



FIYTA Holdings Ltd.
2013 Semi-Annual Report

August, 2013

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.

With the exception of the director listed in the following table, all other directors personally attended the board meeting for review of the semi-annual report

Name of the director(s) absent from the meeting	Title held by of the director(s) absent from the meeting	Reason of the absence	Name of the proxy
Wu Xiaohua	Director	Business trip	Lai Weixuan

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

Mr. Lai Weixuan, the Company leader, Mr. Li Dehua, chief financial officer and the Mr. Hu Xinglong, the person in charge of the accounting department (the person in charge of the accounting) hereby confirm the authenticity and completeness of the financial report enclosed in this annual report.

Table of Contents

2013 Semi-Annual Report

Section 1 Important Notice, Table of Contents and Definitions

Section 2 Company Profile

Section 3 Financial and Business Highlights

Section 4 Report of the Board of Directors

Section 5 Significant Events

Section 6 Change of Shares and Particulars about the Shareholders

Chapter 7 Directors, Supervisors and Senior Executives

Section 8 Financial Report

Section 9 List of Documents Available for Inspection

Definitions

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

Short form of the stock	FIYTAA, 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		
Short form of company name in Chinese (if any)	飞亚达公司		
Company Name in English (if any)	FIYTA HOLDINGS LTD.		
Short Form of Company Name in English (if any)	FIYTA		
Legal Representative of the Company	Lai Weixuan		

II. Liaison Person and Way of Communication

	Secretary of the Board	Securities Affairs Representative
Names	Chen Libin	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—86013669	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

There is no change in the Company's registered address, office address, postal code, website, e-mail address in the reporting period. For the detail, please refer to 2012 Annual Report

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

Is there any change in information disclosure and place of regular reports prepared for inquiry?

Inapplicable

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 2012 Annual Report

3. Changes in Registration

Is there any change in the registration in the reporting period?

	Date of Registration	Authority Registered with	Number of Business License of Enterprise as Legal Person	Taxation Registration No.:	Organization Code
Registration at the beginning of the reporting period	January 18, 2013	Market Supervision Administration of Shenzhen Municipality	440301103196089	440301192189783	19218978-3
Registration at the end of the reporting period	April 3, 2013	Market Supervision Administration of Shenzhen Municipality	440301103196089	440301192189783	19218978-3

4. Other Relevant Information

Is there any change in other relevant information in the reporting period

Inapplicable

Section 3 Financial and Business Highlights

I. Key Accounting Data and Financial Indicators

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

No

	Reporting period	Same Period of the Previous Year	Increase/decrease in the reporting period vs the corresponding period of the previous year (%)
Revenues in CNY	1,508,353,766.86	1,483,755,811.36	1.66%
Net profit attributable to the Company's shareholders, in CNY	69,097,419.87	65,289,417.62	5.83%
Net profit attributable to the Company's shareholders less the non-recurring gains/losses, in CNY	68,078,232.08	66,113,217.45	2.97%
Net cash flows arising from operating activities, in CNY	133,994,800.57	-93,347,203.62	
Basic earning per share (CNY/share)	0.176	0.166	6.02%
Diluted earning per share (CNY/share)	0.176	0.166	6.02%
Net assets-income ratio , weighted average, (%)	4.68%	4.63%	0.05%
	End of the reporting period	End of the previous year	Increase/decrease of the report period vs the same period of the previous year (%)
Total assets, in CNY	3,303,457,186.00	3,326,763,824.86	-0.7%
Net assets attributable to the Company's shareholder (CNY)	1,512,226,384.94	1,446,677,625.13	4.53%

II. Difference in the Accounting Data based on the Accounting Standards Outside Mainland China

Inapplicable

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

In CNY

Items	Amount	Note:
Loss from disposal of non-current assets, including the part written-off with the provision for impairment of assets	440,659.45	It is the earning from disposal of the idle office building in Chengdu amounting to CNY 427,651.20 in the current year and loss from disposal of other fixed assets.
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)	795,493.22	For the detail, refer to Note 63 (2) government subsidy
Income and expenses from the business other than the above items	79,099.32	Other various non-operating revenue and expenditure
Less: Amount affected by the income tax	290,388.46	
Amount affected by minority equity (after tax)	5,675.74	The amount of the minority equity affected after deduction of the government subsidy amounting to CNY 16,993.22 received by 68 Station Co., Ltd., one of the subsidiaries.
Total	1,019,187.79	--

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

In the reporting period, no significant change has taken place in the environment of macro economy over the past, the slowing-down of the domestic GDP has caused the investment and consumption sectors more cautious and the consumer confidence was fatigued and weak continuously. Under such a background, FIYTA has insisted on the subject term of the annual strategy of “values, efficiency, benefit and ability”; persistently held fast to corporate philosophy, took brand strategy as leadership, through the business model of “products + channels”, carried forward value chain integration upgrading so as to gradually form core profession, realized the longitudinal integration strategy of keeping a foothold on the domestic market, continuously expanded international cooperation and propelled internationalization development. In the reporting period, the Company realized sales income amounting to CNY 1,508,353,766.86, a 1.66% year-on-year growth; realized net profit amounting to CNY 69,097,419.87, a 5.83% year-on-year growth.

II. Principal Business Summary

General

In the reporting period, the Company's key work focused on upgrading of brand profession operation ability, enthusiastically improved the business performance of the retail channel, continuously improved the earnings level of its own watch brand, improved the turnover speed of such assets as inventories; at the same time, integrated internal resources, enhanced information share and business support, and realized development of synergistic interaction of various businesses, ensured stability of retail revenue with the channel brands with Harmony World Watches as the leading brand by uninterruptedly carrying out sales competition and theme promotion; persistently carried out long aged inventory digestion work through control of the total inventories; realized expense reduction and profit increasing by means of various approaches, including rationalized capital allocation, “reducing rent and withholding”, cutting down bank card transaction fee, saving refurbishment costs etc.; , ensured the backbone team continuously stable by means of a series of employee development programs, such as training program and improved the organization's capability; took FIYTA as the key product brand, the “growth rate strategy + productivity strategy” as the work core and promoted the sales growth by means of sales competitions such as “Global Travel”, etc., holiday promotion, new arrival promotion, etc.; comprehensively improved the quality of channels through upgrading the channel development standards, focusing on terminal and shopping guide and regulating the management of the distributors; enriched varieties of the existing channels by striving to develop e-business, continuously enhancing construction of overseas channels and developing business of multiple brands; steadily improved the product gross margin level by adjusting product structure, improving retail price of products in series and controlling product costs; promoted the brand awareness and reputation in various ways, such as holding FIYTA Brand annual symposium, new arrival news conference, participating in Basel Watch Fair, spokesperson promotion activities, etc. Meanwhile, the Company continued to carry out a series of internal management upgrading work, such as management innovation, etc. and maintained general stability of various businesses.

Year-on-year changes in the major financial data

In CNY

	Reporting period	Same Period of the Previous Year	Year-on-year increase/decrease (%)	Cause of Change
Operating revenue	1,508,353,766.86	1,483,755,811.36	1.66%	
Operating costs	970,869,666.64	987,034,886.89	-1.64%	
Selling expenses	315,335,871.86	260,546,992.95	21.03%	
Administrative expenses	78,223,983.74	87,835,143.36	-10.94%	
Financial expenses	47,823,408.80	59,603,871.04	-19.76%	
Income tax expenses	13,755,185.77	17,173,824.32	-19.91%	
Investment in R & D	6,620,694.71	6,326,203.26	4.66%	
Net cash flow arising from operating activities	133,994,800.57	-93,347,203.62		controlled the development speed of the famous brand watch network
Net cash flow arising from investment activities	-57,808,318.28	-75,472,033.87	-23.4%	
Net cash flow arising from fund-raising activities	-120,444,793.36	199,130,466.48	-160.49%	Decrease of the amount of bank loan in the current year
Net increase in cash and cash equivalents	-44,930,869.69	30,335,454.06	-248.11%	Decrease of cash and cash equivalent at the period end over the period beginning

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

Inapplicable

No significant change has taken place in profit composition or profit sources in the reporting period.

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 CNY

	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						
Commerce	1,133,437,634.12	847,739,810.91	25.21%	-3.42%	-3.03%	-0.29%
Industry	321,175,473.86	110,740,242.66	65.52%	20.79%	11.67%	2.81%
Leasehold	39,214,706.24	6,743,346.45	82.8%	12.99%	-35.13%	12.75%
Products						
Sales of famous brand watches	1,133,437,634.12	847,739,810.91	25.21%	-3.42%	-3.03%	-0.29%
Sales of FIYTA watches	321,175,473.86	110,740,242.66	65.52%	20.79%	11.67%	2.81%
Leasehold	39,214,706.24	6,743,346.45	82.8%	12.99%	-35.13%	12.75%
Regions						
Northeast China	130,071,970.42	95,160,184.44	26.84%	-6.88%	-7.95%	0.85%
North China	290,411,310.16	218,987,802.61	24.59%	-0.6%	-1.76%	0.89%
Northwest China	270,095,282.36	199,716,950.98	26.06%	-18.45%	-19.24%	0.73%
Southwest China	137,226,801.31	98,473,472.78	28.24%	24.47%	22.8%	0.98%
East China	178,523,905.64	125,133,429.43	29.91%	-2.43%	-3.75%	0.96%
South China	487,498,544.34	227,751,559.78	53.28%	16.65%	13.87%	1.14%

Note: The gross margin from the property leasehold in the region of South China increased by 12.75% over the same period of the previous year was due to that upon completion of the amortization of the equipment of Xi'an FIYTA Building, the property cost is reduced.

IV. Analysis on Core Competitiveness

FIYTA's core competitiveness is a collection consisting of a set of techniques and technology which enables the Company to provide customers with particular values, is the competitive power on which a series of products or services rely in achieving the leading position. It consists of the ability of brand building, ability of offering top quality services, ability of product innovation, ability of knowledge management and ability of management of strategic human resources. In the reporting period, the In-cabin Space Suite Watch, the Astronauts' Working Watches and the Astronautess' Working Watch delivered by the Company accompanied the astronauts and astronautess of Shenzhou IX in successful fulfillment of China's first manned spaceship rendezvous and docking mission as well as the first space lecturing; the Company was awarded the First Prize of Science & Technology Progress by China National Light Industry Council for the project of "the Driving Unit of High Precision Multi-function Mechanical Watch"; the honorable mention of "the 14th China Design Patents in 2013" granted by State Intellectual Property Office (SIPO) for FIYTA TRIUMP Series Watch GA8180.BBB. During the first half year, the Company was granted 1 invention patent, 5 patents for utility model and 8 design patents.

V. Analysis on Investment Status

1. External Equity Investment

(1) External Investment

External Investment		
Investment amount in the reporting period (in CNY)	Investment in the same Period of the Previous Year (in CNY)	Change rate (%)
0.00	28,050,000.00	-100%
Particulars of Investees		
Company Name	Principal business	Porportion in the investees' equity (%)

(2) Holding of the Equipty in Financial Enterprises

Inapplicable

(3) Investment in Securities

Inapplicable

Holding of the equity in other listed companies

Inapplicable

2. Entrusted Financing, Investment in Derivative Products and Entrusted Loan

Inapplicable

3. Application of the Proceeds Raised through Share Offering**(1) General Application of the Raised Capital**

In CNY10,000

Total raised capital	40,000
Total raised capital invested in the reporting period	40,000
Total raised capital accumulatively invested	40,000
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%

Note to Application of the Raised Capital

The Company held the 33rd meeting of the Sixth Board of Directors on June 19, 2012. The meeting 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 CNY400 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 CNY 400 million. The Company issued CNY 400 million of bonds in the current period. After deduction of the issuing costs, the net raised capital amounting to CNY396.9 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 for trading 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. Ended June 30, 2013, the Company had used up all the raised capital and no change has taken place in the application purpose of the raised capital.

(2) Promised Projects with Raised Capital

In CNY10,000

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 accumulatively 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?
Investment projects as promised										
Repayment of bank loan		30,000	30,000	30,000	30,000	100%		0		
Replenishing the working capital.		10,000	10,000	10,000	10,000	100%		0		
Sub-total of investment with over-raised capital		0	0	0	0			0		
Sub-total of investment projects as promised	--	40,000	40,000	40,000	40,000	--	--	0	--	--
Investment with over-raised capital										
		0	0	0	0			0		
Sub-total of investment with over-raised capital	--	0	0	0	0	--	--	0	--	--
Total	--	40,000	40,000	40,000	40,000	--	--	0	--	--
Note to failure to comply with the planned progress and predicted earnings and the cause(s) (based on the specific projects)	Inapplicable									
Explanation of the significant change in	Inapplicable									

project feasibility	
Amount of over-raised capital, application and progress of use	Inapplicable
Change of the implementation site of the projects invested with the raised capital	Inapplicable
Adjustment of the implementation method of the projects invested with the raised capital	Inapplicable
About the initial investment in the projects planned to be invested with the raised capital and the replacement	Inapplicable
Using the idle raised capital to supplement the working capital on temporary basis	Inapplicable
Balance of the raised capital incurred in process of project implementation and the cause	Inapplicable
About application and status of the raised capital unused	Inapplicable
Problems existing in application of the raised capital and the information disclosure or other issues	Inapplicable

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

Inapplicable

(4) Projects Invested with the Raised Capital

Summary of Projects Invested with Raised Capital	Disclosure date	Disclosure index
For the detail, refer to the Special Report on Deposit and Application of the Raised Capital in the First Half Year of 2013.	August 21, 2013	http://www.cninfo.com.cn/

4. Analysis on Principal Subsidiaries and Mutual Shareholding Companies

Particulars about the Principal Subsidiaries and Mutual Shareholding Companies

In CNY

Company Names	Company type	Sectors engaged in	Leading products and services	Registered capital	Total assets, in CNY	Net assets (CNY)	Turnover in CNY	Operating profit (in CNY)	Net profit (in CNY)
Shenzhen Harmony World Watches Center Co., Ltd.	Subsidiary	Retail	Mainly engaged in sales of world famous brand watch, including purchase, sales and maintenance service of timepieces and parts	600,000,000	2,075,956,786.86	666,898,678.44	1,160,583,110.18	16,898,697.17	13,566,526.47
FIYTA Sales Co., Ltd.	Subsidiary	Retail	Sales and repairing of clocks and watches and parts, sales of jewelry	50,000,000	479,672,062.42	40,143,060.91	310,152,093.40	23,469,345.95	17,436,262.63

			and ornaments						
			.						
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	221,216,860.69	52,328,111.60	167,156,581.38	42,271,835.24	36,373,737.13
Shenzhen FIYTA Technology Development Co., Ltd.	Subsidiary	Manufacture	R & D, production and sales of watches, production , machining, sales and technology development of sophisticated parts.	10,000,000	60,251,307.78	16,394,700.95	75,533,905.42	6,378,000.83	4,901,516.64
FIYTA (Hong Kong) Limited	Subsidiary	Retail	Mainly engaged in trade and overseas market	HK\$ 65,060,000	291,556,366.34	122,570,202.44	72,665,431.42	5,619,414.52	4,189,029.40

			development of FIYTA watches						
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	28,654,966.38	-1,575,350.94	4,425,684.28	-1,517,049.32	-1,137,786.99
Shanghai Watch Industry Co., Ltd.	Mutual shareholding company	Manufacturer	Sales of watches and spares and parts	15,350,000	80,058,653.09	75,142,202.14	32,459,523.98	-135,662.76	433,762.90

5. Projects Invested with Funds not Raised through Share Offering

Inapplicable

VI. Prediction of the Operation Performances from January to September 2013

Prediction of the possibility of the accumulated net profit from the year beginning to the end of the next reporting period being of loss; or warning for big changes in the net profit in comparison with the same period of the previous year and the reasons

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

2012 Profit Distribution Plan was reviewed and approved at the 2nd meeting of the Seventh Board of Directors held on February 27, 2013 and 2012 Annual General Meeting held on June 21, 2013. According to the plan, the Company took the share capital as at December 31, 2012 totalling 392,767,870 shares as the base, and would distribute cash dividend at rate of CNY 1.00 for every 10 shares (with tax inclusive) to all the shareholders. The total cash dividend to be distributed amounted to CNY 39,276,787.00. The profit distribution was completed by August 13, 2013.

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

Inapplicable

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

Reception Time	Reception place	Way of reception	Types of Visitors	Visitors received	Discussion topics and provision of materials
March 25, 2013	Company	On-Site Survey	Institution	SINOLINK SECURITIES CO., LTD, China Galaxy Securities Co., Ltd., Shenzhen Golden Investment Management Co., Ltd., and Changsheng Fund Management Co., Ltd.	Development trend of the domestic luxury goods sector, some measures concerning the Company's strategic development, brand construction, terminal management in the past three years. Provision of public brochures for the first half year of 2013.
May 7, 2013	Company	On-Site Survey	Institution	UBS Securities Co., Ltd., Huaxia Fund Management Co., Ltd., and Guosen Securities Co., Ltd.	Development trend of the domestic luxury goods sector, some measures concerning the Company's strategic development, brand construction, terminal management in the past three years.

					Provision of public brochures for the first half year of 2013
May 23, 2013	Company	On-Site Survey	Institution	Hanlun Investment Consulting (Shanghai) Co., Ltd., and Rising Securities Co., Ltd.	Development trend of the domestic luxury goods sector, some measures concerning the Company's strategic development, brand construction, terminal management in the past three years. Provision of public brochures for the first half year of 2013
June 4, 2013	Company	On-Site Survey	Institution	Hongyuan Securities Co., Ltd., Essence Fund Management Co., Ltd., Gold State Securities Co., Ltd. and Guangdong Wens Investment Co., Ltd.	Development trend of the domestic luxury goods sector, some measures concerning the Company's strategic development, brand construction, terminal management in the past three years. Provision of public brochures for the first half year of 2013

Section 5 Significant Events

I. Overview of Corporate Governance

In the year 2013, the Company continuously improved the Company's corporate governance structure strictly according to the PRC Company Law, the PRC Securities Law and the regulations of China Securities Regulatory Commission concerning governance of listed companies, and tried to enhance construction of modern enterprise system, upgraded the level of regulatory operation of the Company. As a result, there was no discrepancy between the situation of the Company's corporate governance and the regulatory documents of China Securities Regulatory Commission concerning governance of listed companies.

The Company established and improved relatively standardized corporate governance structure and rules of procedures strictly according to law, rules and regulations, including the PRC Company Law, and the Articles of Association of the Company, formed a decision-making and operation management system with the Shareholders' Meeting, the Board of Directors, the Supervisory Committee and the management of the Company as the principal structure. They implemented their respective duties according to the PRC Company Law and the Articles of Association.

The General Meeting is the Company's supreme organ and has the power of deciding the Company's operation policy and investment plan, reviewing and approving the Company's annual financial budget scheme, settlement scheme, profit distribution plan, loss make-up plan, change of the application of the proceeds raised through issuing, etc., makes resolution on increase and decrease of the Company's registered capital, issuing bond, etc., election and replacement of directors, non-staff supervisors and decision on their remuneration and way of payment.

The Board of Directors is the Company's decision-making organ, takes charge of implementing the decisions made by the Shareholders' General Meeting, assumes responsibility to the Shareholders' General Meeting and reports the work to it; within the authorization from the General Meeting, decides the Company's external investment, acquisition and sales of assets, assets pledge, external guarantee, related transactions, etc., decides establishment of the Company's internal management organs, engagement and disengagement of the Company's general manager, the Board secretary and other senior executives, etc. The Board of Directors consists of nine directors, including three independent directors. The Board of Directors has established three subordinate special committees, namely the Strategy Committee, the Audit Committee and Nomination, Remuneration and Assessment Committee.

The Supervisory Committee is the Company's supervisory organ in charge of supervising the directors, managers and other senior executives in performing duties according to the law and proposes dismissal of any director or senior executive who breaches the law, the administrative rules and regulations, the Articles of Association or the General Meeting's resolutions. The Supervisory Committee consists of three supervisors including two staff supervisors.

The management assumes responsibility to the Board of Directors and the General Manager takes full responsibility for the Company's routine operation and management and development under the leadership of the Board of Directors, supervises the work of every functional department, assesses the work result of each functional department and coordinate the relationship of all departments.

II. Significant Lawsuits and Arbitrations

Inapplicable

The Company has never been involved in any significant lawsuit or arbitration in the reporting period.

III. Query from Media

Inapplicable

There was no even in the Company generally questioned by media in the reporting period.

IV. Bankruptcy or Reorganization Related Events

Inapplicable

V. Asset Transactions

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 CNY 10,000)	Proportion in the amount of the similar transactions (%)	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		137.34	5.49%	Bank account transfer		March 2, 2013	http://www.cninfo.com.cn/2013-009
CATIC Property	Common controller	Administrative expenses	Property management fee	Negotiated price		57.26	100%	Bank account transfer		March 2, 2013	http://www.cninfo.com.cn/2013-

											009
Shenzhen CATIC Enterprise Group Training Center	Common controller	Administrative expenses	Training fees	Negotiated price		14.24	10.83%	Bank account transfer ence		March 2, 2013	http://www.cninfo.com.cn/2013-009
CATIC Real Estate	Common controller	Revenue from principal business	Property lease	Negotiated price		75.44	1.92%	Bank account transfer ence		March 2, 2013	http://www.cninfo.com.cn/2013-009
Shenzhen Makway Cable TV Equipment Co., Ltd.	Common controller	Revenue from principal business	Property lease	Negotiated price		23.33	0.59%	Bank account transfer ence		March 2, 2013	http://www.cninfo.com.cn/2013-009
CATIC Property	Common controller	Revenue from principal business	Property lease	Negotiated price		133.03	3.39%	Bank account transfer ence		March 2, 2013	http://www.cninfo.com.cn/2013-009
CATIC Securities, Co., Ltd.	Common controller	Revenue from principal business	Property lease	Negotiated price		51.12	1.3%	Bank account transfer ence		March 2, 2013	http://www.cninfo.com.cn/2013-009
Shenzhen CATIC City Property Development Co., Ltd.	Common controller	Revenue from principal business	Property lease	Negotiated price		1.12	0.03%	Bank account transfer ence		March 2, 2013	http://www.cninfo.com.cn/2013-009
Shenzhen	Common	Revenue from	Property lease	Negotiated price		1.12	0.03%	Bank account		March 2, 2013	http://www.cninfo.com.cn/2013-009

CATIC City Development Co., Ltd.	controller	principal businesses						transference			o.com.cn/2013-009
Shenzhen CATIC Guanlan Real Estate Development Co., Ltd.	Common controller	Revenue from principal businesses	Property lease	Negotiated price		4.46	0.11%	Bank account transference		March 2, 2013	http://www.cninfo.com.cn/2013-009
Shenzhen CATIC Changtai Investment Development Co., Ltd.	Common controller	Revenue from principal businesses	Property lease	Negotiated price		64.28	1.64%	Bank account transference		March 2, 2013	http://www.cninfo.com.cn/2013-009
Xi'an Tianyue Hotel Co., Ltd.	Common controller	Revenue from principal businesses	Property lease	Negotiated price		175	4.46%	Bank account transference		March 2, 2013	http://www.cninfo.com.cn/2013-009
Rainbow Supermarket	Common controller	Revenue from principal businesses	Property lease	Negotiated price		19.17	0.49%	Bank account transference		March 2, 2013	http://www.cninfo.com.cn/2013-009
Shenzhen CATIC City Investment Co., Ltd.	Common controller	Revenue from principal businesses	Property lease	Negotiated price		4.5	0.11%	Bank account transference		March 2, 2013	http://www.cninfo.com.cn/2013-009
Shenzhen	Common	Revenue	Property	Negotiated		19.62	0.5%	Bank		March	http://w

en CATIC Jiufang Assets Manage ment Co., Ltd.	n controlle r	e from principal busines s	lease	ed price				account transfer ence		2, 2013	ww.cninf o.com.c n/2013- 009
Shenzh en CATIC Theme Real Estate Co., Ltd.	Commo n controlle r	Revenu e from principal busines s	Property lease	Negotiat ed price		47.28	1.21%	Bank account transfer ence		March 2, 2013	http://w ww.cninf o.com.c n/2013- 009
Ganzho u CATIC Real Estate Develop ment Co., Ltd.	Commo n controlle r	Sales costs	Property lease	Negotiat ed price		46.76	1.09%	Bank account transfer ence		March 2, 2013	http://w ww.cninf o.com.c n/2013- 009
Chengd u CATIC Real Estate Develop ment Co., Ltd.	Commo n controlle r	Sales costs	Property lease	Negotiat ed price		18.31	0.43%	Bank account transfer ence		March 2, 2013	http://w ww.cninf o.com.c n/2013- 009
AVIC	Eventua l controlle r	Revenu e from principal busines s	Sales of products	Negotiat ed price		132.8	0.09%	Bank account transfer ence		March 2, 2013	http://w ww.cninf o.com.c n/2013- 009
Rainbo w Superm arket	Commo n controlle r	Revenu e from principal busines s	Sales of products	Negotiat ed price		3,843.2 9	2.57%	Bank account transfer ence		March 2, 2013	http://w ww.cninf o.com.c n/2013- 009
Shenna n Circuit Co., Ltd.	Commo n controlle r	Revenu e from principal busines s	Sales of material s	Negotiat ed price		735.76	0.49%	Bank account transfer ence		March 2, 2013	http://w ww.cninf o.com.c n/2013-

		s									009
Total			--	--	5,666.74	--	--	--	--	--	--

2、2. Related transactions concerning assets acquisition/sales

Inapplicable

3、3. Important Related Transitions with Joint Investments

Inapplicable

4. Current Associated Rights of Credit and Liabilities

Did there exist any non-operational related rights of credit and liabilities

No

Related Parties	Relationship	Types of creditor's right and liabilities	Reasons of formation	Does there exist non-operation oriented fund occupancy?	Opening balance (in CNY 10,000)	Amount incurred in the reporting period (in CNY 10,000)	Ending balance (in CNY 10,000)
Rainbow Supermarket	Common controller	Related party's rights of credit receivable	Loan	No	79.93	210.67	290.6
AVIC	Eventual controller	Related party's rights of credit receivable	Loan	No	67.68	55.75	123.43
Shenzhen CATIC Enterprise Group Training Center	Common controller	Related party's rights of credit receivable	Training fees	No	15	0.18	15.18
Shennan Circuit Co., Ltd.	Common controller	Related party's rights of credit receivable	Loan	No	183.16	-73.6	109.56
Shennan Circuit Co., Ltd.	Common controller	Related party's rights of credit receivable	Loan (Notes receivable)	No	200	350	550

CATIC Electronic Measuring Instruments Co., Ltd	Common controller	Related party's rights of credit receivable	Loan	No	0	10.37	10.37
Chengdu CATIC Real Estate	Common controller	Related party's rights of credit receivable	Rental deposit	No	0.41	-0.41	0
CATIC Property	Common controller	Related party's rights of credit receivable	Property management fee	No	0	1.35	1.35
Rainbow Supermarket	Common controller	Related party's rights of credit receivable	Shopping mall deposit	No	11.94	3.14	15.08
Chengdu CATIC Real Estate Development Co., Ltd.	Common controller	Related party's rights of credit receivable	Rental deposit	No	10.05	0	10.05
Ganzhou CATIC Real Estate Development Co., Ltd.	Common controller	Related party's rights of credit receivable	Rental deposit	No	12.27	0	12.27
Shenzhen CATIC Building Technology Co., Ltd.	Common controller	Related parties' liabilities payable	Residual engineering payment	No	0.82	0	0.82
Shenzhen CATIC Nanguang Elevator Engineering Co., Ltd.	Common controller	Related parties' liabilities payable	Residual engineering payment	No	0.34	0	0.34
Shenzhen CATIC City Investment Co., Ltd.	Common controller	Related parties' liabilities payable	Rental deposit	No	3.78	0	3.78
CATIC Securities, Co., Ltd.	Common controller	Related parties' liabilities payable	Rental deposit	No	17	0	17
CATIC Real Estate	Common	Related	Rental	No	42.48	0	42.48

	controller	parties' liabilities payable	deposit				
Shenzhen CATIC Changtai Investment Development Co., Ltd.	Common controller	Related parties' liabilities payable	Rental deposit	No	22.17	0	22.17
Shenzhen CATIC Jiufang Assets Management Co., Ltd.	Common controller	Related parties' liabilities payable	Rental deposit	No	0	6.06	6.06
Rainbow Supermarket	Common controller	Related parties' liabilities payable	Rental deposit	No	6	0	6
Shenzhen Makway Cable TV Equipment Co., Ltd.	Common controller	Related parties' liabilities payable	Rental deposit	No	6.46	-6.46	0
Influence of the related rights of credit and liabilities upon the Company's operation results and financial position.		Inapplicable					

5. Other Material Related Transactions

The 3rd meeting of the Seventh Board of Directors held on April 3, 2013 reviewed and approved the Proposal for the Financial Service Agreement Signed by AVIC Finance Co., Ltd. For the relevant contents, refer to the Announcement on the Resolutions of the 3rd Meeting of the Seventh Board of Directors (2013-013) and the Announcement on the Related Transaction Involved in the Financial Service Agreement Signed by AVIC Finance Co., Ltd. (2013-015). The proposal needs to be submitted to the General Meeting for review.

Relevant inquiry with the Internet website for disclosing provisional report on material related transactions

Description of provisional announcement	Date of disclosing provisional announcement	Description of the website for disclosing provisional announcements
The Announcement on the Related Transaction Involved in the Financial Service Agreement Signed by AVIC Finance Co., Ltd. (2013-015)	April 3, 2013	http://www.cninfo.com.cn/

VIII. Important Contracts and Implementation

1. Custody, Contacting and Leases

(1) Custody

Inapplicable

(2) Contracts

Inapplicable

(3) Leases

Inapplicable

2. Guarantees

In CNY10,000

Outward guarantees (excluding guarantee to the subsidiaries)								
Names of Gurantees	Date of the announce ment on the guarantee line	Guarantee line	Date of occurrence (date of agreement execution)	Actual amount of guarantee	Type of guarantee	Guarantee period	Impleme ntation status	Guarant ee to related party? (Y/N)
Inapplicable								
Guarantees to the Subsidiaries								
Names of Gurantees	Date of the announce ment on the guarantee line	Guarantee line	Date of occurrence (date of agreement execution)	Actual amount of guarantee	Type of guarantee	Guarantee period	Impleme ntation status	Guarant ee to related party? (Y/N)
Shenzhen Harmony World Watches Center Co., Ltd.	Feb. 28, 2012	10,000	July 23, 2012	10,000	Guarantee with joint responsibility	1 year	No	No
Shenzhen Harmony World Watches Center Co., Ltd.	Feb. 28, 2012	8,000	August 27, 2012	8,000	Guarantee with joint responsibility	1 year	No	No
Shenzhen Harmony	March 1,	2,878.76	January 21,	2,878.76	Guarantee	1 year	No	No

World Watches Center Co., Ltd.	2013		2013		with joint responsibility			
Fiyta (Hong Kong) Ltd.	June 13, 2011	2,741.37	September 6, 2011	2,741.37	Guarantee with joint responsibility	2 years	No	No
Fiyta (Hong Kong) Ltd.	June 13, 2011	2,741.37	August 10, 2011	2,741.37	Guarantee with joint responsibility	2 years	No	No
Fiyta (Hong Kong) Ltd.	Feb. 28, 2012	1,592.2	October 5, 2012	1,592.2	Guarantee with joint responsibility	2 years	No	No
Fiyta (Hong Kong) Ltd.	Feb. 28, 2012	2,388.3	November 10, 2012	2,388.3	Guarantee with joint responsibility	2 years	No	No
Total amount of guarantee to the subsidiaries approved in the report period (B1)		100,000		Total amount of guarantee to subsidiaries actually incurred in the report period (B2)		30,342		
Total amount of guarantee to subsidiaries already approved at the end of the report period (B3)		100,000		Total balance of guarantee to subsidiaries at the end of the report period (B4)		69,658		
Total amount of guarantees offered by the Company (i.e. total of the above two items)								
Total amount of guarantee line approved in the report period (A1+B1)		100,000		Total amount of guarantee actually incurred in the report period (A2+B2)		30,342		
Total amount of guarantee line already approved in the report period (A3 +B3)		100,000		Total balance of actual guarantee at the end of the report period (A4+B4)		69,658		
Proportion of the actual guarantee in the Company's net assets (i.e. A4+B4) (%)				46.06%				
Including:								
Amount of guarantees offered to the shareholders, actual controller and its related parties (C)				0				
Amount of guarantee for liabilities directly or indirectly offered to the guarantees with the asset-liability ratio exceeding 70%. (D)				0				
Amount with the total guarantee exceeding 50% of the net assets (E)				0				
Total of the aforesaid three guarantees (C+D+E)				0				
Note to the joint responsibility for discharge upon expiry of the guarantee term (if any)				Inapplicable				

Description of external guarantee against the specified procedures (if any)	Inapplicable
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3. Other Material Contracts

Inapplicable

4. Other Important Transactions

Inapplicable

IX. 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	Description	Commitment time	Commitment term	Implementation
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	AVIC International Holdings Limited	AVIC International Holdings Limited shall not assign the shares new subscribed within 36 months commencing from the end of the non-public offering by Fiyta Holdings Ltd. (December 30, 2010 to December 29, 2013) according to the Measures for Administration	December 29, 2010	3 years	In process of implementation

		of Issuing of Securities by Listed Companies, the Rules for Implementation of Non-public Issuing of Shares by Listed Companies and the Rules of Shenzhen Stock Exchange on Listing Stocks, and other law, rules and regulations as well as the Contract for Subscription of Shares Non-publically Issued by Fiyta Holdings Ltd.			
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				

X. Engagement/Disengagement of CPAs

Has the semi-annual financial report been audited?

No

XI. Punishment and Rectification

Inapplicable

XII. Notes to Other Significant Events

Inapplicable

Section 6 Change of Shares and Particulars about Shareholders

I. Change of Shares

	Before the change		Increase / Decrease (+/-)					After the change	
	Number	Proportion (%)	New issuing	Bonus shares	Shares converted from reserve	Others	Sub-total	Number	Proportion (%)
I. Restricted shares	163,027,060	41.5%						163,027,060	41.5%
2. State corporate shares	162,977,327	41.49%						162,977,327	41.49%
5. Senior executive shares	49,733	0.01%						49,733	0.01%
II. Unrestricted shares	229,740,810	58.5%						229,740,810	58.5%
1. CNY ordinary shares	148,092,810	37.71%						148,092,810	37.71%
2. Foreign invested shares listed in Mainland China	81,648,000	20.79%						81,648,000	20.79%
III. Total Shares	392,767,870	100%						392,767,870	100%

Cause of change of shares

Inapplicable

Approval of Change of Shares

Inapplicable

Transfer of Change of Shares

Inapplicable

Influence from the share movements upon such financial indicators as earnings per share, diluted earnings per share, net asset per share of the shareholders attributable to the Company's common shares in the latest year and the latest accounting period.

Inapplicable

Other information as the Company considers necessary to be disclosed or demanded by the securities regulatory authority for disclosing

Inapplicable

2. 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

Inapplicable

II. Number of Shareholders and Shareholding

In shares

Total shareholders at the end of the reporting period		27,682						
Shares held by the shareholder holding over 5% of the total shares								
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-owned corporate shareholder	41.49%	162,977,327	Unchanged	162,977,327	0		
China Merchants Securities (HK) Co., Ltd.	Overseas corporate	1.92%	7,536,970	178,100	0	7,536,970		
Zhongrong Life Insurance Co., Ltd. – Zhongrong Enhancement No. 1	Domestic non-state corporate shareholder	1.76%	6,900,000	6,900,000	0	6,900,000		
China Construction Bank – Huaxia Superiority Growth Stock Based Securities Investment Fund	Domestic non-state corporate shareholder	1.64%	6,428,208	-4,491,865	0	6,428,208		
National Social Security Fund No. 114 Portfolio	Domestic non-state corporate shareholder	1.11%	4,359,305	-519,260	0	4,359,305		
National Social Security Fund	Domestic non-state	1.02%	4,000,815	4,000,815	0	4,000,815		

No. 110 Portfolio	corporate shareholder							
Dai Ying	Domestic natural person	0.96%	3,788,800	3,788,800	0	3,788,800		
GSI S/A GOLDEN CHINA PLUS MASTER FUND	Overseas corporate	0.87%	3,418,284	-998,370	0	3,418,284		
KGI ASIA LIMITED	Overseas corporate	0.76%	2,992,085	-1,124,680	0	2,992,085		
Essence International Securities (Hong Kong) Limited	Overseas corporate	0.71%	2,778,192	Unchanged	0	2,778,192		
About the fact that a strategic investor or ordinary corporate became one of the top ten shareholders due to placement of new shares (if any)		Inapplicable						
Explanation on associated relationship or consistent action of the above shareholders		The Company has found neither affiliation among the aforesaid shareholders nor concerted actor as specified in the Measures for Administration of Information on the Shareholder Equity Change of Listed Companies.						
Shareholding of top 10 shareholders of unrestricted shares								
Shareholder's Name		Quantity of unrestricted shares held at the end of the reporting period				Share type		
						Share type	Quantity	
China Merchants Securities (HK) Co., Ltd.		7,536,970				B-shares	7,536,970	
Zhongrong Life Insurance Co., Ltd. – Zhongrong Enhancement No. 1		6,900,000				A Shares	6,900,000	
China Construction Bank – Huaxia Superiority Growth Stock Based Securities Investment Fund		6,428,208				A Shares	6,428,208	
National Social Security Fund No. 114 Portfolio		4,359,305				A Shares	4,359,305	
National Social Security Fund No. 110 Portfolio		4,000,815				A Shares	4,000,815	
Dai Ying		3,788,800				A Shares	3,788,800	
GSI S/A GOLDEN CHINA PLUS MASTER FUND		3,418,284				B-shares	3,418,284	
KGI ASIA LIMITED		2,992,085				B-shares	2,992,085	

Essence International Securities (Hong Kong) Limited	2,778,192	Foreign shares listed abroad	2,778,192
Industrial and Commercial Bank of China – Guotou Ruiyin Growth Selected Stock Based Securities Investment Fund	1,800,000	A Shares	1,800,000
Explanation to the associated relationship or consistent action among the top 10 shareholders of non-restricted negotiable shares and that between the top 10 shareholders of non-restricted negotiable shares and top 10 shareholders.	The Company has found neither affiliation among the aforesaid shareholders nor concerted actor as specified in the Measures for Administration of Information on the Shareholder Equity Change of Listed Companies.		
Note to the shareholders involved in margin financing & securities lending (if any)	Inapplicable		

Did the shareholders conduct agreed repurchase securities trading in the reporting period?

No

III. Change in Controlling Shareholder or Actual Controller

Inapplicable

Section 7 Directors, Supervisors and Senior Executives

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

Inapplicable

There was no change in the shares held by the Company's directors, supervisors and senior executives in the reporting period. For the detail, refer to 2012 Annual Report.

II. Retirement and Dismissal of Directors, Supervisors and Senior Executives

Inapplicable

Section 8 Financial Report

I. Auditors' Report

Has the semi-annual report been audited

No

The semi-annual financial report has not been audited.

II. Financial Statements

The currency applied in the financial notes and statements is China Yuan (CNY).

1. Consolidated Balance Sheet

Prepared by FIYTA Holdings Ltd.

In CNY

Items	Ending balance	Opening balance
Current assets:		
Monetary fund	95,490,125.02	140,420,994.71
Settlement Reserve		
Inter-bank lending		
Trading financial assets		
Notes receivable	5,500,000.00	2,000,000.00
Accounts receivable	352,990,365.07	309,117,274.31
Prepayments	76,280,021.13	75,418,566.40
Insurance premium receivable		
Reinsurance accounts receivable		
Accounts receivable reinsurance reserve		
Interest receivable		
Dividends receivable		
Other receivables	32,863,625.34	33,353,606.26
Buying and selling back financial assets		

Inventories	1,886,266,048.26	1,883,265,248.76
Non-current assets due within a year		
Other current assets	27,694,986.48	51,043,401.97
Total current assets	2,477,085,171.30	2,494,619,092.41
Non-Current Assets:		
Disbursement of entrusted loans and advances		
Available-for-sale financial assets		
Held –to-maturity investment		
Long-term accounts receivable		
Long-term equity investment	41,842,182.52	41,733,741.79
Investment based real estate	239,807,557.69	244,379,430.63
Fixed assets	311,211,357.91	317,801,267.87
Construction-in-process	5,181,006.05	3,866,365.79
Engineering supplies		
Disposal of fixed assets		
Productive biological assets		
Oil and gas asset		
Intangible assets	36,254,218.20	36,749,627.18
Development expenses		
Goodwill		
Long-term expenses to be apportioned	129,188,168.33	126,274,611.58
Deferred income tax asset	62,887,524.00	61,339,687.61
Other non-current assets		
Total non-current assets	826,372,014.70	832,144,732.45
Total assets	3,303,457,186.00	3,326,763,824.86
Current liabilities:		
Short-term borrowing	918,787,629.42	1,409,800,000.00
Borrowings from central bank		
Receipt of deposits and deposits from other banks		

Loans from other banks		
Trading financial liabilities		
Notes payable		
Accounts payable	211,299,461.08	211,297,566.43
Advance receipts	6,715,812.84	12,131,032.89
Funds from selling out and repurchasing financial assets		
Service charge and commission payable		
Salaries payable to the employees	15,491,894.02	28,090,979.22
Taxes payable	62,985,766.25	55,705,075.23
Interest payable	24,044,496.13	7,376,397.56
Dividends payable		
Other payables	38,068,836.34	37,453,414.11
Reinsurance payable		
Insurance contract reserve		
Funds from securities trading agency		
Funds from underwriting securities agency		
Non-current liabilities due within a year	54,827,407.00	55,846,683.00
Other current liabilities	7,315,030.73	10,088,432.90
Total current liabilities	1,339,536,333.81	1,827,789,581.34
Non-Current Liabilities:		
Long term borrowings	47,136,286.38	48,383,020.45
Bonds payable	400,000,000.00	
Long term accounts payable		
Special accounts payable		
Predicted liabilities		
Deferred income tax liability		
Other non-current liabilities	2,050,000.00	1,506,000.00
Total non-current liabilities	449,186,286.38	49,889,020.45
Total liabilities	1,788,722,620.19	1,877,678,601.79
Owners' equity (or shareholders')		

equity):		
Paid up capital (or capital stock)	392,767,870.00	392,767,870.00
Capital reserve	525,506,952.78	525,506,952.78
Less: shares in stock		
Special reserve		
Surplus reserve	148,587,680.61	148,587,680.61
Generic risk reserve		
Retained earnings	456,082,096.65	386,984,676.78
Foreign Currency Capital	-10,718,215.10	-7,169,555.04
Total owner's equity attributable to the parent company	1,512,226,384.94	1,446,677,625.13
Minority equity	2,508,180.87	2,407,597.94
Owners' equity (or shareholders' equity)	1,514,734,565.81	1,449,085,223.07
Total liabilities and owners' equity (or shareholders' equity)	3,303,457,186.00	3,326,763,824.86

Legal Representative: Lai Weixuan
Xinglong

Chief Financial Officer: Li Dehua

Manager of the Accounting Dept: Hu

2. Balance Sheet, Parent Company

Prepared by FIYTA Holdings Ltd.

In CNY

Items	Ending balance	Opening balance
Current assets:		
Monetary fund	31,841,346.45	51,372,778.02
Trading financial assets		
Notes receivable		
Accounts receivable	240,328,704.17	240,591,979.60
Prepayments	8,405,680.16	7,400,499.96
Interest receivable		
Dividends receivable	90,931,618.19	15,960,140.05
Other receivables	1,086,101,870.36	879,008,377.75
Inventories	263,584.81	326,238.78
Non-current assets due		

within a year		
Other current assets	45,265.97	45,265.96
Total current assets	1,457,918,070.11	1,194,705,280.12
Non-Current Assets:		
Available-for-sale financial assets		
Held –to-maturity investment		
Long-term accounts receivable		
Long-term equity investment	774,041,902.52	773,933,461.79
Investment based real estate	239,807,557.69	244,379,430.63
Fixed assets	110,781,346.98	113,532,673.59
Construction-in-process	5,181,006.05	3,866,365.79
Engineering supplies		
Disposal of fixed assets		
Productive biological assets		
Oil and gas asset		
Intangible assets	29,900,696.62	30,390,445.62
Development expenses		
Goodwill		
Long-term expenses to be apportioned	9,031,028.42	9,959,330.37
Deferred income tax asset	354,202.35	424,050.46
Other non-current assets		
Total non-current assets	1,169,097,740.63	1,176,485,758.25
Total assets	2,627,015,810.74	2,371,191,038.37
Current liabilities:		
Short-term borrowing	710,000,000.00	949,800,000.00
Trading financial liabilities		
Notes payable		
Accounts payable	6,867,853.43	6,871,761.93
Advance receipts	1,881,869.43	1,393,704.45
Salaries payable to the employees	812,530.00	4,130,000.00
Taxes payable	4,387,274.04	7,275,698.17

Interest payable	23,661,022.16	6,207,032.78
Dividends payable		
Other payables	14,800,326.37	14,215,414.94
Non-current liabilities due within a year		
Other current liabilities		
Total current liabilities	762,410,875.43	989,893,612.27
Non-Current Liabilities:		
Long term borrowings		
Bonds payable	400,000,000.00	
Long term accounts payable		
Special accounts payable		
Predicted liabilities		
Deferred income tax liability		
Other non-current liabilities	2,050,000.00	1,506,000.00
Total non-current liabilities	402,050,000.00	1,506,000.00
Total liabilities	1,164,460,875.43	991,399,612.27
Owners' equity (or shareholders' equity):		
Paid up capital (or capital stock)	392,767,870.00	392,767,870.00
Capital reserve	531,162,493.88	531,162,493.88
Less: shares in stock		
Special reserve		
Surplus reserve	148,587,680.61	148,587,680.61
Generic risk reserve		
Retained earnings	390,036,890.82	307,273,381.61
Foreign Currency Capital		
Owners' equity (or shareholders' equity)	1,462,554,935.31	1,379,791,426.10
Total liabilities and owners' equity (or shareholders' equity)	2,627,015,810.74	2,371,191,038.37

Legal Representative: Lai Weixuan
Xinglong

Chief Financial Officer: Li Dehua

Manager of the Accounting Dept: Hu

3. Consolidated Profit Statement

Prepared by FIYTA Holdings Ltd.

In CNY

Items	Amount in the reporting period	Amount in the previous period
I. Gross Revenue	1,508,353,766.86	1,483,755,811.36
Including: revenue	1,508,353,766.86	1,483,755,811.36
Interest income		
Earned premium		
Service charge and commission income		
II. Total operating cost	1,426,809,547.89	1,403,350,279.05
Including: operating costs	970,869,666.64	987,034,886.89
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		
Business taxes and surcharge	9,598,819.57	8,333,683.51
Sales costs	315,335,871.86	260,546,992.95
Administrative expenses	78,223,983.74	87,835,143.36
Financial expenses	47,823,408.80	59,603,871.04
Loss from impairment of assets	4,957,797.28	-4,298.70
Plus: Income from change of fair value (loss is stated with "-")		
Investment income (loss is stated with "-")	108,440.73	191,373.86

Including: return on investment in associates and joint ventures	108,440.73	191,373.86
Exchange income (loss expressed with “-“)		
III. Operating Profit (loss is stated with “-“)	81,652,659.70	80,596,906.17
Plus: Non-operating income	1,561,438.20	1,841,642.65
Less: Non-operating expenses	246,186.21	105,428.22
Including: Loss from disposal of non-current assets	27,315.73	11,895.85
IV. Total profit (total loss is stated with “-“)	82,967,911.69	82,333,120.60
Less: Income tax expense	13,755,185.77	17,173,824.32
V. Net Profit (net loss is stated with “-“)	69,212,725.92	65,159,296.28
Including: Net profit realized by the consolidatee realized before the consolidation	0.00	-2,130,265.54
Net profit attributable to the parent company's owner	69,097,419.87	65,289,417.62
Minority shareholders' gain/loss	115,306.05	-130,121.34
VI. Earnings per share:	--	--
(I) Basic earnings per share	0.176	0.166
(II) Diluted earnings per share	0.176	0.166
VII. Other comprehensive income	-3,563,383.18	-1,485,490.34
VIII. Total comprehensive income	65,649,342.74	63,673,805.94
Total comprehensive income attributable to the owner of the parent company	65,548,759.81	63,798,815.91
Total comprehensive income attributable to minority shareholders	100,582.93	-125,009.97

Legal Representative: Lai Weixuan
Xinglong

Chief Financial Officer: Li Dehua

Manager of the Accounting Dept: Hu

4. Profit Statement, Parent Company

Prepared by FIYTA Holdings Ltd.

In CNY

Items	Amount in the reporting period	Amount in the previous period
I. Revenue	44,773,085.81	82,860,262.56
Less: Business costs	6,806,000.42	46,268,068.51
Business taxes and surcharge	3,026,540.05	4,005,146.32
Sales costs	3,846,026.66	7,329,606.71
Administrative expenses	21,162,716.18	20,299,535.62
Financial expenses	460,822.78	12,666,803.25
Loss from impairment of assets	210,607.55	-4,298.70
Plus: Income from change of fair value (loss is stated with "-")		
Investment income (loss is stated with "-")	75,079,918.87	76,151,513.91
Including: return on investment in associates and joint ventures	108,440.73	191,373.86
II. Operating Profit (loss is stated with "-")	84,340,291.04	68,446,914.76
Plus: Non-operating income	1,000,834.62	1,373,691.87
Less: Non-operating expenses	180,000.00	92,474.40
Including: Loss from disposal of non-current assets	0.00	872.93
III. Total profit (total loss is stated with "-")	85,161,125.66	69,728,132.23
Less: Income tax expense	2,397,616.45	0.00
IV. Net Profit (net loss is stated with "-")	82,763,509.21	69,728,132.23
V. Earnings per share	--	--
(I) Basic earnings per share		
(II) Diluted earnings per share		
VI. Other comprehensive income	0.00	0.00

VII. Total comprehensive income	82,763,509.21	69,728,132.23
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Legal Representative: Lai Weixuan
Xinglong

Chief Financial Officer: Li Dehua

Manager of the Accounting Dept: Hu

5. Consolidated Cash Flow Statement

Prepared by FIYTA Holdings Ltd.

In CNY

Items	Amount in the reporting period	Amount in the previous period
I. Net cash flows arising from operating activities:		
Cash received from sales of goods and supply of labor	1,653,001,232.85	1,568,077,993.80
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 from disposal of transactional financial asset		
Cash received from interest, service charge and commission		
Net increase of borrowings		
Net increase of fund from repurchases		
Rebated taxes received		
Other operation activity related cash receipts	18,388,403.90	12,564,978.28
Subtotal of cash flow in from operating activity	1,671,389,636.75	1,580,642,972.08
Cash paid for purchase of	1,104,945,928.41	1,262,119,139.90

goods and reception of labor services		
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	197,357,609.04	180,306,617.10
Taxes paid	87,867,910.11	87,831,415.58
Other business related cash payments	147,223,388.62	143,733,003.12
Subtotal of cash flow out from operating activity	1,537,394,836.18	1,673,990,175.70
Net cash flow arising from operating activities	133,994,800.57	-93,347,203.62
II. Cash flows arising from investment activities:		
Cash received from recovery of investment		
Cash received from investment income		
Net amount of cash received from disposal of fixed assets, intangible assets and other long term assets	681,262.51	53,358.08
Net cash received from disposal of subsidiaries and other operating units		
Other investment related cash receipts		
Subtotal of cash flow in from investment activity	681,262.51	53,358.08
Cash paid for construction/purchase of fixed	58,489,580.79	47,475,391.95

assets, intangible assets and other long term assets		
Cash paid for investment		28,050,000.00
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	58,489,580.79	75,525,391.95
Net cash flow arising from investment activities	-57,808,318.28	-75,472,033.87
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	510,892,441.63	917,000,000.00
Cash received from bond issuing		
Other fund-raising related cash receipts		125,000,000.00
Subtotal of cash flow in from fund raising activity	510,892,441.63	1,042,000,000.00
Cash paid for liabilities repayment	605,167,616.01	740,902,058.84
Cash paid for dividend/profit distribution or repayment of interest	25,666,632.98	100,936,223.78
Including: Dividend and profit paid by subsidiaries to minority shareholders		
Other fund-raising related cash payments	502,986.00	1,031,250.90

Subtotal of cash flow out from fund raising activity	631,337,234.99	842,869,533.52
Net cash flow arising from fund-raising activities	-120,444,793.36	199,130,466.48
IV. Influence from change of exchange rate upon cash and cash equivalents	-672,558.62	24,225.07
V. Net increase of cash and cash equivalents	-44,930,869.69	30,335,454.06
Plus: Opening balance of cash and cash equivalents	140,420,994.71	179,972,430.02
VI. Ending balance of cash and cash equivalents	95,490,125.02	210,307,884.08

Legal Representative: Lai Weixuan
Xinglong

Chief Financial Officer: Li Dehua

Manager of the Accounting Dept: Hu

6. Cash Flow Statement, Parent Company

Prepared by FIYTA Holdings Ltd.

In CNY

Items	Amount in the reporting period	Amount in the previous period
I. Net cash flows arising from operating activities:		
Cash received from sales of goods and supply of labor	45,381,348.64	53,110,671.45
Rebated taxes received	0.00	0.00
Other operation activity related cash receipts	15,856,708.91	70,163,474.04
Subtotal of cash flow in from operating activity	61,238,057.55	123,274,145.49
Cash paid for purchase of goods and reception of labor services		9,645,155.22
Cash paid to and for staff	21,485,348.55	21,344,665.48
Taxes paid	9,100,088.39	22,736,599.85
Other business related cash payments	191,779,618.43	290,935,269.71
Subtotal of cash flow out from	222,365,055.37	344,661,690.26

operating activity		
Net cash flow arising from operating activities	-161,126,997.82	-221,387,544.77
II. Cash flows arising from investment activities:		
Cash received from recovery of investment		
Cash received from investment income		34,907,884.20
Net amount of cash received from disposal of fixed assets, intangible assets and other long term assets	672,000.00	33,000.00
Net cash received from disposal of subsidiaries and other operating units		
Other investment related cash receipts		
Subtotal of cash flow in from investment activity	672,000.00	34,940,884.20
Cash paid for construction/purchase of fixed assets, intangible assets and other long term assets	2,795,509.98	7,408,400.71
Cash paid for investment	0.00	0.00
Net cash received from payment by subsidiaries and other operating units	0.00	0.00
Other investment related cash payments	0.00	0.00
Subtotal of cash flow out from investment activity	2,795,509.98	7,408,400.71
Net cash flow arising from investment activities	-2,123,509.98	27,532,483.49
III. Cash flows arising from fund raising activities:		
Cash received from absorption of investment		
Cash received from	446,900,000.00	882,000,000.00

borrowings		
Cash received from bond issuing		0.00
Other fund-raising related cash receipts		
Subtotal of cash flow in from fund raising activity	446,900,000.00	882,000,000.00
Cash paid for liabilities repayment	289,800,000.00	583,700,000.00
Cash paid for dividend/profit distribution or repayment of interest	12,877,937.77	81,083,348.04
Other fund-raising related cash payments	502,986.00	1,031,250.90
Subtotal of cash flow out from fund raising activity	303,180,923.77	665,814,598.94
Net cash flow arising from fund-raising activities	143,719,076.23	216,185,401.06
IV. Influence from change of exchange rate upon cash and cash equivalents		
V. Net increase of cash and cash equivalents	-19,531,431.57	22,330,339.78
Plus: Opening balance of cash and cash equivalents	51,372,778.02	49,327,161.12
VI. Ending balance of cash and cash equivalents	31,841,346.45	71,657,500.90

Legal Representative: Lai Weixuan
Xinglong

Chief Financial Officer: Li Dehua

Manager of the Accounting Dept: Hu

7. Consolidated Statement of Changes in Owner's Equity

Prepared by FIYTA Holdings Ltd.

Amount in the reporting period

In CNY

Items	Amount in the reporting period		
	Owner's equity attributable to the parent company	Minority	Total

	Paid up capital (or capital stock)	Capital reserv e	Less: shares in stock	Specia l reserv e	Surplu s reserv e	Generi c risk reserv e	Retain ed earnin gs	Others	equity	owners' equity
I. Ending balance of the previous year	392,76 7,870. 00	525,50 6,952. 78			148,58 7,680. 61		386,98 4,676. 78	-7,169, 555.04	2,407,59 7.94	1,449,085 ,223.07
Plus: Change in accounting policy										
Correction of previous errors										
Others										
II. Opening balance of the report year	392,76 7,870. 00	525,50 6,952. 78			148,58 7,680. 61		386,98 4,676. 78	-7,169, 555.04	2,407,59 7.94	1,449,085 ,223.07
III. Decrease/increase of the report year (decrease is stated with "-")							69,097 ,419.8 7	-3,548, 660.06	100,582. 93	65,649,34 2.74
(I) Net profit							69,097 ,419.8 7		115,306. 05	69,212,72 5.92
(II) Other comprehensive income								-3,548, 660.06	-14,723. 12	-3,563,38 3.18
Subtotal of the above (I) and (II)							69,097 ,419.8 7	-3,548, 660.06	100,582. 93	65,649,34 2.74
(III) Owners' input and decrease of capital										
1. Capital invested by the owners										
2. Amount of payment for shares charged to owners' equity										
3. Others										
(IV) Profit distribution										
1. Provision of surplus reserve										
2. Provision of general risk reserve										

3. Distribution to the owners (or shareholders)										
4. Others										
(V) Internal carry-forward 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										
(VI) Special reserve										
1. Provision in the report period										
2. Applied in the report period										
(VII) Others										
IV. Ending balance of the report period	392,76 7,870. 00	525,50 6,952. 78			148,58 7,680. 61		456,08 2,096. 65	-10,71 8,215. 10	2,508,18 0.87	1,514,734 ,565.81

Amount of Previous Year

In CNY

Items	Amount of Previous Year									
	Owner's equity attributable to the parent company								Minority equity	Total owners' equity
	Paid up capital (or capital stock)	Capital reserve	Less: shares in stock	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Others		
I. Ending balance of the previous year	392,76 7,870. 00	581,60 6,952. 78			131,32 3,437. 78		327,52 1,960. 58	-7,355, 528.69	2,751,24 9.66	1,428,615 ,942.11
Plus: Retroactive adjustment arising from consolidation of the enterprises under common control										
Plus: Change in accounting policy										

Correction of previous errors										
Others										
II. Opening balance of the report year	392,767,870.00	581,606,952.78			131,323,437.78		327,521,960.58	-7,355,528.69	2,751,249.66	1,428,615,942.11
III. Decrease/increase of the report year (decrease is stated with "-")		-56,100,000.00			17,264,242.83		59,462,716.20	185,973.65	-343,651.72	20,469,280.96
(I) Net profit							116,003,746.03		-343,880.20	115,659,865.83
(II) Other comprehensive income								185,973.65	228.48	186,202.13
Subtotal of the above (I) and (II)							116,003,746.03	185,973.65	-343,651.72	115,846,067.96
(III) Owners' input and decrease of capital		-56,100,000.00								-56,100,000.00
1. Capital invested by the owners										
2. Amount of payment for shares charged to owners' equity										
3. Others		-56,100,000.00								-56,100,000.00
(IV) Profit distribution					17,264,242.83		-56,541,029.83			-39,276,787.00
1. Provision of surplus reserve					17,264,242.83		-17,264,242.83			
2. Provision of general risk reserve										
3. Distribution to the owners (or shareholders)							-39,276,787.00			-39,276,787.00
4. Others										

(V) Internal carry-forward 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										
(VI) Special reserve										
1. Provision in the report period										
2. Applied in the report period										
(VII) Others										
IV. Ending balance of the report period	392,76 7,870. 00	525,50 6,952. 78			148,58 7,680. 61		386,98 4,676. 78	-7,169, 555.04	2,407,59 7.94	1,449,085 ,223.07

Legal Representative: Lai Weixuan

Chief Financial Officer: Li Dehua

Manager of the Accounting Dept: Hu

Xinglong

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

Prepared by FIYTA Holdings Ltd.

Amount in the reporting period

In CNY

Items	Amount in the reporting period							
	Paid up capital (or capital stock)	Capital reserve	Less: shares in stock	Special reserve	Surplus reserve	Generic risk reserve	Retained earnings	Total owners' equity
I. Ending balance of the previous year	392,767,8 70.00	531,162,4 93.88	0.00	0.00	148,587,6 80.61	0.00	307,273,3 81.61	1,379,791 ,426.10
Plus: Change in accounting policy								
Correction of previous errors								
Others								
II. Opening balance of the report year	392,767,8 70.00	531,162,4 93.88	0.00	0.00	148,587,6 80.61	0.00	307,273,3 81.61	1,379,791 ,426.10

III. Decrease/increase of the report year (decrease is stated with "-")							82,763,50 9.21	82,763,50 9.21
(I) Net profit							82,763,50 9.21	82,763,50 9.21
(II) Other comprehensive income								
Subtotal of the above (I) and (II)							82,763,50 9.21	82,763,50 9.21
(III) Owners' input and decrease of capital								
1. Capital invested by the owners								
2. Amount of payment for shares charged to owners' equity								
3. Others								
(IV) Profit distribution								
1. Provision of surplus reserve								
2. Provision of general risk reserve								
3. Distribution to the owners (or shareholders)								
4. Others								
(V) Internal carry-forward 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								
(VI) Special reserve								
1. Provision in the report period								
2. Applied in the report period								
(VII) Others								
IV. Ending balance of the report period	392,767,8 70.00	531,162,4 93.88	0.00	0.00	148,587,6 80.61	0.00	390,036,8 90.82	1,462,554 ,935.31

Amount of Previous Year

In CNY

Items	Amount of Previous Year							
	Paid up capital (or capital stock)	Capital reserve	Less: shares in stock	Special reserve	Surplus reserve	Generic risk reserve	Retained earnings	Total owners' equity
I. Ending balance of the previous year	392,767,870.00	531,162,493.88	0.00	0.00	131,323,437.78	0.00	191,171,983.15	1,246,425,784.81
Plus: Change in accounting policy								
Correction of previous errors								
Others								
II. Opening balance of the report year	392,767,870.00	531,162,493.88	0.00	0.00	131,323,437.78	0.00	191,171,983.15	1,246,425,784.81
III. Decrease/increase of the report year (decrease is stated with "-")	0.00	0.00	0.00	0.00	17,264,242.83	0.00	116,101,398.46	133,365,641.29
(I) Net profit							172,642,428.29	172,642,428.29
(II) Other comprehensive income								
Subtotal of the above (I) and (II)							172,642,428.29	172,642,428.29
(III) Owners' input and decrease of capital								
1. Capital invested by the owners								
2. Amount of payment for shares charged to owners' equity								
3. Others								
(IV) Profit distribution	0.00	0.00	0.00	0.00	17,264,242.83	0.00	-56,541,029.83	-39,276,787.00
1. Provision of surplus reserve					17,264,242.83		-17,264,242.83	
2. Provision of general risk reserve								
3. Distribution to the owners (or shareholders)							-39,276,787.00	-39,276,787.00
4. Others								

(V) Internal carry-forward 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								
(VI) Special reserve								
1. Provision in the report period								
2. Applied in the report period								
(VII) Others								
IV. Ending balance of the report period	392,767,870.00	531,162,493.88	0.00	0.00	148,587,680.61	0.00	307,273,381.61	1,379,791,426.10

Legal Representative: Lai Weixuan
Xinglong

Chief Financial Officer: Li Dehua

Manager of the Accounting Dept: Hu

III. Company Profile

Fiyta Holdings Ltd. (hereinafter referred to as the Company) was reorganized, incorporated and renamed from Shenzhen Fiyta Timer Industry Company on December 25 1992 with approval by the General Office of Shenzhen Municipal People's Government with Document SHEN FU BAN FU [1992] No. 1259 and with China National Aero-Technology Import & Export Corporation Shenzhen Industry & Trade Center (which was renamed as 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 CNY based common shares (A-shares) and CNY based special shares (B-shares). In accordance with the Approval Document of Shenzhen Municipal Securities Regulatory Office SHEN ZHENG BAN FU [1993] No. 20 and the Approval Document of Shenzhen Stock Exchange SHEN ZHENG SHI ZI (1993) No. 16, the Company's A-shares and B-shares were all listed with Shenzhen Stock Exchange for trading commencing from June 3, 1993.

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

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

controlling shareholder turned to be CATIC Shenzhen from CATIC Shenzhen Corporation.

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

On February 29, 2008, due to expansion of the Company's business scope and with approval by Shenzhen Municipal Administration for Industry and Commerce, the Company's enterprise corporate business licence number was changed from 4403011001583 into 440301103196089.

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-publically issue no more than 50 million common shares (A-shares). After completion of non-public issuing on December 9, 2010, the Company's registered capital increased to CNY 280,548,479.00 and CATIC Shenzhen holds 41.49% of the Company's equity based capital.

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

The principal business activities of the Company and its subsidiaries 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: Lai Weixuan; The Company's registered office address: FIYTA Technology Building, Gaoxin S. Road One, Nanshan District, Shenzhen.

The Company's parent is CATIC Shenzhen and the eventual controller is Aviation Industry Corporation of China (hereinafter referred to as AVIC).

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 such function departments as the Comprehensive Administration Department, Human Resource Department, Finance Department, Audit Department, General Office of the Board of Directors, Property Department, Research & Development Department, Innovation and Design Department.

The financial statements were approved by the Board of Directors of the Company for issuing on August 20, 2013.

IV. Principal Accounting Policies, Accounting Estimate and Correction of Previous Errors

1. Base for Preparation of the Financial Statements

The Group's financial statements are prepared with the assumption of continuous operation and according to the actually incurred transactions and matters. According to the Enterprise Accounting Standards – Basic Standards and 38 Specific Accounting Standards promulgated by the Ministry of Finance in February 2006 as well as the successively published application guides, interpretation and other relevant regulations of the enterprise accounting standards (hereinafter all referred to as the Enterprise Accounting Standards) and the provisions on information disclosure as specified in the Rules for the Compilation and Submission of Information Disclosure by Companies That Offer Securities to the Public No.15 – General Provisions of Financial Report (Revision in 2010) promulgated by China Securities Regulatory Commission.

According to the relevant provisions of the enterprise accounting standards, the Company takes the accrual basis as the base of accounting. Except some financial instruments, these financial statements are all measured based on historical cost. In case any asset experiences impairment, the impairment reserve is provided according to the relevant provisions.

2. Declaration on Adherence to the Accounting Standards for Enterprises

The financial statements prepared by the Group comply with the enterprise accounting standards, have truly and fully reflected the financial position of the Company and the Group as at June 30, 2013 and such information as its operation results and cash flow of the first half year of 2013. In addition, the financial statements of Company and the Group comply with the Rules for the Compilation and Submission of Information Disclosure by Companies That Offer Securities to the Public No.15 – General Provisions of Financial Report (Revision in 2010) concerning the requirement on disclosure of financial statements and the notes promulgated by China Securities Regulatory Commission in all material aspects.

3. Fiscal Year

The Group classifies accounting period into annual and semi-annual periods. A mid-term accounting period refers to a reporting period shorter than an entire fiscal year. The Group's fiscal year adopts the Gregorian calendar year, namely from January 1 to December 31 of a year.

4. Functional currency for bookkeeping

CNY is the currency in the major economic environment where the Company's and its domestic subsidiaries' premises are located. The Company and its domestic subsidiaries take CNY as the recording currency.

Except Switzerland based Montres Chouriet SA (hereinafter referred to as the Swiss 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 Chinese yuan (CNY).

5. Accounting for consolidation of enterprises under the common control and not under the common control

(1) Consolidation of enterprises under the common control

Consolidation of an enterprise under the common control refers to an enterprise involved in consolidation is under the control by one party or more before and after consolidation while such control is not temporary. In consolidation of the enterprises not under the common control, the party that has acquired the control power over the other enterprises involved in the consolidation refers to the consolidator and the other enterprise(s) involved in the consolidation is/are the consolidatee(s). Date of consolidation refers to the date when the consolidator actually acquires the control over the consolidatee.

The asset and liability acquired by the consolidator should be measured based on the book value of the consolidatee on the date of consolidation. The difference between the book value of net assets acquired by the consolidator, the book value of the consolidatee valuable consideration paid or the total book value of the issued shares was used to adjust the capital reserve (capital stock premium). In case the capital reserve (capital stock premium) is not enough to be written-down, the retained earnings are adjusted.

The direct expenses incurred in enterprise consolidation to the consolidating party is charged to the current gain and loss.

(2) Enterprise consolidation not under the common control

Consolidation of a party not under the same control refers to an enterprise involved in consolidation is not under the same eventual control by one party or more before and after consolidation. In consolidation of the enterprises not under the same control, the party that has acquired the control power over the other enterprises involved in the consolidation refers to the purchaser and the other enterprise(s) involved in the consolidation is/are the purchasee. Date of purchase refers to the date when the purchaser actually acquires the control over the purchasee.

For the consolidation of enterprises not under the same control, the consolidation costs consist of the fair value of the assets paid, liabilities incurred or assumed and the issued equity based securities for the purpose of acquisition of the control power over the purchasee and expenses incurred in connection with the consolidation, including the charges for audit, law service, appraisal and consulting and other administrative costs are charged to the current gains and losses. The transaction costs of the equity securities or debt securities issued by the purchaser as the consolidation consideration are counted to the initially recognized amount of the equity securities or debt securities. The contingent consideration involved is recorded in the consolidation costs based on the fair value as at the purchase date; for the contingent consideration necessary to be adjusted against the conditions which already exist as at the purchase date or further evidence within 12 months after the purchase date, the consolidated goodwill should be adjusted correspondingly. In case

of enterprise consolidation realized by steps through several exchange transactions, in the Group's consolidated financial statements, the equity of the purchasee held before the purchase date shall be re-measured based on the fair value of the equity as at the purchase date; the difference between the fair value and its book value is recorded in the current return on investment as at the purchase date; meanwhile, the other comprehensive income in connection with the equity of the purchasee held before the purchase date shall be converted into the current return on investment; the consolidation cost is the sum of the fair value of the purchasee's equity as at the purchase date held before the purchase date and the fair value of the purchasee's equity as at the purchase date increased as at the purchase date.

The consolidation cost incurred to the purchaser and the recognizable net asset acquired from consolidation are measured based on the fair value of the purchase day. The difference of the consolidation cost greater than the fair value share of the recognizable net asset on the date of purchase is recognized as goodwill. In case the consolidation cost is less than the share of the fair value of the purchasee's distinguishable net assets, the Company first of all rechecks the fair value of the purchasee's various distinguishable assets, liabilities or contingent liabilities and measurement of the consolidation costs. In case the consolidation cost is still smaller than the share of the fair value of the purchasee's distinguishable net assets acquired in the consolidation after the recheck, its difference is recorded in the current gain and loss.

In case the purchasee's offsetable provisional difference acquired by the purchaser is not recognized due to that it does not comply with the conditions for recognition of the deferred income tax asset, within 12 months after the purchase date, if the new or further information as obtained shows that the relevant conditions as at the purchase date already exist, it is predicted that the economic benefit of the purchasee's offsetable provisional difference as at the purchase date can be realized, the relevant deferred income tax asset is recognized; meanwhile, the goodwill is reduced. In case the goodwill is not enough to be written-down, the difference shall be recognized as the current gain/loss. Except the aforesaid conditions, the deferred income tax asset recognized in connection with the enterprise consolidation is recorded in the current gain/loss.

6. Preparation of Consolidated Financial Statements

(1) Method for Preparation of Consolidated Financial Statements

The consolidation range of consolidated financial statements is determined with control as the base. Control refers to that the Company is able to decide the financial and operating policy of the investee, the power against which the Company is able to obtain interest from the operation activities of the investee. Consolidation range includes the Company and all the subsidiaries. A subsidiary refers to an enterprise or entity under the Company's control.

(2) The relevant accounting process should be disclosed for the equity in the same subsidiary bought in and then sold out , or sold out and then bought within two fiscal years in succession

The Group consolidates the subsidiaries commencing from the date when the subsidiaries' net assets and production and operating decision making power are actually under the Company's control. The consolidation shall stop commencing from the date when the actual control authority is lost. For a subsidiary to be disposed, the operation result and cash flow prior to the day of disposal have been properly included in the consolidated profit statement and consolidated cash flow statement; for a subsidiary to be disposed in the current period, the consolidated balance sheet at the beginning of the

period is not adjusted. For the subsidiaries increased through consolidation of the enterprises not under the same control, the operating results and cash flow after the purchase date have been properly included in the consolidated profit statement and consolidated statement of cash flow while the amount at the beginning of the period and comparative amount in the consolidated financial statements shall not be adjusted. For the subsidiaries increased through consolidation of the enterprises under the same control, the operating results and cash flow from the very period of consolidation to the consolidation date have been properly included in the consolidated profit statement and consolidated statement of cash flow; moreover, comparative amount in the consolidated financial statements shall be adjusted at the same time.

In process of preparation of consolidated statements, in case the accounting policy or fiscal term adopted by the subsidiaries and the Company are not identical, in preparation of the consolidated financial statements, consolidation is made after necessary adjustment of the subsidiaries' financial statements in terms of the Company's accounting policy or fiscal term. For the subsidiaries acquired through consolidation of enterprises not under the same control, the financial statements are adjusted with the fair value of recognizable net assets on the date of purchase as the base.

All the material current account balance, transactions and unrealized profit within the Group are offset at the time of preparation of the consolidated financial statements.

The part in the subsidiaries' shareholders' equity and the net current gain and loss which do not belong to the part held by the Company are taken as minority equity and minority gain and loss and are respectively listed under the shareholders' equity and net profit separately in the consolidated financial statement. The part of the current net gain and loss of a subsidiary belonging to minority shareholders' equity is presented as "minority shareholders' gain and loss" under the item of net profit in the consolidated profit statement. In case the loss of a subsidiary shared by the minority shareholders has exceeded the share of the owners' equity of the subsidiary enjoyable by the minority shareholders at the beginning of the period, the minority shareholders' equity shall be written-down.

When the control power over an existing subsidiary has lost due to disposal of the investment in partial equity or due to other reason, the remaining equity shall be re-measured with reference to the fair value as at the date when the control power got lost. The balance of the sum of the consideration obtained from disposal of the equity and the fair value of the remaining equity less the portion of the net assets enjoyable in the original subsidiary continuously calculated commencing from the date of purchase worked out based on the original shareholding proportion is counted to the return on investment of the very period when the control power was lost. The other comprehensive income in connection with the investment in the equity of the original subsidiary was altogether transferred to the return on the investment in the very period when the control power was lost. Afterwards, this part of residual equity undergoes follow-up measurement according to the Enterprise Accounting Standards No. 2 – Long Term Equity Investment or the Enterprise Accounting Standards No. 22 – Financial Instrument Recognition and Measurement, etc. For the detail, refer to "Long Term Equity Investment" or "Financial Instruments".

7. Recognition of Cash and Cash Equivalent

The Group's cash and cash equivalents include cash on hand, deposits which may be used for payment at any time and investment held by the Group with short term (usually due within three months commencing from the date of purchase), high liquidity, easy to be turned into cash with given amount and very small risk of change in value.

8. Transactions in Foreign Currency and Foreign Currency Translation

(1) Transactions in Foreign Currency

In initial recognition of transaction in foreign currency when incurs, the translation into amount in recording currency based on the spot rate (which usually refers to the average of the foreign exchange rate published by the People's Bank of China on the very day of incurrence); however, the foreign currency exchange business or transaction involved foreign currency exchange incurred in the Company is converted into amount in recording currency according to the exchange rate actually adopted.

(2) Translation for Financial Statements in Foreign Currency

In case the preparation of the consolidated financial statements involves overseas operation, if there is the monetary item in foreign currency which substantially composes net investment for overseas operation, the exchange difference arising from the change of exchange rate shall be stated in the item of "the translation difference in foreign currency statement" of the owner's equity; in handling the overseas operation, the exchange difference is counted to the current gain and loss.

The financial statements in foreign currency for operation outside Mainland China are translated into statements in Renminbi after conversion according to the following methods: all the asset and liability items in the balance sheet are translated based on the spot rate on the balance sheet day. For the owner's equity type items, except the item of "retained earnings", the other items are translated based on the spot exchange rate at the time of incurrence. The income and expense items in the statement of profit are translated based on the current average exchange rate on the date of transaction. The retained earnings at year beginning is the retained profit of the previous year end after translation. The retained profit at year end is calculated and stated based on the items of the profit distribution after translation. The difference between the asset items and liability items and the total of the owners' equity items after translation is recognized as other comprehensive income and separately stated under the item of shareholders' equity as the translation discrepancy of statements in foreign currency. In disposal of operation outside Mainland China with the control power lost, the difference from translation of statements in foreign currency stated under the item of owner's equity in the balance sheet and in connection with foreign operation is, all or based on the proportion of operation outside mainland China as disposed, charged to the disposal of current gain and loss.

Foreign currency cash flow and cash flow of overseas subsidiaries are translated based on the current average exchange rate as at the date when the cash flow incurs. The amount affected by the change of exchange rate upon cash is used as the adjustment item and is separately presented in the cash flow statement.

The amount at year beginning and actual amount of the previous year are stated based on the amount of the financial statements of the previous year after translation.

9. Financial instruments

(1) Classification of Financial Instruments

Classification of financial assets

Financial assets are classified into the following categories at the time of initial recognition: financial asset measured based on the fair value and whose change is recorded in the current gain and loss, held-to-maturity investment, loan, accounts receivable and available for sale asset.

Classification of financial liabilities

Financial liabilities are classified into financial liabilities and other financial liabilities which are measured based on the fair value at the time of initial recognition and whose change is charged to the current gain and loss.

(2) Basis for Recognition of Financial Instruments and Measurement Method

Recognition and Measurement of Financial Instruments

For trading of financial assets in general way, accounting recognition and termination recognition are conducted on the date of transaction. Financial assets are classified into the following categories at the time of initial recognition: financial asset measured based on the fair value and whose change is recorded in the current gain and loss, held-to-maturity investment, loan, accounts receivable and available for sale asset. Financial asset is measured based on the fair value at initial recognition. For the financial asset which is measured based on the fair value and the change is charged to the current gain and loss, the relevant transaction expenses are directly charged to the current gain and loss; for other types of financial asset, the relevant transaction expenses are charged to the initially recognized amount. The Group's financial assets are mainly the accounts receivable.

Accounts receivable refer to the non-derivative financial assets without quotation in the active market and the recoverable amount fixed or determinable. The Group's financial assets in term of accounts receivable consist of notes receivable, accounts receivable and other receivables. Accounts receivable undergoes follow-up measurement by using the effective interest method based on the amortized cost. The gain or loss arising from termination of recognition, incurrence of impairment or amortization is recorded in the current gains and losses.

Measurement of Financial Liabilities

Financial liabilities are classified into financial liabilities and other financial liabilities which are measured based on the fair value at the time of initial recognition and whose change is charged to the current gain and loss. Financial liabilities are measured based on the fair value at initial recognition. For the financial liabilities which are measured based on the fair value and the change is charged to the current gain and loss, the relevant transaction expenses are directly charged to the current gain and loss; for other types of financial liabilities, the relevant transaction expenses are charged to the initially recognized amount. The financial liabilities of the Group are mainly the other financial liabilities and financial guarantee contract.

① Other financial liabilities

Other financial liabilities undergo follow-up measurement based on the amortized cost by means of actual interest rate method; the gain or loss arising from the termination of recognition or amortization, is charged to the current gain and loss.

② Financial guarantee contract

For a financial guarantee contract of financial liability which is not specified for measurement based on the fair value and its change being charged to the current gain and loss, the initial recognition is made based on the fair value; after the initial

recognition, the follow-up measurement shall be made for the higher of the amount and the initially recognized amount determined according to the Accounting Standards for Enterprises No. 13 – Contingencies less the balance of the accumulated amortized amount as determined according to the Accounting Standards for Enterprises No. 14 – Income.

(3) Basis for Recognition of Transfer of Financial Assets and Measurement Method

Recognition of financial assets in compliance with one of the following conditions shall be terminated: ① the contractual right for receiving the cash flow of the financial asset is terminated; ② the financial asset has been transferred while almost all the risks and remuneration in connection with the ownership of the financial asset has been transferred to the party of transfer in; ③ the financial assets have been transferred although the enterprise has neither transferred nor retained almost all the risks and remuneration to the ownership of financial assets but the control over the financial asset has been given up.

In case the enterprise has neither transferred nor retained all the risks and rewards involved in the ownership of the financial assets but has not given up the control over the financial assets, the concerned financial assets can continue to be recognized based on the level of the financial assets transferred and the relevant liabilities shall be recognized correspondingly. The level of the involved financial assets transferred refers to the level of risks the enterprise is confronted with in change of the financial asset.

In case the overall transfer of the financial assets can satisfy the conditions of termination of recognition, the balance between the book value of the financial assets as transferred, the consideration received due to the transfer and the sum of the accumulative amount of change of the fair value recorded in other comprehensive income is recorded in the current gain and loss.

If partial transfer of financial assets can satisfy the conditions for termination of recognition, the book value of the financial assets transferred is apportioned based on its relevant fair value between the part with recognition terminated and the part with recognition not terminated; and the difference between the sum of the consideration received due to the transfer and the accumulative amount involved in change of the fair value of the part with recognition terminated which should be recorded in the other comprehensive income and the aforesaid book amount as apportioned is recorded in the current gain and loss.

(4) Termination of Recognition of Financial Liabilities

The present obligations of financial liabilities have been entirely or partially been eliminated before termination of recognition of such financial liabilities or part of them. An agreement is concluded between the Group (the debtor) and the creditor, the existing financial liabilities are replaced by means of undertaking the new financial liabilities while the contract articles concerning the new financial liabilities and the existing financial liabilities are substantially different, the recognition of the existing financial liabilities are terminated and at the same time the new financial liabilities are recognized.

In case recognition of financial liabilities is entirely or partially terminated, the difference between the book value of the part with recognition terminated and the consideration paid (including the non-cash assets transferred out or the new financial liabilities as undertaken) is recorded in the current gain and loss.

(5) Method for Recognition of the Fair Value of Financial Assets and Financial Liabilities

Fair value refers to the amount involved in the assets exchange or settlement of obligation conducted between the two parties of transaction on volunteer basis in a fair transaction. When there exists active market for financial instruments, the Group determines the fair value with the quotation in the active market. Quotation in the active market refers to the price easily and regularly accessible to the exchange, broker, guild, price service agent, etc. and represents the transaction price actually incurred in the market in fair transaction. In case the financial instruments do not exist in the active market, the Group uses the value estimation technique to determine its fair value. The value estimation technique includes the price used in the latest market transaction conducted by the parties familiar with the situation on volunteer basis with reference to the current fair value of substantially the same other financial instruments, the cash flow discount method and option pricing model, etc.

(6) Method for Testing Financial Assets (with Accounts Receivable Exclusive) and Provision for Impairment

The Group inspects the book value of financial assets on the balance sheet date and makes provision for impairment when there is objective evidence showing that impairment incurs in the financial asset.

(7) In case any undue held-to-maturity investment is reclassified as available-for-sale asset, specify the intention of holding or the basis of the ability change taken place

Inapplicable

10. Recognition of Provision for Bad Debts of Accounts Receivable and Way of Provision**(1) The determination criteria of bad debts**

The Group checks the book value of accounts receivable on the balance sheet day and provides reserve for impairment in case there exist following objective evidences showing that accounts receivable have experienced impairment: ① A debtor is involved in serious financial difficulty; ② The debtor breaches the contract, such as breaching contract in payment of interest or the principal or delaying the payment, etc.; ③ Debtor may get bankrupt or conduct other financial reorganization; ④ Other objective basis shows impairment incurred in the account receivable.

(2) Provision for Bad Debts

① Criteria for recognizing the reserve for bad debt of the accounts receivable with significant individual amount and with the reserve for bad debt provided on individual basis and the way of provision

The Group classifies an account receivable with single amount exceeding CNY 800,000.00 and other receivable with single amount exceeding RMB 500,000.00 as account receivable with significant single amount.

The Group tests impairment of individual accounts receivable with significant single amount, separately tests the financial assets without impairment incurred, including the impairment test of the portfolio of the financial asset with similar credit risk characteristics. The accounts receivable in which loss from impairment has been recognized in the individual test shall no longer undergo impairment test in the portfolio of the accounts receivable with similar credit risk characteristics.

② Basis for determining the accounts receivable with the reserve for bad debt provided based on the combination of the credit risks and provision of the reserve for bad debt

A. Basis for determining the combination of the characteristics of the credit risk

The Group groups the financial assets based on the similarity of the characteristics and relevance of the credit risks for the accounts receivable with insignificant single amount or with significant amount but not experiencing impairment through single-item based testing. These credit risks usually reflect a debtor's ability to repay all the due amount according to the contract of such assets and are related with the estimation of the future cash flow of the inspected assets.

Basis on determining different combinations:

Items	Basis for determining combinations
Grouping based on the accounting age	Length of the accounting age
Grouping of the designated accounts	The Company does not provide reserve for bad debts for the reserve due from the employees, payment due from the subsidiaries in the consolidation range and the sales revenue from the last settlement day of the supermarket to the balance sheet day.

B. Way of provision for bad debt as determined based on the combination with the credit risk characteristics

In making impairment test by combination, the amount of the reserve for bad debt is determined according to the combination structure of the accounts receivable and the similar credit risk characteristics (the debtor's ability to repay the debt according to the contract) and based on the historical loss experience, the present economic conditions and the assessment of the loss already existed in the combination of the predicted accounts receivable.

Method of provision for bad debt based on different combinations:

Items	Way of Provision
Grouping based on the accounting age	Provision for bad debt based on aging analysis
Grouping of the designated accounts	Based on the characteristics of its risk, there exists no risk of impairment and no reserve for bad debt is provided

a. In grouping, grouping provision approach for provision of bad debt reserve by using the aging analysis method

Ages	Provision proportion of the accounts receivable (%)	Provision proportion of other receivables (%)
Within 1 year (including 1 year, the same below)	5	5
1 to 2 years	10	10
2 to 3 years	30	30
Over 3 years	50	50

b. In grouping, other method is used for provision of bad debt reserve:

Grouping Description	Provision proportion of the accounts receivable (%)	Provision proportion of other receivables (%)
Grouping of specific accounts	-	-

The Group does not provide bad debt reserve for the reserve receivable from employees, due from subsidiaries which should be included in the consolidation range, the sales revenue from the last settlement day of the supermarket to the balance sheet day in the current year because such accounts are highly recoverable and are quite impossible to turn into bad debt based on past experience.

③ Accounts receivable with insignificant single amount and provision of bad debt reserve on individual basis

For the accounts receivable with insignificant single amount but having the following characteristics, the Group makes separate impairment test. In case there is objective evidence showing that impairment has taken place, according to the balance of the present value of future cash flow lower than the book value, loss from impairment is recognized and the reserve for bad debt is provided, including the account receivable involved with dispute with the other party or lawsuit or arbitration; the accounts receivable in which there exists evident indication showing that a debtor may possibly be unable to implement the obligation of repayment.

(3) Reversal of reserve for doubtful accounts

In case there is objective evidence showing that the value of the account receivable has been recovered while it is objectively related with matters occurred after recognition of the loss, the loss from impairment originally recognized can be reversed and is recorded in the current gain and loss. However, the book value of such reversal shall not exceed the amortized cost as at the date of reversal of such account receivable for which it is assumed not provision for impairment was made.

(1) Bad debt reserves for accounts receivable with insignificant single amount

Criteria for basis or amount for judging significant single amount	The Group classifies an account receivable with single amount exceeding CNY 800,000.00 and other receivable with single amount exceeding RMB 500,000.00 as account receivable with significant single amount.
Method for provision of reserve for bad debt with significant single amount on individual basis.	The Group tests impairment of individual accounts receivable with significant single amount, separately tests the financial assets without impairment incurred, including the impairment test of the portfolio of the financial asset with similar credit risk characteristics. The accounts receivable in which loss from impairment has been recognized in the individual test shall no longer undergo impairment test in the portfolio of the accounts receivable with similar credit risk characteristics.

(2) Accounts receivable for which reserve for bad debt is provided based on the combination

Grouping Description	Provision method for proding bad debt reserve based on	Basis for determining grouping
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	grouping	
Grouping based on the accounting age	Age Analysis	Length of the accounting age
Grouping of the designated accounts	Other methods	The Company does not provide reserve for bad debts for the reserve due from the employees, payment due from the subsidiaries in the consolidation range and the sales revenue from the last settlement day of the supermarket to the balance sheet day.

In the grouping, age analysis is used for provision of reserve for bad debts:

Age	Provision proportion of the accounts receivable (%)	Provision proportion of other receivables (%)
Within 1 year (including 1 year)	5%	5%
1 to 2 years	10%	10%
2 to 3 years	30%	30%
Over 3 years	50%	50%

In grouping, balance percentage is used for provision of reserve for bad debts

Inapplicable

In grouping, other method is used for provision of reserve for bad debts

Grouping Description	Method Description
Grouping of the designated accounts	Based on the characteristics of its risk, there exists no risk of impairment and no reserve for bad debt is provided

(3) Accounts receivable with insignificant single amount and provision of bad debt reserve on individual basis

Reason of providing reserve for bad debt on individual basis	For the accounts receivable with insignificant single amount but having the following characteristics, the Group makes separate impairment test. In case there is objective evidence showing that impairment has taken place, loss for impairment is recognized based on the difference of the present value of future cash flow lower than the book value and reserve for bad debt is provided, including the accounts receivable involving dispute or lawsuit/arbitration with the other party and the accounts receivable in which there exists evident indication showing that a debtor may possibly be unable to implement the obligation of repayment.
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11. Inventories

(1) Classification

Inventories mainly include raw materials, goods in process, commodity stocks, etc.

(2) Pricing for delivered inventories

Pricing method: others

Inventories are priced based on the actual cost at the time of acquisition. Inventory costs include purchase cost, processing cost and other costs. Inventories are priced respectively according to the weighted average (for FIYTA watch stocks), specific identification (for famous brand watch stocks) and first in first out (for raw materials for FIYTA watches) at the time of procurement and delivery.

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

The net realizable value of the inventories refers to the amount of the estimated sales price of the inventory less the estimated sales costs to incur at the time of completion, sales expenses and relevant taxes in process of normal production and operation. In determining the net realizable value of inventory, with the obtained valid evidence as the base, the purpose of holding the inventory and the influence from the events after the balance sheet day is taken into consideration at the same time. Including:

① For the inventories in stock directly for sale, including finished products, commodities and materials for sale, etc., their realizable net value is determined based on the amount of the estimated sales prices of such inventories less the estimated sales expenses and relevant taxes.

② For the material inventories necessary to be processed, their realizable net value is the amount of the estimated sales price of the finished products as produced less the estimated costs to occur up to the time of completion, estimated sales expenses and relevant taxes in process of normal production and operation.

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

For the world famous watches under distribution, the Company provides reserve for price falling of inventories on individual basis.

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

On the balance sheet day, inventories are measured based on the lower of the cost and the net realizable value. Provision for price falling of inventory is made when the net realizable value is lower than the cost.

After provision for price falling of inventories, in case the influencing element for previous reduction of the inventory value

has disappeared, causing the realizable net value of the inventory higher than the book value, the provision for price falling of the inventory originally made can be reversed and the reversed amount is charged to the current gain and loss.

(4) Inventory System

The stock-taking system for inventories is perpetual inventory system.

The Company adopts the perpetual inventory method for its inventory system.

(5) Amortization of low-value consumption goods and packing materials

Low-value consumption goods

Amortization method: One-off write-off method.

Easily-consumed articles with low value is to be amortized in lump sum at the time of requisition.

Packing materials

Amortization method: One-off write-off method.

Packing materials are amortized based on one-off write-off method at the time of requisition.

12. Long-term equity investment

(1) Determination of the investment cost

For long term equity investment formed from enterprise consolidation, such as the long term equity investment obtained from consolidation of the enterprises under the same control, the share of the book value of the owners' equity in the parties consolidated as obtained on the date of consolidation is taken as the initial investment cost. Through long term equity investment by means of consolidation of enterprises not under the same control, the enterprise consolidation costs include the sum of the assets paid by the purchaser, the liabilities incurred or undertaken, and the fair value of the equity securities issued. The agency fees for audit, legal services, appraisal and consulting services, etc. incurred in consolidation of enterprises and other relevant administrative expenses incurred to the purchaser should be recorded in the current gain and loss at the time of incurrence. The purchaser should count the trading expenses of equity securities or liability securities issued as the consolidation consideration to the amount of initial recognition of the equity securities or liability securities.

The other equity investment except the long term equity investment formed from enterprise consolidation is initially measured based on the costs; the cost is determined based on the cash payment actually paid by the Group, the fair value of the equity securities issued by the Group, value as specified in the investment contract or agreement, the fair value or the original book value of the assets surrendered in process of non-monetary asset exchange, its own fair value of the long term equity investment, etc. depending on the different ways of acquiring the long term equity investment. Investment costs include the expenses, taxes and other necessary expenditures directly connected with the acquisition of the long term equity investment.

(2) Follow-up Measurement and Gain and Loss Recognition

For a long term equity investment which does not have common control over or significant influence upon the investee and there is no quotation in the active market and the fair value cannot be reliably measured, the Company adopts the cost method for calculation. The long term investment which has common control over or significant influence upon the investee, the equity method is used for calculation. The long term equity investment which does not control or common control over or significant influence upon the investee while the fair value can be reliably measured can be used as the financial asset available for sale in calculation.

In addition, for a long term equity investment in which the Company can exercise control over the investee, the Company adopts the cost method for accounting.

① Long term equity investment calculated based on the cost method

In accounting based on the cost method, the long term equity investment is priced based on the initial investment costs, except the amount actually paid at the time when the investment is acquired, or the cash dividend or profit already announced but not yet distributed involved in the consideration, the current return on investment is recognized based on the amount of the cash dividend or profit announced for distribution by the investee enjoyable by the Company as investor.

② Long term equity investment calculated based on the equity method

When the equity method is used for calculation, in case the initial investment cost of the long term equity investment is greater than the fair value of the recognizable net asset of the investee enjoyable, the initial investment cost of the long term equity investment shall not be adjusted.

If the equity method is used for calculation, the current investment gain/loss is the share of the net gain/loss realized in the very year by the investee enjoyable or shareable. In confirming the share of the net gain and loss enjoyable in the investee, the Group takes the fair value of various recognizable assets of the investee at the time of obtaining the investment, and recognizes it after adjustment of the net profit of investee according to the accounting policy of the Group and during the fiscal period. The part of the inside transaction gain and loss unrealized between the Group, the associates and joint ventures attributable to the Group is calculated based on the shareholding proportion and is offset and the investment gain and loss are recognized on this basis. However, the inside transaction loss unrealized incurred to the Group and the investee shall not be offset if it belongs to the loss from impairment of the assets as assigned according to the Enterprise Accounting Standards No. 8 – Impairment of Assets. For other comprehensive income of the investees, the book value of the long term equity investment is adjusted correspondingly and is recognized as other comprehensive income and recorded in the capital reserve. In recognizing the net loss shareable incurred to the investee, the book value of the long term equity investment and the other long term equity which substantially composes the net investment in the investee is reduced to zero as the maximum. In addition, if the Group has the obligation for assuming extra loss incurred to the investee, the predicted liability is recognized based on the predicted obligation to be assumed and is charged to the current investment loss. In case of the net profit realized by the investee in the afterwards period, the Group shall restore the recognition of the share of profit enjoyable after the amount enjoyable has made up for the unrecognized loss.

③ Acquisition of the minority equity

In preparation of the consolidated financial statements, the difference between the long term equity investment newly increased by purchase of minority equity and the enjoyable share of a subsidiary's net assets continuously calculated

commencing from the date of purchase (or date of consolidation) based on the newly increased shareholding proportion is used to adjust the capital reserve; in case the capital reserve is not enough for writing-down, the retained earnings is adjusted.

④ Disposal of long-term equity investment

In a consolidated financial statement, the parent company has partially disposed the long term equity investment in its subsidiary without losing its control power, the difference between the disposal income of the amount enjoyable in the subsidiary's net assets corresponding to the long term equity investment disposed is counted to the owner's equity. In case that the parent company has partially disposed the long term equity investment in its subsidiary has caused the parent company to have lost the control power over the subsidiary, it should be treated according to the accounting policy as specified in the "method for preparation of consolidated financial statements". If a long term equity investment is disposed under other situation, for the equity disposed, the difference between its book value and the consideration actually obtained is counted to the current gains and losses. For the long term equity investment calculated based on the equity method, the other comprehensive income part which was originally counted to the owner's equity is transferred to the current gains and losses according to the corresponding proportion. The remaining equity is recognized as long term equity investment or other relevant financial assets based on its book value and measured afterwards according to the aforesaid accounting policy concerning long term equity investment or financial assets. In case the remaining equity is calculated based the equity method instead of the cost method, retroactive adjustment is made according to the relevant provisions.

(3) Basis for determining the joint control over and significant influence upon the investee

Control refers to the authority to decide the financial and operating policy of an enterprise according to which profit may be achieved from the enterprise's operating activities. Joint control refers to common control over some economic activities according to the contract. Such control only exists when the investors unanimously approve the important finance in connection with such economic activity and control power necessary to be shared in operation decision-making. Significant influence is determined when the investor has the power in participating in decision making on the investee's financial and operation policies but cannot control or jointly control with other party such decision making. Significant influence is determined when the investor has the power in participating in decision making on the investee's financial and operation policies but cannot control or jointly control with other party such decision making. In determining if to implement control over or exert significant influence upon an investee, the potential voting elements, such as the current convertible debentures in the investee held by the investor and other parties, the warranty available for implementation in the current period, can be taken into consideration. (4) Method for impairment testing and provision of reserve for impairment.

On every balance sheet day, the Group checks the long term equity investment and makes sure if there possibly exist any sign of impairment. In case there exists impairment in such assets, their recoverable amount is estimated. In case the recoverable amount of the asset is lower than its book value, provision for impairment of the asset is made based on its difference and is recorded in the current gain and loss.

Loss from impairment of long term equity investment which once is confirmed shall not be reversed in the afterwards fiscal periods.

13. Investment based real estate

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

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

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

About the impairment test method and method for provision of reserve for impairment of the investment based real estate, refer to "Impairment of Non-current and Non-financial Assets".

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

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

14. Fixed assets

(1) Conditions for Recognition of Fixed Assets

Fixed assets refer to tangible assets used for producing commodities, providing labor services, leasing, operation or management with service life exceeding one fiscal year.

(2) Recognition basis and pricing method for the fixed assets rented on financing basis

(3) Depreciation of Different Fixed Assets

Fixed assets are initially measured based on the costs with the influence from the predicted discarding expenses taken into consideration. Commencing from the next month after a fixed asset has reached the predicted usable status, the average service life method is used to provide depreciation within the service life. Service life, predicted net residual value (the predicted net residual value refers to the amount obtained by the Group from disposal of the asset after deduction of

the predicted disposal costs after the predicted service life of an assumed fixed asset expires and is in the predicted status at the time of termination of the service life) and annual depreciation rate are as follows:

Categories	Depreciation Life (years)	Residual ratio (%)	Annual depreciation rate (%)
Housing and buildings	20-35	5%	2.7-4.8
Machines & equipment	10	5%-10%	9-9.5
Electronic equipment	5 年	5%	19
Motor vehicles	5 年	5%	19
Other equipment	5 年	5%	19

(4) Impairment test and provision for impairment of fixed assets

For the fixed assets, the Group makes judgment on whether there exists any sign of impairment on the balance sheet day. If there exists the sign of impairment, the recoverable amount is estimated and impairment test is conducted. For goodwill and intangible assets with the service life undetermined and intangible assets which has not year reached the usable status, regardless of whether there exists any sign of impairment, impairment test should be conducted every year.

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

The loss from impairment of the aforesaid assets, once determined, shall be the part of recovery with the value unreversable in future periods.

(5) Other Notes

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

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

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

15. Construction in process

(1) Classification of construction in process

The cost of construction-in-process is determined based on the actual expenditures of the project, including various engineering expenses incurred during the construction period and other relevant expenses, etc. The construction in progress is transferred into the fixed assets after the works has reached the predicted usable status.

(2) Standard and Time of Conversion of Construction-in-progress into Fixed Asset

The cost of construction-in-process is determined based on the actual expenditures of the project, including various engineering expenses incurred during the construction period and other relevant expenses, etc. The construction in progress is transferred into the fixed assets after the works has reached the predicted usable status.

(3) Impairment Test Method for Construction-in-Progress and Provision for Impairment

The Group makes judgment on whether there exists any impairment sign on the balance sheet day. If there exists the sign of impairment, the recoverable amount is estimated and impairment test is conducted.

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

The loss from impairment of the aforesaid assets, once determined, shall be the part of recovery with the value unreversable in future periods.

16. Loan expenses**(1) Capitalization of borrowing costs**

Loan expenses include the interest and additional expenses incurred by loans, and the exchange difference incurred by foreign exchange loan. The loan expenses for purchase, construction or production of the assets directly attributable to those in compliance with capitalization conditions start to be capitalized when the asset expenditure has already incurred, loan expenses have incurred and purchase, construction or production activities necessary for enabling the assets to reach the predicted usable or sellable status have already started. When the assets purchased/constructed or produced in compliance with capitalization conditions reach the predicted usable or sellable status, the capitalization of the loan expenses shall stop. The other loan expenses are recognized as expenses in the very period of incurrence.

(2) Duration of loan expense capitalization**(3) Capitalization suspension period****(4) Calculation of the amount of loan expense capitalized****17. Biological assets**

Inapplicable

18. Oil and gas assets

Inapplicable

19. Intangible Assets**(1) Pricing of intangible assets**

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

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

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

An intangible asset with limited service life is amortized in average by using the straight-line method over the predicted

service life with its original value less the predicted residual value and the accumulated amount of the reserve for impairment already provided commencing from the time of availability for use. The intangible asset with unidentified service life would not be amortized.

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

Expenses at the research stage is counted to the current gains and losses at the time of incurrence.

The expenses at the development stage which can satisfy the following conditions at the same time are recognized as intangible asset and that which cannot satisfy the following conditions are recorded in the current gain and loss at the development stage:

- ① It is technically feasible to finish such intangible assets so as to make it useable or sellable;
- ② Having the intention to finish, use or sell such intangible assets;
- ③ The ways of intangible assets to produce economic benefit, including being able to prove that there exists market for the products produced by using such intangible assets or there exists market for intangible asset itself; in case intangible asset shall be used internally, it can be proved useful.
- ④ There is sufficient support in terms of technology, financial resource and other resources so as to fulfil the development of intangible asset and have the ability to use or sell such intangible assets;
- ⑤ The expenses attributable to the development stage of such intangible assets can be reliably measured.

In case it is impossible to distinguish the expenses at the research stage from that at the development stage, the R & D expenses incurred shall all be recorded in the current gain and loss.

(2) Estimate of service life of the intangible asset with limited service life

An intangible asset with limited service life is amortized in average by using the straight-line method over the predicted service life with its original value less the predicted residual value and the accumulated amount of the reserve for impairment already provided commencing from the time of availability for use. The intangible asset with unidentified service life would not be amortized.

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

(3) Basis for judgment of intangible assets with indefinite service life**(4) Provision for impairment of intangible assets**

The Group makes judgment on whether there exists any impairment sign on the balance sheet day. If there exists the sign of impairment, the recoverable amount is estimated and impairment test is conducted.

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

The loss from impairment of the aforesaid assets, once determined, shall be the part of recovery with the value unreversable in future periods.

(5) Specific criteria for division between the research stage and development stage of the Company's internal R & D projects

The expenditures for the Company's internal research and development projects are divided into expenditure of research stage and that of development stage.

(6) Accounting of expenditure for internal R & D projects

Expenses at the research stage is counted to the current gains and losses at the time of incurrence.

The expenses at the development stage which can satisfy the following conditions at the same time are recognized as intangible asset and that which cannot satisfy the following conditions are recorded in the current gain and loss at the development stage:

- ① It is technically feasible to finish such intangible assets so as to make it useable or sellable;
- ② Having the intention to finish, use or sell such intangible assets;
- ③ The ways of intangible assets to produce economic benefit, including being able to prove that there exists market for the products produced by using such intangible assets or there exists market for intangible asset itself; in case intangible asset shall be used internally, it can be proved useful.
- ④ There is sufficient support in terms of technology, financial resource and other resources so as to fulfil the development of intangible asset and have the ability to use or sell such intangible assets;

- ⑤ The expenses attributable to the development stage of such intangible assets can be reliably measured.

In case it is impossible to distinguish the expenses at the research stage from that at the development stage, the R & D expenses incurred shall all be recorded in the current gain and loss.

20. Long-term expenses to be proportioned

Long-term expenses to be apportioned are various expenses already incurred but to be borne in the reporting period and future periods with apportioning term of over one year. Long-term expenses to be apportioned are amortized based on the straight-line method over the predicted beneficial period and the amortization term is usually 2 – 5 years.

21. Assignment of the assets with buy-back conditions

Inapplicable

22. Predicted liabilities

(1) Criteria for recognizing the predicted liabilities

Predicted liabilities shall be recognized when the obligation in connection with the contingent events complies with the following conditions: (1) such an obligation is a current one the Company should assume; (2) implementation of such obligation may possibly cause flow-out of economic benefit ; (3) The amount involved in such obligation can be reliably measured.

(2) Measurement of Predicted Liabilities

On the balance sheet day, with consideration of the risks in connection with the contingent matters, uncertainty, time value of currency, etc., the predicted liabilities are measured according to the best estimated amount payable in implementation of the present obligations.

In case the predicted liabilities payable should completely or partially be compensated by a third party or other party, while the amount of compensation can be basically confirmed receivable, it should be individually recognized as assets. However, the amount of compensation as recognized should not exceed the par value of the liabilities as recognized.

23. Share payment and equity instrument

Inapplicable

24. Repurchasing the Company's shares

Inapplicable

25. Revenues

(1) Specific judgment criteria for the time of recognizing the revenue from sales of goods

Sales income is recognized when the major risk and remuneration involved in the ownership of goods have been

transferred to the buyer, with neither the successive management power general in connection with the ownership retained nor effective control over the goods already solve; the income amount may be reliably measured, the relevant economic benefit may flow into the enterprise; the relevant costs incurred or to incur can be reliably measured.

(2) Basis for recognition of Income from use right of the assigned asset

(1) Royalty Income

The income is recognized based on accrual basis according to the relevant contract or agreement.

(2) Interest income

Interest income is determined according to the time the borrowers using the Group's monetary fund and the actual interest rate.

(3) Income from properties

The amount of income from lease of properties is determined on the lease date as specified in the lease contract or agreement (rental-free period should be taken into consideration if there is rental-free period) and the amount of rental and the income from the properties leased is recognized when the concerned rental or the evidence of receipt has been received.

(3) Basis for recognition of labor service income

The results of labor service transactions offered on the balance sheet date can be reliably estimated, the labor service income is recognized based on the percentage of the work completed. The completion progress of labor service transaction is determined based on the proportion of the labor service already provided in the total labor service volume.

Reliable measurement of the result of the labor service transaction provided refers to that it can satisfy at the same time:

① the amount of the income can be reliably measured; ② the concerned economic benefit may highly possibly flow into the Company; ③ the completion of the transaction can be reliably determined; ④ the costs incurred or to incur can be reliably measured.

In case the result of a labor service transaction cannot be reliably measured, the labor service income is recognized based on the labor cost which has incurred and is predicted to be compensable and the labor service cost already incurred is taken as the current expenses. The labor cost already incurred shall not be recognized as income if it is predicted to be impossible to be compensated.

(4) Basis and method for determining the contract completion progress when the income from labor services and income from construction contract based on percentage-of-completion method

Inapplicable

26. Governmental subsidy

(1) Types

Government subsidy refers to monetary asset or non-monetary asset obtained from the government free of charge but does not include the capital invested by the government as the Company's owner. The government subsidy can be divided into the government subsidy in connection with asset and government subsidy in connection with income.

(2) Accounting Process

The governmental subsidy is measured based on the amount received or receivable if it is monetary asset. The government subsidy is measured based on the fair value if it is a non-monetary asset; when the fair value cannot be obtained, it is measured based on the nominated amount. The government subsidy measured based on the nominal amount is directly recorded in the current gain and loss.

Asset related governmental subsidy is recognized as deferred income, is distributed in average over the service life of the related assets and recorded in the current gain and loss. The government subsidy in connection with income is recognized as deferred income if it is used for compensating the Company's relevant expenses or losses in the afterward term and is charged to the current gain and loss during the recognition of the relevant expenses; or directly charged to the current gain and loss if it is used for compensating the relevant expenses or losses already incurred in the Company.

When the recognized government subsidy needs to be returned, if there exists the relevant deferred income balance, the book balance of the deferred income should be written-down and the excessive part is recorded in the current gain and loss; if there exists no relevant deferred gain and loss, it is directly recorded in the current gain and loss.

27. Deferred income tax asset and deferred income tax liability

(1) Basis for recognition of deferred income tax assets

For the offsetable provisional difference in connection with the initial recognition of the asset or liability arising from the transaction which is neither enterprise consolidation nor may influence the accounting profit and taxable income amount (or can be used to offset loss), the pertinent deferred income tax asset shall not be recognized. In addition, for the offsetable provisional difference in connection with investment in subsidiary, associate and joint venture, if the provisional difference may not possibly be reservable in the foreseeable future or cannot be possibly obtained and used for offsetting the taxable income amount of the provisional difference in future, the pertinent deferred income tax asset shall not be recognized. Except the aforesaid exceptional case, the Group recognizes the deferred income tax asset arising from the other offsetable provisional difference within the limit of the taxable income amount which can be used to offset the offsetable provisional difference.

For the offsetable loss and tax credit in the years after carry-forward, the pertinent deferred income tax asset is recognized within the limit of the future taxable income amount which may possibly be used for offsetting the offsetable loss and tax credit.

On the balance sheet day, the deferred income tax asset and deferred income tax liability are measured based on the applicable tax rate during the period of predicted recovery of such asset or discharge of the liabilities according to the tax

law.

On the balance sheet day, the book value of the deferred income tax asset is rechecked. In case it is highly impossible to get enough taxable income amount to offset the interest of the deferred income tax asset in the future period, the book value of the deferred income tax assets is deducted. When it is highly possible to get enough taxable income amount, the deducted amount is reversed.

(2) Basis for recognition of deferred income tax liabilities

For the provisional difference of payable taxes in connection with the initial recognition of goodwill and in connection with the initial recognition of assets or liabilities arising from the transactions which are neither enterprise consolidation and nor influence the accounting profit and taxable income amount (or can be used to offset loss) at the time of incurrence, the pertinent deferred income tax liability shall not be recognized. In addition, for the taxable provisional difference in connection with investment in subsidiaries, associates and joint ventures, if the Group can control the time of provisional difference reversal while such provisional difference may not be possibly reversed in the foreseeable future, the pertinent deferred income tax liability shall not be recognized either. Except the aforesaid exceptional case, the Group recognizes the deferred income tax liability arising from the provisional difference of all other payable taxes.

28. Operating Lease and Financing Lease

(1) Accounting process for operating lease

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

(1) The Group records the operational lease business as the tenant

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

(2) The Group records the operational lease business as the lessor

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

(2) Accounting process for financing lease

(3) Accounting process for sale and leaseback

29. Assets for sale held by the Company

Inapplicable

30. Asset securitization business

Inapplicable

31. Hedging Accounting

Inapplicable

32. Change in the Accounting Policy and Accounting Estimates

Inapplicable

33. Correction of previous accounting errors

Inapplicable

34. Other Principal Accounting Policies, Accounting Estimates and Preparation of the Consolidated Financial Statements**Major Accounting Judgment and Estimation**

In process of applying the accounting policy, due to the inherent uncertainty of the operating activities, the Group needs to make judgment, estimation and assumption of the book value of the items in the statements which cannot be accurately measured. These judgment, estimation and assumption are made based on the past experience of the Group's management with consideration of other correlative factors. These judgment, estimation and assumption may influence the reported amount of income, expenses, assets and liabilities and disclosure of the contingent liabilities on the balance sheet day. However, the result which causes uncertainty of these estimates may possibly result in significant adjustment which may influence the book amount of the assets or liabilities in future.

The Group makes regular recheck of the aforesaid judgment, estimation and assumption on the basis of continuous operation. In case the change of the accounting estate only influences the very period of change, the amount influenced is recognized in the very period of change; in case the change of the accounting estimate not only influences the very period of change but also the future period, the amount influenced is recognized in the very period of change and the future period.

The important fields in which the Group needs to make judgment, estimation and assumption on the amount of the items of the financial statements as at the balance sheet day are as follows:

(1) Provision for bad debts

The Group checks the loss from bad debts by using the allowance method according to the accounting policy for accounts receivable. Impairment of the accounts receivable is based on assessment of the recoverability of accounts receivable. Identification of the impairment of the accounts receivable requires the management's judgment and estimation. The discrepancy between the actual result and the previous estimation shall affect the book value of the accounts receivable or provision or reversal of the reserve for bad debt of accounts receivable at the time of estimated change.

(2) Provision for price falling of famous brand watches

As to famous brand watches for distribution with stock age of over three years, in the management's opinion, as their prices tends to rise, they enjoy good sales prospect. The management makes overall recheck of the saleability and the net realizable value of such famous brand watches. In the management's opinion, even though the stock age of such watches increases, their value can be entirely recoverable. In case there is sign showing that the net realizable value of such famous brand watches is lower than their book value, the Group shall make adjustment during the period when such sign takes place. Since impairment of such famous brand watches requires the management to obtain concrete evidence, judgment and estimation shall be made based on taking into consideration such elements as the purpose for holding the famous brand watches, influence of the events after the balance sheet day, etc. The discrepancy between the actual result and the originally estimated shall influence the provision or reversal of the value of inventories and reserve for price falling of inventories during the changed period.

In the opinion of the Group's management, the provision for price falling of the aforesaid famous brand watches and the recheck method are proper.

(3) Reserve for impairment of the non-financial non-current assets

On the balance sheet day, the Group judges whether there may possibly exist any sign of possible impairment of the non-current assets other than financial assets. For the intangible assets with uncertain service life, except the impairment test conducted each year, when there exists any sign of impairment, impairment test is also conducted. For the non-current assets other than financial assets, when there exists sign showing that its book amount is unrecoverable, impairment test is conducted.

When the book value of assets or asset group is higher than the recoverable amount, i.e. the higher of the net amount of the fair value less the disposal expenses and the present value of the predicted future cash flow, it shows that impairment has incurred.

The net amount of the fair value less the disposal expenses is determined with reference to the sales agreement price of the similar assets in fair transaction or the observable market price less the incremental cost directly attributable to disposal of the assets.

In prediction of the present value of future cash flow, it is necessary to make significant judgment on the output, sales price, the relevant operation costs of the asset (or asset group) and the used discount rate in calculating the present value, etc. The Group may use the accessible relevant information in estimating the recoverable amount, including the prediction of the relevant output, sales price and relevant operation costs according to the reasonable and supportable assumption.

The Group tests the goodwill to determine whether impairment takes place at least every year. This demands prediction of the present value of the future cash flow of the assets or combination of asset groups with the goodwill distributed. When prediction is made on the present value of the future cash flow, the Group needs to predict the cash flow produced by the future asset groups or combination of the asset groups; meanwhile proper discount rate is chosen to determine the present value of future cash flow.

(4) Depreciation and Amortization

The Group provides depreciation and makes amortization of the investment based real estate, fixed assets and intangible assets based on the straight line method within the service life with their residual value taken into consideration. The Group rechecks the service life regularly to determine the amount to be recorded in the depreciation and amortization

expenses of each report period. The service life is determined by the Group according to the past experience on the similar assets with combination of the updating of the predicted technology. If great change has taken place in the previous estimation, the depreciation and amortization expenses are adjusted during the future period.

(5) Asset of deferred income tax

Within the limit that there is possibility to have enough taxable profit to offset the loss, it is necessary for the Group to recognize all the unused taxation loss as deferred income tax asset. This demands the Group's management to use a lot of judgment to estimate the time when the future taxable profit may take place and the amount and decide the amount of the deferred income tax asset necessary to be determined with combination of taxation planning strategy.

(6) Income tax

In normal operating activities, there exists a certain uncertainty in final tax treatment and calculation in partial transactions in the Group; whether partial items are necessary to be approved by the tax collection authority for payment before tax. If there exists discrepancy between the final certification result of these tax affairs and the initially estimated amount, such discrepancy shall produce influence upon the income tax and deferred income tax of the very period during the final certification.

(8) After-sale Warranty

The Group is liable for the quality warranty for the commodities sold out and responsible for compensation for the quality damage arising from the quality defect of the goods, including repairing, replacement, etc. The Group makes estimation of and provides corresponding reserve for the after-sale quality repairing commitments offered to the customers for the sold and repairing of the sold commodities. Such contingent matters have formed a present obligation while implementation of such present obligation may possibly cause the economic benefit to flow out of the Group; the Group recognizes the best estimate necessary to be paid in implementing the present obligations for the contingent matters. On the contrary, when such matter has not yet formed a present obligation, the Group does not need to make prediction. In process of making judgment, the Group needs to consider the data of the Group's recent repairing experience. However, the recent repairing experience may not possibly reflect the future repairing conditions. Any increase or decrease of the reserve may all possibly influence the gain and loss of future years.

V. Taxes

1. Main taxes and tax rates applicable to the Company

Taxes	Basis for taxation	Tax rate
Value-added tax	The Company and its domestic subsidiaries are general VAT payers and the taxable VAT is the balance of the current output VAT less the offsetable input VAT.	17%
Consumption tax	For the imported or self-made high-grade watches, the Company and its domestic subsidiaries pay consumption tax based on 20% of	20%

	the taxation base.	
Business tax	The Company and its subsidiaries pay business tax for the housing rental income, income from offering labor service and the income from use of the assigned assets at rate of 5%	5%
Urban maintenance and construction tax	7% of the turnover tax actually paid	7%
Enterprise income tax	Total profit	15%-30%
Educational surtax and local educational surcharges	3% of the turnover tax actually paid	3%
Property tax	For the housing leased by a production and operation unit, the property tax is calculated based on 70% of the cost of the property with the tax rate of 1.2%. The Group pays the property tax for its property located in Shenzhen based on the tax rate as specified in the said notice; and pays the property tax for its properties located in other cities according to the local regulations.	1.2%

Income tax rate implemented by the branches.

Urban maintenance and construction tax, educational surcharges and local educational surcharges

The Company and its subsidiaries located in PRC Mainland pay the urban maintenance and construction tax at the rate of 7% of the turnover tax actually paid.

Educational surtax and local educational surcharges

The Company and its subsidiaries located in PRC Mainland pay the educational surtax at the rate of 3% of the turnover tax.

In accordance with the Circular of the General Office of Shenzhen Municipal People's Government on Printing and Issuing the Provisional Measures for Collection Management of the Local Educational Surtax of Shenzhen, SHEN FU BAN [2011] No. 60, commencing from January 1, 2011, the local educational surtax is paid at 2% of the turnover tax actually paid.

Property tax

According to the provisions of Article 5 of the Questions & Answers to a Number of Policies for Property Tax and Vehicle & Vessel Tax: a production and operation unit that leases property shall pay property tax calculated based on 70% of the cost of the property at the rate of 1.2%.

The Group pays the property tax for its property located in Shenzhen based on the tax rate as specified in the said notice; and pays the property tax for its properties located in other cities according to the local regulations.

Enterprise income tax

The Company and its Subsidiaries	Income tax rate of the current year	Income tax rate of the previous year
The Company (Note①)(Note②)(Note③)	25%	24%
HARMONY (Note①)(Note②)	25%	24%
Shenzhen FIYTA Sophisticated Timepieces Manufacture Co., Ltd.(Note③)(Note④)	15%	15%
Shenzhen World Watches Center Co., Ltd.(Note①)	25%	24%
FIYTA Hong Kong Limited (Note⑤)	16.5%	16.5%
68-Station Limited (Note⑤)	16.5%	16.5%
LIANGYA(Note⑤)	16.5%	16.5%
BAODING(Note⑤)	16.5%	16.5%
World Watches International(Note⑤)	16.5%	16.5%
Shenzhen FIYTA Science & Technology Co., Ltd. (Note⑥)	25%	25%
Shenzhen Symphony Trading Co., Ltd.(Note⑥)	25%	25%
Beijing Henglianda Timepieces Co., Ltd. (Note⑥)	25%	25%
Kunming Lishan Department Store Co., Ltd. (Note⑥)	25%	25%
Harbin World Watches Distribution Co., Ltd. (Note⑥)	25%	25%
Shenzhen Harmony Culture Communication Co., Ltd. (Note⑥)	25%	25%
Emile Chouriet (Shenzhen) Co., Ltd. (Note⑥)	25%	25%
FIYTA Sales Co., Ltd.(Note⑥)	25%	25%
Liaoning Hengdarui Commercial & Trade Co., Ltd.(Note⑥)	25%	25%
The Swiss Company (Note⑦)	30%	30%

Note:

Branch companies and branch factories that pay their income tax independently should specify the income tax rate implemented by them.

2. Preferential Tax Policies and Approval Documents

Note①:

In accordance with the Circular of the State Council on Implementation of the Transitional Preferential Policy of Enterprise Income Tax GUO FA (2007) No. 39 promulgated by the State Administration of Taxation, commencing from January 1, 2008, the enterprises previously enjoying the preferential policy of low enterprise income tax rate shall gradually transit to the statutory tax rate within five years after implementation of the new tax law. On this basis, the companies whose registration place is Shenzhen implemented tax rate of 25% in 2012;

Note②: In accordance with the Provisional Measures for Administration of Collection of Aggregate Revenue of Income Tax of Cross-Regional Enterprises, the head office of the Company and its subsidiaries, the head office of HARMONY and its subsidiaries started implementation of the method of aggregate revenue of enterprise income tax featuring “unified calculation, level-to-level administration, insitu prepayment, aggregative clearing, and financial transfer”. The Company and HARMONY’s subsidiaries prepay their enterprise income tax based on 50% of the payable income tax locally and the Company’s head office and HARMONY’s head office make final settlement for another 50% with Shenzhen Municipal Office of SAT;

Note③: In accordance with the Circular of the State Administration of Taxation on Issuing the Measures on Administration of Pre-tax Deduction of the Enterprise Research and Development Budget (Trial) GUO SHUI FA [2008] No. 116, the Company’s and the Manufacture Company’s research and development budget for developing new technology, new products and new process may enjoy 50% additional deduction as research and development budget in addition to deduction based on actual incurrence according to the provisions concerned if such budget has not formed intangible asset which should be charged to the current gain and loss.

Note④: In accordance with the Circular of Nanshan District Local Taxation Bureau, Shenzhen on Tax Affairs SHEN DI SHUI NAN BEI ZI [2012] No. 786, the company submitted application for “Advanced and new technology enterprises in areas where special regional policies of the State Council are implemented may be entitled to enterprise income tax incentives” and Nanshan District Local Taxation Bureau, Shenzhen completed filing and registration on April 10, 2012;

Note⑤: Such companies are registered in Hong Kong and apply the profit tax in Hong Kong with applicable tax rate of 16.50%;

Note⑥: In accordance with the Enterprise Income Law of the People’s Republic of China, the resident enterprise income tax rate as at January 1, 2008 was 25%;

Note⑦: The registration place of the Swiss Company is Switzerland, and the applicable tax rate of the registration place applies. The applicable rate in the current year is 30%.

3. Other Notes

Inapplicable

VI. Enterprise Consolidation and Consolidated Financial Statements

1. About subsidiaries

(1) Subsidiaries acquired by means of establishment or investment

In CNY

Full Names of Subsidiaries	Subsidiary type	Place of Registration	Business type	Registered Capital	Business Scope	Actual investment at the end of the reporting period	Balance of other items which substantially compose net investment in the subsidiary	Shareholding proportion (%)	Proportion of voting power (%)	Are the statements consolidated (Y/N)	Minority shareholders' equity	Amount in the minority shareholders' equity used for offsetting minority shareholders' gain and loss	Balance of the owner's equity of the parent company offsetting the loss shared by minority shareholders in the reporting period exceeding the share enjoyed in the owner's equity at year beginning
HARMONY(注①)	Controlled by stock	Shenzhen	Commerce	600,000,000.00	Purchase and sales of watches and spares and parts,	601,307,200.00		100%	100%	Yes			

					repairing service								
Manufacture Co.	Controlled by stock	Shenzhen	Manufacture	10,000,000.00	Producing various watches and movements, spares and parts, sophisticated watches and repair service	10,000,000.00		100%	100%	Yes			
FIYTA Hong Kong Limited	Controlled by stock	Hong Kong	Commerce	55,367,520.00	Trade and investment	55,367,520.00		100%	100%	Yes			
68-Station Limited	Controlled by stock	Hong Kong	Commerce	6,846,540.00	Sales of watches, domestic trade	4,107,924.00		60%	60%	Yes	1,108,180.87		
Harbin Co.	Controlled by stock	Harbin	Commerce	500,000.00	Purchase and sales of watches and parts; watches repairing.	500,000.00		100%	100%	Yes			
HENGLI ANDA	Controlled by stock	Beijing	Commerce	30,000,000.00	sales of watches and components, repairing services	31,300,000.00		100%	100%	Yes			
FIYTA Technology	Controlled by stock	Shenzhen	Manufacture	10,000,000.00	R & D, production	10,000,000.00		100%	100%	Yes			

gy	stock				n and sales of watches, productio n, machinin g, sales and technolo gy develop ment of sophistic ated parts.								
Trade Co.	Controlle d by stock	Shenzhe n	Commer ce	5,000,00 0.00	Sales of clocks and watches and gifts and consultati on of relevant informati on and other domestic trading	5,000,00 0.00		100%	100%	Yes			
Cultural Co.	Controlle d by stock	Shenzhe n	Commer ce	500,000. 00	Cultural activity planning, devoting to advertise ment business	500,000. 00		100%	100%	Yes			
Emile Chouriet (Shenzh en)	Controlle d by stock	Shenzhe n	Commer ce	4,376,00 0.00	Wholesale, import and export of watches, watch	4,376,00 0.00		100%	100%	是			

					spares and parts, jewelry, ornaments and the supplementary business; after-sale repairing service of watches								
World Watches International	Controlled by stock	Hong Kong	Commerce	8,377,000.00	Retail and repairing services	8,377,000.00		100%	100%	Yes			
FIYTA Sales	Controlled by stock	Shenzhen	Commerce	50,000,000.00	design, R & D and sales of various watches, timing instruments and spares and accessory parts, sales of jewelry and ornaments; import & export	50,000,000.00		100%	100%	Yes			
FIYTA Sales	Controlled by stock	Shenzhen	Commerce	50,000,000.00	design, R & D and sales of various watches, timing instruments	50,000,000.00		100%	100%	Yes			

					nts and spares and accessor y parts, sales of jewelry and ornament s; import & export								
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Other notes to the subsidiaries acquired by means of establishment or investment, etc.

(2) Subsidiaries under the Common Control Acquired through Enterprise Consolidation

In CNY

Full Name of Subsidiar ies	Subsidiar y type	Place of Registrati on	Business type	Register ed Capital	Business Scope	Actual investme nt at year end	Balance of other items which substanti ally compose s net investme nt in the subsidiar y	Sharehol ding proportio n (%)	Proportio n of voting power (%)	Are the statemen ts consolida ted (Y/N)	Minority sharehol ders' equity	Amount in the minority sharehol ders' equity used for offsetting minority sharehol ders' gain and loss	Balance of the owner's equity of the parent company offsetting the loss shared by minority sharehol ders in the reporting period exceedin g the share enjoyed in the owner's equity at year beginnin
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													g
Liaoning Hengdar ui Commer cial & Trade Co., Ltd.	Equity-co ntrolled	Shenyan g	Commer ce	51,000,0 00.00	Wholesale, retail and repairing of watches and accessor y parts, electroni c products, communi cation equipme nt and materials , general merchan dise, property manage ment and lease	56,001,0 00.00		100%	100%	Yes			

Other notes to the subsidiaries acquired by means of consolidation of enterprises under the common control, etc.

(3) Subsidiaries acquired through consolidation of the enterprises not under the same control

In CNY

Full Names of Subsidi aries	Subsidi ary type	Place of Registr ation	Busines s type	Registe red capital	Busines s Scope	Amount actually investe d at year end	Balanc e of other items actually made up to net investm ent to the	Shareh olding proporti on (%)	Proporti on of voting power (%)	Consoli dated stateme nt ? Yes/No	Minority equity	Amount in minority shareh olders' equity used to write-do wn minority shareh	Balanc e of the owner's equity of the parent compan y offsettin g the loss
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						subsidiaries						olders' gain and loss	shared by minority shareholders in the reporting period exceeding the share enjoyed in the owner's equity at year beginning
Kunming Lishan Department Store Co., Ltd.	Controlled by stock	Kunming	Commerce	5,000,000.00	Domestic trading and materials supply and sale	1,200,000.00		100%	100%	Yes			
The Swiss Company	Controlled by stock	Switzerland	Commerce	1,000,000.00	Production, manufacture and sales of Emile Chouriet watches	15,379,800.00		100%	100%	Yes			

Other notes to the subsidiaries acquired by means of consolidation of enterprises not under the common control, etc.

2. Operating entities with the control power formed by special purpose entity or through entrusted operation or tenancy

In CNY

Description	Major business dealings with the Company	Ending balance of the major assets and liabilities recognized in the consolidated statements
LIANGYA	Purchase of fashion brand watches (current assets)	959,664.55
LIANGYA	Purchase of fashion brand watches (current liabilities)	810,412.52
LIANGYA	Purchase of fashion brand watches (net assets)	149,252.03
BAODING	Purchase of fashion brand watches (current assets)	55,441.15
BAODING	Purchase of fashion brand watches (current liabilities)	
BAODING	Purchase of fashion brand watches (net assets)	55,441.15

Other notes to operating entities with the control power formed by special purpose entity or through entrusted operation or tenancy

According to the equity trust agreement concluded between 68-Station Limited, one of FIYTA Hong Kong's subsidiaries and the trustee of NATURE ART LTD and PROTOP LTD on December 10, 2009, 68-Station, as the trustor, holds the right to earnings of the shares, equity, and the relevant rights of LIANGYA and BAODING, and the contractual trustee agreed to assign their rights at any time according to the trustor's instructions. 68-Station thus held the control power over LIANGYA and BAODING which were therefore put in the consolidation scope of 68-Station.

3. Note to Change in the Consolidation Scope

Note to Change in the Consolidation Scope

In the current year, as an enterprise under the common control in the Group merged Hengdarui, the consolidation scope in the reporting period correspondingly increased.

4. Principal(s) newly included in the consolidation in the reporting period and principal(s) no longer included in the consolidation in the reporting period

Inapplicable

5. Consolidation of the enterprises under the common control incurred in the reporting period

Inapplicable

6. Consolidation of the enterprises not under the common control incurred in the reporting period

Inapplicable

7. Subsidiary reduced due to loss of control power resulting from sales of equity in the reporting period

Inapplicable

8. Counterpurchase incurred in the reporting period

Inapplicable

9. Merger incurred in the reporting period

Inapplicable

10. The conversion rate of the principal statement items of the overseas operating entities

Items	Assets and Liabilities	
	June 30, 2013	January 1, 2013
FIYTA Hong Kong Limited	HKD 1 = CNY 0.79655	HKD 1 = CNY 0.8109
World Watches International	HKD 1 = CNY 0.79655	HKD 1 = CNY 0.8109
The Swiss Company	S.FR. 1 = CNY 6.5034	S.FR. 1 = CNY 6.8219
Items	Revenue, expenses and cash flow items	
	First half year of 2013	First half year of 2012
FIYTA Hong Kong Limited	HKD 1 = CNY 0.803725	HKD 1 = CNY 0.8130
World Watches International	HKD 1 = CNY 0.803725	HKD 1 = CNY 0.8130
The Swiss Company	S.FR. 1 = CNY 6.66265	S.FR. 1 = CNY 6.6493

VII. Notes to the principal items in the consolidated financial statements**1. Monetary fund**

In CNY

Items	End of the Reporting Period	Beginning of the reporting period
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	Amount in foreign currency	Conversion rate	Amount in CNY	Amount in foreign currency	Conversion rate	Amount in CNY
Cash on hand	--	--	563,441.88	--	--	538,810.69
CNY	534,583.93	1.0000	535,024.66	521,336.94	1.0000	521,336.94
HKD	315.33	0.7966	251.18	2,919.83	0.8109	2,367.69
US\$	598.00	6.1787	3,694.86	598.00	6.2855	3,758.73
Euro	514.45	8.0536	4,143.17	14.45	8.3176	120.19
Pound sterling	0.00	9.4213	0.00			0.00
Swiss Franc	3,125.75	6.5034	20,328.00	1,645.75	6.8219	11,227.14
Singapore dollars	0.00	4.8470	0.00			0.00
Bank deposit:	--	--	94,921,162.28	--	--	139,868,866.49
CNY	83,029,108.11	1.0000	83,029,108.11	112,614,731.00	1.0000	112,614,731.00
HKD	9,981,552.25	0.7966	7,950,805.44	27,740,445.49	0.8109	22,494,727.25
US\$	230,453.93	6.1787	1,423,905.70	213,763.50	6.2855	1,343,610.48
Euro	0.00	8.0536	0.00			0.00
Pound sterling	0.00	9.4213	0.00			0.00
Swiss Franc	387,081.07	6.5034	2,517,343.03	500,742.38	6.8219	3,415,797.76
Singapore dollars	0.00	4.8470	0.00			0.00
Other Monetary Fund:	--	--	5,520.86	--	--	13,317.53
CNY			5,520.86			13,317.53
Total	--	--	95,490,125.02	--	--	140,420,994.71

The accounts with recovery risks due to application restrictions such as mortgage, pledge or freezing or being deposited abroad, should be explained separately

2. Transactional financial assets

Inapplicable

3. Notes receivable

(1) Classification of Notes Receivable

In CNY

Categories	End of the Reporting Period	Beginning of the reporting period
Bank acceptance	500,000.00	2,000,000.00

Trade acceptance	5,000,000.00	0
Total	5,500,000.00	2,000,000.00

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

Inapplicable

(3) Notes that are transferred into accounts receivable as the issuer fails to keep promise, and that have been endorsed to any other party by the Company but are still undue at the end of the reporting period

Inapplicable

4. Dividends receivable

Inapplicable

5. Interest receivable

Inapplicable

6. Accounts receivable**(1) Disclosure based on types of accounts receivable**

In CNY

Categories	End of the Reporting Period				Beginning of the reporting period			
	Book balance		Bad debt reserve		Book balance		Bad debt reserve	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable for which bad debt reserve has been provided based on the combination								
Grouping of the designated accounts	197,390,900.82	54.88%	0.00	0%	192,743,481.22	61.02%	0.00	0%
Grouping based on the accounting age	161,854,223.84	45%	6,254,759.59	3.86%	122,711,131.95	38.85%	6,337,338.86	5.16%
Subtotal of grouping	359,245,124.66	99.89%	6,254,759.59	1.74%	315,454,613.17	99.87%	6,337,338.86	2.01%
Accounts receivable with insignificant single amount and provision of bad debt	401,267.10	0.11%	401,267.10	1.85%	401,267.10	0.13%	401,267.10	2.13%

reserve on individual basis								
Total	359,646, 391.76	--	6,656,02 6.69	--	315,85 5,880. 27	--	6,738,605 .96	--

Note to the categories of accounts receivable:

Accounts receivable with significant single amount and provision of bad debt reserve on individual basis

Inapplicable

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

In CNY

Age	End of the Reporting Period			Beginning of the reporting period		
	Book balance		Bad debt reserve	Book balance		Bad debt reserve
	Amount	Proporti on (%)		Amount	Proporti on (%)	
Within a year						
Including:	--	--	--	--	--	--
Within a year	159,072,804.27	98.28%	5,601,899.18	121,208,736.20	98.77%	6,054,073.20
Subtotal within a year	159,072,804.27	98.28%	5,601,899.18	121,208,736.20	98.78%	6,054,073.20
1 to 2 years	1,360,553.02	0.84%	114,631.76	1,024,812.69	0.84%	102,481.27
2 to 3 years	1,020,960.69	0.63%	306,288.21	327,400.75	0.27%	98,220.23
Over 3 years	399,905.86	0.25%	231,940.44	150,182.31	0.12%	82,564.16
Total	161,854,223.84	--	6,254,759.59	122,711,131.95	--	6,337,338.86

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

Inapplicable

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

In CNY

Description of grouping	Book balance	Bad debt reserve
Grouping of the designated accounts	197,319,185.82	0.00
Total	197,319,185.82	0.00

At the end of the reporting period, accounts receivable with insignificant single amount and provision of bad debt reserve

on individual basis:

In CNY

Contents of accounts receivable	Book balance	Bad debt reserve	Provision proportion (%)	Reason of provision
Doubtful accounts/bad debt	401,267.10	401,267.10	100%	Unrecoverable
Total	401,267.10	401,267.10	--	--

(2) Accounts receivable reversed or recovered in the reporting period

Accounts receivable with significant single amount or undergoing separate impairment test despite insignificant single amount and provision of bad debt reserve

In CNY

Contents of accounts receivable	Book balance	Bad debt reserve	Provision proportion (%)	Reason of provision
Doubtful accounts/bad debt	401,267.10	401,267.10	100%	无法收回
Total	401,267.10	401,267.10	--	--

Note to accounts receivable with insignificant single amount but bigger risk in grouping after grouping based on credit risk characteristics.

(3) Accounts receivable actually written-off in the reporting period

Inapplicable

(4) Accounts receivable from the shareholder holding over 5% (including 5%) of the Company's voting shares in the reporting period

Inapplicable

(5) Top five debtors of the accounts receivable

In CNY

Organization Names	Relationship with the Company	Amount	Year	Proportion in the total accounts receivable (%)
Shanxi International Trade Center Co.,	Non-Related Party	5,502,285.53	Within a year	1.53%

Ltd.				
Fuzhou Dayang General Merchandise Co., Ltd.	Non-Related Party	5,493,571.04	Within a year	1.53%
Jinzhaio Enterprise Co., Ltd.	Non-Related Party	4,632,747.78	Within a year	1.29%
Shenzhen China Resource Co., Ltd.	Non-Related Party	3,591,794.25	Within a year	1%
Heilongjiang Jinan Europe Plaza Development Co., Ltd.	Non-Related Party	3,487,101.45	Within a year	0.97%
Total	--	22,707,500.05	--	6.32%

(6) Accounts receivable from the related parties

In CNY

Organization Names	Relationship with the Company	Amount	Proportion in the total accounts receivable (%)
Rainbow Supermarket	Controlled by the same parent company	2,905,953.94	0.81%
AVIC	The Company's eventual controller	1,234,321.00	0.34%
Shenzhen CATIC Enterprise Group Training Center	Controlled by the same parent company	1,764.00	0%
Shennan Circuit Co., Ltd.	Controlled by the same parent company	1,095,614.93	0.3%
Shennan Circuit Co., Ltd. (Notes receivable)	Controlled by the same parent company	5,500,000.00	1.53%
CATIC Electronic Measuring Instruments Co., Ltd	Controlled by the same parent company	103,700.00	0.03%
Total	--	10,841,353.87	3.01%

(7) Accounts receivable eventually recognized

Inapplicable

(8) In case of securitization with the accounts receivable as the object, the amounts of the assets and liabilities continuing to be involved in the formation are stated.

Inapplicable

7. Other receivables

(1) Other receivables disclosed based on categories

In CNY

Categories	End of the Reporting Period				Beginning of the reporting period			
	Book balance		Bad debt reserve		Book balance		Bad debt reserve	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables with provision of bad debt reserve based on grouping								
Grouping of the designated accounts	11,279,859.38	32.89%	0.00	0%	10,879,099.62	31.31%	0.00	0%
Grouping based on the accounting age	23,012,764.09	67.11%	1,428,998.13	6.21%	23,869,560.85	68.69%	1,395,054.21	5.84%
Subtotal of grouping	34,292,623.47	100%	1,428,998.13	4.17%	34,748,660.47	100%	1,395,054.21	4.01%
Total	34,292,623.47	--	1,428,998.13	--	34,748,660.47	--	1,395,054.21	--

Note to categories of other receivables

Other receivables with significant single amount and provision of bad debt reserve

Inapplicable

Other receivables with provision of bad debt reserve based on age analysis in grouping.

In CNY

Age	End of the Reporting Period			Beginning of the reporting period		
	Book balance		Bad debt reserve	Book balance		Bad debt reserve
	Amount	Prop ortio n (%)		Amount	Prop ortio n (%)	
Within a year						
Including:						
Within a year	20,372,590.45	88.5	993,400.81	20,659,513.93	86.5	1,017,165.01

		3%			5%	
Subtotal within a year	20,372,590.45	88.53%	993,400.81	20,659,513.93	86.55%	1,017,165.01
1 to 2 years	1,926,304.21	8.37%	212,257.82	3,008,908.59	12.61%	299,369.04
2 to 3 years	674,612.10	2.93%	203,710.83	110,245.00	0.46%	33,073.50
Over 3 years	39,257.33	0.17%	19,628.67	90,893.33	0.38%	45,446.66
Total	23,012,764.09	--	1,428,998.13	23,869,560.85	--	1,395,054.21

Other receivables with provision of bad debt reserve based on the balance percentage method in grouping.

Inapplicable

Other receivables with provision of bad debt reserve based on other method in grouping

In CNY

Grouping Description	Book balance	Bad debt reserve
Grouping of the designated accounts	11,279,859.38	0.00
Total	11,279,859.38	0.00

Other receivables with insignificant single amount but with provision of bad debt reserve by individual

Inapplicable

(2) Other receivables reversed or recovered in the reporting period

Inapplicable

(3) Other receivables actually written-off in the reporting period

Inapplicable

(4) Other receivables from the shareholder holding over 5% (including 5%) of the Company's voting shares in the reporting period

Inapplicable

(5) Nature or description of the other receivables with bigger amount

In CNY

Organization Names	Amount	Nature or content of the accounts	Proportion in the total other receivables (%)
Shenzhen China Resource	3,121,928.00	Deposit in security	9.1%

Co., Ltd.			
Shenzhen Yitian Holiday World Real Estate Development Co., Ltd.	1,090,523.00	Deposit in security	3.18%
SMH International Trading (Shanghai) Co., Ltd.	904,078.58	Commodity promotion	2.64%
Shenzhen Chengtian Advertisement Co., Ltd.	800,000.00	Advertisement security deposit	2.33%
Jebsen & Co (China) Ltd.	737,200.00	Deposit in security	2.15%
Jihui Commercial Management (Shanghai) Co., Ltd	628,583.12	Shopping mall deposit and rent	1.83%
Shenzhen Airport Co., Ltd.	538,060.00	Shopping mall deposit and rent	1.57%
Total	7,820,372.70	--	22.8%

Note:

(6) Top Five Debtors of the Other Receivables

In CNY

Organization Names	Relationship with the Company	Amount	Year	Proportion in the total other receivables (%)
Shenzhen China Resource Co., Ltd.	Non-Related Party	3,121,928.00	Within a year	9.1%
Shenzhen Yitian Holiday World Real Estate Development Co., Ltd.	Non-Related Party	1,090,523.00	Within a year	3.18%
SMH International Trading (Shanghai) Co., Ltd.	Non-Related Party	904,078.58	Within a year	2.64%
Shenzhen Chengtian Advertisement Co., Ltd.	Non-Related Party	800,000.00	Within a year	2.33%
Jebsen & Co (China) Ltd.	Non-Related Party	737,200.00	Within a year	2.15%
Total	--	6,653,729.58	--	19.4%

(7) Other receivables from related parties

In CNY

Organization Names	Relationship with the Company	Amount	Proportion in the total other receivables (%)
CATIC Property	Controlled by the same parent company	13,500.00	0.06%
Rainbow Supermarket	Controlled by the same parent company	150,801.60	0.66%
Shenzhen CATIC Enterprise Group Training Center	Controlled by the same parent company	150,000.00	0.65%
Chengdu CATIC Real Estate Development Co., Ltd.	Controlled by the same parent company	100,536.00	0.44%
Ganzhou CATIC Real Estate Development Co., Ltd.	Controlled by the same parent company	122,665.60	0.53%
Total	--	537,503.20	2.34%

(8) Other receivable terminated for recognition

Inapplicable

(9) In case of securitization on the asset of other receivables, the amounts of the assets and liabilities continuing to be involved in the formation are stated.

Inapplicable

8. Advance Payment**(1) Advance payment presented based on age**

In CNY

Age	End of the Reporting Period		Beginning of the reporting period	
	Amount	Proportion (%)	Amount	Proportion (%)
Within a year	53,795,426.53	70.53%	50,392,708.30	66.82%
1 to 2 years	22,078,333.60	28.94%	23,964,370.10	31.78%
2 to 3 years	339,377.00	0.44%	726,788.00	0.96%
Over 3 years	66,884.00	0.09%	334,700.00	0.44%

Total	76,280,021.13	--	75,418,566.40	--
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Note to the age of advance payments

(2) Top Five Receivers of Advance Payment

In CNY

Organization Names	Relationship with the Company	Amount	Time	Causes of unsettlement
China Tenth Metallurgy Group Limited Corporation	Non-Related Party	8,405,680.16	Within a year	Engineering payment in advance
Dongguan Junyi Precision Hardware Products Co., Ltd.	Non-Related Party	4,234,367.11	Within a year	Advance for purchase of watches
Beat Blattmann Marketing	Non-Related Party	3,823,830.34	Within a year	Advance for purchase of watches
Liberty Time Center GmbH	Non-Related Party	2,130,267.60	Within a year	Advance for purchase of watches
SAN SUN INDUSTRIAL CO., LTD.	Non-Related Party	2,091,074.84	Within a year	Advance for purchase of watches
Total	--	20,685,220.05	--	--

Note to the major organizations of advance payments

(3) Advance payment from the shareholder holding over 5% (including 5%) of the Company's voting shares in the reporting period

Inapplicable

(4) Note to the advance payment

Inapplicable

9. Inventories

(1) Classification of Inventories

In CNY

Items	End of the Reporting Period			Beginning of the reporting period		
	Book balance	Provision for price falling	Book value	Book balance	Provision for price falling	Book value

Raw materials	95,769,125.25	4,886,794.86	90,882,330.39	110,918,957.01	4,886,794.86	106,032,162.15
Products in process	18,234,744.36	0.00	18,234,744.36	5,034,098.24	0.00	5,034,098.24
Goods in stock	1,801,665,749.83	24,516,776.32	1,777,148,973.51	1,791,715,764.69	19,516,776.32	1,772,198,988.37
Total	1,915,669,619.44	29,403,571.18	1,886,266,048.26	1,907,668,819.94	24,403,571.18	1,883,265,248.76

(2) Provision for price falling of inventories

In CNY

Categories	Opening book balance	Reserve provided in the period	Decrease in the reporting period		Ending book balance
			Reversal	Written-off	
Raw materials	4,886,794.86	0.00	0.00	0.00	4,886,794.86
Products in process	0.00	0.00	0.00	0.00	0.00
Goods in stock	19,516,776.32	5,000,000.00	0.00	0.00	24,516,776.32
Total	24,403,571.18	5,000,000.00	0.00	0.00	29,403,571.18

(3) About provision for price falling of inventories

Items	Basis for provision for price falling of inventories	Cause of reversal of the provision for price falling of inventories in the reporting period	Proportion of the amount reversed in the ending balance of the inventories in the reporting period (%)
Raw materials	Net realizable value lower than the corresponding cost	Inapplicable	
Goods in stock	Net realizable value lower than the corresponding cost	Inapplicable	

Note to the inventories

10. Other current assets

In CNY

Items	End of the Reporting Period	Beginning of the reporting period
Input VAT to be offset	22,334,926.69	43,674,175.80

Rent	5,360,059.79	6,037,338.76
Others	0.00	1,331,887.41
Total	27,694,986.48	51,043,401.97

Note to other current liabilities:

The Group's input VAT from procurements not yet offset in the reporting period.

11. Available-for-sale financial assets

Inapplicable

12. Held-to-maturity investments

Inapplicable

13. Long term accounts receivable

Inapplicable

14. Investment in joint ventures and associates

In CNY

Investees	Proportion of the shares held by the Company (%)	Proportion of the Company's voting power in the investee (%)	Total assets at year end	Total liabilities at year end	Total net asset at year end	Total business income in the report period	Net profit in the reporting period
I. Joint venture							
II. Associates							
Shanghai Watch Industry Co., Ltd.	25%	25%	80,058,653.09	4,916,450.95	75,142,202.14	32,459,523.98	433,762.90

Note to the significant difference between the joint ventures & associates and the Company in important accounting policies and accounting estimate:

15. Long-term equity investment

(1) Statement of Long Term Equity Investment

In CNY

Investee s	Way of calculati on	Investm ent costs	Opening balance	Increase /decreas e	Ending balance	Proporti on of the investee 's shares held by the Compan y (%)	Proporti on of the investee 's vote-be aring shares held by the Compan y (%)	Note to the inconsis tence between the proporti on of the shares in the investee s held by the Compan y and the voting power	Reserve for impairm ent	Reserve for impairm ent provided in the period	Cash dividend in the report period
Shangh ai Watch Industry Co., Ltd.	Equity method	39,916, 500.00	41,648, 741.79	108,440 .73	41,757, 182.52	25%	25%	Inapplic able		0.00	0.00
Xi'an Tangche ng Co., Ltd.	Cost method	85,000. 00	85,000. 00	0.00	85,000. 00	0.1%	0.1%	Inapplic able		0.00	0.00
Shenzh en CATIC Culture Commu nication Co., Ltd.	Cost method	300,000 .00	300,000 .00	0.00	300,000 .00	15%	15%	Inapplic able	300,000 .00	0.00	0.00
Total	--	40,301, 500.00	42,033, 741.79	108,440 .73	42,142, 182.52	--	--	--	300,000 .00	0.00	0.00

(2) About the ability of transferring fund to the investing company being restricted

Inapplicable

16. Investment Based Real Estate**(1) Investment based real estate measured based on costs**

In CNY

Items	Opening book balance	Increase in the reporting period	Decrease in the reporting period	Ending book balance
I. Total Book Costs	340,029,020.44	0.00	0.00	340,029,020.44
1. Housing and buildings	340,029,020.40	0.00	0.00	340,029,020.40
II. Total of accumulative depreciation and accumulative amortization	95,649,589.81	4,571,872.94	0.00	100,221,462.75
1. Housing and buildings	95,649,589.81	4,571,872.94	0.00	100,221,462.75
III. Total net book value of the investment based real estate	244,379,430.63	-4,571,872.94	0.00	239,807,557.69
1. Housing and buildings	244,379,430.63	-4,571,872.94	0.00	239,807,557.69
IV. Total accumulative amount of the provision for impairment of investment based real estate	0.00	0.00	0.00	0.00
1. Housing and buildings	0.00	0.00	0.00	0.00
V. Total book value of the investment based real estate	244,379,430.63	-4,571,872.94	0.00	239,807,557.69
1. Housing and buildings	244,379,430.63	-4,571,872.94	0.00	239,807,557.69

In CNY

	Reporting period
Depreciation and amortization amount in the report period	4,571,872.94
Amount of reserve for impairment of the investment based real estate provided in the reporting period	0.00

(2) Investment based real estate measured based on fair value

Inapplicable

17. Fixed assets**(1) About Fixed assets**

In CNY

Items	Opening book balance	Increase in the reporting period		Decrease in the reporting period	Ending book balance
I. Total Book Costs	422,423,727.03	6,789,433.77		3,619,135.34	425,594,025.46
Including: housing and buildings	306,333,695.09	515,817.08		1,755,175.91	305,094,336.30
Machines & equipment	41,992,755.98	2,163,119.88		85,050.08	44,070,825.78
Motor vehicles	13,805,058.95	800,562.52		363,466.00	14,242,155.47
Electronic equipment	24,919,765.50	1,176,935.22		300,797.11	25,795,903.61
Others	35,372,451.51	2,132,999.07		1,114,646.24	36,390,804.34
--	Opening book balance	New increase in the reporting period	Amount provided in the reporting period	Decrease in the reporting period	Ending balance of the reporting period
II. Total accumulated depreciation	104,622,459.16		11,435,385.94	1,675,177.55	114,382,667.55
Including: housing and buildings	33,708,825.54		5,031,237.33	412,144.00	38,327,918.87
Machines & equipment	17,131,790.81		1,936,264.47	669.26	19,067,386.02
Motor vehicles	8,221,111.90		814,555.80	314,655.20	8,721,012.50
Electronic	16,653,120.95		1,482,576.48	273,766.78	17,861,930.65

equipment					
Others	28,907,609.96		2,170,751.86	673,942.31	30,404,419.51
--	Opening book balance	--			Ending balance of the reporting period
III. Total net book value of fixed assets	317,801,267.87	--			311,211,357.91
Including: housing and buildings	272,624,869.55	--			266,766,417.39
Machines & equipment	24,860,965.17	--			25,003,439.76
Motor vehicles	5,583,947.05	--			5,521,142.97
Electronic equipment	8,266,644.55	--			7,933,972.96
Others	6,464,841.55	--			5,986,384.83
IV. Total provision for impairment	0.00	--			0.00
Including: housing and buildings	0.00	--			0.00
Machines & equipment	0.00	--			0.00
Motor vehicles	0.00	--			0.00
Electronic equipment	0.00	--			0.00
Others	0.00	--			0.00
V. Total book value of fixed assets	317,801,267.87	--			311,211,357.91
Including: housing and buildings	272,624,869.55	--			266,766,417.39
Machines & equipment	24,860,965.17	--			25,003,439.76
Motor vehicles	5,583,947.05	--			5,521,142.97
Electronic equipment	8,266,644.55	--			7,933,972.96
Others	6,464,841.55	--			5,986,384.83

The depreciation amount in the reporting period was CNY ; the cost of the fixed assets transferred in from the construction-in-process amounted to CNY .

(2) About temporarily idle fixed assets

Inapplicable

(3) Fixed assets rented through financing lease

Inapplicable

(4) Fixed assets leased through operating lease

Inapplicable

(5) About the fixed assets for sale held at the end of the reporting period

Inapplicable

(6) Fixed asset whose property title certificate has not been issued

Items	Cause of no certificate of title being granted	Predicted time of handling the procedures for the certificate of title
Office space of Harbin Branch	Defects existing in the property right	unknown

Notes to the fixed assets

As at June 30, 2012, as there existed defects in the property right of the building with the original book value amounting to CNY 593,340.00 (book value amounting to CNY 359,818.08), the application for the certificate of title failed;

As at June 30, 2013, the building with the original book value of CNY 25,602,352.34 (book value amounting to CNY 23,325,449.99) was taken as the collateral for the long term loan amounting to CNY 7,331,286.38.

18. Construction-in-process**(1) About construction-in-process**

In CNY

Items	End of the Reporting Period			Beginning of the reporting period		
	Book balance	Reserve for impairment	Book value	Book balance	Reserve for impairment	Book value
Guangming New Zone Watch Base	2,883,218.57	0.00	2,883,218.57	1,523,855.00	0.00	1,523,855.00
Refurbishment of the offices on the 20 th Floor of FIYTA Technology	2,297,787.48	0.00	2,297,787.48	2,165,064.12	0.00	2,165,064.12

Building						
Refurbishment of the west zone of the 19 th Floor of FIYTA Technology Building	0.00	0.00	0.00	177,446.67	0.00	177,446.67
Total	5,181,006.05	0.00	5,181,006.05	3,866,365.79	0.00	3,866,365.79

(2) Change of key construction-in-process project

In CNY

Items	Budget	Beginning of the reporting period	Increase in the reporting period	Transferred in to the fixed asset	Other decrease	Proportion of projects put into practice in the budget (%)	Progress of the project	Accumulative amount of the interest capitalization	Including: amount of interest capitalization in the reporting period	Interest capitalization rate in the reporting period (%)	Funds source	End of the Reporting Period
Guangming New Zone Watch Base		1,523,855.00	1,359,363.57								自筹	2,883,218.57
Total		1,523,855.00	1,359,363.57			--	--			--	--	2,883,218.57

Note to the change of the construction-in-process project

(3) Impairment reserve for the construction-in-process

Inapplicable

(4) Work progress of the key construction-in-process

Inapplicable

(5) Note to the construction-in-process

Inapplicable

19. Engineering Supplies

Inapplicable

20. Disposal of fixed assets

Inapplicable

21. Productive biological asset

Inapplicable

22. Oil and gas assets

Inapplicable

23. Intangible Assets**(1) About intangible assets**

In CNY

Items	Opening book balance	Increase in the reporting period	Decrease in the reporting period	Ending book balance
I. Total Book Costs	48,781,266.42	205,796.69	0.00	48,987,063.11
Land use right	34,854,239.40	0.00	0.00	34,854,239.40
Software system	3,562,205.50	205,796.69	0.00	3,768,002.19
Trademark use right	10,364,821.52	0.00	0.00	10,364,821.52
II. Total accumulated amortization	12,031,639.24	701,205.67	0.00	12,732,844.91
Land use right	6,225,134.84	359,973.18	0.00	6,585,108.02
Software system	1,859,114.59	335,572.51	0.00	2,194,687.10
Trademark use right	3,947,389.81	5,659.98	0.00	3,953,049.79
III. Total net value of intangible assets	36,749,627.18	-495,408.98	0.00	36,254,218.20
Land use right	28,629,104.56	-359,973.18	0.00	28,269,131.38
Software system	1,703,090.91	-129,775.82	0.00	1,573,315.09
Trademark use right	6,417,431.71	-5,659.98	0.00	6,411,771.73
IV. Total provision for impairment	0.00	0.00	0.00	0.00
Land use right				

Software system				
Trademark use right				
Total book value of intangible assets	36,749,627.18	-495,408.98	0.00	36,254,218.20
Land use right	28,629,104.56	-359,973.18	0.00	28,269,131.38
Software system	1,703,090.91	-129,775.82	0.00	1,573,315.09
Trademark use right	6,417,431.71	-5,659.98	0.00	6,411,771.73

The amount amortized in the reporting period was CNY 701205.67.

(2) Expenses for the Company's development projects

Inapplicable

24. Goodwill

In CNY

Investees or matters forming the goodwill	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance	Reserve for impairment at year end
Lishan Department Store	1,735,756.48	0.00	0.00	1,735,756.48	1,735,756.48
Total	1,735,756.48	0.00	0.00	1,735,756.48	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 CNY 1,200,000.00 and the fair value of the recognizable net assets of Lishan Department Store on the acquisition day was CNY - 535,756.48. HARMONY presented the margin amounting to CNY 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 CNY 1,735,756.48 to the gain and loss of the year 2008.

25. Long-term expenses to be apportioned

In CNY

Items	Beginning of the reporting period	Increase in the report period	Amount amortized in the report period	Other decrease	End of the Reporting Period	Reasons of other decreases
Cost for making	43,797,298.00	15,175,476.22	18,596,322.38		40,376,451.84	

special counters						
Refurbishment	75,107,963.72	28,405,504.85	23,002,288.01		80,511,180.56	
Endorsement fee	6,769,273.68	1,400,943.40	1,150,000.02		7,020,217.06	
Others	600,076.18	3,461,053.06	2,780,810.37		1,280,318.87	
Total	126,274,611.58	48,442,977.53	45,529,420.78		129,188,168.33	--

Note to the long term expenses to be apportioned

Note: The Group's long term expenses to be apportioned were amortized by means of straight-line method, the amortization term for the refurbishment costs was 5 years and that for other items was 2 years.

26. Deferred Income Tax Asset and Deferred Income Tax Liability

(1) The deferred income tax asset/deferred income tax liability is not presented with the net amount after offsetting

Deferred Income Tax Asset/Deferred Income Tax Liability Already Recognized

In CNY

Items	End of the Reporting Period	Beginning of the reporting period
Deferred income tax asset:		
Reserve for impairment of the assets	8,862,625.31	7,603,452.98
Offsetable loss	2,821,441.27	2,930,736.04
Offset of the internal unrealized profit	51,008,457.42	47,528,528.65
Deferred income	195,000.00	201,500.00
Others	0.00	3,075,469.94
Sub-total	62,887,524.00	61,339,687.61
Deferred income tax liabilities:		
Valuation of transactional financial instrument and derivative financial instrument	0.00	0.00
Change of the fair value of the available-for-sale financial assets charged to the capital reserve	0.00	0.00

Statement of unrecognized deferred income tax asset

In CNY

Items	End of the Reporting Period	Beginning of the reporting period
Offsetable provisional discrepancy	600,000.00	2,635,756.48
Offsetable loss	0.00	0.00

Total	600,000.00	2,635,756.48
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The offsettable loss of the unrecognized deferred income tax shall be due in the following years:

In CNY

Year	End of the Reporting Period	Beginning of the reporting period	Remark
------	-----------------------------	-----------------------------------	--------

Statement of taxable discrepancy and offsettable discrepancy items

In CNY

Items	Items of temporary discrepancy	
	End of the reporting period	Beginning of the reporting period
Taxable discrepancy items		
Offsettable discrepancy items		
Reserve for impairment of the assets	37,488,596.00	32,537,231.35
Offsettable loss	12,583,241.37	13,095,609.63
Offset of the internal unrealized profit	208,108,958.64	193,473,413.38
Deferred income	780,000.00	906,000.00
Others	0.00	12,301,879.76
Sub-total	258,960,796.01	252,314,134.12

(2) Presentation of the net amount of the deferred income tax asset and deferred income tax liability after offsetting

Items consisting of deferred income tax assets and liabilities after mutual offsetting

In CNY

Items	Deferred income tax assets or liabilities after mutual offsetting at the end of the reporting period	Offsettable or taxable temporary discrepancy after mutual offsetting at the end of the reporting period	Deferred income tax assets or liabilities after mutual offsetting at the beginning of the reporting period	Offsettable or taxable temporary discrepancy after mutual offsetting at the beginning of the reporting period
Deferred income tax asset	62,887,524.00		61,339,687.61	

Statement of mutual offsetting of deferred income tax asset with deferred income tax liability

Inapplicable

Note to the deferred income tax asset and deferred income tax liability

27. Statement of Reserve for Impairment of Assets

In CNY

Items	Opening book balance	Increase in the reporting period	Decrease in the reporting period		Ending book balance
			Reversal	Written-off	
I. Reserve of bad debts	8,133,660.17	419,642.51	468,277.86	0.00	8,085,024.82
II. Reserve for price falling of inventories	24,403,571.18	5,000,000.00	0.00	0.00	29,403,571.18
V. Provision for impairment of long-term equity investments	300,000.00	0.00	0.00	0.00	300,000.00
VI. Provision for impairment of investment based real estate	0.00	0.00	0.00	0.00	0.00
VII. Provisions for impairment of fixed assets	0.00	0.00	0.00	0.00	0.00
IX. Provision for impairment of construction-in-progress	0.00	0.00	0.00	0.00	0.00
XI. Provision for impairment of oil and gas assets	0.00	0.00	0.00	0.00	0.00
XII. Provision for impairment of intangible assets	0.00	0.00	0.00	0.00	0.00
XIII. Provision for impairment of goodwill	1,735,756.48	0.00	0.00	0.00	1,735,756.48
Total	34,572,987.83	5,419,642.51	468,277.86	0.00	39,524,352.48

Note to the statement of impairment of assets

28. Other non-current assets

Inapplicable

29. Short-term Borrowings

(1) Classification of Short-term Borrowings

In CNY

Items	End of the Reporting Period	Beginning of the reporting period
Secured borrowings	918,787,629.42	1,409,800,000.00
Total	918,787,629.42	1,409,800,000.00

Note to classification of the short-term borrowings

(2) Short term borrowings already due but remaining outstanding

Inapplicable

30. Trading financial liabilities

Inapplicable

31. Notes Payable

Inapplicable

32. Accounts payable

(1) About accounts payable

In CNY

Items	End of the Reporting Period	Beginning of the reporting period
Trade accounts payable	170,308,759.81	181,379,333.93
Payables for materials	40,779,361.51	29,706,892.74
Engineering warranty fee payable	211,339.76	211,339.76
Total	211,299,461.08	211,297,566.43

(2) Accounts payable to the shareholder holding over 5% (including 5%) of the Company's voting shares in the reporting period

Inapplicable

(3) Statement of big accounts payable with age exceeding 1 year

In CNY

<u>Creditors' Names</u>	<u>Amount</u>	<u>Causes of outstanding</u>
Engineering payment of the Hi-tech Industrial Park	211,339.76	Outstanding incurred
Chengheng International Limited	217,714.64	Outstanding incurred
Shenzhen Tianjiuxing Industrial Co., Ltd.	773,252.30	No invoice is issued
Shenzhen Borui Trading Co., Ltd.	581,067.92	No invoice is issued
Shenzhen Timepieces Market	179,679.40	No invoice is issued
Zhonglian Advanced Iron & Steel	<u>96,797.44</u>	No invoice is issued
Total	<u>2,059,851.46</u>	

33. Advance Receipts**(1) About advanced receipts**

In CNY

Items	End of the Reporting Period	Beginning of the reporting period
Loan received in advance	6,715,812.84	12,131,032.89
Total	6,715,812.84	12,131,032.89

(2) Advance receipts from the shareholder holding over 5% (including 5%) of the Company's voting shares in the reporting period

Inapplicable

(3) Note to the big advance receipts with age exceeding 1 year

Inapplicable

34. Salaries payable to employees

In CNY

Items	Opening book balance	Increase in the reporting period	Decrease in the reporting period	Ending book balance
I. Salaries, bonus, allowance and subsidy	27,778,001.08	153,744,565.61	166,349,941.70	15,172,624.99
II. Staff's Welfare	0.00	4,059,514.15	4,059,514.15	0.00
III. Social security	0.00	21,252,570.75	21,252,570.75	0.00
Including: 1. Medical insurance premium	0.00	5,791,707.36	5,791,707.36	0.00
2. Basic endowment insurance premium	0.00	13,356,319.61	13,356,319.61	0.00
3. Contribution to the annuity scheme	0.00	0.00	0.00	0.00
4. Unemployment	0.00	1,078,144.20	1,078,144.20	0.00

insurance premium				
5. Occupational insurance premium	0.00	449,251.63	449,251.63	0.00
6. Maternity insurance premium	0.00	498,614.00	498,614.00	0.00
7. Others	0.00	3,435.45	3,435.45	0.00
IV. Public reserve for housing	0.00	6,043,694.98	6,039,051.18	4,643.80
V. Welfare of dismissal	0.00	100,000.00	100,000.00	0.00
VI. Others	312,978.14	3,247,154.67	3,245,507.58	314,625.23
Where: 1. Trade union and employee's education budget	312,978.14	3,093,754.67	3,092,107.58	314,625.23
2. Others	0.00	153,400.00	153,400.00	0.00
Total	28,090,979.22	188,447,500.16	201,046,585.36	15,491,894.02

Of the employees' salaries payable, the amount of the arrears was CNY 0.00.

The amount of the trade union and employees' education budget was CNY 314,625.23, the amount of the non-monetary welfare was CNY 0.00 and the compensation given due to discharge of the labor relations was CNY 0.00.

Predicted pay time, amount, etc. of the staff's salaries payable:

The Group predicted that the staff's salaries payable not provided at year end shall be distributed in the next fiscal year.

35. Payable Taxes

In CNY

Items	End of the Reporting Period	Beginning of the reporting period
Value-added tax	40,391,827.59	29,641,692.34
Consumption tax	193,846.15	32,555.56

Business tax	647,322.37	669,050.42
Enterprise income tax	19,964,439.28	22,388,435.03
Individual income tax	671,549.72	1,230,752.82
Urban maintenance and construction tax	429,769.03	392,294.10
Property tax	46,090.99	40,390.99
Education surcharge	173,883.31	174,743.58
Stamp tax	235,240.62	709,908.93
Dyke protection surcharge	52,598.27	55,574.92
Others	179,198.92	369,676.54
Total	62,985,766.25	55,705,075.23

Note to the taxes payable: in case the local taxation authority approved the taxable income between the branch companies and branch factories are mutually adjustable, it is necessary to specify the process of tax calculation.

36. Interest payable

In CNY

Items	End of the Reporting Period	Beginning of the reporting period
Interest of the long term loan in which the due principal shall be paid and interest is paid in installment	0.00	0.00
Interest of enterprise bonds	6,720,000.00	0.00
Interest payable of the short term loans	17,324,496.13	7,376,397.56
Total	24,044,496.13	7,376,397.56

Note to the interest payable:

Interest payable at the end of the reporting period amounting to CNY 24,044,496.13, increased by CNY 16,668,098.57 over the year beginning with growth rate of 225.97%, was mainly due to that the financial management based entrusted loan from Bank of China amounting to CNY 390 million was due for repaying the principal and interest and the Company made provision for the interest in the reporting period; in addition, as the Company issued company bonds in the reporting period and provided bond interest for the CNY 400 million of company bonds in the reporting period. Refer to Note 43 – Bonds payable.

37. Dividend payable

Inapplicable

38. Other Payables**(1) About other payables**

In CNY

Items	End of the Reporting Period	Beginning of the reporting period
Within a year	26,358,424.07	26,922,292.71
1 to 2 years	2,549,369.34	1,128,478.98
2 to 3 years	568,673.12	1,480,662.36
Over 3 years	8,592,369.81	7,921,980.06
Total	38,068,836.34	37,453,414.11

(2) Of the other payables, the amount due to the shareholder holding over 5% (including 5%) of the Company's voting shares in the reporting period

Inapplicable

(3) Note to other payables with big amount with age exceeding 1 year

In CNY

Creditors' Names	Amount	Cause of outstanding	Will it be repaid after the report day?
Shenzhen Tencent Computer System Co., Ltd.	2,600,000.00	Still in lease term	No
Oracle Software Research and Development (Shenzhen) Co., Ltd.	681,990.00	Still in lease term	No
Zhu Jin	500,000.00	Deposit in security for meal card	No
VIA Technologies Shenzhen, Co., Ltd	482,965.70	Still in lease term	No
Shenzhen Youli Self-service KARAOKE BAR Co., Ltd.	432,429.00	Still in lease term	No
Shenzhen CATIC Real Estate Co., Ltd.	424,800.00	Still in lease term	No
Shenzhen Good Family Sports Goods Franchise Co., Ltd.	414,630.00	Still in lease term	No
Bowei Technology (Shenzhen) Co., Ltd.	375,432.24	Still in lease term	No
China Merchants Bank Co., Ltd. Shenzhen Technology Park Sub-branch	349,692.00	Still in lease term	No
Shenzhen Miandianwang Catering Chain Restaur	329,000.00	Still in lease term	No

ants Co., Ltd.			
Shenzhen Yong'antang Chain Pharmacy Co., Ltd.	301,644.00	Still in lease term	No
Total	6,892,582.94		

(4) Description of other payables with bigger amount

		In CNY	
<u>Creditors' Names</u>	<u>Amount at year end</u>	<u>Nature or Content</u>	
Shenzhen Tencent Computer System Co., Ltd.	2,600,000.00	Deposit from lessee	
Oracle Software Research and Development (Shenzhen) Co., Ltd.	681,990.00	Deposit from lessee	
Zhu Jin	500,000.00	Deposit from lessee	
VIA Technologies Shenzhen, Co., Ltd	482,965.70	Deposit from lessee	
Shenzhen Youli Self-service KARAOKE BAR Co., Ltd.	432,429.00	Deposit from lessee	
Shenzhen CATIC Real Estate Co., Ltd.	424,800.00	Deposit from lessee	
Shenzhen Good Family Sports Goods Franchise Co., Ltd.	414,630.00	Deposit from lessee	
Bowei Technology (Shenzhen) Co., Ltd.	375,432.24	Deposit from lessee	
Reward from the 11 th China Patent Award	350,000.00	Reward of the patent award payable	
China Merchants Bank Co., Ltd. Shenzhen Technology Park Sub-branch	349,692.00	Deposit from lessee	
Shenzhen Miandianwang Catering Chain Restaurants Co., Ltd.	329,000.00	Deposit from lessee	
Shenzhen Yong'antang Chain Pharmacy Co., Ltd.	301,644.00	Deposit from lessee	
Chen Zhaozhong	796,600.00	Advance payment	
Sun Dawei	<u>1,158,256.40</u>	Advance payment	
Total	<u>9,197,439.34</u>		

39. Predicted liabilities

Inapplicable

40. Non-current liabilities due within a year**(1) About non-current liabilities due within a year**

In CNY

Items	End of the Reporting Period	Beginning of the reporting period
-------	-----------------------------	-----------------------------------

Long-term loan due within 1 year	54,827,407.00	55,846,683.00
Total	54,827,407.00	55,846,683.00

(2) Long-term loan due within one year

Long-term loan due within one year

In CNY

Items	End of the Reporting Period	Beginning of the reporting period
Secured loan	54,827,407.00	55,846,683.00
Total	54,827,407.00	55,846,683.00

Of the long term loan due within a year, amount of the overdue loans approved for postponing was CNY0.00.

Top five creditors of the long term loan due within 1 year

In CNY

Loan suppliers	Loan starting date	Loan expiry date	Currency	Interest rate (%)	End of the Reporting Period		Beginning of the reporting period	
					Amount in foreign currency	Amount in function currency	Amount in foreign currency	Amount in function currency
China Construction Bank (Asia) Corporation Limited	August 18, 2011	August 18, 2013	HK\$	3%	34,435,000.00	27,413,703.50	34,435,000.00	27,923,341.50
China Construction Bank (Asia) Corporation Limited	September 23, 2011	September 23, 2013	HK\$	3%	34,435,000.00	27,413,703.50	34,435,000.00	27,923,341.50
Total	--	--	--	--	--	54,827,407.00	--	55,846,683.00

Overdue loan of the long term loans due within 1 year:

Inapplicable

Description of long-term loan due within 1 year

Inapplicable

(3) Bonds payable due within a year

Inapplicable

(4) Long term payables due within a year

Inapplicable

41. Other current liabilities

In CNY

Items	Ending book balance	Opening book balance
Accrued expenses	7,315,030.73	10,088,432.90
Total	7,315,030.73	10,088,432.90

Note to other current liabilities

42. Long term loan**(1) Classification of Long Term Loans**

In CNY

Items	End of the Reporting Period	Beginning of the reporting period
Collateral Loans	0.00	0.00
Pledged loan	7,331,286.38	7,838,020.45
Secured loan	94,632,407.00	96,391,683.00
Credit loan	0.00	0.00
Less: Long-term loan due within 1 year	-54,827,407.00	-55,846,683.00
Total	47,136,286.38	48,383,020.45

Note to classification of long term loans

(2) Top Five Lenders of the Long Term Loans

In CNY

Loan suppliers	Loan starting date	Loan expiry date	Currency	Interest rate (%)	End of the Reporting Period		Beginning of the reporting period	
					Amount in foreign currency	Amount in function currency	Amount in foreign currency	Amount in function currency
Bank of China	October 8, 2012	October 7, 2014	HK\$	3.25%	20,000,000.00	15,922,000.00	20,000,000.00	16,218,000.00

(Hong Kong) Limited								
Bank of China (Hong Kong) Limited	November 23, 2012	November 23, 2014	HK\$	3.25%	30,000,000.00	23,883,000.00	30,000,000.00	24,327,000.00
UBS	November 1, 2012	September 1, 2022	Swiss Franc	3%	975,000.00	6,410,527.50	1,000,000.00	6,821,900.00
China Construction Bank (Asia) Corporation Limited	October 31, 2010	October 31, 2022	HK\$	4.25%	1,156,586.96	920,758.88	1,253,077.38	1,016,120.45
Total	--	--	--	--	--	47,136,286.38	--	48,383,020.45

Note to the long term loans: For the long term loans whose overdue loan has realized formation of extension, it is necessary to specify the conditions, principal, interest, predicted repayment arrangement, etc. of the extension.

43. Bonds payable

In CNY

Bond name	Par value	Issuing date	Term	Amount issued	Interest payable at beginning	Accrued interest in the reporting period	Interest paid in the reporting period	Interest payable at end of the reporting period	Ending balance
FIYTA HOLDINGS LTD 2012 COMPANY BOND	100.00	February 27, 2013	5 years (attached with investors' buy-back option, the issuer's redemption option and	400,000,000.00	0.00	6,720,000.00	0.00	6,720,000.00	400,000,000.00

			adjusting up the par interest rate option in the 3 rd year)						
--	--	--	---	--	--	--	--	--	--

Note to the bonds payable, including the conditions and time of conversion of the convertible company bonds into shares

The 33rd meeting of the Sixth Board of Directors held on June 19, 2012 reviewed and approved the Proposal on Issuing Company Bonds, etc., according to which the Company planned to issued company bonds with amount not exceeding CNY 400 million and the term not exceeding 5 years (with 5 years inclusive). The proceeds would be used for substituting bank loan and replenishing the working capital. On September 9, 2012, approved by China Securities Regulatory Commission with Document ZHENG JIAN XU KE [2012] No. 1209, the Company was permitted to issue company bonds with amount not exceeding CNY 400 million. The Company issued totally CNY 400 million of bonds in the current period. After deduction of the issuing costs, the new proceeds raised therefrom amounted to CNY 396.9 million, which was remitted to the bank account designated by the Company on March 5, 2013. RSM China CPAs, the CPAs appointed by the Company respectively issued the capital verification reports 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 for the frozen funds for subscription of the on-line issued bonds, the frozen fund for subscription of the off-line placement and the proceeds actually raised. Approved by Shenzhen Stock Exchange with Document SHEN ZHENG SHANG [2013] No. 99, the bonds were listed for trading with both SZSE centralized bidding system and the comprehensive agreement based trading platform with the abbreviation the securities “12 YA DA ZHAI” and security code of “112152”. For the detail, refer to “Announcement on Issuing Company Bond 2013-003” disclosed on February 25, 2013.

44. Long term accounts payable

Inapplicable

45. Special accounts payable

Inapplicable

46. Other non-current liabilities

In CNY

Items	Ending book balance	Opening book balance
Deferred income		
Fund for financing the construction of the Company's technology center (Note①)	600,000.00	600,000.00

Reward from the 13 th Patent Award (Note②)	350,000.00	350,000.00
Special fund for Development of Strategical New Industries in Shenzhen (Note③)	320,000.00	320,000.00
Special fund for development of cultural creative industry (Note④)	780,000.00	
Special fund for cooperation with provincial and ministerial academic and research institutions (Note④)		236,000.00
Total	2,050,000.00	1,506,000.00

Note to other non-current liabilities, including various government subsidies in connection with the assets, and revenues obtained in the reporting period and the amount at the end of the reporting period

Note①: According to Document SHEN JING MAO FA [2002] No. 93 promulgated by Bureau of Economic and Trade of Shenzhen Municipality, Bureau of Finance of Shenzhen Municipality and Administration of Local Taxation of Shenzhen Municipality. As the Company's technology center has been expertised as an Enterprise Technology Center of Shenzhen and therefore it has obtained a supporting fund amounting to CNY 3,000,000 for construction of the enterprise technology center. The project was completed in early 2009, and the amount amortized every year is CNY 600,000.00 and the accumulative amount amortized so far is CNY 2,400,000.00. Ended June 30, 2013, the balance of the fund was CNY 600,000.00.

Note②: It is the reward of the patent award obtained from the Circular of Intellectual Property Office of Guangdong Province on Appropriation of Incentive Fund from the 13th China Patent Award YUE ZHI GUI [2012] No. 157;

Note③: It is a special fund for development of strategical new industries according to the Circular on the Fourth Supporting Plan of 2012 for the Special Fund for Development of Strategical New Industries in Shenzhen jointly promulgated by Development and Innovation Commission of Shenzhen Municipality, Science, Industry, Trade and Information Technology Commission of Shenzhen Municipality, Science and Technology Innovation Commission of Shenzhen Municipality and Finance Commission of Shenzhen Municipality Document SHEN FA GAI [2012] No. 1241;

Note④: It is a special fund for watch project according to the Measures for Administration of Special Fund for Development of Cultural Innovation Industry in Shenzhen;

Note⑤: It is a special fund for cooperation with provincial and ministerial academic and research institutions according to YUE CAI JIAO [2009] No. 138.

47. Share Capital

In CNY

	Beginning of the	Increase/ Decrease (+ / -) resulting from the change in the reporting period	End of the Reporting
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	reporting period	New issuing	Bonus shares	Shares converted from reserve	Others	Sub-total	Period
Total Shares	392,767,870.00	0.00	0.00	0.00	0.00	0.00	392,767,870.00

Note to change of the capital share: In case there existed capital increase or decrease in the reporting period, it is necessary to disclose the name of the CPAs engaged in the capital verification and the number of the capital verification report. For a company limited by shares whose operation term was less than entire 3 years, it was necessary to specify its net assets in the year prior to incorporation. The overall change of a company limited by shares is the capital verification which should be specified at the time of incorporation.

48. Treasury stock

Inapplicable

49. Special reserve

Inapplicable

50. Capital reserve

In CNY

Items	Beginning of the reporting period	Increase in the reporting period	Decrease in the reporting period	End of the Reporting Period
Capital premium (capital stock premium)	511,014,504.13	0.00	0.00	511,014,504.13
Other capital reserve	14,492,448.65	0.00	0.00	14,492,448.65
Total	525,506,952.78	0.00	0.00	525,506,952.78

Note to capital reserve

51. Surplus reserve

In CNY

Items	Beginning of the reporting period	Increase in the reporting period	Decrease in the reporting period	End of the Reporting Period
Statutory surplus reserve	86,602,786.61	0.00	0.00	86,602,786.61
Discretionary surplus reserve	61,984,894.00	0.00	0.00	61,984,894.00
Reserve fund	0.00	0.00	0.00	0.00
Enterprise development	0.00	0.00	0.00	0.00

fund				
Total	148,587,680.61	0.00	0.00	148,587,680.61

Note to the surplus reserve: in case of conversion of surplus reserve into share capital, making up losses or distribution of dividend, the relevant resolutions should be specified.

52. General risk reserve

Inapplicable

53. Retained earnings

In CNY

Items	Amount	Provision or distribution proportions
Before adjustment: Retained earnings at the end of the previous year	386,984,676.78	--
Adjustment: Total of the retained earnings at year beginning (increase +, decrease -)	0.00	--
Retained earnings at year beginning after adjustment	386,984,676.78	--
Plus: Net profit attributable to the parent company's owner in the report period	69,097,419.87	--
Retained earnings at year end	456,082,096.65	--

Adjustment of retained earnings at year beginning:

1) As retroactive adjustment was made according to the Enterprise Accounting Standards and its relevant new provisions, the retained earnings at year beginning was influenced by CNY 0.00.

2) Due to change of the accounting policy, the retained earnings at year beginning was influenced by CNY 0.00.

3) Due to correction of material accounting errors, the retained earnings at year beginning was influenced by CNY 0.00.

4) Due to change of the consolidation scope caused by the same control, the retained earnings at year beginning was influenced by CNY-16,139,115.49.

5) Total of other adjustments influencing the retained earnings at year beginning: CNY 0.00.

Note to the retained earnings: For an IPO company, should the accumulated profit before IPO be shared by new and old shareholders through resolution of the shareholders' general meeting, it should be specified; should the accumulated profit before IPO be distributed and exclusively shared by the old shareholders before IPO through resolution of the

shareholders' general meeting, the Company should disclose explicitly the amount of the profit in the dividend shared by the medium and old shareholders.

54. Operating revenues and costs

(1) Operating revenues and Costs

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Revenue from principal business	1,493,827,814.22	1,474,150,751.69
Revenue from other business	14,525,952.64	9,605,059.67
Operating costs	970,869,666.64	987,034,886.89

(2) Principal Businesses Based on Sectors

In CNY

Sectors	Amount incurred in the reporting period		Amount incurred in the previous period	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Commerce	1,133,437,634.12	847,739,810.91	1,173,543,916.34	874,237,801.34
Industry	321,175,473.86	110,740,242.66	265,901,475.21	99,165,431.92
Property lease	39,214,706.24	6,743,346.45	34,705,360.14	10,394,436.10
Total	1,493,827,814.22	965,223,400.02	1,474,150,751.69	983,797,669.36

(3) Principal Businesses Based on Products

In CNY

Description of Products	Amount incurred in the reporting period		Amount incurred in the previous period	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Sales of famous brand watches	1,133,437,634.12	847,739,810.91	1,173,543,916.34	874,237,801.34
Sales of FIYTA watches	321,175,473.86	110,740,242.66	265,901,475.21	99,165,431.92
Property lease	39,214,706.24	6,743,346.45	34,705,360.14	10,394,436.10
Total	1,493,827,814.22	965,223,400.02	1,474,150,751.69	983,797,669.36

(4) Principal Businesses Based on Regions

In CNY

Regions	Amount incurred in the reporting period		Amount incurred in the previous period	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Northeast China	130,071,970.42	95,160,184.44	139,682,464.71	103,378,488.35
North China	290,411,310.16	218,987,802.61	292,156,396.04	222,903,895.50
Northwest China	270,095,282.36	199,716,950.98	331,183,745.81	247,305,324.50
Southwest China	137,226,801.31	98,473,472.78	110,244,661.48	80,191,581.27
East China	178,523,905.64	125,133,429.43	182,965,167.64	130,002,925.44
South China	487,498,544.33	227,751,559.78	417,918,316.01	200,015,454.30
Total	1,493,827,814.22	965,223,400.02	1,474,150,751.69	983,797,669.36

(5) Sales Income from Top Five Customers

In CNY

Description of the Customers	Revenue from principal business	Proportion in the Company's total sales income (%)
Yongan General Merchandise Co., Ltd.	39,691,970.91	2.63%
Xi'an Kaiyuan Shopping Mall Co., Ltd.	32,137,246.82	2.13%
Hunan Pinghetang Industrial Co., Ltd.	28,650,353.27	1.9%
Jiangxi Baisheng Zhongshancheng General Merchandise Co., Ltd.	26,112,178.48	1.73%
Xidan Department Store of Beijing Capital Retailing Group Co., Ltd.	23,571,767.40	1.56%
Total	150,163,516.88	9.95%

Note to the operation revenues

55. Income from Contract Projects

Inapplicable

56. Business Taxes and Surcharges

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period	Taxation Rate
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Consumption tax	450,766.66	390,919.01	The Company and its subsidiaries located in PRC Mainland pay taxable consumption tax at 20% of the tax base for the high grade watches imported or produced by themselves.
Business tax	2,644,269.59	2,186,160.79	The Company and its subsidiaries located in PRC Mainland calculate and pay taxes for the income from housing lease, supply labor services and royalty of the demised assets at the rate of 5%.
Urban maintenance and construction tax	3,566,290.79	3,385,114.47	The Company and its subsidiaries located in Shenzhen calculate and pay their urban maintenance and construction tax at 1% of the turnover tax actually paid before December 1, 2010 and 7% of the turnover tax actually paid commencing from December 1, 2010; the subsidiaries outside Shenzhen calculate and pay the same at 7%.
Education surcharge	2,399,990.73	1,780,203.75	The Company and its subsidiaries located in PRC Mainland calculate and pay education surcharge at 3% of the turnover tax; according to the Circular of the General Office of Shenzhen Municipal People's Government on Printing and Issuing the Provisional Measures for Administration of Collection of Local Education Surcharge in Shenzhen, they pay the local education surcharge at 2% of the turnover tax actually paid commencing from January 1, 2011.
Others	537,501.80	591,285.49	
Total	9,598,819.57	8,333,683.51	--

Note to business taxes and surcharges

57. Sales costs

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Wages	95,425,585.46	89,022,232.97
Long-term expenses to be apportioned	40,071,228.64	21,960,900.61
Rental	36,106,141.39	33,639,633.73
Market promotion	34,348,587.79	28,801,364.71
Shopping mall expenses	21,704,181.71	15,273,730.20
Advertisement	21,675,500.79	18,557,304.14
Labor insurance	14,991,352.99	12,372,578.54
Exhibition	8,487,347.93	2,880,436.15
Packing	6,188,388.83	4,125,184.20
Water and electricity	6,048,382.80	5,675,553.22
Others	30,289,173.53	28,238,074.48
Total	315,335,871.86	260,546,992.95

58. Administrative expenses

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Wages	41,385,108.98	38,674,782.96
R & D costs	6,620,694.71	6,326,203.26
Labor insurance	4,514,446.62	3,530,804.12
Depreciation	3,738,162.30	2,731,036.28
Business travel	2,778,620.61	2,822,898.43
Trade union budget	1,910,645.98	1,927,730.36
Meeting	1,834,405.81	1,866,812.03
Business entertainment	1,689,207.04	1,739,635.27
Administrative expenses	1,593,464.97	1,532,395.30
Welfares	1,458,323.04	1,335,900.04
Others	10,700,903.68	25,346,945.31

Total	78,223,983.74	87,835,143.36
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59. Financial Expenses

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Interest payment	43,059,131.02	51,135,088.70
Less: interest income	-556,505.59	-782,438.91
Exchange losses	-1,302,644.23	329,694.61
Financial service charge	6,073,587.41	8,918,864.86
Plus: Collateral charge for loans		
Others	549,840.19	2,661.78
Total	47,823,408.80	59,603,871.04

60. Income from change of fair value

Inapplicable

61. Return on Investment**(1) Statement of Return on Investment**

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Return on long term equity investment based on equity method	108,440.73	191,373.86
Total	108,440.73	191,373.86

(2) Income from long term equity investment calculated based on the cost method

Inapplicable

(3) Income from long term equity investment calculated based on the equity method

In CNY

Investees	Amount incurred in the reporting period	Amount incurred in the previous period	Cause of increase/decrease in the report period over the previous period
Shanghai Watch Industry Co.,	108,440.73	191,373.86	

Ltd.			
Total	108,440.73	191,373.86	--

Note to the return on investment: Should there be material restriction in remitting back of the return on investment, it is necessary to explain the case. Should there be no such material restriction, it is necessary to specify the case also.

62. Loss from impairment of assets

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
I. Loss from bad debt	-42,202.72	-4,298.70
II. Loss from price falling of inventories	5,000,000.00	
Total	4,957,797.28	-4,298.70

63. Non-operating income

(1) About non-operating income

In CNY

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	467,975.18	2,464.55	467,975.18
Including: Income from disposal of fixed assets	467,975.18	2,464.55	467,975.18
Income from disposal of intangible assets	0.00	0.00	0.00
Income from reorganization of liabilities	0.00	0.00	0.00
Benefit from non-monetary assets exchange	0.00	0.00	0.00
Acceptance of donation	0.00	0.00	0.00
Government subsidies	795,493.22	567,500.00	795,493.22
Others	297,969.80	1,271,678.10	297,969.80
Total	1,561,438.20	1,841,642.65	1,561,438.20

(2) Statement of Government Subsidies

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period	Note:
Science & Technology Awards of Guangdong Province		100,000.00	
Financial support from implementation of standardization strategy (Note ①)	112,500.00	467,500.00	
Commissioner project budget of the special fund for the academic & research cooperation with the provincial and ministerial institutions (Note ②)	236,000.00		
Governmental allowances from Shenzhen Watch & Clock Association for BASEL WORLD 2011 Watches (Note ③)	60,000.00		
Incentive fund for speeding up development of backbone enterprises in Shenzhen (Note ④)	370,000.00		
Market promotion fund for medium and small enterprises (Note ⑤)	16,993.22		
Total	795,493.22	567,500.00	--

Note to non-operating income

Note ①: They are the governmental allowances received for implementation of standardized strategical financing projects in 2012 in Bao'an District according to the Official Opinion of Bao'an District on Implementation of Promoting Industry Transformation and Upgrading and Speeding Up and Change of Economic Development Approaches, SHEN BAO FU [2012] No. 21, the Provisional Measures of Bao'an District for Management of the Financial Special Purpose Funds at District Level, etc.

Note ②: It is the special fund for the academic & research cooperation with the provincial and ministerial institutions according to the Document YUE CAI JIAO [2009] No. 138; the amount of the reward already recognized as in compliance with the relevant conditions in the current year was CNY 236,000.00, including the amount distributed in 2012 being CNY 136,000.00 and the amount distributed in 2011 being CNY 100,000.00.

Note③: It is the allowance for the booth cost for BASEL WORLD 2011 Watches from Shenzhen Watch & Clock Association;

Note④: It is the Incentive fund for speeding up development of backbone enterprises in Shenzhen received in 2011 according to the Some Measures for Optimizing Governmental Services and Promoting Industrial Development, Document SHEN FU (2008) No. 149 and the Financial Incentive Measures of Shenzhen Municipality for Speeding up Development of Backbones, Document SHEN CAI JIN (2010) No. 97.

Note⑤: It is the special fund for market promotion of medium and small enterprises received by the Company.

64. Non-operating expenses

In CNY

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	27,315.73	11,895.85	27,315.73
Including: Loss from disposal of fixed assets	27,315.73	11,895.85	27,315.73
External donation	180,000.00	90,000.00	180,000.00
Others	38,870.48	3,532.37	38,870.48
Total	246,186.21	105,428.22	246,186.21

Note to non-operating expenses

65. Income tax expenses

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
The income tax in the report period calculated according to the tax law and the relevant provisions.	17,674,422.82	22,438,602.06
Adjustment of deferred income tax	-3,919,237.05	-5,264,777.74
Total	13,755,185.77	17,173,824.32

66. Process of calculation of basic earnings per share and diluted earnings per share

(1) Statement of the amounts of the basic earnings per share (basic EPS) and diluted earnings per share (diluted EPS) in different periods

Profit in the reporting period	Amount incurred in the report year		Amount incurred in the previous year	
	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS
Net profit attributable to the Company's shareholders of ordinary shares	0.176	0.176	0.166	0.166
Net profit attributable to the Company's shareholders of ordinary shares less non-recurring gain and loss	0.173	0.173	0.168	0.168

(2) Process of calculation of basic earnings per share and diluted earnings per share

In the report period, there existed no potential ordinary shares with dilution in the Company. Therefore, the diluted earning per share is equal to the basic earning per share.

1. In calculating the basic EPS, the current net profit attributable to shareholders of ordinary shares is:

Items	Amount incurred in the report year	Amount incurred in the previous year
Net profit attributable to the shareholders of ordinary shares	69,097,419.87	65,159,296.28
Including: Net profit attributable to continuous operation	69,097,419.87	65,159,296.28
Net profit attributable to the Company's shareholders of ordinary shares less non-recurring gain and loss	68,078,232.08	66,121,488.44
Including: Net profit attributable to continuous operation	68,078,232.08	66,121,488.44

2. In calculating the basic EPS, the denominator is the weighted average of the outstanding ordinary shares and the calculation process is as follows:

Items	Amount incurred in the report year	Amount incurred in the previous year
Number of outstanding ordinary shares at year beginning	392,767,870.00	392,767,870.00
Plus: Number of shares of non-public designated issuing	-	-
Weighted number of ordinary shares issued in the reporting year	-	-
Weighted number of outstanding ordinary shares at year end	392,767,870.00	392,767,870.00

Note: The calculation formula and the calculation process for the relevant data are presented according to the Enterprise Accounting Standards No. 34 – Earnings per Share and the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 15 – Calculation and Disclosure of ROE and EPS (2010

Revision).

67. Other comprehensive income

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
4. Converted difference in Foreign Currency Statements	-3,563,383.18	-1,485,490.34
Sub-total	-3,563,383.18	-1,485,490.34
Total	-3,563,383.18	-1,485,490.34

Note to other comprehensive income

Inapplicable

68. Note to the Cash Flow Statement

(1) Other operation related cash received

In CNY

Items	Amount
Commodity promotion	9,511,276.95
Government subsidies	1,374,453.22
Deposit	1,556,281.30
Interest income	556,382.18
Reserves	12,685.51
Others	5,377,324.74
Total	18,388,403.90

Note to the other operation related cash received

Inapplicable

(2) Other operation related cash paid

In CNY

Items	Amount
Rental	36,914,074.34
Market promotion	21,896,492.58
Shopping mall expenses	21,704,181.71

Advertisement	19,035,500.79
Water and electricity	6,265,476.45
Packing	6,188,388.83
Business travel	5,421,967.64
R & D costs	5,100,694.71
Administrative expenses	4,874,609.70
Transportation	3,579,355.55
Business entertainment	3,460,778.19
Exhibition	3,307,347.93
Insurance premium	1,659,980.40
Meeting	1,588,134.52
Post and telecommunications	1,500,876.36
Remuneration to agent(s) engaged by the Company	1,367,471.91
Automobile expenses	1,063,064.29
Others	2,294,992.72
Total	147,223,388.62

Note to other operation related cash paid

Inapplicable

(3) Other investment related cash received

Inapplicable

(4) Other investment related cash paid

Inapplicable

(5) Other fund-raising related cash received

Inapplicable

(6) Other cash paid for fund raising activities

In CNY

Items	Amount
Bond issue expenses	502,986.00
Total	502,986.00

Note to other fund raising related cash paid

69. Supplemental information of the cash flow statement**(1) Supplemental information of the cash flow statement**

In CNY

Supplemental Information	Amount in the reporting period	Amount in the previous period
1. Net cash flows arising from adjustment of net profit into operating activities:	--	--
Net profit	69,212,725.92	65,159,296.28
Plus: Provisions for impairment of assets	4,957,797.28	-4,298.70
Depreciation of fixed assets, oil and gas assets, production based biological asset	16,007,258.88	16,155,014.09
Amortization of intangible assets	701,205.67	668,682.58
Long-term expenses to be apportioned	45,529,420.78	29,139,237.95
Loss (income is stated with "-") from disposal of fixed assets, intangible assets and other long term assets	-440,659.45	9,431.30
Loss on scrapping of fixed assets (profit is stated with "-")	0.00	0.00
Loss from change of fair value (income is stated with "-")	0.00	0.00
Financial expenses (income is stated with "-")	43,059,131.02	51,135,088.70
Investment loss (income is stated with "-")	-108,440.73	-191,373.86
Decrease of deferred income tax asset (increase is stated with "-")	-1,547,836.39	-5,264,777.74
Increase of deferred income tax asset (decrease is stated with "-")	0.00	-5,264,777.74
Decrease of inventories (increase is stated with "-")	-8,000,799.50	-157,959,058.31
Decrease of operative items receivable (increase is stated with "-")	-25,258,705.56	-76,634,180.15
Increase of operative items receivable (decrease is stated with "-")	-10,116,297.35	-15,560,265.76
Net cash flow arising from operating activities	133,994,800.57	-93,347,203.62
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	95,490,125.02	210,307,884.08
Less: Opening cash balance	140,420,994.71	179,972,430.02

Plus: Ending cash equivalent balance	0.00	0.00
Less: Opening cash equivalent balance	0.00	0.00
Net increase in cash and cash equivalents	-44,930,869.69	30,335,454.06

(2) Information concerning acquisition or disposal of subsidiaries or other operating units in the reporting period

In CNY

Supplemental Information	Amount incurred in the reporting period	Amount incurred in the previous period
I. Information concerning acquisition of subsidiaries and other operating units:	--	--
II. Information concerning disposal of subsidiaries and other operating units:	--	--

(3) Composition of cash and cash equivalents

In CNY

Items	End of the Reporting Period	Beginning of the reporting period
I. Cash	95,490,125.02	140,420,994.71
Including: Cash in stock	563,441.88	538,810.69
Bank deposit available for payment at any time	94,921,162.28	139,868,866.49
Other monetary fund available for payment at any time	5,520.86	13,317.53
Due from central bank available for payment	0.00	0.00
Due from banks	0.00	0.00
Call loan to banks	0.00	0.00
II. Cash equivalent	0.00	0.00
Including: bond investment due within three months	0.00	0.00
III. Balance of cash and cash equivalent at the end of the report period	95,490,125.02	140,420,994.71

Note to supplemental information to the cash flow statement

70. Note to items in the statement of change in owner's equity

Inapplicable

VIII. Accounting treatment of asset securitization business

1. Description of arrangement of the major asset securitization businesses, their accounting treatment and bankruptcy isolation articles

Inapplicable

2. About the special purpose principal with no control power but substantially undertaking the Company's risks

Inapplicable

IX. Related parties and related transactions

1. About the Parent Company

Parent	Relationship	Enterprise type	Place of Registration	Legal representative:	Business nature	Registered capital	Proportion of the Company's shares held by the parent company (%)	Voting power proportion of the parent company over the Company (%)	The Company's eventual controller	Organization Code
CATIC Shenzhen Holdings Limited	Controlling shareholder	Company limited	Shenzhen	Wu Guangquan	Investing and initiating entities (separate application is to be submitted for a specific project); domestic commerce, supply and sales of goods and	1110631996	41.49%	41.49%	China National Aviation Industry Group Corporation	27935122-9

					materials (excludin g the goods for exclusive sale, under special control and monopoli zed goods); import and export (excludin g the goods forbidden by law, administr ative rules and regulatio ns, decision of the State Council; the restrictive goods is not allowed for operation until permit is granted)					
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Note to the Company's Parent:

AVIC International Holding Corporation (CATIC Shenzhen Holdings Limited) , the Company's controlling shareholder completed the change with the administration for industry and commerce for its non-public issuing of securities in 2012 and assets reorganization. Before the change, AVIC International Shenzhen Company Limited held 58.77% of AVIC

International's equity, and the balance of the equity was public shares; after the change, AVIC International Shenzhen Company Limited held 39.37% of AVIC International's equity and the balance of the equity was public shares. Therefore, the Company's eventual controller is Aviation Industry Corporation of China.

2. About the Subsidiaries

Full Names of Subsidiaries	Subsidiary type	Enterprise type	Place of Registration	Legal representative:	Business nature	Registered capital	Shareholding proportion (%)	Proportion of voting power (%)	Organization Code
Shenzhen Harmony World Watches Center Co., Ltd.	Controlled subsidiary	Limited liability	Shenzhen	Xu Dongsheng	Commerce	600000000(RMB)	100%	100%	279313935
Shenzhen FIYTA Sophisticated Timepieces Manufacture Co., Ltd.	Controlled subsidiary	Limited liability	Shenzhen	Xu Dongsheng	Manufacture	100000000(RMB)	100%	100%	715210802
Shenzhen World Watches Center Co., Ltd.	Controlled subsidiary	Limited liability	Shenzhen	Fang Juan	Commerce	28000000(RMB)	50%	50%	192236228
FIYTA (Hong Kong) Limited	Controlled subsidiary	Limited liability	Hong Kong	-	Commerce	65060000(HKD)	100%	100%	37954781
Beijing Henglianda Timepieces Co., Ltd.	Controlled subsidiary	Limited liability	Beijing	Fang Juan	Commerce	300000000(RMB)	100%	100%	775466877
Shenzhen FIYTA Technology	Controlled subsidiary	Limited liability	Shenzhen	Xu Dongsheng	Manufacture	100000000(RMB)	100%	100%	69396758X

y Developm ent Co., Ltd.									
Shenzhen Symphony Trading Co., Ltd.	Controlled subsidiary	Limited liability	Shenzhen	Xu Dongshen g	Commerce	5000000(RMB)	100%	100%	69710895 0
Emile Chouriet (Shenzhen) Co., Ltd.	Controlled subsidiary	Limited liability	Shenzhen	Lu Bingqiang	Commerce	50000000(RMB)	100%	100%	55031281 8
FIYTA Sales Co., Ltd.	Controlled subsidiary	Limited liability	Shenzhen	Xu Dongshen g	Commerce	50000000(RMB)	100%	100%	57476869- 2
Liaoning Hengdarui Commerce & Trade Co., Ltd.	Controlled subsidiary	Limited liability	Shenyang	Lu Wanjun	Commerce	51000000(RMB)	100%	100%	56755181- 5

3. Joint Ventures and Associates

Investees	Enterprise type	Place of Registratio n	Legal representa tive:	Business Nature	Registered capital	Proportion of the shares held by the Company (%)	Proportion of the Company' s voting power in the investee (%)	Relationsh ip	Organizati on Code
I. Joint venture									
II. Associate									
Shanghai Watch Industry Co., Ltd.	Limited liability	Shanghai	Dong Guozhang	Manufactu re	15350000 (RMB)	25%	25%	Associate	13465765 7

4. The Company's other related parties

Other related parties	Relationship with the Company	Organization Code
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CATIC Property	under the control of the same party	19219400-5
Shenzhen CATIC Building Technology Co., Ltd.	under the control of the same party	743201073
Rainbow Supermarket	under the control of the same party	618842912
Shennan Circuit Co., Ltd.	under the control of the same party	192195761
Shenzhen CATIC Monitor Technology Co., Ltd.	under the control of the same party	689407061
CATIC Real Estate	under the control of the same party	279340845
Shenzhen Makway Cable TV Equipment Co., Ltd.	under the control of the same party	618810902
CATIC Securities Co., Ltd.	under the control of the same party	741986153
Xi'an Tianyue Hotel Co., Ltd.	under the control of the same party	76197033-5
Shenzhen CATIC Nanguang Elevator Engineering Co., Ltd.	under the control of the same party	192350741
Shenzhen CATIC City Property Development Co., Ltd.	under the control of the same party	676667833
Shenzhen CATIC City Development Co., Ltd.	under the control of the same party	192194005
CATIC Land Development Co., Ltd.	under the control of the same party	661015568
Shenzhen CATIC Guanlan Real Estate Development Co., Ltd.	under the control of the same party	763495945
Shenzhen CATIC Changtai Investment Development Co., Ltd.	under the control of the same party	732047808
Shenzhen CATIC Construction Supervision Co., Ltd.	under the control of the same party	192309191
Shenzhen CATIC Jiufang Assets Management Co., Ltd.	under the control of the same party	580064616
CATIC Trust Co.	under the control of the same party	158265930
Ganzhou CATIC Real Estate Development Co., Ltd.	under the control of the same party	664794739
Shenzhen CATIC Decoration Design Engineering Co., Ltd.	under the control of the same party	192268123
Shenzhen CATIC City Investment Co., Ltd.	under the control of the same party	279340845
Chengdu CATIC Real Estate Development Co., Ltd.	under the control of the same party	66047931X
Chengdu CATIC Real Estate Co., Ltd.	under the control of the same party	202384639

CATIC Electronic Measuring Instruments Co., Ltd	under the control of the same party	745016111
Shenzhen CATIC Theme Real Estate Co., Ltd.	under the control of the same party	618811913

Note to the Company's other related parties

5. Related transactions

(1) Statement of Commodities Purchased and Labor Services Received

In CNY

Related Parties	Description of Related Transactions	Pricing of related transactions and decision making procedures	Amount incurred in the reporting period		Amount incurred in the previous period	
			Amount	Proportion in the amount of the similar transactions (%)	Amount	Proportion in the amount of the similar transactions (%)
Rainbow Supermarket	Shopping mall expenses	Negotiated price	1,373,419.14	5.36%	2,939,606.14	7.86%
CATIC Property	Property management fee	Negotiated price	569,185.84	100%	1,605,837.42	100%
Shenzhen CATIC Enterprise Group Training Center	Training fees	Negotiated price	142,437.90	12.54 %	46,600.00	1.81%

Statement of Sales of Goods and Supply of Labor Services

In CNY

Related Parties	Description of Related	Pricing of related	Amount incurred in the reporting period	Amount incurred in the previous period
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	Transactions	transactions and decision making procedures	Amount	Proportion in the amount of the similar transactions (%)	Amount	Proportion in the amount of the similar transactions (%)
AVIC	Sales of products	Market price	1,328,029.06	0.09%	3,886,999.48	0.26%
Rainbow Supermarket	Sales of products	Market price	38,432,907.68	2.57%	36,158,164.63	2.45%
Shennan Circuit Co., Ltd.	Sales of materials	Market price	7,357,604.78	0.49%	790,736.23	0.05%

(2) Related trust/contract

Inapplicable

(3) Related Leases

Statement of leases

In CNY

Lessor	Lessees	Leased asset	Lease starting date	Lease termination date	Basis for determining the lease income	Rental income recognized in the reporting period
FIYTA Holdings Ltd	CATIC Real Estate	Office space	May 16, 2012	May 15, 2015	Negotiated price	754,416.00
FIYTA Holdings Ltd	Shenzhen Makway Cable TV Equipment Co., Ltd.	Office space	February 1, 2012	May 31, 2013	Negotiated price	233,285.00
FIYTA Holdings Ltd	CATIC Property	Office space	October 1, 2012	September 30, 2015	Negotiated price	1,330,272.00
FIYTA Holdings Ltd	CATIC Securities, Co., Ltd.	Office space	February 1, 2012	May 31, 2015	Negotiated price	511,200.00
FIYTA	Shenzhen	Office space	October 1,	September	Negotiated	11,160.00

Holdings Ltd	CATIC City Property Development Co., Ltd.		2012	30, 2015	price	
FIYTA Holdings Ltd	Shenzhen CATIC City Development Co., Ltd.	Office space	September 16, 2012	September 15, 2013	Negotiated price	11,160.00
FIYTA Holdings Ltd	Shenzhen CATIC Guanlan Real Estate Development Co., Ltd.	Office space	May 16, 2012	May 15, 2015	Negotiated price	44,640.00
FIYTA Holdings Ltd	Shenzhen CATIC Changtai Investment Development Co., Ltd.	Office space	May 16, 2012	May 15, 2015	Negotiated price	642,816.00
FIYTA Holdings Ltd	Xi' an Tianyue Hotel Co., Ltd.	Office space	September 1, 2009	July 31, 2012	Negotiated price	1,750,000.00
FIYTA Holdings Ltd	Rainbow Supermarket	Office space	May 1, 2013	April 30, 2016	Negotiated price	191,720.00
FIYTA Holdings Ltd	Shenzhen CATIC City Investment Co., Ltd.	Office space	May 16, 2012	May 15, 2015	Negotiated price	45,012.00
FIYTA Holdings Ltd	Shenzhen CATIC Jiufang Assets Management Co., Ltd.	Office space	July 19, 2011	June 30, 2013	Negotiated price	196,248.00
FIYTA Holdings Ltd	Shenzhen CATIC Theme Real Estate Co., Ltd.	Office space	May 16, 2012	May 15, 2013	Negotiated price	472,812.00

Statement of Tenancies

In CNY

Lessor	Lessees	Leased asset	Lease starting	Lease	Basis for	Rent
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			date	termination date	determining the rent	recognized in the reporting period
Ganzhou CATIC Real Estate Development Co., Ltd.	HARMONY	Shop	August 31, 2012	August 30, 2017	Negotiated price	467,550.32
Chengdu CATIC Real Estate Development Co., Ltd.	HARMONY	Shop	October 28, 2011	October 27, 2016	Negotiated price	183,054.98

Description of related leases

(4) Related guarantee

In CNY

Guarantor	Guarantee	Amount in guarantee	Guarantee starting date	Expiry of guarantee	Has the guarantee been implemented?
The Company	HARMONY	100,000,000.00	July 23, 2012	July 22, 2013	No
The Company	HARMONY	80,000,000.00	August 27, 2012	August 26, 2013	No
The Company	HARMONY	28,787,629.42	January 21, 2013	January 21, 2014	No
The Company	FIYTA Hong Kong Limited	27,413,703.50	September 6, 2011	September 5, 2013	No
The Company	FIYTA Hong Kong Limited	27,413,703.50	August 10, 2011	August 10, 2013	No
The Company	FIYTA Hong Kong Limited	15,922,000.00	October 5, 2012	October 4, 2014	No
The Company	FIYTA Hong Kong Limited	23,883,000.00	November 10, 2012	November 9, 2014	No
AVIC International	The Company	80,000,000.00	September 3, 2012	September 2, 2013	No
AVIC International	The Company	70,000,000.00	September 3, 2012	September 2, 2013	No
AVIC International	The Company	70,000,000.00	September 3, 2012	September 2, 2013	No
AVIC	The Company	60,000,000.00	September 3,	September 2,	No

International			2012	2013	
AVIC International	The Company	60,000,000.00	September 3, 2012	September 2, 2013	No
AVIC International	The Company	20,000,000.00	November 23, 2012	November 22, 2013	No
AVIC International	The Company	50,000,000.00	October 26, 2012	October 25, 2013	No
AVIC International	The Company	70,000,000.00	November 27, 2012	November 26, 2013	No
AVIC International	The Company	50,000,000.00	June 4, 2013	June 3, 2014	No
AVIC International	The Company	100,000,000.00	October 22, 2012	October 21, 2013	No
AVIC International	The Company	50,000,000.00	November 22, 2012	September 25, 2013	No
AVIC International	The Company	30,000,000.00	August 1, 2012	August 1, 2013	No

Note to the related guarantees

(5) Lending and Borrowing with Related Parties

Inapplicable

(6) Assets assignment and debt restructuring transactions with the related parties

Inapplicable

(7) Other related transactions

Inapplicable

6. Receivables from and Payables to the Related Parties

Accounts receivable from the related parties

In CNY

Items	Related Parties	End of the reporting period		Beginning of the reporting period	
		Book balance	Bad debt reserve	Book balance	Bad debt reserve
Accounts receivable	Rainbow Supermarket	2,905,953.94	145,297.70	799,263.70	39,963.19

	AVIC	1,234,321.00	61,716.05	676,811.00	33,840.55
	Shenzhen CATIC Enterprise Group Training Center	1,764.00	88.20	1,764.00	176.40
	Shennan Circuit Co., Ltd.	1,095,614.93	54,780.75	1,831,638.46	91,581.92
	CATIC Electronic Measuring Instruments Co., Ltd	103,700.00	5,185.00	0.00	0.00
	Chengdu CATIC Real Estate	0.00		4,060.00	203.00
	Total	5,341,353.87	267,067.69	3,313,537.16	165,765.06
Notes receivable	Shennan Circuit Co., Ltd.	5,500,000.00	0.00	2,000,000.00	0.00
	Total	5,500,000.00	0.00	2,000,000.00	0.00
Other receivables	CATIC Property	13,500.00	675.00	0.00	0.00
	Rainbow Supermarket	150,801.60	7,540.08	119,401.60	5,970.08
	Shenzhen CATIC Enterprise Group Training Center	150,000.00	7,500.00	150,000.00	7,500.00
	Chengdu CATIC Real Estate Development Co., Ltd.	100,536.00	5,026.80	100,536.00	5,026.80
	Ganzhou CATIC Real Estate Development Co., Ltd.	122,665.60	6,133.28	122,665.60	6,133.28
	Total	537,503.20	26,875.16	492,603.20	24,630.16

Accounts payable to the related parties

In CNY

Items	Related Parties	Amount at the end of the reporting period	Amount at the beginning of the reporting period
Other payables	Shenzhen CATIC Building Technology Co., Ltd.	8,227.10	8,227.10

	Shenzhen CATIC Nanguang Elevator Engineering Co., Ltd.	3,354.90	3,354.90
	Shenzhen CATIC City Investment Co., Ltd.	37,700.00	37,700.00
	CATIC Securities, Co., Ltd.	170,400.00	170,400.00
	CATIC Real Estate	424,800.00	424,800.00
	Shenzhen CATIC Changtai Investment Development Co., Ltd.	221,712.00	221,712.00
	Shenzhen CATIC Jiufang Assets Management Co., Ltd.	60,606.00	
	Rainbow Supermarket	60,000.00	60,000.00
	Shenzhen Makway Cable TV Equipment Co., Ltd.		64,602.00
	Total	986,800.00	990,796.00

X. Payment of Shares

Inapplicable

XI. Contingent Events

Inapplicable

XII. Commitments

1. Important Commitments

Operation lease commitments: The irrevocable operation lease contracts executed between the Group and external parties by the balance sheet day are as follows: In CNY

Items	End of the year
Minimum rent payment for the irrevocable operation lease:	-
Within a year	21,706,958.25
1 – 2 years	28,367,176.21
2 – 3 years	19,179,007.17
Over 3 years	14,830,000.00
Total	84,083,141.63

2. Implementation of the commitments in the previous period(s)

Inapplicable

XIII: Sequential Events after the Balance Sheet Day

Inapplicable

XIV: Other important matters

Inapplicable

XV. Notes to the principal items on the parent company's financial statements**1. Accounts receivable****(1) Accounts receivable**

In CNY

Categories	End of the Reporting Period				Beginning of the reporting period			
	Book balance		Bad debt reserve		Book balance		Bad debt reserve	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable for which bad debt reserve has been provided based on the combination								
Grouping of the designated accounts	239,387,670.05	99.38%	0.00	0%	239,386,390.85	99.38%	0.00	0%
Grouping based on the accounting age	1,485,751.24	0.62%	544,717.12	34.97%	1,491,713.44	0.62%	286,124.69	19.18%
Subtotal of grouping	240,873,421.29	100%	544,717.12	0.23%	240,878,104.29	100%	286,124.69	0.12%
Total	240,873,421.29	--	544,717.12	--	240,878,104.29	--	286,124.69	--

Note to the categories of accounts receivable

Accounts receivable with significant single amount and with reserve for bad debt provided on single item basis.

Inapplicable

In grouping, accounts receivable with the reserve for bad debt provided based on the age analysis method.

In CNY

Age	End of the Reporting Period			Beginning of the reporting period		
	Book balance		Bad debt reserve	Book balance		Bad debt reserve
	Amount	Prop ortion (%)		Amount	Prop ortion (%)	
Within a year						
Including:	--	--	--	--	--	--
Subtotal within a year	0.00	0%	0.00	64,884.69	4.34 %	3,244.23
1 to 2 years	64,884.69	4.37 %	6,488.47	1,020,960.69	68.4 4%	102,096.07
2 to 3 years	1,020,960.69	68.7 2%	306,288.21	377,394.06	25.3 %	152,310.39
Over 3 years	399,905.86	26.9 2%	231,940.44	28,474.00	1.91 %	28,474.00
Total	1,485,751.24	--	544,717.12	1,491,713.44	--	286,124.69

In grouping, accounts receivable with the reserve for bad debt provided based on the balance fraction method.

Inapplicable

In grouping, accounts receivable with the reserve for bad debt provided based on other method

In CNY

Description	Book balance	Bad debt reserve
Grouping of the designated accounts	239,387,670.05	0.00
Total	239,387,670.05	0.00

Accounts receivable with insignificant single amount but with reserve for bad debt provided on single item basis at the end of the reporting period

Inapplicable

(2) Accounts receivable reversed or recovered in the reporting period

Inapplicable

(3) The accounts receivable actually written-off in the reporting period

Inapplicable

(4) The account receivable from the shareholder holding over 5% (including 5%) of the Company's voting shares in the reporting period

Inapplicable

(5) Nature or description of the other receivables with bigger amount

Inapplicable

(6) Top five debtors of the accounts receivable

In CNY

Organization Names	Relationship with the Company	Amount	Year	Proportion in the total accounts receivable (%)
FIYTA Sales Co., Ltd.	Subsidiary	239,384,824.81	Within a year	99.38%
Erdos Shopping Center	Non-related party	574,442.40	2 to 3 years	0.24%
Distribution Voltimage inc	Non-related party	216,994.22	Over 3 years	0.09%
Jiamusi Department Store Co., Ltd. of Dashang Group	Non-related party	148,772.75	2 to 3 years	0.06%
Mudanjiang Department Store Co., Ltd. of Dashang Group	Non-related party	86,221.20	2 to 3 years	0.04%
Group	--	240,411,255.38	--	99.81%

(7) Accounts due from related parties

In CNY

Organization Names	Relationship with the Company	Amount	Proportion in the total accounts receivable (%)
FIYTA Sales Co., Ltd.	Subsidiary	239,384,824.81	99.38%
AVIC	The Company's eventual	134,335.00	0.06%

	controller		
Beijing Henglianda Watch Co., Ltd.	Subsidiary	12,827.74	0.01%
Shenzhen CATIC Enterprise Group Training Center	Controlled by the same parent company	1,764.00	0%
Kunming HARMONY Golden Eagle Shop	Subsidiary	1,279.20	0%
Total	--	239,535,030.75	99.45%

(8) Amount of the accounts receivable transferred not in compliance with the conditions of terminating confirmation is CNY 0.00.

(9) For securitization on the assets with accounts receivable as the underlying asset, it is necessary to summarize the relevant transaction arrangement

Inapplicable

2. Other receivables

(1) Other receivables

In CNY

Categories	End of the Reporting Period				Beginning of the reporting period			
	Book balance		Bad debt reserve		Book balance		Bad debt reserve	
	Amount	Pro portion (%)	Amount	Pro portion (%)	Amount	Pro portion (%)	Amount	Pro portion (%)
Other receivables with significant single amount and provision of bad debt reserve on individual basis	0.00	0%	0.00	0%	0.00	0%	0.00	0%
Other receivables for which bad debt reserve has been provided based on the grouping								
Grouping of the designated accounts	1,085,494,656.61	99.94%	0.00	0%	877,980,927.88	99.87%	0.00	0%
Grouping based on the accounting age	699,306.00	0.06%	92,092.25	13.17%	1,167,527.00	0.13%	140,077.13	12%
Subtotal of grouping	1,086,193,962.61	100%	92,092.25	0.01%	879,148,454.88	100%	140,077.13	0.02%
Other receivables with	0.00	0%	0.00	0%	0.00	0%	0.00	

insignificant single amount and provision of bad debt reserve on individual basis								
Total	1,086,193,962.61	--	92,092.25	--	879,148,454.88	--	140,077.13	--

Note to categories of other receivables

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

Inapplicable

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

In CNY

Age	End of the Reporting Period			Beginning of the reporting period		
	Book balance		Bad debt reserve	Book balance		Bad debt reserve
	Amount	Prop ortio n (%)		Amount	Prop ortio n (%)	
Within a year						
Including:	--	--	--	--	--	--
Subtotal within a year	463,150.00	66.2 4%	22,502.50	528,550.00	45.2 7%	26,427.50
1 to 2 years	45,542.57	6.51 %	4,554.25	459,474.67	39.3 5%	45,947.47
2 to 3 years	151,356.10	21.6 4%	45,406.83	110,245.00	9.44 %	33,073.50
Over 3 years	39,257.33	5.61 %	19,628.67	69,257.33	5.93 %	34,628.66
Total	699,306.00	--	92,092.25	1,167,527.00	--	140,077.13

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

Inapplicable

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

In CNY

Grouping Description	Book Balance	Bad debt reserve
Grouping of the designated accounts	1,085,494,656.61	0.00
Total	1,085,494,656.61	0.00

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

reporting period

Inapplicable

(2) Other receivables reversed or recovered in the reporting period

Inapplicable

(3) Other receivables actually written-off in the reporting period

Inapplicable

(4) Other receivables from the shareholder holding 5% (including 5%) of the Company's voting shares in the reporting period

Inapplicable

(5) Nature or description of the other payables with bigger amount

Inapplicable

(6) Top Five Debtors of the Other Receivables

In CNY

Company names	Relationship with the Company	Amount	Years	Proportion in the total of the other receivables (%)
HARMONY	Subsidiary	913,848,212.29	Within 1 year	84.13%
FIYTA Sales Co., Ltd.	Subsidiary	49,959,976.28	Within 1 year	4.6%
Emile Chouriet (Shenzhen) Co., Ltd.	Subsidiary	41,487,341.14	Within 1 year	3.82%
Shenzhen FIYTA Sophisticated Timepieces Manufacture Co., Ltd.	Subsidiary	37,206,124.11	Within 1 year	3.43%
Shenzhen Symphony Trading Co., Ltd.	Subsidiary	28,834,414.69	Within 1 year	2.65%
Total	--	1,071,336,068.51	--	98.63%

(7) Other receivables from related parties

In CNY

Company names	Relationship with the Company	Amount	Proportion in the total of the other receivables (%)
HARMONY	Subsidiary	913,848,212.29	84.13%
FIYTA Sales Co., Ltd.	Subsidiary	49,959,976.28	4.6%
Emile Chouriet (Shenzhen) Co., Ltd.	Subsidiary	41,487,341.14	3.82%
Shenzhen FIYTA Sophisticated Timepieces Manufacture Co., Ltd.	Subsidiary	37,206,124.11	3.43%
Shenzhen Symphony Trading Co., Ltd.	Subsidiary	28,834,414.69	2.65%
Shenzhen FIYTA Technology Development Co., Ltd.	Subsidiary	12,744,896.07	1.17%
Fiyta (Hong Kong) Ltd.	Subsidiary	1,147,471.00	0.11%
Shenzhen CATIC Enterprise Group Training Center	Controlled by the same parent company	150,000.00	0.01%
Total	--	1,085,378,435.58	99.92%

(8) Amount of the other receivables transferred not in compliance with the conditions of terminating confirmation is CNY 0.00.

(9) For securitization on the assets of other receivables, it is necessary to summarize the relevant transaction arrangement

Inapplicable

3. Long-term equity investment

In CNY

Investees	Accounting method	Initial investment cost	Opening balance	Increase /Decrease	Ending balance	Percent age of equity in the investee (%)	Voting power percent age in the investee (%)	Note to inconsistency of percent age of equity in the investee	Impairment reserve	Provision reserve provided in the reporting period	Cash dividend in the reporting period
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								s with Voting power percent age			
Shenzh en Harmon y World Watches Center Co., Ltd.	Cost method	601,307 ,200.00	601,307 ,200.00	0.00	601,307 ,200.00	100%	100%	Inapplic able	0.00	0.00	0.00
Shenzh en World Watches Center Co., Ltd.	Cost method	1,400,0 00.00	1,400,0 00.00	0.00	1,400,0 00.00	50%	50%	Inapplic able	0.00	0.00	0.00
Harbin HARMO NY World Watches Co., Ltd.	Cost method	125,000 .00	125,000 .00	0.00	125,000 .00	100%	100%	Inapplic able	0.00	0.00	0.00
FIYTA (Hong Kong) Limited	Cost method	55,367, 520.00	55,367, 520.00	0.00	55,367, 520.00	100%	100%	Inapplic able	0.00	0.00	0.00
Xi'an Tangche ng Joint Stock Co., Ltd.	Cost method	85,000. 00	85,000. 00	0.00	85,000. 00	0.1%	0.1%	Inapplic able	0.00	0.00	0.00
Shenzh en Culture Commu nication Co., Ltd.	Cost method	300,000 .00	300,000 .00	0.00	300,000 .00	15%	15%	Inapplic able	300,000 .00	0.00	0.00
Shenzh en Sympho	Cost method	5,000,0 00.00	5,000,0 00.00	0.00	5,000,0 00.00	100%	100%	Inapplic able	0.00	0.00	0.00

ny Trading Co., Ltd.											
Shenzh en FIYTA Technol ogy Develop ment Co., Ltd.	Cost method	10,000, 000.00	10,000, 000.00	0.00	10,000, 000.00	100%	100%	Inapplic able	0.00	0.00	0.00
Shenzh en FIYTA Sophisti cated Timepie ces Manufac ture Co., Ltd.	Cost method	9,000,0 00.00	9,000,0 00.00	0.00	9,000,0 00.00	100%	100%	Inapplic able	0.00	0.00	
FIYTA Sales Co., Ltd.	Cost method	50,000, 000.00	50,000, 000.00	0.00	50,000, 000.00	100%	100%	Inapplic able	0.00	0.00	0.00
Shangh ai Watch Industry Co., Ltd.	Equity method	39,916, 500.00	41,648, 741.79	108,440 .73	41,757, 182.52	25%	25%	Inapplic able	0.00	0.00	0.00
Total	--	772,501 ,220.00	774,233 ,461.79	108,440 .73	774,341 ,902.52	--	--	--	300,000 .00	0.00	0.00

Note to investment in long term equity

4. Operating Revenue and Costs

(1) Operating Revenue

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Revenue from principal business	44,722,706.24	78,724,691.50
Revenue from other business	50,379.57	4,135,571.06

Total	44,773,085.81	82,860,262.56
Operating costs	6,806,000.42	46,268,068.51

(2) Principal Businesses Based on Sectors

In CNY

Sectors	Amount incurred in the reporting period		Amount incurred in the previous period	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Industry	0.00	0.00	44,019,331.36	31,755,058.40
Property lease	44,722,706.24	6,743,346.45	34,705,360.14	10,394,436.10
Total	44,722,706.24	6,743,346.45	78,724,691.50	42,149,494.50

(3) Principal Businesses Based on Products

In CNY

Description of Products	Amount incurred in the reporting period		Amount incurred in the previous period	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Sales of FIYTA watches	0.00	0.00	44,019,331.36	31,755,058.40
Property lease	44,722,706.24	6,743,346.45	34,705,360.14	10,394,436.10
Total	44,722,706.24	6,743,346.45	78,724,691.50	42,149,494.50

(4) Principal Business (based on regions)

In CNY

Regions	Amount incurred in the reporting period		Amount incurred in the previous period	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Northeast China	0.00	0.00	0.00	0.00
North China	0.00	0.00	266,952.19	174,799.51
Northwest China	1,750,000.00	2,114,283.80	1,750,000.00	4,735,434.50
Southwest China	0.00	0.00	358,974.36	235,055.36
East China	0.00	0.00	0.00	0.00
South China	42,972,706.24	4,629,062.65	76,348,764.95	37,004,205.13
Total	44,722,706.24	6,743,346.45	78,724,691.50	42,149,494.50

(5) Operating revenue from the company's top five customers

In CNY

Description of the Customers	Total operating revenue	Proportion in the
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		Company's total sales income (%)
Shenzhen Tencent Computer System Co., Ltd.	13,891,387.50	31.03%
Oracle Software Research and Development (Shenzhen) Co., Ltd.	2,409,780.00	5.38%
Shenzhen CATIC Hotel Management Co., Ltd.	1,750,000.00	3.91%
Bowei Technology (Shenzhen) Co., Ltd.	1,477,888.02	3.3%
Weisheng Electronics (Shenzhen) Co., Ltd.	1,432,697.10	3.2%
Total	20,961,752.62	46.82%

Note to the operating revenue

5. Return on investment

(1) Details of return on investment

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Return on long term equity investment based on cost method	74,971,478.14	75,960,140.02
Return on long term equity investment based on equity method	108,440.73	191,373.89
Total	75,079,918.87	76,151,513.91

(2) Return on long term equity investment based on cost method

In CNY

Investees	Amount incurred in the reporting period	Amount incurred in the previous period	Cause of increase/decrease in the report period over the previous period
FIYTA Technology	10,037,848.87	0.00	Retained earnings in the same period of the previous year
Manufacture Co.	64,933,629.27	75,960,140.05	Decrease of the net profit of the investee in 2012 over 2011
Total	74,971,478.14	75,960,140.05	--

(3) Return on long term equity investment based on equity method

In CNY

Investees	Amount incurred in the reporting period	Amount incurred in the previous period	Cause of increase/decrease in the report period over the previous period
Shanghai Watch Industry	108,440.73	191,373.89	Decrease of the profit of the investee in the reporting period over the same period of the previous year
Total	108,440.73	191,373.89	--

Note to the return on investment

6. Supplementary information of the cash flow statement

In CNY

Supplemental Information	Amount in the reporting period	Amount in the previous period
1. Net cash flows arising from adjustment of net profit into operating activities:	--	--
Net profit	82,763,509.21	69,728,132.23
Plus: Provisions for impairment of assets	210,607.55	-4,298.70
Depreciation of fixed assets, oil and gas assets, production based biological asset	7,480,004.66	9,429,450.96
Amortization of intangible assets	695,545.69	663,022.60
Long-term expenses to be apportioned	4,662,349.88	5,271,263.77
Loss (income is stated with "-") from disposal of fixed assets, intangible assets and other long term assets	0.00	-451,657.57
Financial expenses (income is stated with "-")	0.00	12,769,119.71
Investment loss (income is stated with "-")	-75,079,918.87	-76,151,513.91
Decrease of deferred income tax asset (increase is stated with "-")	69,848.11	0.00
Increase of deferred income tax asset (decrease is stated with "-")	0.00	0.00
Decrease of inventories (increase is stated with "-")	62,653.97	32,293,251.47
Decrease of operative items receivable (increase is stated with "-")	-176,854,871.80	-332,833,427.40
Increase of operative items receivable (decrease is stated with "-")	-5,136,726.22	57,899,112.07

Net cash flow arising from operating activities	-161,126,997.82	-221,387,544.77
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	31,841,346.45	71,657,500.90
Less: Opening cash balance	51,372,778.02	49,327,161.12
Net increase in cash and cash equivalents	-19,531,431.57	22,330,339.78

7. Assets and liabilities recorded based on the assessed value under counterpurchase

Inapplicable

XVI. Supplementary information

1. Statement of Non-recurring Profit and Loss in the Reporting Period

In CNY

Items	Amount	Note:
Loss from disposal of non-current assets, including the part written-off with the provision for impairment of assets	440,659.45	Income from disposal of the idle office space amounting to CNY 427,651.20 and gain and loss from disposal of other fixed assets in Chengdu in the current year.
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)	795,493.22	For the detail, refer to Note 63 (2) government subsidy
Income and expenses from the business other than the above items	79,099.32	Other various non-operating revenue and expenditure
Less: Amount affected by the income tax	290,388.46	
Amount affected by minority equity (after tax)	5,675.74	68 Station Co., Ltd., one of the Company's subsidiaries, received government subsidy amounting to CNY 16,993.22 in the current year. The amount affecting the minority equity after deduction of the income tax.
Total	1,019,187.79	--

If the Company defines the non-recurring gain and loss items as defined by the Explanatory Announcement No.1 on Information Disclosure for Companies Offering their Securities to the Public - Non-recurring Gains and Losses and the

non-recurring gain and loss items taken as examples in the Explanatory Announcement No.1 on Information Disclosure for Companies Offering their Securities to the Public as recurring times in definition, please explain the reason.

Inapplicable

2. Discrepancy in accounting data between IAS and CAS

Inapplicable

3. Return on Equity (ROE) and Earnings per Share (EPS)

In CNY

Profit in the reporting period	Net ROE, weighted average (%)	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to the Company's shareholders of ordinary shares	4.68%	0.176	0.176
Net profit attributable to the Company's shareholders of ordinary shares less the non-recurring gains/losses	4.61%	0.173	0.173

4. Notes to the Abnormalities in the Major Items of the Company's Accounting Statements and the Causes

1. Monetarty fund amounting to CNY 95,490,125.02, decreased by CNY 44,930,869.69 over year beginning, with a drop rate of 32%, was mainly due to that as a result of control of the procurement expenditure and optimization of stock structure in the reporting period, the net cash flow in from operation activities amounted to CNY133,994,800.57; payment for purchase of fixed assets and refurbishment of the terminal sales outlets amounted to CNY 58,489,580.79; and repayment for bank loans amounted to CNY 94,275,174.38 and payment for bank interest amounted to CNY 26,169,618.98.

2. Accounts receivable amounting to CNY 352,990,365.07, increased by CNY 43,873,090.76 over the year beginning with a growth rate of 14.19%, was mainly due to increase of sales and failure in settlement of partial inter-period accounts.

3. Decrease of other current assets by CNY 23,348,415.49 over the year beginning with a drop rate of 45.74% was mainly due to decrease in purchasing inventories in the reporting period and decrease of the offsettable input VAT by CNY 21,339,249.11 over the year beginning.

4. Short term loans amounting to CNY 918,787,629.42, decreased by CNY 491,012,370.58 over the year beginning was mainly due to that as the Comnpny issued company bonds, part of the raised capital was used for repaying short term loans.

5. Interest payable at the end of the reporting period amounting to CNY 24,044,496.13, increased by CNY 16,668,098.57

over the year beginning with growth rate of 225.97%, was mainly due to that the financial management based entrusted loan from Bank of China amounting to CNY 390 million was due for repaying the principal and interest and the Company made provision for the interest in the reporting period.

6. The bonds payable at the end of the reporting period amounting to CNY 400,000,000.00 while zero at year beginning was due to that the Company issued CNY 400 million of company bonds in the reporting period. Refer to Note 43 – bonds payable.

7. The sales costs amounting to CNY 315,335,871.86, increased by CNY 54,788,878.91 over the same period of the previous year with growth rate of 21.03% was mainly due to increase in wages, rent, market promotion fee, shopping mall expenses, etc. in the Company. Refer to the details of Note 57 – Sales costs.

8. Financial costs amounting to CNY 47,823,408.80, decreased by CNY 11,780,462.24 over the same period of the previous year with a drop rate of 19.76% was mainly due to that the interest rate for the bank loans repaid by the Company and that of the company bonds issued in the reporting period was quite low and thus the interest payment decreased.

Section 9 List of Documents Available for Inspection

I. Accounting Statements signed by and under the seal of the legal representative, chief accountant and accounting supervisor

II. Originals of all the Company's documents and manuscripts of announcements disclosed in Securities Times and Hong Kong Commercial Daily as designated by China Securities Regulatory Commission.