2015	June 24, 2020	No
AVIC International	20,000,000.00	January 26, 2015	June 24, 2021	No
AVIC International	6,000,000.00	May 27, 2015	June 24, 2021	No

AVIC International	10,000,000.00	October 28, 2015	June 24, 2021	No
AVIC International	7,000,000.00	December 1, 2015	December 24, 2021	No
AVIC International	15,000,000.00	January 25, 2016	December 23, 2025	No
AVIC International	10,000,000.00	January 15, 2016	December 23, 2025	No
AVIC International	2,000,000.00	April 20, 2016	December 23, 2025	No
AVIC International	7,500,000.00	May 5, 2016	December 23, 2025	No
AVIC International	17,000,000.00	May 19, 2016	December 23, 2025	No
HARMONY	100,000,000.00	April 11, 2016	April 11, 2019	No

(5) Borrowings and lendings among related parties

Inapplicable

(6) Assets assignment and liabilities reorganization of related parties

Inapplicable

(7) Remuneration to senior executives

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Remuneration to senior executives	4,230,100.00	4,704,100.00

(8) Other related transactions

Inapplicable

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

In RMB

Description	Related parties	Ending balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Rainbow Supermarket	12,446,569.27	622,328.46	8,012,826.57	400,641.33
	Shennan Circuits	1,087,057.65	54,352.88	1,474,023.97	73,701.20
	Ganzhou 9 Square	150,393.00	7,519.65	289,621.00	14,481.05
	Aviation Industry Corporation of China	31,808.00	1,590.40	13,500.00	675.00

Notes receivable	Shennan Circuits	2,705,209.46	135,260.47	5,697,788.08	0.00
Other receivables	Rainbow Supermarket	708,130.00	35,406.50	563,140.00	28,157.00
	CATIC Property	504,518.88	25,225.94	225,853.69	11,292.68
	Ganzhou 9 Square	0.00	0.00	122,665.60	6,133.28
	Chengdu CATIC Real Estate	0.00	0.00	115,616.40	5,780.82
	CATIC Changtai	50,000.00	2,500.00	50,000.00	2,500.00
	Jiujiang CATIC Real Estate Co., Ltd.	50,000.00	2,500.00	50,000.00	2,500.00
	CATIC City Property (Kunshan)	42,120.00	2,106.00	37,120.00	1,856.00
	Ganzhou CATIC Real Estate	122,665.60	6,133.28	0.00	0.00
	CATIC City Property	97,513.42	4,875.67	0.00	0.00
	CATIC Huacheng Property	77,617.68	3,880.88	0.00	0.00
	Shenzhen CATIC Group Enterprise Training Center	150,000.00	7,500.00	0.00	0.00

(2) Payables

In RMB

Description	Related parties	Ending book balance	Opening book balance
Advance receipt	CATIC Real Estate	133,848.00	133,848.00
	Rainbow Supermarket	39,119.05	0.00
	CATIC City Development	1,980.00	0.00
	CATIC Property	45,165.82	0.00
	Other payables	CATIC Property	472,032.00
	CATIC Real Estate	424,800.00	424,800.00
	CATIC City Investment	244,068.00	244,068.00
	CATIC Securities	187,440.00	187,440.00
	CATIC City Property	97,912.32	97,912.32

	CATIC Huacheng Property	73,819.68	73,819.68
	9 Square Assets	60,606.00	60,606.00
	Rainbow Supermarket	60,000.00	60,000.00
	Chengdu CATIC Real Estate		16,492.75
	CATIC Building	23,765.46	9,630.00
	CATIC City Development	3,960.00	3,960.00

7. Related parties' commitments

Inapplicable

8. Others

The Group's outstanding of deposits with AVIC Finance at the end of the reporting period amounted to RMB 1,005,192.55, of which the interest of the deposit received in the reporting period amounted to RMB 2,320.90.

XIII. Stock payment

Inapplicable

XIV. Commitments and contingencies

1. Important commitments

Important commitments existing on balance sheet date

(1) Capital commitment

Capital commitments already signed but not yet recognized in the financial statements	End of the reporting period	Beginning of the reporting period
Commitment for purchase/ construction of long term assets	62,019,127.85	142,640,588.31

(2) Operating lease commitment

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

Minimum rent payment of irrevocable operating lease	End of the reporting period	Beginning of the reporting period
1 st year after the balance sheet date	17,658,908.30	14,437,021.28
2 nd year after the balance sheet date	17,795,643.50	18,385,548.63

3 rd year after the balance sheet date	7,804,932.25	8,701,355.74
Subsequent years	5,243,340.51	3,008,648.97
Total	48,502,824.56	44,532,574.62

(3) Other commitments

There existed no other commitments necessary to be disclosed ended 30th June, 2016.

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

(1) Contingent liabilities arising from debt guarantee for other organizations and the consequent affect on the finance. For the details about the outward guarantees to various companies within the consolidation and the mutual guarantees with the parent company and subsidiaries, refer to Note XII.5(4).

(2) There existed no such contingencies as unsettled suit, outward guarantee, etc. necessary to be disclosed ended June 30, 2016.

(3) There existed no other contingencies necessary to be disclosed in the Group ended June 30, 2016.

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

There existed no such contingencies in the Company.

3. Others

Inapplicable

XV. Events after balance sheet day**1. Significant non-adjustment events**

Inapplicable

2. Profit distribution

In RMB

Profit or dividend planned to be distributed	43,874,488.10
Profit or dividend announced for distribution through consideration and approval	43,874,488.10

3. Sales return

Inapplicable

4. Note to other matters after the balance sheet date

Inapplicable

XVI. Other significant events

Inapplicable

XVII. Notes to the parent company's financial statements**1. Accounts receivable**

Inapplicable

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

In RMB

Categories	Ending balance					Opening balance				
	Book Balance		Provision for bad debt		Book value	Book Balance		Provision for bad debt		Book value
	Amount	Proportion	Amount	Provision proportion		Amount	Proportion	Amount	Provision proportion	
Other receivables for which bad debt reserve has been provided based on the portfolio with credit risk characteristics	1,259,896,942.24		27,552.41		1,259,869,389.83	1,527,784,369.59	100.00%	27,552.41	5.00%	1,527,756,817.18
Individually insignificant other receivables for which bad debt reserve has been separately provided	0		0		0.00	0	0	0	0	0
Total	1,259,896,942.24		27,552.41		1,259,869,389.83	1,527,784,369.59	100.00%	27,552.41	5.00%	1,527,756,817.18

	6,942.24		1		9,389.83	784,369.59	%	1		817.18
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Other receivables that are individually significant in amount and provided for bad debt separately at the end of period:

Inapplicable

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

In RMB

Age	Ending balance		
	Other receivables	Provision for bad debt	Provision proportion
Itemized based on those within 1 year			
Sub-total within 1 year	2,593,468.98	27,552.41	5.00%
Total	2,593,468.98	27,552.41	

Note to the basis for determining that portfolio:

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

Inapplicable

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

Name of portfolio	Book Balance	Provision for bad debt	Provision proportion %
Portfolio of specific accounts	1,257,303,473.26	-	-

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

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

Bad debt provision accrued is RMB 0.00 in current period; The amount received or reversed bad debt provision in current period was RMB 100,572.48.

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

Inapplicable

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

In RMB

Nature of Payment	Ending book balance	Opening book balance
Dealings among related parties within the consolidation scope	1,257,171,983.27	1,527,077,899.87
Reserve	131,489.99	155,421.46

Deposit in security	104,050.00	64,050.00
Others	2,489,418.98	486,998.26
Total	1,259,896,942.24	1,527,784,369.59

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

In RMB

Company names	Nature of Payment	Ending balance	Age	Proportion in total ending balance of other receivables	Ending balance of the provision for bad debts
HARMONY	Current accounts	902,246,064.08	Within 1 year	71.61%	
Sales Company	Current accounts	277,056,189.61	Within 1 year 271,222,797.15 1-2 years 5,833,392.46	21.99%	
Emile Choureit Shenzhen Company	Current accounts	61,172,432.93	Within 1 year	4.86%	
Technology Company	Current accounts	13,591,901.58	Within 1 year 4,176,512.77 1-2 years 9,415,388.81	1.08%	
Manufacture Co.	Current accounts	1,612,099.65	Within 1 year	0.13%	
Total	--	1,255,678,687.85	--		

(6) Accounts receivable in connection with government subsidy

Inapplicable

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

Inapplicable

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

Inapplicable

3. Long term equity investment

In RMB

Items	Ending balance	Opening balance
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	Book Balance	Impairment reserve	Book value	Book Balance	Impairment reserve	Book value
Investment in subsidiaries	1,213,169,720.00	0.00	1,213,169,720.00	770,899,720.00	0.00	770,899,720.00
Investment in associates and joint ventures	42,837,994.24	0.00	42,837,994.24	43,221,572.05	0.00	43,221,572.05
Total	1,256,007,714.24	0.00	1,256,007,714.24	814,121,292.05	0.00	814,121,292.05

(1) Investment in subsidiaries

In RMB

Investees	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance	Provision reserve provided in the reporting period	Ending balance of the provision for impairment
HARMONY	601,307,200.00			601,307,200.00		
Harbin Company	125,000.00			125,000.00		
Manufacture Co.	9,000,000.00			9,000,000.00		
Technology Company	10,000,000.00			10,000,000.00		
FIYTA (Hong Kong) Limited	95,467,520.00	42,270,000.00		137,737,520.00		
Trading Company	5,000,000.00			5,000,000.00		
Sales Company	50,000,000.00	400,000,000.00		450,000,000.00		
Total	770,899,720.00	442,270,000.00		1,213,169,720.00		0.00

(2) Investment in joint venture and associates

In RMB

Investors	Opening balance	Increase/ Decrease (+ / -) in the reporting period							Ending balance	Ending balance of the provision for impairment
		Addition al investment			Other comprehensive income adjustment	Other equity movement	Announced for distributing cash dividend or profit	Provision for impairment		

I. Joint Venture											
II. Associates											
Shanghai Watch Industry	43,221,572.05			172.19			383,750.00			42,837,994.24	0.00
Sub-total	43,221,572.05			172.19			383,750.00			42,837,994.24	0.00
Total	43,221,572.05			172.19			383,750.00			42,837,994.24	0.00

(3) Other notes

Inapplicable

4. Operating revenue and operating costs

In RMB

Items	Amount incurred in the reporting period		Amount incurred in the previous period	
	Income	Cost	Income	Cost
Principal business	49,145,205.51	6,783,241.62	47,530,000.90	6,946,511.39
Total	49,145,205.51	6,783,241.62	47,530,000.90	6,946,511.39

5. Return on investment

In RMB

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Income from long term equity investment based on cost method	135,344,660.36	131,388,140.58
Income from long term equity investment based on equity method	172.19	250,015.75
Total	135,164,238.91	131,638,156.33

6. Others

Inapplicable

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

In RMB

Items	Amount	Note:
Gain/loss from disposal of non-current assets	-83,873.03	It refers to the gain or loss from disposal of partial obsolete office fixed assets
Government grants included in current profit or loss (except for the fixed or quantitative government grants, enjoyed in a consecutive way, which closely related to the enterprise businesses and according to certain state policies and or on a nation-wide unified standard)	815,000.00	For the detail, refer to Note VII. And XVIII: Description of government subsidy counted to the current gain or loss
Other non-operating income and expenses other than the above items	142,264.29	Other various non-operating revenue and expenditure
Less: amount of income tax affected	152,781.66	
Total	720,609.60	--

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

Inapplicable

2. ROE and EPS

Profit of the report period	Net assets-income ratio, weighted average	Earnings per share	
		Basic earnings per share, in RMB/share	Diluted earnings per share (RMB/share)
Net profit attributable to the Company's shareholders of ordinary shares	2.58%	0.1375	0.1375
Net profit attributable to the Company's shareholders of ordinary shares less non-recurring gains and loss	2.55%	0.1359	0.1359

3. Discrepancy in accounting data between IAS and CAS

(1) Discrepancy in net profit and net assets as disclosed in the financial report respectively according to IAS and CAS

Inapplicable

(2) Discrepancy in net profit and net assets as disclosed in the financial report respectively according to the accounting standards outside Mainland China and CAS

Inapplicable

(3) Note to the discrepancy in accounting data under the accounting standards outside Mainland China. In case the discrepancy in data which have been audited by an overseas auditing agent has been adjusted, please specify the name of the overseas auditing agent.

Inapplicable

4. Others

Inapplicable

Section 10 Documents Available for Inspection

I. Financial Statements signed by and under the seal of the legal representative, chief accountant and accounting supervisors;

II. All the manuscripts of the Company's documents and announcements disclosed in the newspapers (Securities Times and Hong Kong Commercial Daily) designated by China Securities Regulatory Commission.