

FIYTA HOLDINGS LTD.
2019 Semi-annual Financial Report

I. Auditors' Report

Has the semi-annual report been audited

No

II. Financial Statements

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

1. Consolidated Balance Sheet

Prepared by FIYTA HOLDINGS LTD.

In CNY

Items	June 30, 2019	December 31, 2018
Current assets:		
Monetary capital	226,521,552.42	164,828,059.97
Settlement reserve		
Inter-bank lending		
Transactional financial assets		
Financial assets which are measured at their fair values and the variation of which is counted to the profit and loss of the current period		
Derivative financial assets		
Notes receivable	9,940,991.52	7,051,846.85
Accounts receivable	448,122,115.59	370,545,656.61
Financing with accounts receivable		
Advance payment	25,833,366.51	13,666,816.33
Receivable premium		
Reinsurance accounts receivable		
Reserve for reinsurance contract receivable		
Other receivables	62,591,073.25	45,870,582.26
Including: Interest receivable		
Dividends receivable		
Redemptory monetary capital for sale		
Inventories	1,727,402,092.53	1,782,306,301.70

Contract assets		
Held-for-sale assets		
Non-current assets due within a year		
Other current assets	46,066,469.94	73,703,312.24
Total current assets	2,546,477,661.76	2,457,972,575.96
Non-current assets:		
Loan issuing and advance in cash		
Equity investment		
Available-for-sale financial assets		85,000.00
Other equity investment		
Held-to-due investments		
Long term accounts receivable		
Long-term equity investment	46,412,373.21	44,881,063.15
Investment in other equity instruments	85,000.00	
Other non-current financial assets		
Investment-oriented real estate	370,467,221.69	377,319,433.03
Fixed assets	414,522,443.81	425,649,562.85
Construction-in-progress	12,886,665.68	12,041,126.00
Productive biological asset		
Oil and gas assets		
Use right assets		
Intangible assets	41,477,871.11	43,545,477.61
Development expenses		
Goodwill		
Long-term expenses to be apportioned	137,535,709.85	128,572,545.15
Deferred income tax asset	83,293,488.15	100,675,706.09
Other non-current assets	7,297,788.01	8,949,160.42
Total non-current assets	1,113,978,561.51	1,141,719,074.30
Total assets	3,660,456,223.27	3,599,691,650.26
Current liabilities:		
Short term borrowings	550,078,332.26	547,118,452.97
Borrowings from central bank		
Loans from other banks		
Transactional financial liabilities		

Financial liabilities which are measured at their fair values and the variation of which is counted to the current profit and loss		
Derivative financial liabilities		
Notes payable		
Accounts payable	227,682,547.55	259,913,612.34
Advance Receipts	18,022,460.66	16,459,445.00
Money from sale of the repurchased financial assets		
Deposits taking and interbank placement		
Acting trading securities		
Income from securities underwriting on commission		
Payroll payable to the employees	48,582,058.35	69,779,037.83
Taxes payable	32,037,984.80	55,923,171.92
Other payables	92,313,874.56	71,819,930.30
Including: interest payable	740,561.84	772,351.26
Dividends payable		
Service charge and commission payable		
Payable reinsurance		
Contract liabilities		
Held-for-sale liabilities		
Non-current liabilities due within a year	352,790.00	347,470.00
Other current liabilities		
Total current liabilities	969,070,048.18	1,021,361,120.36
Non-current liabilities:		
Reserve for insurance contract		
Long-term borrowings	4,409,875.00	4,517,110.00
Bonds payable		
Including: preferred shares		
Perpetual bond		
Lease liabilities		
Long-term accounts payable		
Long term payroll payable to the		

employees		
Estimated liabilities		
Deferred income	3,672,855.36	3,672,855.36
Deferred income tax liability		
Other non-current liabilities		
Total non-current liabilities	8,082,730.36	8,189,965.36
Total liabilities	977,152,778.54	1,029,551,085.72
Owner's equity:		
Capital stock	442,968,881.00	438,744,881.00
Other equity instruments		
Including: preferred shares		
Perpetual bond		
Capital Reserve	1,079,051,841.53	1,062,455,644.22
Less: shares in stock	32,902,198.89	
Other comprehensive income	-3,692,732.58	-5,442,139.78
Special reserve		
Surplus Reserve	223,015,793.80	223,015,793.80
Reserve against general risks		
Retained earnings	974,856,064.56	851,360,603.66
Total owners' equity attributable to the parent company	2,683,297,649.42	2,570,134,782.90
Minority shareholders' equity	5,795.31	5,781.64
Total owner's equity	2,683,303,444.73	2,570,140,564.54
Total liabilities and owners' equity	3,660,456,223.27	3,599,691,650.26

Legal representative: Huang Yongfeng

Chief Financial Officer: Chen Zhuo

Person in charge of the Accounting Department: Tian Hui

2. Balance Sheet (Parent Company)

In CNY

Items	June 30, 2019	December 31, 2018
Current assets:		
Monetary capital	184,867,858.11	137,175,466.27
Transactional financial assets		

Financial assets which are measured at their fair values and the variation of which is counted to the profit and loss of the current period		
Derivative financial assets		
Notes receivable		
Accounts receivable	2,232,719.12	737,636.38
Financing with accounts receivable		
Advance payment		
Other receivables	802,334,152.26	870,739,378.37
Including: Interest receivable		
Dividends receivable		
Inventories		
Contract assets		
Held-for-sale assets		
Non-current assets due within a year		
Other current assets	11,816,267.04	10,081,272.94
Total current assets	1,001,250,996.53	1,018,733,753.96
Non-current assets:		
Equity investment		
Available-for-sale financial assets		85,000.00
Other equity investment		
Held-to-due investments		
Long term accounts receivable		
Long-term equity investment	1,377,660,964.14	1,376,129,654.08
Investment in other equity instruments	85,000.00	
Other non-current financial assets		
Investment-oriented real estate	291,562,362.07	297,042,937.87
Fixed assets	290,346,866.97	297,517,472.81
Construction-in-progress	12,886,665.68	12,041,126.00
Productive biological asset		
Oil and gas assets		
Use right assets		
Intangible assets	33,070,715.48	35,337,052.82
Development expenses		

Goodwill		
Long-term expenses to be apportioned	9,247,782.11	4,500,638.97
Deferred income tax asset	969,058.32	952,857.33
Other non-current assets	2,486,782.05	4,493,971.35
Total non-current assets	2,018,316,196.82	2,028,100,711.23
Total assets	3,019,567,193.35	3,046,834,465.19
Current liabilities:		
Short term borrowings	520,000,000.00	505,000,000.00
Transactional financial liabilities		
Financial liabilities which are measured at their fair values and the variation of which is counted to the current profit and loss		
Derivative financial liabilities		
Notes payable		
Accounts payable	26,696,117.76	52,324,191.98
Advance Receipts	3,252,081.05	1,636,520.02
Contract liabilities		
Payroll payable to the employees	9,867,650.25	11,589,634.34
Taxes payable	3,611,483.28	943,919.26
Other payables	45,726,573.85	57,997,397.28
Including: interest payable	579,338.91	685,419.80
Dividends payable		
Held-for-sale liabilities		
Non-current liabilities due within a year		
Other current liabilities		
Total current liabilities	609,153,906.19	629,491,662.88
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: preferred shares		
Perpetual bond		
Lease liabilities		
Long-term accounts payable		
Long term payroll payable to the employees		

Estimated liabilities		
Deferred income	3,672,855.36	3,672,855.36
Deferred income tax liability		
Other non-current liabilities		
Total non-current liabilities	3,672,855.36	3,672,855.36
Total liabilities	612,826,761.55	633,164,518.24
Owner's equity:		
Capital stock	442,968,881.00	438,744,881.00
Other equity instruments		
Including: preferred shares		
Perpetual bond		
Capital Reserve	1,084,707,382.63	1,068,111,185.32
Less: shares in stock	32,902,198.89	
Other comprehensive income		
Special reserve		
Surplus Reserve	223,015,793.80	223,015,793.80
Retained earnings	688,950,573.26	683,798,086.83
Total owner's equity	2,406,740,431.80	2,413,669,946.95
Total liabilities and owners' equity	3,019,567,193.35	3,046,834,465.19

Legal representative: Huang Yongfeng

Chief Financial Officer: Chen Zhuo

Person in charge of the Accounting Department: Tian Hui

3. Consolidated Profit Statement

In CNY

Items	The first half year of 2019	The first half year of 2018
I. Turnover	1,785,036,020.23	1,695,891,432.72
Including: operating income	1,785,036,020.23	1,695,891,432.72
Interest income		
Earned insurance premium		
Service charge and commission income		
II. Total operating costs	1,634,493,191.74	1,559,905,673.67
Including: Operating costs	1,051,504,075.22	976,325,736.35
Interest payment		

Service charge and commission payment		
Surrender Value		
Compensation expenses, net		
Provision of reserve for insurance contract, net		
Payment of policy dividend		
Reinsurance expenses		
Taxes and surcharges	15,094,875.33	17,790,786.43
Sales costs	415,776,028.95	422,113,041.69
Administrative expenses	116,352,835.42	104,242,391.69
R & D expenditures	19,526,410.93	21,285,926.02
Financial expenses	16,238,965.89	18,147,791.49
Where: Interest cost	12,023,843.93	14,273,043.13
Interest income	-908,850.92	-1,079,587.08
Plus: Other income	13,045,742.36	6,497,018.80
Investment income (loss is stated with "-")	1,531,310.06	93,013.38
Including: return on investment in associate and joint venture	1,531,310.06	93,013.38
Gain from the derecognition of the financial assets measured at amortised cost (loss is stated with "-")		
Exchange income (loss stated with "-")		
Net exposure hedge income (loss stated with "-")		
Income from change of fair value (loss is stated with "-")		
Loss from impairment of credit (loss is stated with "-")	-3,081,768.89	5,178,800.41
Loss from impairment of assets (loss is stated with "-")	2,514,740.86	-1,765,800.30
Income from disposal of assets (loss is stated with "-")	-212,010.13	-54,407.16
III. Operating Profit (loss is stated with "-")	164,340,842.75	145,934,384.18
Plus: Non-operating income	294,311.70	363,859.51
Less: Non-operating expenses	524,505.98	466,522.53
IV. Total profit (total loss is stated with "-")	164,110,648.47	145,831,721.16
Less: Income tax expense	40,615,187.57	33,463,799.72
V. Net Profit (net loss is stated with "-")	123,495,460.90	112,367,921.44
(I) Classification based on operation sustainability		
1. Net Profit from sustainable operation (net loss is stated with "-")	123,495,460.90	112,367,921.44

2. Net Profit from termination of operation (net loss is stated with "-")		
(II) Classification by ownership		
1. Net profit attributable to the parent company's owner	123,495,460.90	112,367,921.44
2. Minority shareholders' gain/loss		
VI. Net of other comprehensive income after tax	1,749,420.87	-1,392,954.99
Net of other comprehensive income after tax attributable to the parent company's owner	1,749,407.20	-1,392,919.75
(I) Other comprehensive income which cannot be re-classified into gain and loss		
1. Movement of the net liabilities and net assets re-measured for setting the beneficial plan		
2. Other comprehensive income which cannot be converted into gain and loss based on the equity method		
3. Movement of the fair value of the investment in other equity instruments		
4. Movement of the fair value of the Company's own credit risk		
5. Others		
(II) Other comprehensive income which shall be re-classified into gain and loss	1,749,407.20	-1,392,919.75
1. Other comprehensive income which can be converted into gain and loss based on the equity method		
2. Movement of the fair value of the investment in other debt instruments		
3. Gain/loss from change in the fair value of the financial assets available for sale		
4. Amount of the reclassified financial assets counted to the other comprehensive income		
5. Gain/loss from which the held-to-maturity investment is re-classified as available-for-sale financial assets		
6. Provision for impairment of the credit of the other debt investment		
7. Reserve for cash flow hedge		
8. Conversion difference in foreign currency statements	1,749,407.20	-1,392,919.75
9. Others		
Net amount of other comprehensive income after tax	13.67	-35.24

attributable to minority shareholders		
VII. Total comprehensive income	125,244,881.77	110,974,966.45
Total comprehensive income attributable to the parent company's owner	125,244,868.10	110,975,001.69
Total comprehensive income attributable to minority shareholders	13.67	-35.24
VIII. Earnings per share:		
(I) Basic earnings per share	0.2788	0.2561
(II) Diluted earnings per share	0.2788	0.2561

Legal representative: Huang Yongfeng

Chief Financial Officer: Chen Zhuo

Person in charge of the Accounting Department: Tian Hui

4. Statement of Profit, Parent Company

In CNY

Items	The first half year of 2019	The first half year of 2018
I. Operating revenue	64,124,939.95	56,119,634.18
Less: Operating cost	11,807,925.90	9,578,544.70
Taxes and surcharges	2,257,018.92	2,206,362.07
Sales costs	582,036.03	
Administrative expenses	39,783,149.16	31,314,977.66
R & D expenditures	9,146,589.64	10,322,178.15
Financial expenses	3,247,689.32	3,554,000.36
Where: Interest cost	4,007,526.54	4,234,698.63
Interest income	-776,046.44	-710,762.21
Plus: Other income	7,743,695.89	1,598,000.00
Investment income (loss is stated with "-")	1,531,310.06	93,013.38
Including: return on investment in associate and joint venture	1,531,310.06	93,013.38
Gain from the derecognition of the financial assets measured at amortised cost (loss is stated with "-")		
Net exposure hedge income (loss stated with "-")		
Income from change of fair value (loss is stated with "-")		
Loss from impairment of credit (loss is stated with "-")	64,803.91	
Loss from impairment of assets (loss is stated with "-")		

Income from disposal of assets (loss is stated with "-")	-2,074.20	-13,917.68
II. Operating Profit (loss is stated with "-")	6,508,658.82	820,666.94
Plus: Non-operating income	18,000.00	9,480.00
Less: Non-operating expenses	200,000.00	446,782.07
III. Total profit (total loss is stated with "-")	6,326,658.82	383,364.87
Less: Income tax expense	1,174,172.39	-169,477.50
IV. Net Profit (net loss is stated with "-")	5,152,486.43	552,842.37
(I) Net Profit from sustainable operation (net loss is stated with "-")	5,152,486.43	552,842.37
(II) Net Profit from termination of operation (net loss is stated with "-")		
V. Net of other comprehensive income after tax		
(I) Other comprehensive income which cannot be re-classified into gain and loss		
1. Movement of the net liabilities and net assets re-measured for setting the beneficial plan		
2. Other comprehensive income which cannot be converted into gain and loss based on the equity method		
3. Movement of the fair value of the investment in other equity instruments		
4. Movement of the fair value of the Company's own credit risk		
5. Others		
(II) Other comprehensive income which shall be re-classified into gain and loss		
1. Other comprehensive income which can be converted into gain and loss based on the equity method		
2. Movement of the fair value of the investment in other debt instruments		
3. Gain/loss from change in the fair value of the financial assets available for sale		
4. Amount of the reclassified financial assets counted to the other comprehensive income		
5. Gain/loss from which the held-to-maturity investment is re-classified as available-for-sale financial assets		
6. Provision for impairment of the credit of the other debt investment		

7. Reserve for cash flow hedge		
8. Conversion difference in foreign currency statements		
9. Others		
VI. Total comprehensive income	5,152,486.43	552,842.37
VII. Earnings per share:		
(I) Basic earnings per share	0.0116	0.0013
(II) Diluted earnings per share	0.0116	0.0013

Legal representative: Huang Yongfeng

Chief Financial Officer: Chen Zhuo

Person in charge of the Accounting Department: Tian Hui

5. Consolidated Cash Flow Statement

In CNY

Items	The first half year of 2019	The first half year of 2018
I. Cash flows arising from operating activities:		
Cash received from sales of goods and supply of labor service	1,913,555,960.34	1,905,278,291.59
Net increase of customers' deposit and due from banks		
Net increase of borrowings from the central bank		
Net increase of borrowings from other financial institutions		
Cash received from the premium of the original insurance contract		
Net cash received from the reinsurance business		
Net increase of the reserve from policy holders and investment		
Cash received from interest, service charge and commission		
Net increase of loan from other banks		
Net increase of fund from repurchase business		
Net cash received from securities trading on commission		
Rebated taxes received	3,160,067.59	185,691.63
Other operation activity related cash receipts	40,976,127.91	25,022,648.38
Subtotal of cash flow in from operating activity	1,957,692,155.84	1,930,486,631.60

Cash paid for purchase of goods and reception of labor services	1,116,738,134.87	1,010,882,821.40
Net increase of loans and advances to customers		
Net increase of due from central bank and due from other banks		
Cash from payment for settlement of the original insurance contract		
Net increase of the financial assets held for trading purpose		
Net increase of the lending capital		
Cash paid for interest, service charge and commission		
Cash for payment of policy dividend		
Cash paid to and for staff	314,068,308.62	308,576,830.37
Taxes paid	130,569,918.63	169,009,260.06
Other business activity related cash payments	237,301,143.35	217,345,445.68
Subtotal of cash flow out from operating activity	1,798,677,505.47	1,705,814,357.51
Net cash flows arising from operating activities	159,014,650.37	224,672,274.09
II. Cash flow arising from investment activities:		
Cash received from recovery of investment		
Cash received from investment income		
Net cash from disposal of fixed assets, intangible assets and recovery of other long term assets	84,258.51	6,872.90
Net cash received from disposal of subsidiaries and other operating units		
Other investment related cash receipts		
Subtotal of cash flow in from investment activity	84,258.51	6,872.90
Cash paid for purchase/construction of fixed assets, Intangible assets and other long term assets	89,298,306.14	52,519,739.81
Cash paid for investment		
Net increase of the pledged loan		
Net cash paid for acquisition of subsidiaries and other operation units		
Other investment related cash payments		
Subtotal of cash flow out from investment activity	89,298,306.14	52,519,739.81
Net cash flow arising from investment activities:	-89,214,047.63	-52,512,866.91
III. Cash flow arising from fund-raising activities:		

Cash received from absorbing investment	18,585,600.00	
Incl.: Cash received from the subsidiaries' absorption of minority shareholders' investment		
Cash received from loans	330,176,520.00	384,997,200.00
Cash received from bond issuing		
Other fund-raising related cash receipts		
Subtotal of cash flow in from fund raising activity	348,762,120.00	384,997,200.00
Cash paid for debt repayment	327,486,253.30	448,409,609.38
Cash paid for dividend/profit distribution or repayment of interest	12,018,884.30	15,009,057.38
Including: Dividend and profit paid by the subsidiaries to minority shareholders		
Cash paid for other financing activities	17,565,400.00	
Sub-total cash flow paid for financing activities	357,070,537.60	463,418,666.76
Net cash flow arising from fund-raising activities	-8,308,417.60	-78,421,466.76
IV. Change of exchange rate influencing the cash and cash equivalent	201,307.31	118,439.84
V. Net increase of cash and cash equivalents	61,693,492.45	93,856,380.26
Plus: Opening balance of cash and cash equivalents	162,623,059.97	184,947,891.32
VI. Ending balance of cash and cash equivalents	224,316,552.42	278,804,271.58

Legal representative: Huang Yongfeng

Chief Financial Officer: Chen Zhuo

Person in charge of the Accounting Department: Tian Hui

6. Cash Flow Statement, Parent Company

In CNY

Items	The first half year of 2019	The first half year of 2018
I. Cash flows arising from operating activities:		
Cash received from sales of goods and supply of labor service	66,872,263.13	56,758,456.16
Rebated taxes received		
Other operation activity related cash receipts	1,733,050,857.61	1,204,947,705.78
Subtotal of cash flow in from operating activity	1,799,923,120.74	1,261,706,161.94
Cash paid for purchase of goods and reception of labor services		

Cash paid to and for staff	42,848,757.99	33,422,054.30
Taxes paid	5,460,385.81	4,702,936.63
Other business activity related cash payments	1,676,610,396.74	1,045,289,650.60
Subtotal of cash flow out from operating activity	1,724,919,540.54	1,083,414,641.53
Net cash flows arising from operating activities	75,003,580.20	178,291,520.41
II. Cash flow arising from investment activities:		
Cash received from recovery of investment		
Cash received from investment income		
Net cash from disposal of fixed assets,intangible assets and recovery of other long term assets	23,000.00	
Net cash received from disposal of subsidiaries and other operating units		
Other investment related cash receipts		
Subtotal of cash flow in from investment activity	23,000.00	
Cash paid for purchase/construction of fixed assets, Intangible assets and other long term assets	31,845,425.44	9,442,405.28
Cash paid for investment		
Net cash paid for acquisition of subsidiaries and other operation units		
Other investment related cash payments		
Subtotal of cash flow out from investment activity	31,845,425.44	9,442,405.28
Net cash flow arising from investment activities:	-31,822,425.44	-9,442,405.28
III. Cash flow arising from fund-raising activities:		
Cash received from absorbing investment	18,585,600.00	
Cash received from loans	310,000,000.00	360,000,000.00
Cash received from bond issuing		
Other fund-raising related cash receipts		
Subtotal of cash flow in from fund raising activity	328,585,600.00	360,000,000.00
Cash paid for debt repayment	295,000,000.00	392,500,000.00
Cash paid for dividend/profit distribution or repayment of interest	11,510,341.40	14,108,861.83
Cash paid for other financing activities	17,565,400.00	
Sub-total cash flow paid for financing activities	324,075,741.40	406,608,861.83
Net cash flow arising from fund-raising activities	4,509,858.60	-46,608,861.83
IV. Change of exchange rate influencing the cash and cash equivalent	1,378.48	-5,683.55

V. Net increase of cash and cash equivalents	47,692,391.84	122,234,569.75
Plus: Opening balance of cash and cash equivalents	134,970,466.27	128,958,944.43
VI. Ending balance of cash and cash equivalents	182,662,858.11	251,193,514.18

Legal representative: Huang Yongfeng

Chief Financial Officer: Chen Zhuo

Person in charge of the Accounting Department: Tian Hui

7. Consolidated Statement of Changes in Owner's Equity

Amount in the reporting period

In CNY

Items	The first half year of 2019														
	Owners' equity attributable to the parent company													Minority shareholders' equity	Total owner's equity
	Capital stock	Other equity instruments			Capital Reserve	Less: shares in stock	Other comprehensive income	Special reserve	Surplus Reserve	Provision for general risks	Retained earnings	Others	Sub-total		
		Preferr ed shares	Perpet ual bond	Others											
I. Ending balance of the previous year	438,744,881.00				1,062,455,644.22		-5,442,139.78		223,015,793.80		851,360,603.66		2,570,134,782.90	5,781.64	2,570,140,564.54
Plus: Change in accounting policy															
Correction of previous errors															
Consolidation of enterprises under the same control															
Others															
II. Opening balance of the reporting year	438,744,881.00				1,062,455,644.22		-5,442,139.78		223,015,793.80		851,360,603.66		2,570,134,782.90	5,781.64	2,570,140,564.54
III. Decrease/increase of the report year (decrease is stated with "-")	4,224,000.00				16,596,197.31	32,902,198.89	1,749,407.20				123,495,460.90		113,162,866.52	13.67	113,162,880.19
(I) Total comprehensive income							1,749,407.20				123,495,460.90		125,244,868.10	13.67	125,244,881.77

(II) Owners' input and decrease of capital	4,224,000.00				16,596,197.31	32,902,198.89							-12,082,001.58	-12,082,001.58
1. Common shares contributed by the owner	4,224,000.00				16,596,197.31	18,585,600.00							2,234,597.31	2,234,597.31
2. Capital contributed by other equity instruments holders														
3. Amount of payment for shares counted to owners' equity														
4. Others						14,316,598.89							-14,316,598.89	-14,316,598.89
(III) Profit Distribution														
1. Provision of surplus reserve														
2. Provision for general risks														
3. Distributions to the owners (or shareholders)														
4. Others														
(IV) Internal carry-over of owners' equity														
1. Conversion of capital reserve into capital (or capital stock)														
2. Conversion of surplus reserve into capital (or capital stock)														
3. Loss made up for with surplus reserve														
4. Setting of the amount involved in the movement of the beneficial plan carried over to the retained														

	0													
III. Decrease/increase of the report year (decrease is stated with "-")						-1,392,91 9.75				112,367 921.44		110,975, 001.69	-35.24	110,974.9 66.45
(I) Total comprehensive income						-1,392,91 9.75				112,367 921.44		110,975, 001.69	-35.24	110,974.9 66.45
(II) Owners' input and decrease of capital														
1. Common shares contributed by the owner														
2. Capital contributed by other equity instruments holders														
3. Amount of payment for shares counted to owners' equity														
4. Others														
(III) Profit Distribution														
1. Provision of surplus reserve														
2. Provision for general risks														
3. Distributions to the owners (or shareholders)														
4. Others														
(IV) Internal carry-over of owners' equity														
1. Conversion of capital reserve into capital (or capital stock)														

2. Conversion of surplus reserve into capital (or capital stock)															
3. Loss made up for with surplus reserve															
4. Setting of the amount involved in the movement of the beneficial plan carried over to the retained earnings															
5. Other comprehensive income carried-over to the retained earnings															
6. Others															
(V) Special reserve															
1. Provision in the reporting period															
2. Applied in the reporting period															
(VI) Others															
IV. Ending balance of the reporting period	438,740	4,881.00			1,062,455,644.22		-12,916,362.14		206,805,713.35		883,852,486.46		2,578,942,362.89	5,480.54	2,578,947,843.43

Legal representative: Huang Yongfeng Chief Financial Officer: Chen Zhuo

Person in charge of the Accounting Department: Tian Hui

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

Amount in the reporting period

In CNY

Items	The first half year of 2019											
	Capital stock	Other equity instruments			Capital Reserve	Less: shares in stock	Other comprehensive income	Special reserve	Surplus Reserve	Retained earnings	Others	Total owners' equity
		Preferred shares	Perpetual bond	Others								

I. Ending balance of the previous year	438,744,881.00				1,068,111,185.32				223,015,793.80	683,798,086.83	2,413,669,946.95
Plus: Change in accounting policy											
Correction of previous errors											
Others											
II. Opening balance of the reporting year	438,744,881.00				1,068,111,185.32				223,015,793.80	683,798,086.83	2,413,669,946.95
III. Decrease/increase of the report year (decrease is stated with "-")	4,224,000.00				16,596,197.31	32,902,198.89				5,152,486.43	-6,929,515.15
(I) Total comprehensive income										5,152,486.43	5,152,486.43
(II) Owners' input and decrease of capital	4,224,000.00				16,596,197.31	32,902,198.89					-12,082,001.58
1. Common shares contributed by the owner	4,224,000.00				16,596,197.31	18,585,600.00					2,234,597.31
2. Capital contributed by other equity instruments holders											
3. Amount of payment for shares counted to owners' equity											
4. Others						14,316,598.89					-14,316,598.89
(III) Profit Distribution											
1. Provision of surplus reserve											
2. Distributions to the owners (or shareholders)											
3. Others											
(IV) Internal carry-over of owners' equity											
1. Conversion of											

capital reserve into capital (or capital stock)												
2. Conversion of surplus reserve into capital (or capital stock)												
3. Loss made up for with surplus reserve												
4. Setting of the amount involved in the movement of the beneficial plan carried over to the retained earnings												
5. Other comprehensive income carried-over to the retained earnings												
6. Others												
(V) Special reserve												
1. Provision in the reporting period												
2. Applied in the reporting period												
(VI) Others												
IV. Ending balance of the reporting period	442,968,881.00				1,084,707,382.63	32,902,198.89			223,015,793.80	688,950,573.26		2,406,740,431.80

Amount in the previous period

In CNY

Items	The first half year of 2018											
	Capital stock	Other equity instruments			Capital Reserve	Less: shares in stock	Other comprehensive income	Special reserve	Surplus Reserve	Retained earnings	Others	Total owners' equity
		Preferred shares	Perpetual bond	Others								
I. Ending balance of the previous year	438,744,881.00				1,068,111,185.32			206,805,713.35	625,656,338.99			2,339,318,118.66
Plus: Change in accounting policy												

Correction of previous errors												
Others												
II. Opening balance of the reporting year	438,744,881.00				1,068,111,185.32				206,805,713.35	625,656,338.99		2,339,318,118.66
III. Decrease/increase of the report year (decrease is stated with "-")										552,842.37		552,842.37
(I) Total comprehensive income										552,842.37		552,842.37
(II) Owners' input and decrease of capital												
1. Common shares contributed by the owner												
2. Capital contributed by other equity instruments holders												
3. Amount of payment for shares counted to owners' equity												
4. Others												
(III) Profit Distribution												
1. Provision of surplus reserve												
2. Distributions to the owners (or shareholders)												
3. Others												
(IV) Internal carry-over of owners' equity												
1. Conversion of capital reserve into capital (or capital stock)												

2. Conversion of surplus reserve into capital (or capital stock)												
3. Loss made up for with surplus reserve												
4. Setting of the amount involved in the movement of the beneficial plan carried over to the retained earnings												
5. Other comprehensive income carried-over to the retained earnings												
6. Others												
(V) Special reserve												
1. Provision in the reporting period												
2. Applied in the reporting period												
(VI) Others												
IV. Ending balance of the reporting period	438,744,881.00				1,068,111,185.32				206,805,713.35	626,209,181.36		2,339,870,961.03

Legal representative: Huang Yongfeng Chief Financial Officer: Chen Zhuo

Person in charge of the Accounting Department: Tian Hui

III. Company Profile

Fiyta Holdings Ltd. (hereinafter referred to as the Company) was reorganized, incorporated and renamed from Shenzhen Fiyta Timer Industry Company on December 25 1992 with approval by the General Office of Shenzhen Municipal People's Government with Document SHEN FU BAN FU [1992] No. 1259 and with China National Aero-Technology Import & Export Corporation Shenzhen Industry & Trade Center (which was renamed as AVIC International Shenzhen Company Limited) as the sponsor. The Company's head office is located at the 20th Floor, FIYTA Technology Building, Gaoxin S. Road One, Nanshan District, Shenzhen, Guangdong Province.

On March 10, 1993, the Company, with approval by the People's Bank of China Shenzhen Special Economic Zone Branch [SHEN REN YIN FU ZI (1993) No. 070], issued publically domestic CNY based common shares (A-shares) and CNY based

special shares (B-shares). In accordance with the Approval Document of Shenzhen Municipal Securities Regulatory Office SHEN ZHENG BAN FU [1993] No. 20 and the Approval Document of Shenzhen Stock Exchange SHEN ZHENG SHI ZI (1993) No. 16, the Company's A-shares and B-shares were all listed with Shenzhen Stock Exchange for trading commencing from June 3, 1993.

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

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

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

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

In 2010, approved by China Securities Regulatory Commission (CSRC) with the Official Reply on Approval of Non-public Issuing of Shenzhen Fiyta Holdings Ltd., ZHENG JIAN XU KE [2010] No. 1703 and the Official Reply on the Issue of Non-Public Issuing of Shenzhen Fiyta Holdings Ltd. by State-owned Assets Supervision and Administration Commission of the State Council [2010] No. 430, the Company was approved to non-publicly issue no more than 50 million common shares (A-shares). After completion of non-public issuing on December 9, 2010, the Company's registered capital increased to CNY 280,548,479.00 and CATIC Shenzhen holds 41.49% of the Company's equity based capital.

On March 3, 2011, with approval by Shenzhen Municipal Administration for Industry and Commerce, the Company was renamed as Shenzhen Fiyta Holdings Ltd. On April 8, 2011, the Company took the total capital stock of 280,548,479 shares as the base, converted its capital reserve into capital stock at the rate of 4 shares for every 10 shares. After the conversion, the Company's total capital stock became 392,767,870 shares.

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

On December 20, 2018, approved by State-owned Assets Supervision and Administration Commission of the State Council

with the Official Reply on Fiyta Holdings Ltd. to Implement the Restrictive Stock Incentive Program (Phase I), GUO ZI KAO FEN [2018] No. 936, the Company awarded A-share restrict stock by less than 4.277 million shares. After completion of implementation of the A-share Restrictive Stock Incentive Program (Phase I) by January 30, 2019, the Company's registered capital increased to CNY 442,968,881 and AVIC IHL holds 36.79% of the Company's equity based capital.

Ended June 30, 2019, the Company accumulatively issued altogether 442,968,881 shares of capital stock. For the detail, refer to Note VII. 53 "Share Capital".

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

The principal business activities of the Company and its subsidiaries (collectively the Group) are: production and sales of various pointer type mechanical watches, quartz watches and their driving units, spares and parts, various timing apparatus, processing and wholesale of K gold watches and ornament watches; domestic trade, materials supply and sales (excluding the commodities for exclusive operation, exclusive control and monopoly); property management and lease; design service; self-run import & export business (implemented according to the Document SHEN MAO GUAN DENG ZHENG ZI No. 2007-072). The Company's legal representative is Huang Yongfeng.

The financial statements were approved and issued through the resolution of the Board of Directors dated August 13, 2019.

There were 11 subsidiaries consolidated during the reporting period. For the detail, refer to Note IX. "Equity in Other Entities". The consolidation scope of the reporting year is the same as that of the previous year. For the detail, refer to Note VIII "Change of the Consolidation Scope".

IV. Basis for preparation of the financial statements

1. Preparation Basis

The financial statements are prepared with the going-concern assumption as the base and the transactions and matters actually occurred in accordance with the Accounting Standards for Business Enterprises - Basic Standards promulgated by the Ministry of Finance (issued by Order 33 of the Ministry of Finance and revised according to Order 76 of the Ministry of Finance), 42 specific accounting standards promulgated and revised on February 15, 2006 and afterwards, and their application guidelines, interpretations and other relevant requirements (collectively, "Accounting Standards for Enterprises"). Besides, the Company discloses the relevant financial information in accordance with Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No.15-General Provisions on Financial Reports (2014 Revision)

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

2. Operation on Going Concern Basis

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

V. Important accounting policies and accounting estimates

Presentation on specific accounting policies and accounting estimates:

The Company and its subsidiaries have made a few of specific accounting policies and accounting estimates about recognition of revenue, depreciation of fixed assets, amortization of intangible assets, R & D expenditures and other transactions and matters in accordance with the actual operation and management characteristics and based on relevant provisions of accounting standards for business enterprises. For the detail, refer to various descriptions stated in Note V.3.9 "Revenue", Note V.24 "Fixed assets", Note V.30(1) "Intangible Assets", Note V.30(2) "R & D expenditure" for details.

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

The Company declares that the financial statements prepared by the Company comply with requirements of the enterprise accounting standards, truly and completely reflect the concerned information, including the Company's financial position as at June 30, 2019 and operation achievements, cash flow, etc. from January to June, 2019. In addition, the Company's financial statements are in conformity with the disclosure requirements of Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 - General Provisions for Financing Reporting as amended in 2014 by China Securities Regulatory Commission on relevant financial statements and their notes in all important aspects.

2. Fiscal period

The accounting period adopted by the Company is from January 1 to December 31 of the Gregorian calendar.

3. Business Cycle

The Company's operating cycle is 12 months.

4. Recording Currency

Renminbi is the currency for the major economic environment where the Company and its domestic subsidiaries are managed, and the Company and its domestic subsidiaries take Renminbi as the standard currency for accounting.

Except Switzerland based Montres Chouriet SA Company (hereinafter referred to as the "Swiss Company"), an overseas subsidiary of FIYTA Hong Kong Co., Ltd. (hereinafter referred to as "FIYTA HK"), has determined Swiss Franc as its recording currency for accounting in accordance with the currencies available in its major economic environment where it is operated. The other overseas subsidiaries, including FIYTA HK, Station-68 Limited (hereinafter referred to as "Station-68"), another subsidiary of FIYTA HK, have determined Hong Kong currency as their recording currency for accounting in accordance with the currencies available in their major economic environment where they are operated. Hong Kong currency will be converted into Renminbi while in preparing its financial statements.

The currency the Company takes in preparation of these financial statements is Renminbi.

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

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

(1) Merger of enterprises under the same control

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

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

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

(2) Merger of enterprises not under the same control

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

For the merger of enterprises not under the same control, the merger costs contain the assets paid by the purchasing party on the date of purchase for acquiring the control right to the purchased party, the liabilities incurred or undertaken and the fair value of the issued equity securities are the commission incurred for merger of enterprises and involved with audit, legal service, evaluation, consultation and etc., as well as other overhead expenses, are included in the current profits and losses at the time of occurrence. The transaction costs of equity securities or debt securities issued as merger consideration by the purchasing party are included in the initial confirmation amount of equity securities or debt securities. The contingent consideration involved is included into the merger costs at the fair value on its purchase date. If it is necessary to adjust the contingent consideration because any new or further evidence for the existing situation on the purchase date appears within 12 months after the purchase date, the merged goodwill shall be modified accordingly. The merger costs incurred and the net identifiable assets acquired in the merger by the purchasing party are measured at the fair value on the purchase date. The difference that the merger costs are larger than the fair value of the net identifiable assets of the purchased party on the purchase date as acquired in the merger is confirmed as the goodwill. If the merger costs are less than the fair value of the net identifiable assets of the purchased party as acquired in the merger, the fair value of various identifiable assets, liabilities and contingent liabilities of the purchased party and measurement of merger costs are first checked, and if the merger costs are less than the fair value of net identifiable assets of the purchased party

acquired in the merger, the difference is included in the current profits and losses.

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

For the merger of enterprises not under the same control as realized in steps through several transactions, whether the several transactions are "package deals" is judged in accordance with the Notice of the Ministry of Finance on Issuing the Explanation No. 5 of Accounting Standards for Business Enterprises (Cai Kuai [2012]19) and the judgment standard on "package deals" in article 51 of Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements (see the Note 5.6(2)). If they are package deals, they are treated with reference to the description of various paragraphs in front of this part and the Note V.22 "Long-term Equity Investment"; if they are not package deals, individual financial statements and consolidated financial statements shall undergo separately relevant accounting treatment:

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

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

6. Method of preparing consolidated financial statements

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

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

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

(2) Method of preparing consolidated financial statements

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

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

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

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

When the control right to the original subsidiary is lost due to disposal of partial equity investment or other reasons, the residual equity is measured again at its fair value on the date of losing the control right. The sum of the consideration acquired from disposal of equity and the fair value of residual equity is minus the share of net assets of the original subsidiary as continually calculated from the date of purchase at the original shareholding ratio, such difference is included in the investment income in the current period of losing the control right. Other comprehensive incomes related to equity investment of the original subsidiary shall be made accounting treatment on the same basis as the purchased party directly disposing relevant assets or liabilities when the control right is lost (namely, except the original subsidiary measures again the change caused by the net liabilities or net assets of the set benefit plan according to the equity method, the others are included in the current profits and losses). Thereafter, such part of the residual equity is made subsequent measurement in accordance with the Accounting Standards for Business Enterprises No. 2 - Long-term Equity Investment or Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments and other relevant provisions. See the Note V.22 "Long-term Equity Investment" or the Note V.10 "Financial Instruments".

If the Company disposes the investment on the subsidiary's equity in steps through several transactions and until loses the control right, whether the various transactions disposing the investment on the subsidiary's equity until losing the control right are package deals shall be distinguished. If the terms, conditions and economic impact of various transactions disposing the investment on the subsidiary's equity conform to one or more of the following circumstances, it is usually indicated that several transactions shall be made accounting treatment as package deal: ① these transactions are concluded synchronously or in consideration of mutual impact; ② these transactions can wholly reach a complete commercial result; ③ Occurrence of a transaction lies on occurrence of at least another transaction; ④ A transaction may be uneconomic separately, but it is economical if the transaction is considered with other ones. If they are not package deals, each transaction thereof shall undergo accounting treatment in accordance with the principle applicable for "partially disposing long-term equity investment on subsidiary in the case of not losing control power"(for the detail, refer to Note V.22.(2) and ④,) and "losing control power to the original subsidiary due to disposal of partial equity investment or other reasons"(for the detail, refer to the above paragraph) as appropriate. If the various transactions disposing the investment on the subsidiary's equity until losing control power are package deals, various transactions undergo accounting treatment as a transaction of disposing the subsidiary and losing control power; however, before losing control power, the difference between every disposal amount and the share of the subsidiary's net assets enjoyed corresponding to disposal of investment is recognized as other comprehensive income in the consolidated financial statements, and is included in the current profit and loss corresponding to loss of control power.

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

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

The Company's investment in a joint venture is measured with equity method and is treated in accordance with the accounting policies as stated in the Note V.22(2) ② "Long-term equity investment measured with equity method".

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

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

8. Standard for confirming cash and cash equivalent

The cash and cash equivalent of the Company include the cash on hand, the deposit that can be used for payment at any time, and the investment held by the Company, which has short term (generally becomes mature within three months from the date of purchase), good liquidity and is easy to be converted into known amount of cash and with low risk in change of value.

9. Foreign currency transactions and translation of foreign currency statements

(1) Translation methods for foreign currency transactions

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

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

The balance of foreign currency monetary items are translated at the spot exchange rate on the balance sheet date and the exchange differences arising therefrom shall be included in the current profit and loss, except ① those exchange differences arising from the special borrowings of foreign currency related to the acquired and constructed assets qualified for capitalization that will be capitalized at the borrowing expenses. ② (only applicable to the existing hedging calculated according to the hedge accounting method) the balance of exchange used in the hedging instrument with effective hedging of net investment in foreign business (such balance is counted to other comprehensive income until the disposed net investment is recognized as the current gain and loss); and ③ those arising from the other changes in the balance other than amortized cost of available-for-sale monetary items denominated in foreign currency are recognized in the other comprehensive income.

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

The foreign currency non-monetary items measured based on the historical cost is still measured by means of the amount of the recording currency translated based on the spot rate incurred on the day when the transaction takes place. The non-monetary items in foreign currency measured at fair value are translated at the exchange rate on the date of recognizing fair value, and the difference between the amount in bookkeeping base currency and the previous amount in bookkeeping base currency after translated is treated as change of fair value (including change of exchange rate) and included in the current profits and losses or recognized as other comprehensive incomes.

(3) Method of Translation for the Statements in Foreign Currency

In preparation of consolidated financial statements concerning overseas business, in case there exist any foreign currency monetary items which substantially form net investment in overseas business, the exchange differences arising from fluctuation in exchange rates are recognized as other comprehensive income as "translation differences in foreign currency statements"; and are counted to the current profit and loss when the overseas businesses are disposed.

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

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

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

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

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

10. Financial instruments

(1) Recognition and derecognition of financial instruments

A financial asset or financial liability is recognized when the Company becomes a party to a financial instrument contract.

The financial assets purchased or sold in any conventional manner are recognized and derecognized based on the accounting of the trading day. The financial assets purchased or sold in any conventional manner refers to reception or delivery of the financial assets within the time limit as specified in the regulations or conventions. A trading day refers to the day when the Company commits to buy or sell a financial asset.

A financial asset (or a part of financial assets or a part of a similar financial asset group) is derecognized, namely written off

from its account and balance sheet when the following conditions are satisfied:

- ① the rights to receive cash flows from the financial assets have expired; or
- ② the Bank has transferred its rights to receive cash flows from the assets; or has retained its rights to receive cash flows from the assets but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; and (a) the Bank has transferred substantially all the risks and rewards of ownership of the financial asset; or (b) the Bank has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred control of the asset.

(2) Classification and measurement of financial assets

The financial assets of the Company are classified at the initial recognition according to the business model of the Company's management of financial assets and the contractual cash flow characteristics of the financial assets: financial assets measured at amortized cost, financial assets measured at fair value and whose movement is counted in the other comprehensive income and financial assets measured at fair value and whose movement is counted in the current profit and loss. The successive measure of financial assets depends on their classification

The Company classifies financial assets according to the business model of the Company's management of financial assets and the cash flow characteristics of financial assets.

① Financial assets measured based on the amortized cost

Financial assets are classified into financial assets measured at amortized cost if the financial assets meet the following conditions: the business model for the management of the financial assets takes collection of the contractual cash flows as the objective; according to the contractual terms of the financial asset, the cash flow created on the specific date is exclusively for payment of the principal and the interest based on the outstanding amount of the principal. The effective interest method is applied for this class of financial assets and the successive measurement is conducted according to the amortized cost, and the gains or losses generated from the amortization or impairment are counted to in the current profit and loss.

② Debt instrument investment measured at fair value with the change counted in the other comprehensive income

A financial asset is classified as a financial asset measured at fair value and whose change is counted to other comprehensive income it meets the following conditions: the business model for the management of the financial asset takes collection of the contractual cash flows as the objective; according to the contractual terms of the financial asset, the cash flow created on the specific date is exclusively for payment of the principal and the interest based on the outstanding amount of the principal. For such class of financial asset, the fair value is used for the successive measurement. Its discount or premium is amortized by using the effective interest method and recognized as interest income or expense. Except for the impairment loss and the exchange differences of foreign currency monetary financial assets recognized as the current profit or loss, the change in the fair value of such financial assets is recognised in other comprehensive income until such a financial asset is derecognised and its accumulated profit or loss is transferred to the current profit or loss. The interest income related to such type of financial asset is counted to the current profit and loss.

③ Equity instrument investment measured at fair value with the change counted in the other comprehensive income

The Company irrevocably chooses to designate partial non-tradable equity instrument investments as financial asset measured at fair value with its change counted to the other comprehensive income and the relevant dividend income counted to the current profit or loss and the change in the fair value recognized as other comprehensive income until the financial asset is derecognised and its accumulated profit or loss is transferred to the retained earnings.

④ The financial asset measured at fair values with the change counted to the current profit and loss

The financial assets other than those measured at the amortized cost as well as at fair value with the change counted to the other comprehensive income are classified as the financial assets measured at fair value with the change counted to the current profit and loss. At the time of the initial recognition, for the purpose of eliminating or significantly reducing accounting mismatching, it is possible to designate the financial assets as that measured at fair value with the change counted to the current profit and loss. For such class of financial asset, the fair value is used for the successive measurement and all the change in the fair value is counted to the current profit and loss.

All the affected relevant financial assets are reclassified if and only if the Company changes the business model for managing financial assets.

For the financial assets measured at fair value with the change counted to the current profits and losses, the relevant transaction expenses are directly included in the current profit and loss; the relevant transaction expenses for other categories of financial assets are counted to the amount of the initial recognition.

(3) Classification and measurement of financial liabilities

In the initial recognition, financial liabilities are classified as the financial liabilities measured at the amortized cost and that measured at fair value with the change counted to the current profit and loss.

The financial liabilities that meet one of the following conditions can be designated as the financial liabilities measured at fair value with the change counted to the current profit or loss: ① the designation may eliminate or significantly reduce the accounting mismatching; ② to conduct management and performance assessment for financial liability portfolios or combination of financial assets and financial liabilities based on fair value according to the Company's risk management or investment strategies as stated in the formal written documents, and to report to the key management personnel on the basis of this; ③ the financial liabilities including the embedded derivatives that need to be split separately.

Classification of the financial liabilities determined by the Company at the time of the initial recognition. For the financial assets measured at fair value with the change counted to the current profits and losses, the relevant transaction expenses are directly included in the current profit and loss; the relevant transaction expenses for other financial liabilities are counted to the amount of the initial recognition.

The successive measurement of financial liabilities depends on their classification:

① Financial liabilities measured based on the amortized cost

The effective interest method is applied for this category of financial liabilities and the successive measurement is conducted according to the amortized cost.

② The financial liabilities measured at fair values with the change counted to the current profit and loss

Financial liabilities measured at their fair values with the change counted to the current profits and losses include transactional financial liabilities (including the derivative instruments belonging to financial liabilities) and the financial liabilities measured at fair value with the change counted to the current profits and losses directly designated at the initial recognition.

(4) Offsetting of financial instruments

When the following condition is satisfied at the same time, the financial assets and financial liabilities are presented in the balance sheet with the net amount after offsetting each other: there is a statutory right to offset the confirmed amount, and the legal right is currently enforceable; it is planned to make settlement with net amount, or the financial asset is realized and the financial liability is paid off at the same time.

(5) Impairment of financial assets

① The Company recognizes loss provision based on expected credit losses for financial assets measured at amortized cost, debt instrument investments and financial guarantee contracts measured at fair value with the changes counted to the other comprehensive income. The Company confirms the expected credit loss by considering reasonable and evidenced information about past events, current conditions, forecasting the future economic conditions, taking the risk of default as the weight, calculating the probability weighted amount of the present value of the difference between the cash flow receivable from the contract and the cash flow expected to be received. On each balance sheet day, the Company measures the expected credit losses of financial instruments at different stages. If the credit risk has not increased significantly since the initial recognition, the financial instrument is at the first stage, and the Company measures the provision for the loss according to the expected credit loss within the next 12 months; if the credit risk has increased significantly since the initial confirmation but impairment of the credit has not yet occurred, the financial instrument is at the second stage, the Company measures the provision for the loss according to the expected credit loss of the financial instrument for the entire duration; if the credit impairment has taken place since the initial recognition, the financial instrument is at the third stage and the Company provides reserve for the expected credit loss of the financial instrument for the entire duration.

For financial instruments with lower credit risk on the balance sheet day, the Company assumes that its credit risk has not increased significantly since the initial recognition, and measures the provision for the loss according to the expected credit losses in the next 12 months. For the financial instrument at the first stage or the second stage or with lower credit risk, the Company calculates the interest income.

Based on the book balance without deduction of the provision for the impairment and the actual interest rate. For the financial instrument at the third stage, the Company calculates the interest income according to the book balance less the amortized cost after provision for the impairment and the actual interest rate.

② For receivables, regardless of whether there exists a significant financing component, the Company considers all reasonable and evidence-based information, including forward-looking information, to estimate the expected credit losses of the aforesaid receivables in a single or combined manner and to adopt the simplified model of the expected credit losses, always measures provision for loss based on expected credit losses for the entire duration. Provision method is as follows:

(a) At the end of the reporting period, the Company conducts separate impairment testing on the receivables if there is objective evidence proving that such receivables have experienced impairment. Loss for impairment is recognized and provision for bad debt is made based on the difference of the present value of the estimated future cash flows lower than their carrying amount.

(b) When the information of the expected credit loss of a single financing asset cannot be assessed with reasonable cost, the Company divides the receivables portfolio according to the credit risk characteristics and calculates the expected credit losses on a portfolio basis.

For receivables classified as risk portfolios, the Company calculates the expected credit losses with reference to the historical experience of credit loss with consideration of the present situation and the prediction of the future economic condition by using the impairment provision model. The Company counts the provision for loss made or reversed to the current profit and loss

(6) Transfer of financial assets

If substantially all of risks and remunerations on the ownership of the financial asset have been transferred to the transferee, the financial asset's recognition is terminated; if substantially all of risks and remunerations on the ownership of the financial asset are kept, the financial asset's recognition is not terminated.

If the enterprise has neither transferred nor kept substantially all of risks and remunerations on the ownership of the financial asset, treatment is made respectively based on the following conditions: in case control over the financial asset has been given up, recognition of that financial asset as well and the assets and liabilities generated are terminated; in case control over the financial asset has not been given up, relevant financial assets are recognized based on the extent continually involved with the transferred financial asset, and relevant liabilities are recognized accordingly.

In the transferred financial asset continues to be involved by providing financial guarantee, the asset formed by continuous involvement is recognized based on the lower of the book value of the financial asset and the amount of the financial guarantee. The amount of the financial guarantee refers to the maximum amount in the consideration received and required to be repaid.

11. Notes receivable

Refer to Note 10. Financial Instrument Item (5)

12. Accounts receivable

Refer to Note 10. Financial Instrument Item (5)

13. Financing with accounts receivable

Inapplicable

14. Other receivables

Refer to Note 10. Financial Instrument Item (5)

15. Inventories

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

No

(1) Classification of Inventories

Inventories mainly consist of raw materials, products-in-process, commodity stocks, etc.

(2) Pricing of Inventories Acquired and Delivered

Inventories delivered are priced based on the actual cost. Costs of inventories which consist of purchase cost, Raw materials, products-in-process and merchandise inventory are priced respectively according to the weighted average (with brand world watch stocks exclusive), specific identification (for famous brand watch stocks) at the time of delivery.

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

The net realizable value of the inventories refers to the amount of the estimated sales 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..

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

① For the inventories directly for sale, including the finished products and the materials for sale, in process of normal production and operation, the realizable net value is the amount of the estimated sales price of the inventories less the estimated sales costs and the relevant taxes;

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

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

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

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

After 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 carrying 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) The inventory system for the inventories is the perpetual inventory system

(5) Amortization of low value consumables and packing materials

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

16. Contract assets

Inapplicable

17. Contract cost

Inapplicable

18. Classified as assets held for sale

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

When the Company initially measures or re-measures the held-for-sale non-current assets and disposal group on the balance sheet date, if the book value is higher than the fair value less the sales expenses, the book value is reduced to the net amount of the fair value less the sales expenses, the amount of the write-down is recognized as the asset impairment loss, which is included in the current profit and loss, and the provision for impairment of assets held for sale is made. For the disposal group, the loss from impairment of the assets as recognized first offsets the carrying value of the goodwill in the disposal group and then offsets the carrying value of various non-current assets in the disposal group in compliance with the measurement provisions as specified in the Standard for Enterprise Accounting No. 42 - Held-for-Sale Non-current Assets, Disposal Group and Termination of Operation (hereinafter referred to as the "Standard for Holding for Sale). In case the net amount of the fair value of the held-for-sale disposal group less the sales expense increases after the balance sheet day, the amount previously written down should be recovered and reversed within the amount of loss from the impairment of the assets recognized as the non-current assets according to the provisions applicable to the measurement based on the standards for holding-for-sale after being classified as the category of holding-for-sale and the amount reversed is counted to the current profit and loss; and the book value increases based on the proportions of the book value of each non-current asset accounted for in the disposal group except for the goodwill; the book value of the goodwill already written down and loss from the impairment of the assets recognized as the non-current assets according to the provisions applicable to the measurement based on the standards for holding-for-sale after being classified as the category of holding-for-sale must not be reversed.

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

When a non-current asset or disposal group no longer satisfies the conditions for classification of the held-for-sale, the

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

19. Equity investment

Inapplicable

20. Other equity investment

Inapplicable

21. Long term accounts receivable

Inapplicable

22. Long-term equity investments

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

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

(1) Determination of Investment Costs

For the long term equity investment acquired through consolidation of enterprises under the common control, the share of the book value of the consolidatee's owner's equity as at the date of consolidation in the eventual controller's financial statements is taken as the initial investment cost of the long term equity investment. The balance among the initial investment cost of the long term equity investment and the cash as paid, non-cash asset as assigned and the book value of the liabilities as assumed is used for adjustment of the capital reserve; in case the capital reserve is not enough for writing-down, the retained earnings is adjusted. Where the equity securities are issued as the consolidation consideration, the share of the book value of the shareholders' equity in the ultimate controlling party's consolidated financial statements on the consolidation day is the initial investment cost of the long-term equity investment, and the total carrying amount of the issued shares is taken as the share capital, the difference between the initial investment cost of the long-term equity investment and the total carrying amount of the shares issued is used to adjust the capital reserve; if the capital reserve is insufficient to offset, the retained earnings are adjusted. The equity which is acquired in steps through a number of transactions and eventually forms consolidation of enterprises not under the common control shall be treated depending on whether it belongs to "one package deal": if it belongs to "one package deal", all the transactions shall be taken as a transaction for acquiring the control power for accounting treatment. If it does not belong to "one package deal", the share of

the book value of the shareholders' equity in the consolidatee enjoyable in the eventual controller's consolidated financial statements as at the consolidation day is taken as the initial investment cost of the long term equity investment; the difference between the initial investment cost of the long term equity investment and the sum of the book value of the long term equity investment before the consolidation plus the book value of the consideration newly paid for further acquiring the shares on the consolidation day is used to adjust the capital reserve; if the capital reserve is not enough for writing down, the retained earnings should be adjusted. For the equity investment held before the date of consolidation or the other comprehensive income as recognized from the available-for-sale financial assets, no accounting treatment shall be taken for time being.

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

Intermediary fees in connection with audit, law service, appraisal and consulting, etc. incurred to the consolidator or purchaser and other relevant administrative fees shall be counted to the current profit and income at the time of incurrence.

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

(2) Subsequent measurement and recognition of gains and losses

The long-term equity investment with joint control (excluding the composition of the joint operators) or significant influence on the investee is accounted by using the equity method. and also for the long term equity investment in which the Company's financial statements can implement control over the investee by calculation based on the cost method.

① Long term equity investment calculated based on the cost method

In calculation by cost method, the long term equity investment is valued according to the initial investment cost, and for

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

② Long term equity investment calculated based on the equity method

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

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

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

For the long-term equity investment in the associated enterprises and joint ventures held by the Company for the first time before the implementation of the new accounting standards, if there exists a debit balance of the equity investment related to the investment, the amount of the straight-line amortization of the original residual maturity is counted to the current profit and loss.

③ Acquisition of minority equity

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

④ Disposal of long term equity investment

In a consolidated financial statement, the parent company has partially disposed the long term equity investment in its subsidiary without losing its control power, the difference between the disposal income of the amount enjoyable in the subsidiary's net assets corresponding to the long term equity investment disposed is counted to the owner's equity. In case that the parent company has partially disposed the long term equity investment in its subsidiary has caused the parent company to have lost the control power over the subsidiary, it should be treated according to the accounting policy as specified in the "method for preparation of consolidated financial statements" of Note V. 5.(2).

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

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

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

In case the Company has lost the control over an investee due to disposal of partial equity, in preparation of individual financial statements, the remaining equity after disposal can still implement joint control over or significant influence on the investee; the equity method is applied for calculation instead and the said remaining equity is adjusted as if the equity method was used for calculation commencing from the time of its acquisition; in case the remaining equity after the adjustment can no longer implement joint control over or significant influence on the investee, the accounting treatment shall be conducted according to the provisions concerning recognition and measurement of financial instruments; the balance between the fair value as at the day of losing the control power and the book value is counted to the current gains

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

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

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

23. Investment based real estate

Measurement model for investment real estate

Measured based on the cost method

Depreciation or amortization method

Investment based real estate refers to the real estate held by the Company which creates rental or added value of capital or both, including housing and building already let out. Including the land use right which has already been let out, the land use right held and to be assigned after appreciation, building which has been leased out, etc. In addition, if the Board of Directors (or similar institution) has a written resolution on the vacant buildings held by the Company for the purpose of operating the lease, it is clearly stated that they will be used for operating leases and that the intention to hold is no longer changed in the short term and they are presented as investment-oriented real estate.

Investment-oriented 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. Other follow-up expenses are recorded in the current gain and loss at the time of incurrence.

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

About the impairment test method and method for provision for impairment of the investment-oriented real estate. For the detail, refer to Note V.31 "Impairment of Long Term Assets".

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

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

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

24. Fixed asset

(1) Recognition of fixed assets

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

(2) Depreciation methods

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

Other fixed assets mainly including some tools, furniture.

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

The "finance lease" shall refer to a lease that has transferred in substance all the risks and rewards related to the

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

25. Construction-in-process

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

For provision for impairment of construction-in-process and the method for provision for impairment, refer to Note V.31 "Impairment of Long Term Assets".

26. Borrowing Costs

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

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

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

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

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

27. Biological Assets

Inapplicable

28. Oil and Gas Assets

Inapplicable

29. Use right assets

Inapplicable

30. Intangible assets

(1) Pricing Method, Service Life and Impairment Test

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

Intangible assets are initially measured according to costs. The expenditure in connection with intangible assets is recorded in the costs of the intangible assets in case the relevant economic benefit may flow into the Company while the costs can be reliably measured. Other expenses are recorded in the current gain and loss at the time of incurrence.

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

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

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

Categories	Useful Life (Year)	Amortization Method
Land use right	50	Straight-line method
Software system	5	Straight-line method
Trademark rights	5-10	Straight-line method

At the end of a year, the Company rechecks the service life of the intangible asset and the amortization method. The change incurred is treated as change of accounting estimation. In addition, the Company also rechecks the service life of the intangible assets with indefinite service life, In case there is evidence showing that the time limit in which such intangible asset may bring about economic interest to the Company is predictable, the service life has to be estimated and the amortization is conducted according to the amortization policy of intangible assets with limited service life.

About the impairment test method and method for provision for impairment of the intangible assets. For the detail, refer to Note V.31 "Impairment of Long Term Assets".

(2) Accounting policy for internal research and development expenditure

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

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

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

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

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

31. Impairment of long term assets

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

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

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

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

32. Long term expenses to be apportioned

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

33. Contract liabilities

Inapplicable

34. Employees' Wages and Salaries

(1) Accounting treatment of short term salaries

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

(2) Post-employment benefits

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

(3) Dismissal welfare

In case the labor relationship with an employment is terminated prior to the expiry of an employee's labor contract, or in case the Company proposes a compensation plan for encouraging employees to voluntarily accept lay-off, the liability of remuneration to employees arising from post-service benefit is recognized in the current gains and losses at the earlier of the following conditions: when the Company cannot unilaterally withdraw the offer of post-service benefit provided for the purpose of the plan of termination of the labor relationship or proposal of lay-off, and when the Company recognizes any related restructuring costs or expenses in connection with the payment of the post-service benefit. However, if the termination benefits are predicted to be unable to be fully paid within 12 months after termination of the annual reporting

period, it shall be handled according to the other long term payroll to employees.

(4) Other long term employees' welfare

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

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

35. Lease liabilities

Inapplicable

36. Predicted liabilities

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

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

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

(1) Loss contract

A loss contract is a contract in which the cost unavoidably exceeds the expected economic interest in implementing the contract obligations. If the contract to be executed becomes a loss contract, and the obligation arising from the loss contract satisfies the conditions for the confirmation of the above-mentioned estimated liabilities, the part of the contract's estimated loss that exceeds the recognized impairment loss (if any) of the contracted asset is recognized as the estimated liability.

(2) Obligation of reorganization

For a reorganization plan that is detailed, formal, and has been announced to the public, the estimated liabilities are determined based on the direct expenses related to the reorganization, subject to the recognition conditions of the aforementioned estimated liabilities.

37. Share-based payment

(1) Accounting treatment method for the share-based payment

Share-based payment is a transaction that grants an equity instrument or assumes a liability determined on the basis of an equity instrument in order to obtain services from employees or other parties. Share-based payments are divided into equity-settled share-based payment and cash-settled share-based payment.

① An equity-settled share-based payment

Share-based payment settled with equity in exchange for services provided by employees is measured with the fair value of the employee's equity instruments at the grant date. This amount of the fair value, if the right cannot be exercised until the vesting period comes to an end or until the prescribed performance conditions are met, with the best estimate of the quantity of the exercisable equity instrument as the base within the vesting period, is counted to the relevant cost or expense calculated based on the straight-line method/when the right is exercisable immediately after granting, it is counted to the relevant cost or expenses on the date of the grant and the capital reserve increases correspondingly.

On each balance sheet day during the vesting period, the Company may make best estimate based on the subsequent information, such as the movement of the number of employees eligible for exercising the rights as latest obtained and the number of the equity instrument of the predicted exercisable is corrected. The influence of the aforesaid estimate is counted to the current relevant cost or expense and the capital reserve is adjusted correspondingly.

Share-based payment in exchange for services from other parties: if the fair value of the services from other parties can be reliably measured, the share-based payment is measured according to the fair value of the services from other parties as at the date of the acquisition. If the fair value of the services from other parties cannot be reliably measured while the fair value of the equity instrument can be reliably measured, the share-based payment is measured according to the fair value of the equity instrument as at the date of the acquisition of the service and counted to the relevant cost or expense and the shareholder's equity increases correspondingly.

② Cash-settled share-based payment

The cash-settled share-based payment is measured at the fair value of the liabilities assumed by the Company determined and based on shares and other equity instruments. If the right is exercisable immediately after the grant, the cash-settled share-based payment is counted in the relevant costs or expenses on the date of the grant date, and the liabilities increase accordingly; if the services within the waiting period must be completed or the required performance conditions are met, the fair value of the liabilities assumed by the Company is based on the best estimate of the vesting rights on each balance sheet day of the waiting period. The services obtained in the current period are included in the cost or expense, and the liabilities increase accordingly.

The fair value of the liabilities is re-measured and the movement is counted in the current profits and losses on each balance sheet day and settlement day before the settlement of related liabilities.

(2) Relevant accounting treatment for amendment or termination of the share-based payment plan

When the Company amends the share-based payment plan, if the amendment increases the fair value of the equity instruments granted, the increase of the services obtained is recognized accordingly based on the increase of the fair value of the equity instruments. Increase of the fair value of the equity instrument refers to the difference between the fair value of the equity instrument on the amendment day before and after the amendment. If the modification reduces the total fair

value of the share-based payment or adopts any other method unfavorable to the employees, the service obtained will continue to undergo accounting treatment, unless the Company cancels part or all of the granted equity instruments.

If the Company cancels the granted equity instrument during the vesting period, the Company shall treat it as accelerated vesting, the amount which should be recognized during the remaining vesting period is counted to the current profit and loss immediately and at the same time the capital reserve is recognized. If an employee or other party can choose to meet the non-vesting conditions but fails to meet the vesting period, the Company treats it as a cancellation of the granted equity instrument.

(3) Accounting treating involving the share-based payment transaction of the Company, the Company's shareholders or actual controller

In respect of the share-based payment transaction between the Company and the Company's shareholders or its actual controller, of the settlement enterprise and the enterprise receiving services, one is in the Company, and the other is outside the Company, and the accounting is carried out in the Company's consolidated financial statements according to the following provisions:

① In case the settlement enterprise conducts the settlement with its own equity instrument, the share-based payment transaction shall be treated as equity-settled share-based payment; otherwise, it shall be treated as a cash-settled share-based payment.

In case the settlement enterprise is the investor of the enterprise receiving services, the fair value of the equity instrument as at the granting date or the fair value of the liabilities necessary to be assumed is recognized as the long term equity investment in the enterprise receiving the services; at the same time the capital reserve (other capital reserve) or liabilities is recognized.

① In case the enterprise receiving services has no obligation of settlement or what it grants its employees is its own equity instrument, the share-based payment transaction shall be treated as equity-settled share-based payment; in case the enterprise receiving services have the settlement obligation and what it grants its employees equity instrument of not its own, such share-based payment transaction shall be treated as a cash-settled share-based payment.

In case the share-based payment transaction takes place among the enterprises within the Company while the enterprise receiving the service and the settlement enterprise are not the same enterprise, the respective confirmation and measurement of the share-based payment transaction in the individual financial statements of the enterprise receiving the services and the settlement enterprise are treated with reference to the above principles.

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

Inapplicable

39. Revenue

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

No

Has the new standard for income been implemented

No

(1) General Principle

① Sale of goods

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

② Providing of services

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

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 revenue can be measured reliably; ②. The associated economic benefits are likely to flow into the enterprise; ③. The stage of completion of the transaction can be measured reliably; ④. The costs incurred and to be incurred in the transaction can be measured reliably.

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

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

③ Royalty revenue

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

④ Interest income

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

40. Government subsidies

Government subsidy refers to the monetary asset and non-monetary asset obtained free by the Company from the government, excluding the capital invested by the government in the corresponding owner's equity enjoyable by the government as the investor. Government subsidy consists of asset-related government subsidy and income-related government subsidy. The government subsidy related to assets refers to government subsidy obtained by the Company for

the purpose of purchasing or constructing or otherwise forming long-term assets in other way; the remaining government subsidy refers to the government subsidy related to the income. If the government documents do not clearly define the object of subsidy, the subsidy shall be divided into the government subsidy related to income and the government subsidy related to assets in the following ways: (1) If the government documents specify the specific project for which the subsidy is targeted, the budget of the project will be divided into the relative proportion of the expenditure amount of the assets and the expenses included in the expenses, and the division ratio shall be reviewed on each balance sheet date and changed when necessary; (2) If the government documents use only for general statement, and not specify a specific project, it will be as income-related government grants. If a government grant is in form of monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of non-monetary asset, is measured at fair value; if the fair value cannot be measured reliably, it is measured at a nominal amount. The government subsidy measured at a nominal amount is directly counted to the current profit and loss.

The Company usually confirms and measures government grants according to the actual amount received. If there is evidence at the end of the period that the Company can meet the relevant conditions stipulated by the financial support policy and is expected to receive financial support funds, the government subsidy will be recognized according to the receivable amount. The government grants measured according to the receivable amount shall meet the following conditions at the same time: (1) The amount of the grants receivable has been authorized by the government department to issue the documents or can be reasonably measured according to the relevant provisions of the formally promulgated financial capital management measures; (2) It is based on the financial

support items formally promulgated by the local finance department and proactively disclosed in accordance with the provisions of the "Regulations Governing the Disclosure of Government Information" and the fiscal fund management measures, and the management measures should be generalized (any eligible enterprises can apply), rather than specifically for a specific company; (3) the relevant grant approval has been clearly committed to the deadline for disbursement, and the disbursement of funds has corresponding budget as a guarantee, so that it can reasonably ensure that it can be received within the prescribed time limit; (4) Other relevant conditions (if any) that should be satisfied according to the Company and the specific circumstances of the grants.

A government grant related to asset is recognized as deferred income, and evenly amortized and charged to profit or loss over its useful life. If a government grant related to income is used to compensate related expenses and losses in subsequent periods, it is recognized as deferred income and charged to current profit or loss when recognize the relevant cost and expense or loss; if it is used to compensate related expenses and losses that are already incurred, it is charged to current profit or loss directly.

Government grants including assets-related parts and income-related parts at the same time should be treated separately. If it is difficult to distinguish them, they will be classified as income-related government grants completely.

The government subsidy related to the daily activities of the Company are included in other income; the government subsidy not related to the daily activities of the Company are included in the non-operating income and expenditure.

If a government grant already recognized needs to be repaid, the carrying amount of related deferred income, if any, is to be reduced. Any excess are charged to current profit or loss. If there is no deferred income, the repayment is charged to current profit or loss directly.

41. Deferred income tax asset/deferred income tax liability

(1) Income tax in the reporting period

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

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

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

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

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

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

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

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

of the deferred tax asset is reduced. Any such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

(3) Income tax expense

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

Except that the current income tax and deferred income tax in connection with other comprehensive income or the transactions and matters which are directly stated in the shareholders' equity are counted to the other comprehensive income or shareholder's equity and the deferred income tax arising from enterprise consolidation is used to adjusted the book value of goodwill, all the other current income tax and deferred income tax expenses or income are counted to the current gains and losses.

(4) Income Tax Offsetting

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

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

42. Lease

(1) Accounting process for operating lease

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

① The Company records the operational lease business as the tenant

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

② The Company records the operational lease business as the lessor

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

(2) Accounting treatment method for finance lease

① As lessor

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

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

② As lessee

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

The unrecognized financial charges are calculated by means of the actual interest rate method within the lease term and recognized as the current financial expenses. Contingent rental is recorded in the current gain and loss when it actually incurs.

43. Other important accounting policy and accounting estimate

Operation termination

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

About the accounting treatment method for operation termination, refer to the relevant description of Note V.18 "Held-for-sale assets and disposal group"

44. Changes in significant accounting policies and accounting estimates

(1) Change in significant accounting policies

Contents and cause of the change in the accounting policy	Examination and approval procedures	Time of starting the application	Remarks
On March 31, 2017, the Ministry of Finance revised the Accounting Standards for	The change in the relevant accounting policy was	January 1, 2019	For the detail, refer to Explanation I

<p>Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, the Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets and the Accounting Standards for Business Enterprises No. 24 - Hedging Accounting CAI KUAI (2017) No. 7, 8 and 9 respectively; on May 2, 2017, the Ministry of Finance revised the the Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments. In process of preparing the financial statements of the first half of 2019, the Company implemented the relevant accounting standards and made treatment according to the relevant connecting provisions.</p>	<p>approved at the 8th session of the Ninth Board of Directors of the Company on April 19, 2019.</p>		
<p>On April 30, 2019, the Ministry of Finance revised the Circular on Issuing the Amended General Corporate Financial Statement Templates for the Year 2019 CAI KUAI (2019) No. 6, according to which the items of Accounts Receivable and Notes Receivable are split into "Accounts Receivable" and "Notes Receivable"; "Accounts Payable and Notes Payable" are split into "Accounts Payable" and "Notes Payable"; the presentation details of the items of "Interest Income", "Other Income", "Income from Disposal of Assets", "Non-operating Income" and "Non-operating Expenses" under the items of "Other Receivables", "Non-current Assets due in a Year", "Other Payables", "Deferred Income", "R & D Expenses," and "Financial Expenses" have been specified or revised. For the enterprises that have implemented the new standards for financial instruments, the item "Receivables Financing" is added to reflect the notes receivable and accounts receivable that are measured at fair value under the new standards for financial instruments and whose changes are included in other comprehensive income.</p>	<p>The change in the relevant accounting policy was approved at the 10th session of the Ninth Board of Directors of the Company on April 13, 2019.</p>	<p>April 30, 2019</p>	<p>For the detail, refer to Explanation II</p>

<p>The newly added "the Income from Derecognition of Financial Assets Measured at the Amortized Cost" is used to reflect the profit or loss arising from the derecognition of financial assets measured at amortized cost. For the change of the aforesaid presented items, the Company adopts the retrospective adjustment method to make accounting changes, and retrospectively adjusts the data in comparable accounting periods.</p>			
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Explanation I: Influence from the implementation of the new standards for financial instruments

The main impacts of the change in the accounting policies arising from the above new standards for financial instrument on the financial statements of January 1, 2019 are as follows:

Consolidated Financial Statements:

	Book value as presented according to the original standards (December 31, 2018)	Reclassified	Book value as presented according to the new standards (January 1, 2019)
Available-for-sale financial assets	85,000.00	-85,000.00	
Investment in other equity instruments		85,000.00	85,000.00

Financial Statements, Parent Company

	Book value as presented according to the original standards (December 31, 2018)	Reclassified	Book value as presented according to the new standards (January 1, 2019)
Available-for-sale financial assets	85,000.00	-85,000.00	
Investment in other equity instruments		85,000.00	85,000.00

Explanation II: In accordance with the Circular on Revising and Issuing the 2019 Versions of General Corporate Financial Statement Templates (CAI KUAI [2019] No. 6), the accounting policy for these financial statement templated has been updated. In addition to the change of the items involved in the aforesaid standard, other statement items and the corresponding amount affected are as follows:

Description of the statement items affected	Amount affected
Administrative expenses in the half year of 2018 (consolidated financial statements)	Reduced by CNY 21,285,926.02
R & D expenses in the half year of 2018 (consolidated financial statements)	Increased by CNY 21,285,926.02
Administrative expenses in the half year of 2018 (the parent company's financial statements)	Reduced by CNY 10,322,178.15

R & D expenses in the half year of 2018 (the parent company's financial statements)	Increased by CNY 10,322,178.15
Notes receivable and accounts receivable as at December 31, 2018 (consolidated financial statements)	Reduced by CNY 377,597,503.46
Notes receivable as at December 31, 2018 (consolidated financial statements)	Increased by CNY 7,051,846.85
Accounts receivable and accounts receivable as at December 31, 2018 (consolidated financial statements)	Increased by CNY 370,545,656.61
Notes payable and accounts payable as at December 31, 2018 (consolidated financial statements)	Reduced by CNY 259,913,612.34
Accounts payable as at December 31, 2018 (consolidated financial statements)	Increased by CNY 259,913,612.34
Notes receivable and accounts receivable as at December 31, 2018 (the parent company's financial statements)	Reduced by CNY 737,636.38
Accounts receivable as at December 31, 2018 (the parent company's financial statements)	Increased by CNY 737,636.38
Notes payable and accounts payable as at December 31, 2018 (the Company's financial statements)	Reduced by CNY 52,324,191.98
Notes payable as at December 31, 2018 (the Company's financial statements)	Increased by CNY 52,324,191.98

Note: Explanation on the names and amount of the statement items significantly affected.

(2) Change in significant accounting estimates

Inapplicable

(3) Adjustment of the relevant financial statements at the current year beginning according to the new standards for financial instruments, the new standards for revenues and the new standards for lease initially implemented

Consolidated Balance Sheet

In CNY

Items	December 31, 2018	January 01, 2019	Amount involved in the adjustment
Current assets:			
Monetary capital	164,828,059.97	164,828,059.97	
Settlement reserve			
Inter-bank lending			
Transactional financial assets			
The financial assets measured at fair values with the change counted to the current profit and loss			
Derivative financial assets			
Notes receivable	7,051,846.85	7,051,846.85	

Accounts receivable	370,545,656.61	370,545,656.61	
Financing with accounts receivable			
Advance payment	13,666,816.33	13,666,816.33	
Receivable premium			
Reinsurance accounts receivable			
Reserve for reinsurance contract receivable			
Other receivables	45,870,582.26	45,870,582.26	
Including: Interest receivable			
Dividends receivable			
Redemptory monetary capital for sale			
Inventories	1,782,306,301.70	1,782,306,301.70	
Contract assets			
Held-for-sale assets			
Non-current assets due within a year			
Other current assets	73,703,312.24	73,703,312.24	
Total current assets	2,457,972,575.96	2,457,972,575.96	
Non-current assets:			
Loan issuing and advance in cash			
Equity investment			
Available-for-sale financial assets	85,000.00		-85,000.00
Other equity investment			
Held-to-maturity investments			
Long term accounts receivable			
Long-term equity investment	44,881,063.15	44,881,063.15	
Investment in other equity instruments		85,000.00	85,000.00
Other non-current financial assets			
Investment-oriented real estate	377,319,433.03	377,319,433.03	
Fixed assets	425,649,562.85	425,649,562.85	
Construction-in-progress	12,041,126.00	12,041,126.00	
Productive biological asset			

Oil and gas assets			
Use right assets			
Intangible assets	43,545,477.61	43,545,477.61	
Development expenses			
Goodwill			
Long-term expenses to be apportioned	128,572,545.15	128,572,545.15	
Deferred income tax asset	100,675,706.09	100,675,706.09	
Other non-current assets	8,949,160.42	8,949,160.42	
Total non-current assets	1,141,719,074.30	1,141,719,074.30	
Total assets	3,599,691,650.26	3,599,691,650.26	
Current liabilities:			
Short term borrowings	547,118,452.97	547,118,452.97	
Borrowings from central bank			
Loans from other banks			
Transactional financial liabilities			
The financial liabilities measured at fair values with the change counted to the current profit and loss			
Derivative financial liabilities			
Notes payable			
Accounts payable	259,913,612.34	259,913,612.34	
Advance receipts	16,459,445.00	16,459,445.00	
Money from sale of the repurchased financial assets			
Deposits taking and interbank placement			
Acting trading securities			
Income from securities underwriting on commission			
Payroll payable to the employees	69,779,037.83	69,779,037.83	
Taxes payable	55,923,171.92	55,923,171.92	
Other payables	71,819,930.30	71,819,930.30	
Including: interest payable	772,351.26	772,351.26	
Dividends payable			
Service charge and commission			

payable			
Payable reinsurance			
Contract liabilities			
Held-for-sale liabilities			
Non-current liabilities due within a year	347,470.00	347,470.00	
Other current liabilities			
Total current liabilities	1,021,361,120.36	1,021,361,120.36	
Non-current liabilities:			
Reserve for insurance contract			
Long-term borrowings	4,517,110.00	4,517,110.00	
Bonds payable			
Including: preferred shares			
Perpetual bond			
Lease liabilities			
Long-term accounts payable			
Long term payroll payable to the employees			
Estimated liabilities			
Deferred income	3,672,855.36	3,672,855.36	
Deferred income tax liability			
Other non-current liabilities			
Total non-current liabilities	8,189,965.36	8,189,965.36	
Total liabilities	1,029,551,085.72	1,029,551,085.72	
Owner's equity:			
Capital stock	438,744,881.00	438,744,881.00	
Other equity instruments			
Including: preferred shares			
Perpetual bond			
Capital Reserve	1,062,455,644.22	1,062,455,644.22	
Less: shares in stock			
Other comprehensive income	-5,442,139.78	-5,442,139.78	
Special reserve			
Surplus Reserve	223,015,793.80	223,015,793.80	
Reserve against general risks			

Retained earnings	851,360,603.66	851,360,603.66	
Total owners' equity attributable to the parent company	2,570,134,782.90	2,570,134,782.90	
Minority shareholders' equity	5,781.64	5,781.64	
Total owner's equity	2,570,140,564.54	2,570,140,564.54	
Total liabilities and owners' equity	3,599,691,650.26	3,599,691,650.26	

Note to the Adjustment

In March 2017, the Ministry of Finance promulgated the Circular on Printing and Issuing the Revised “Accounting Standards for Enterprises No.22–Recognition and Measurement of Financial Instruments”, the Circular on Printing and Issuing the Revised “Accounting Standards for Enterprises No.23–Transfer of Financial Assets”, the Circular on Printing and Issuing the Revised “Accounting Standards for Enterprises No.24–Hedging”; on May 2, 2017, the Ministry of Finance promulgated the Circular on Printing and Issuing the Revised “Accounting Standards for Enterprises No. 37–Presentation of Financial Instruments” and on June 15, 2018, Notice by the Ministry of Finance of Revising and Issuing the Format of 2018 Consolidated Financial Statements asked the listed companies of A-shares to implement the updated standards for financial instruments series and the new format of presentation commencing from January 1, 2019. In accordance with the requirements of the updated standards for new financial instrument series, the Company adjusted the “available-for-sale financial assets” to “investment in other equity instruments” based on the business model of the Company's management of financial assets and the contractual cash flow characteristics of financial assets.

Balance Sheet, Parent Company

In CNY

Items	Monday, December 31, 2018	January 01, 2019	Amount involved in the adjustment
Current assets:			
Monetary capital	137,175,466.27	137,175,466.27	
Transactional financial assets			
The financial assets measured at fair values with the change counted to the current profit and loss			
Derivative financial assets			
Notes receivable			
Accounts receivable	737,636.38	737,636.38	
Financing with accounts receivable			
Advance payment			
Other receivables	870,739,378.37	870,739,378.37	
Including: Interest receivable			
Dividends receivable			

Inventories			
Contract assets			
Held-for-sale assets			
Non-current assets due within a year			
Other current assets	10,081,272.94	10,081,272.94	
Total current assets	1,018,733,753.96	1,018,733,753.96	
Non-current assets:			
Equity investment			
Available-for-sale financial assets	85,000.00		-85,000.00
Other equity investment			
Held-to-maturity investments			
Long term accounts receivable			
Long-term equity investment	1,376,129,654.08	1,376,129,654.08	
Investment in other equity instruments		85,000.00	85,000.00
Other non-current financial assets			
Investment-oriented real estate	297,042,937.87	297,042,937.87	
Fixed assets	297,517,472.81	297,517,472.81	
Construction-in-progress	12,041,126.00	12,041,126.00	
Productive biological asset			
Oil and gas assets			
Use right assets			
Intangible assets	35,337,052.82	35,337,052.82	
Development expenses			
Goodwill			
Long-term expenses to be apportioned	4,500,638.97	4,500,638.97	
Deferred income tax asset	952,857.33	952,857.33	
Other non-current assets	4,493,971.35	4,493,971.35	
Total non-current assets	2,028,100,711.23	2,028,100,711.23	
Total assets	3,046,834,465.19	3,046,834,465.19	
Current liabilities:			
Short term borrowings	505,000,000.00	505,000,000.00	
Transactional financial liabilities			

The financial liabilities measured at fair values with the change counted to the current profit and loss			
Derivative financial liabilities			
Notes payable			
Accounts payable	52,324,191.98	52,324,191.98	
Advance receipts	1,636,520.02	1,636,520.02	
Contract liabilities			
Payroll payable to the employees	11,589,634.34	11,589,634.34	
Taxes payable	943,919.26	943,919.26	
Other payables	57,997,397.28	57,997,397.28	
Including: interest payable	685,419.80	685,419.80	
Dividends payable			
Held-for-sale liabilities			
Non-current liabilities due within a year			
Other current liabilities			
Total current liabilities	629,491,662.88	629,491,662.88	
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: preferred shares			
Perpetual bond			
Lease liabilities			
Long-term accounts payable			
Long term payroll payable to the employees			
Estimated liabilities			
Deferred income	3,672,855.36	3,672,855.36	
Deferred income tax liability			
Other non-current liabilities			
Total non-current liabilities	3,672,855.36	3,672,855.36	
Total liabilities	633,164,518.24	633,164,518.24	
Owner's equity:			
Capital stock	438,744,881.00	438,744,881.00	

Other equity instruments			
Including: preferred shares			
Perpetual bond			
Capital Reserve	1,068,111,185.32	1,068,111,185.32	
Less: shares in stock			
Other comprehensive income			
Special reserve			
Surplus Reserve	223,015,793.80	223,015,793.80	
Retained earnings	683,798,086.83	683,798,086.83	
Total owner's equity	2,413,669,946.95	2,413,669,946.95	
Total liabilities and owners' equity	3,046,834,465.19	3,046,834,465.19	

Note to the Adjustment

In March 2017, the Ministry of Finance promulgated the Circular on Printing and Issuing the Revised “Accounting Standards for Enterprises No.22–Recognition and Measurement of Financial Instruments”, the Circular on Printing and Issuing the Revised “Accounting Standards for Enterprises No.23–Transfer of Financial Assets”, the Circular on Printing and Issuing the Revised “Accounting Standards for Enterprises No.24–Hedging”; on May 2, 2017, the Ministry of Finance promulgated the Circular on Printing and Issuing the Revised “Accounting Standards for Enterprises No. 37–Presentation of Financial Instruments” and on June 15, 2018, Notice by the Ministry of Finance of Revising and Issuing the Format of 2018 Consolidated Financial Statements asked the listed companies of A-shares to implement the updated standards for financial instruments series and the new format of presentation commencing from January 1, 2019. In accordance with the requirements of the updated standards for new financial instrument series, the Company adjusted the “available-for-sale financial assets” to “investment in other equity instruments” based on the business model of the Company's management of financial assets and the contractual cash flow characteristics of financial assets.

(4) Note to the retroactive adjustment of the previous comparative data according to the new standards from financial instruments and the new standards for lease initially implemented

Items to be adjusted	Amount involved in the adjustment
Add the item of credit impairment loss to the income statement, and reclassify part of the impairment loss of assets related to receivables to the credit impairment loss	During the reporting period, the credit impairment loss amounted to CNY 3,081,768.89, the asset impairment loss of the previous period was adjusted down by CNY -5,178,800.41 and credit impairment loss was adjusted up by CNY 5,178,800.41.

Note: When the Company makes retrospective adjustment of the amount involved in the first implementation of the new accounting standards and adjusts the comparison data of the previous period, it was necessary to disclose the name and adjustment amount of the financial statement items involved in the adjustment.

45. Others

Inapplicable

VI. Taxation

1. Types of major taxes and tax rates

Type of taxes	Tax basis	Tax rates
Value-added tax	For taxable income, the output VAT is calculated based on the rate of 13% and the VAT is calculated and paid based on the difference after deduction of the input VAT offsetable in the very period.	13%
Consumption tax	For the high-grade watch at the price higher than CNY 10,000 (with CNY 10,000 inclusive) imported or produced, the consumption tax is calculated and payable.	20%
Urban maintenance and construction tax	The urban maintenance and construction tax is based on 7% of the turnover tax actually paid	7%
Corporation income tax	Taxable income amount	15% -30%
Real estate tax	1.2% of 70% of the cost of the property or 12% of the rental income	1.2% and 12%

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

Taxpayers	Income tax rates
The Company (Notes① and ②)	25%
Harmony (Notes①)	25%
the Manufacture Co. (Notes② and ③)	15%
FIYTA Hong Kong (Note ④)	16.5%
Station-68 (Note ④)	16.5%
the Technology Co. (Notes② and ③)	15%
SHIYUEHUI (Note ⑤)	25%
Harbin Co. (Note ⑤)	25%
Emile Chouriet (Shenzhen) Limited (Note ⑤)	25%
The Sales Co. (Notes① and ⑤)	25%
Hengdarui (Note ⑤)	25%
Switzerland Company (Note ⑥)	30%

2. Tax Preferences

(1) Enterprise Income Tax

Note ①: According to the regulations stated in GuoShuiFa (2008) No. 28, "Interim Administration Method for Levy of Corporate Income Tax to Enterprise that Operates Cross-regionally", the head office of the Company and its branch offices, the head office of HARMONY Company and its branch offices adopt tax submission method of "unified calculation,

managing by classes, pre-paid in its registered place, settlement in total, and adjustment by finance authorities” starting from 1 January 2008. 50% is shared and prepaid by branches and 50% is prepaid by the headquarters.

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

Note ③: The company enjoys the “income tax rate exclusion of high-tech enterprises enjoying the key support from the state”;

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

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

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

(2) Property tax

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

3. Others

Inapplicable

VII. Notes to items of consolidated financial statements

1. Monetary capital

In CNY

Items	Ending balance	Opening balance
Cash in stock	225,027.58	420,783.85
Bank deposit	223,207,376.62	160,135,454.62
Other Monetary Funds	3,089,148.22	4,271,821.50
Total	226,521,552.42	164,828,059.97
Including: total amount deposited overseas	8,012,479.02	9,192,653.31

Other notes

Of other monetary fund, CNY 1,575,000.00 (December 31, 2018: CNY 1,575,000.00) was the margin deposits deposited by the Company for application to banks for unconditional and irrevocable letter of guarantee, of which CNY 630,000.00 was judicially frozen due to litigation matters.

2. Transactional financial assets

Inapplicable

3. Derivative financial assets

Inapplicable

4. Notes receivable

(1) Presentation of classification of notes receivable

In CNY

Items	Ending balance	Opening balance
Bank acceptance	2,105,700.57	0.00
Trade acceptance	7,835,290.95	7,051,846.85
Total	9,940,991.52	7,051,846.85

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

Inapplicable

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

Inapplicable

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

Inapplicable

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

Inapplicable

(6) Notes receivable actually written off in current period

Inapplicable

5. Accounts receivable

(1) Accounts receivables disclosed by types

In CNY

Categories	Ending balance					Opening balance				
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		Book value
	Amount	Proportion	Amount	Provision proportion		Amount	Proportion	Amount	Provision proportion	
Accounts receivable for which bad debt reserve has been provided based on individual items	1,799,519.78	0.39%	1,799,519.78	100.00%	0.00	1,799,519.78	0.47%	1,799,519.78	100.00%	0.00
in which										
Accounts receivable with significant single amount and provision of bad debt reserve on individual basis	1,702,371.94	0.37%	1,702,371.94	100.00%	0.00	1,702,371.94	0.44%	1,702,371.94	100.00%	0.00
Accounts receivable with insignificant single amount and provision of bad debt reserve on individual basis	97,147.84	0.02%	97,147.84	100.00%	0.00	97,147.84	0.03%	97,147.84	100.00%	0.00
Accounts receivable for which bad debt reserve has been provided based on portfolios	461,793,096.56	99.61%	13,670,980.97	2.96%	448,122,115.59	381,434,944.02	99.53%	10,889,287.41	2.85%	370,545,656.61
in which										
Group of aging	251,194,196.43	54.18%	13,670,980.97	5.44%	237,523,215.46	189,655,491.08	49.49%	10,889,287.41	5.74%	178,766,203.67
Specific fund portfolio	210,598,900.13	45.43%	0.00	0.00%	210,598,900.13	191,779,452.94	50.04%	0.00	0.00%	191,779,452.94
Total	463,592,616.34	100.00%	15,470,500.75	3.34%	448,122,115.59	383,234,463.80	100.00%	12,688,807.19	3.31%	370,545,656.61

Provision for bad debt based on individual items: Accounts receivable with significant single amount and provision of bad debt reserve on separate basis

In CNY

Name	Ending balance			
	Book balance	Bad debt reserve	Provision proportion	Provision reason
Xi'an Century Ginwa Qujiang Shopping Center Co., Ltd.	1,702,371.94	1,702,371.94	100.00%	Due poor operation of the shopping mall, it is less likely to recover payment for goods
Total	1,702,371.94	1,702,371.94	--	--

Provision for bad debt based on individual items: Accounts receivable with insignificant single amount but provision of bad debt reserve on separate basis

In CNY

Name	Ending balance			
	Book balance	Bad debt reserve	Provision proportion	Provision reason
Shenzhen Number One Shop Co., Ltd.	97,147.84	97,147.84	100.00%	Unrecoverable
Total	97,147.84	97,147.84	--	--

Provision for bad debt based on portfolio: Specific fund portfolio

In CNY

Name	Ending balance		
	Book balance	Bad debt reserve	Provision proportion
Specific fund portfolio	210,598,900.13	0.00	0.00
Total	210,598,900.13	0.00	--

Note to the basis for determining the combination:

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

For the provision for bad debts of accounts receivable made according to the general model of the expected credit losses, please refer to the relevant information about the disclosure of provision for bad debt in the way of disclosing other receivables:

Bad debt reserve	The 1st stage	The 2nd stage	The 3rd stage	Total
	Predicted credit loss in the future 12 months	Predicted credit loss in the whole duration (no credit impairment taken place)	Predicted credit loss in the whole duration (credit impairment already taken place)	
Balance as at January 1, 2019		12,688,807.19		12,688,807.19

Balance as at January 1, 2019 during the reporting period	—	—	—	—
-- transferred to the 2nd stage				
-- transferred to the 3rd stage				
-- reversed to the 2nd stage				
-- reversed to the 1st stage				
Provision in the reporting period		2,819,885.29		2,819,885.29
Reversal in the reporting period		38,191.73		38,191.73
Charged-off in the reporting period				
Written-off in the reporting period				
Other changes				
Balance as at June 30, 2019		15,470,500.75		15,470,500.75

Disclosed based on aging

In CNY

Aging	Ending balance
Within 1 year (with 1 year inclusive)	244,101,929.86
1 to 2 years	4,476,538.60
2 to 3 years	1,322,754.44
Over 3 years	1,292,973.53
Total	251,194,196.43

(2) Provision, recovery or reversal of reserve for bad debts during the reporting period

Provision for bad debt during the reporting period

In CNY

Categories	Opening balance	Amount of movement during the reporting period			Ending balance
		Provision	Amount recovered or reversed	Written-off	
Accounts receivable with significant single amount and provision of bad debt reserve on separate basis	1,702,371.94	0.00	0.00	0.00	1,702,371.94
Accounts receivable with insignificant amount and provision of bad debt reserve on	97,147.84	0.00	0.00	0.00	97,147.84

separate basis					
Group of aging	10,889,287.41	2,819,885.29	38,191.73	0.00	13,670,980.97
Total	12,688,807.19	2,819,885.29	38,191.73	0.00	15,470,500.75

(3) Accounts receivable actually written off in current period

Inapplicable

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

Total accounts receivable due from the top five debtors of the Company in the current period is CNY51,743,736.88, accounting for 11.16% of the total accounts receivable as at the end of the current period and the total provision for bad and doubtful debts made as at the end of the current period is CNY2,587,186.85.

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

Inapplicable

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

Inapplicable

6. Financing with accounts receivable

Inapplicable

7. Advance payments

(1) Advance payments are presented based on ages

In CNY

Aging	Ending balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	21,301,410.87	82.46%	12,886,273.93	94.29%
1 to 2 years	2,868,479.09	11.10%	0.00	0.00
2 to 3 years	1,014,446.65	3.93%	780,542.40	5.71%
Over 3 years	649,029.90	2.51%	0.00	0.00
Total	25,833,366.51	--	13,666,816.33	--

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

Inapplicable

8. Other receivables

In CNY

Items	Ending balance	Opening balance
-------	----------------	-----------------

Other receivables	62,591,073.25	45,870,582.26
Total	62,591,073.25	45,870,582.26

(1) Interest receivable

Inapplicable

(2) Dividends receivable

Inapplicable

(3) Other receivables

1) Classification of other receivables based on nature of payment

In CNY

Nature of Payment	Ending book balance	Opening book balance
Reserve for employees	5,096,955.76	2,478,447.48
Collateral and Deposit	42,447,660.48	38,091,767.87
Commodity promotion	1,959,416.00	7,827,524.03
Guarantee for property suit	8,958,057.64	0.00
Repurchase payment from securities brokers	3,327,401.11	0.00
Others	11,236,826.69	7,510,384.99
Total	73,026,317.68	55,908,124.37

2) Provision for bad debts

Bad debt reserve	The 1st stage	The 2nd stage	The 3rd stage	Total
	Predicted credit loss in the future 12 months	Predicted credit loss in the whole duration (no credit impairment taken place)	Predicted credit loss in the whole duration (credit impairment already taken place)	
Balance as at January 1, 2019		10,037,542.11		10,037,542.11
Balance as at January 1, 2019 during the reporting period	—	—	—	—
-- transferred to the 2nd stage				
-- transferred to the 3rd stage				
-- reversed to the 2nd stage				
-- reversed to the 1st stage				
Provision in the reporting period		453,051.98		453,051.98
Reversal in the reporting period		55,349.66		55,349.66
Charged-off in the reporting				

period				
Written-off in the reporting period				
Other changes				
Balance as at Sunday, June 30, 2019		10,435,244.43		10,435,244.43

Disclosed based on aging

In CNY

Aging	Ending balance
Within 1 year (with 1 year inclusive)	58,700,727.02
1 to 2 years	6,429,749.30
2 to 3 years	6,489,591.36
Over 3 years	1,406,250.00
Total	73,026,317.68

3) Provision, recovery or reversal of reserve for bad debts during the reporting period

Provision for bad debt during the reporting period

In CNY

Categories	Opening balance	Amount of movement during the reporting period		Ending balance
		Provision	Amount recovered or reversed	
Other receivables with significant single amount and provision of bad debt reserve on individual basis	7,093,237.65	96,353.71	0.00	7,189,591.36
Other receivables with insignificant single amount but provision of bad debt reserve on individual basis	565,400.00	0.00	0.00	565,400.00
Group of aging	2,378,904.46	356,698.27	55,349.66	2,680,253.07
Total	10,037,542.11	453,051.98	55,349.66	10,435,244.43

4) Accounts receivable actually written off in the reporting period

Inapplicable

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

In CNY

Company name	Nature of Payment	Ending balance	Aging	Proportion in total ending balance of other receivables	Ending balance of the provision for bad debts
Beat Blattman Marketing	Payment for goods	4,103,512.16	Over 3 years	5.62%	4,103,512.16
China Resources (Shenzhen) Co., Ltd	Deposit in security	3,059,224.00	Within 1 year	4.19%	152,961.20
Liberty Time Center GmbH	Payment for goods	2,286,079.20	Over 3 years	3.13%	2,286,079.20
CHINA RESOURCES SUN HUNG KAI PROPERTIES (HANGZHOU) LIMITED	Deposit in security	1,672,563.00	Within 1 year	2.29%	83,628.15
Shenzhen Yitian Holiday Plaza Co., Ltd.	Deposit in security	1,145,523.00	Within 1 year	1.57%	57,276.15
Total	--	12,266,901.36	--	16.80%	6,683,456.86

6) Accounts receivable involving government subsidy

Inapplicable

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

Inapplicable

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

Inapplicable

9. Inventories

Has the new standard for income been implemented

No

(1) Classification of inventories

In CNY

Items	Ending balance			Opening balance		
	Book balance	Provision for price falling	Book value	Book balance	Provision for price falling	Book value
Raw materials	167,245,372.54	28,350,027.04	138,895,345.50	183,679,226.95	28,296,729.51	155,382,497.44
Products in process	10,557,912.97	0.00	10,557,912.97	10,787,777.81	0.00	10,787,777.81
Commodities in	1,634,849,921.44	56,901,087.38	1,577,948,834.06	1,675,548,898.56	59,412,872.11	1,616,136,026.45

stock						
Total	1,812,653,206.95	85,251,114.42	1,727,402,092.53	1,870,015,903.32	87,709,601.62	1,782,306,301.70

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

No

(2) Reserve for Price Falling of Inventories

In CNY

Items	Opening balance	Increase in the reporting period		Decrease in the reporting period		Ending balance
		Provision	Others	Reversal or Offset	Others	
Raw materials	28,296,729.51	0.00	53,297.53	0.00	0.00	28,350,027.04
Commodities in stock	59,412,872.11	0.00	2,956.13	2,514,740.86	0.00	56,901,087.38
Total	87,709,601.62	0.00	56,253.66	2,514,740.86	0.00	85,251,114.42

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

Inapplicable

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

Inapplicable

10. Contract assets

Inapplicable

11. Classified as assets held for sale

Inapplicable

12. Non-current assets due within a year

Inapplicable

13. Other current assets

Has the new standard for income been implemented

No

In CNY

Items	Ending balance	Opening balance
Input VAT to be offset	33,834,787.17	52,444,448.67
Income tax paid in advance	543,648.10	7,846,471.11
Others	11,688,034.67	13,412,392.46
Total	46,066,469.94	73,703,312.24

14. Equity investment

Inapplicable

15. Other equity investment

Inapplicable

16. Long term accounts receivable

(1) About long term accounts receivable

Inapplicable

(2) Long term account receivable with recognition terminated due to transfer of financial assets

Inapplicable

(3) Amount of assets and liabilities formed through transfer of long term account receivable and continuing to be involved

Inapplicable

17. Long-term equity investments

In CNY

Investees	Opening balance	Increase/Decrease (+/-) in the reporting period								Ending balance	Ending balance of the provision for impairment
		Additional investment	Decrease of investment	Income from equity investment recognized under equity method	Other comprehensive income adjustment	Other equity movement	Announced for distributing cash dividend or profit	Provision for impairment	Others		
I. Joint Venture											
II. Associates											
Shanghai Watch Industry Co., Ltd. (Shanghai	44,881,063.15	0.00	0.00	1,531,310.06	0.00	0.00	0.00	0.00	0.00	46,412,373.21	0.00

Watch)											
Sub-total	44,881,063.15	0.00	0.00	1,531,310.06	0.00	0.00	0.0	0.00	0.00	46,412,373.21	0.00
Total	44,881,063.15	0.00	0.00	1,531,310.06	0.00	0.00	0.00	0.00	0.00	46,412,373.21	0.00

18. Investment in other equity instruments

Inapplicable

19. Other non-current financial assets

Inapplicable

20. Investment based real estate

(1) Investment property measured based on the cost method

In CNY

Items	Plant and buildings	Land use right	Construction-in-process	Total
I. Original book value	546,695,433.81	0.00	0.00	546,695,433.81
1. Opening balance	546,695,433.81	0.00	0.00	546,695,433.81
2. Increase in the reporting period				
(1) Purchased				
(2) Inventories/ fixed assets/construction- in – process transferred in				
(3) Increase of enterprise consolidation				
3. Amount decreased in the reporting period				
(1) Disposal				
(2) Other transfer out				
4. Ending balance	546,695,433.81	0.00	0.00	546,695,433.81
II. Accumulative depreciation and accumulative amortization				
1. Opening balance	169,376,000.78	0.00	0.00	169,376,000.78
2. Increase in the reporting period	6,852,211.34	0.00	0.00	6,852,211.34
(1) Provision or amortization	6,852,211.34	0.00	0.00	6,852,211.34
3. Amount decreased in the reporting period				
(1) Disposal				
(2) Other transfer out				

4. Ending balance	176,228,212.12	0.00	0.00	176,228,212.12
III. Provision for impairment				
1. Opening balance				
2. Increase in the reporting period				
(1) Provision				
3. Amount decreased in the reporting period				
(1) Disposal				
(2) Other transfer out				
4. Ending balance				
IV. Book value				
1. Book value at the end of the reporting period	370,467,221.69	0.00	0.00	370,467,221.69
2. Book value at the beginning of the reporting period	377,319,433.03	0.00	0.00	377,319,433.03

(2) Investment property measured based on fair value

Inapplicable

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

Inapplicable

21. Fixed asset

In CNY

Items	Ending balance	Opening balance
Fixed assets	414,522,443.81	425,649,562.85
Total	414,522,443.81	425,649,562.85

(1) About fixed assets

In CNY

Items	Plant & buildings	Machinery & equipment	Motor vehicle	Electronic equipment	Other equipment	Total
I. Original book value						
1. Opening balance	458,621,315.96	80,799,655.00	15,572,717.72	44,137,536.41	58,422,164.62	657,553,389.71
2. Increase in the reporting period	652,992.91	2,232,519.28	0.00	397,625.55	1,186,820.07	4,469,957.81
(1) Purchase	652,992.91	2,232,519.28	0.00	397,625.55	1,186,820.07	4,469,957.81

(2) Construction-in-process transferred in						
(3) Increase of enterprise consolidation						
3. Amount decreased in the reporting period	68,681.52	959,530.62	706,638.00	734,427.91	1,293,798.83	3,763,076.88
(1) Disposal or scrapping	68,681.52	959,530.62	706,638.00	734,427.91	1,293,798.83	3,763,076.88
4. Ending balance	459,205,627.35	82,072,643.66	14,866,079.72	43,800,734.05	58,315,185.86	658,260,270.64
II. Accumulative depreciation						
1. Opening balance	97,899,718.69	43,012,974.47	13,664,912.06	28,707,685.36	48,618,536.28	231,903,826.86
2. Increase in the reporting period	7,193,596.75	3,569,439.07	356,775.98	2,382,887.27	1,515,801.29	15,018,500.36
(1) Provision	7,193,596.75	3,569,439.07	356,775.98	2,382,887.27	1,515,801.29	15,018,500.36
3. Amount decreased in the reporting period	14,817.35	670,153.70	671,306.10	642,750.80	1,185,472.44	3,184,500.39
(1) Disposal or scrapping	14,817.35	670,153.70	671,306.10	642,750.80	1,185,472.44	3,184,500.39
4. Ending balance	105,078,498.09	45,912,259.84	13,350,381.94	30,447,821.83	48,948,865.13	243,737,826.83
III. Provision for impairment						
1. Opening balance						
2. Increase in the reporting period						
(1) Provision						
3. Amount decreased in the reporting period						
(1) Disposal or scrapping						
4. Ending balance						
IV. Book value						
1. Book value at the end of the reporting	354,127,129.26	36,160,383.82	1,515,697.78	13,352,912.22	9,366,320.73	414,522,443.81

period						
2. Book value at the beginning of the reporting period	360,721,597.27	37,786,680.53	1,907,805.66	15,429,851.05	9,803,628.34	425,649,562.85

(2) About temporarily idle fixed assets

Inapplicable

(3) Fixed assets rented through finance lease

Inapplicable

(4) Fixed assets leased through operating lease

Inapplicable

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

In CNY

Items	Book value	The reason why the property ownership certificate has not been granted
Office occupancy of Harbin Office	263,188.43	There existed problem in ownership
Property belonging to Zhengzhou Office	5,986,023.77	In process of handling the procedures

(6) Disposal of fixed assets

Inapplicable

22. Construction-in-process

In CNY

Items	Ending balance	Opening balance
Construction-in-progress	12,886,665.68	12,041,126.00
Total	12,886,665.68	12,041,126.00

(1) About construction in progress

In CNY

Items	Ending balance			Opening balance		
	Book balance	Impairment reserve	Book value	Book balance	Impairment reserve	Book value
FIYTA Watch Building supporting works	12,886,665.68	0.00	12,886,665.68	12,041,126.00	0.00	12,041,126.00
Total	12,886,665.68	0.00	12,886,665.68	12,041,126.00	0.00	12,041,126.00

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

In CNY

Project name	Budget	Opening balance	Increase in the reporting period	Transferred into the fixed assets in the current period	Other decreases in the reporting year	Ending balance	Proportion of the accumulative engineering input in the budget	Project progress	Accumulative amount involved in interest capitalization	Including: amount of the capitalized interest in the reporting period	Interest capitalization rate in the reporting period	Capital source
FIYTA Watch Building supporting works	34,050,900.00	12,041,126.00	845,539.68	0.00	0.00	12,886,665.68	37.85%	100%	0.00	0.00	0.00	Self-raised fund
Total	34,050,900.00	12,041,126.00	845,539.68	0.00	0.00	12,886,665.68	--	--	0.00	0.00	0.00	--

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

Inapplicable

(4) Engineering materials

Inapplicable

23. Productive biological asset

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

Inapplicable

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

Inapplicable

24. Oil and Gas Assets

Inapplicable

25. Use right assets

Inapplicable

26. Intangible assets

(1) About the intangible assets

In CNY

Items	Land use right	Patent Right	Non-patent technology	Software system	Trademark rights	Total
I. Original book value						
1. Opening balance	34,933,822.40	0.00	0.00	23,887,215.08	10,093,308.61	68,914,346.09
2. Increase in the reporting period		0.00	0.00	93,469.34	871,572.00	965,041.34
(1) Purchase		0.00	0.00	93,469.34	871,572.00	965,041.34
(2) Internal R & D						
(3) Increase of enterprise consolidation						
3. Amount decreased in the reporting period						
(1) Disposal						
4. Ending balance						
II. Accumulative amortization						
1. Opening balance	13,581,708.89	0.00	0.00	8,076,111.69	3,711,047.90	25,368,868.48
2. Increase in the reporting period	366,776.65	0.00	0.00	2,206,057.05	459,814.14	3,032,647.84
(1) Provision	366,776.65	0.00	0.00	2,206,057.05	459,814.14	3,032,647.84
3. Amount decreased in the reporting period						
(1) Disposal						
4. Ending balance	13,948,485.54	0.00	0.00	10,282,168.74	4,170,862.04	28,401,516.32
III. Provision for impairment						
1. Opening balance						
2. Increase in the reporting period						
(1) Provision						
3. Amount decreased in the reporting period						

(1) Disposal						
4. Ending balance						
IV. Book value						
1. Book value at the end of the reporting period	20,985,336.86	0.00	0.00	13,698,515.68	6,794,018.57	41,477,871.11
2. Book value at the beginning of the reporting period	21,352,113.51	0.00	0.00	15,811,103.39	6,382,260.71	43,545,477.61

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

Inapplicable

27. Development expenditure

Inapplicable

28. Goodwill

(1) Original book value of the goodwill

Inapplicable

(2) Provision for impairment of the goodwill

Inapplicable

29. Long term expenses to be apportioned

In CNY

Items	Opening balance	Increase in the reporting period	Amount amortized in the reporting period	Other decrease	Ending balance
Charge of fabrication of special counters	49,305,000.10	14,718,343.28	20,893,290.14	0.00	43,130,053.24
Refurbishment expenses	74,651,287.13	21,714,834.94	14,319,441.48	0.00	82,046,680.59
Market promotion	0.00	9,245,282.81	2,083,333.34	0.00	7,161,949.47
Others	4,616,257.92	1,740,660.12	1,159,891.49	0.00	5,197,026.55
Total	128,572,545.15	47,419,121.15	38,455,956.45	0.00	137,535,709.85

30. Deferred income tax asset/deferred income tax liability

(1) Deferred income tax asset without offsetting

In CNY

Items	Ending balance		Opening balance	
	Offsetable provisional difference	Deferred income tax asset	Offsetable provisional difference	Deferred income tax asset
Asset impairment reserve	64,862,735.35	17,749,843.25	79,775,704.17	17,676,690.28
Unrealized profit from the intracompany transactions	294,735,562.07	59,547,817.25	272,840,911.63	67,717,517.83
Offsetable loss	23,096,749.97	5,077,613.81	61,529,125.81	14,363,284.14
Deferred income	3,672,855.36	918,213.84	3,672,855.36	918,213.84
Total	386,367,902.75	83,293,488.15	417,818,596.97	100,675,706.09

(2) Deferred income tax liabilities without offsetting

Inapplicable

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

In CNY

Items	Amount mutually offset between the deferred income tax assets and liabilities at the end of the reporting period	Ending balance of the deferred income tax asset or liabilities after offsetting	Amount mutually offset between the deferred income tax assets and liabilities at the beginning of the reporting period	Opening balance of the deferred income tax asset or liabilities after offsetting
Deferred income tax asset	0.00	83,293,488.15	0.00	100,675,706.09

(4) Statement of deferred income tax asset not recognized

In CNY

Items	Ending balance	Opening balance
Offsetable provisional difference	0.00	0.00
Offsetable loss	69,044,760.33	65,181,936.05
Provision for impairment of assets	30,788,147.42	30,660,246.75
Total	99,832,907.75	95,842,182.80

Note: The Swiss Co., one of the Company's sub-sub-subsidiaries, has not recognized the deferred income tax income as it is indefinite whether it can obtain enough amount of taxable income in future.

Offsetable loss of the income tax assets: FIYTA Hong Kong, one of the Company's subsidiaries, is not necessary to recognize the deferred income tax asset for provision for impairment of assets according to the local tax policy

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

Inapplicable

31. Other non-current assets

Has the new standard for income been implemented

No

In CNY

Items	Ending balance	Opening balance
Advance payment for engineering works and equipment	7,297,788.01	8,949,160.42
Total	7,297,788.01	8,949,160.42

32. Short term loans

(1) Classification of short-term loans

In CNY

Items	Ending balance	Opening balance
Secured loan	30,078,332.26	187,118,452.97
Credit loan	520,000,000.00	360,000,000.00
Total	550,078,332.26	547,118,452.97

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

Inapplicable

33. Transactional financial liabilities

Inapplicable

34. Derivative financial liabilities

Inapplicable

35. Notes payable

Inapplicable

36. Accounts payable

(1) Statement of accounts payable

In CNY

Items	Ending balance	Opening balance
-------	----------------	-----------------

Payment for goods	146,930,733.24	188,957,240.00
Payment for materials	54,055,696.55	18,632,180.36
Engineering fees	26,696,117.76	52,324,191.98
Total	227,682,547.55	259,913,612.34

(2) Significant accounts payable with age exceeding 1 year

Inapplicable

37. Advance Receipts

(1) Statement of advances from customers

In CNY

Items	Ending balance	Opening balance
Payment for goods	14,770,379.61	14,822,924.98
Rent	3,252,081.05	1,636,520.02
Total	18,022,460.66	16,459,445.00

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

Inapplicable

38. Contract liabilities

Inapplicable

39. Employee remuneration payable

(1) Statement of employee remuneration payable

In CNY

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance
I. Short term remuneration	63,805,316.88	272,491,338.67	292,637,143.21	43,659,512.34
II. Post-employment benefit program - defined contribution plan.	5,973,720.95	22,090,963.73	23,142,138.67	4,922,546.01
Total	69,779,037.83	294,582,302.40	315,779,281.88	48,582,058.35

(2) Presentation of short term remuneration

In CNY

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance
1. Salaries, bonus,	63,307,013.46	242,746,533.20	262,946,115.16	43,107,431.50

allowances and subsidies				
2. Staff's welfare	0.00	5,795,147.74	5,795,147.74	0.00
3. Social security premium	0.00	9,967,657.28	9,916,381.28	51,276.00
Including: medical insurance premium	0.00	8,869,151.88	8,827,318.88	41,833.00
Work injury insurance	0.00	357,040.05	350,766.05	6,274.00
Maternity Insurance	0.00	741,465.35	738,296.35	3,169.00
4. Public reserve for housing	0.00	8,518,713.97	8,518,713.97	0.00
5. Trade union fund and staff education fund	498,303.42	3,849,765.11	3,847,263.69	500,804.84
6. Short-term paid leave	0.00	1,613,521.37	1,613,521.37	0.00
Total	63,805,316.88	272,491,338.67	292,637,143.21	43,659,512.34

(3) Presentation of the defined contribution plan

In CNY

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance
1. Basic endowment insurance premium	473,251.38	20,675,747.29	21,030,867.66	118,131.01
2. Unemployment insurance premium	0.00	552,469.46	548,054.46	4,415.00
3. Contribution to the enterprise annuity scheme	5,500,469.57	862,746.98	1,563,216.55	4,800,000.00
Total	5,973,720.95	22,090,963.73	23,142,138.67	4,922,546.01

40. Taxes payable

In CNY

Items	Ending balance	Opening balance
Value-added tax	12,738,306.56	32,344,121.18
Consumption tax	-153,015.94	0.00
Enterprise Income Tax	15,900,477.46	21,599,264.54
Individual income tax	1,812,507.91	998,190.73
Urban maintenance and construction tax	366,990.40	321,914.01

Real estate tax	1,370,185.18	248,795.56
Education Surcharge	262,286.98	229,955.09
Others	-259,753.75	180,930.81
Total	32,037,984.80	55,923,171.92

41. Other payables

In CNY

Items	Ending balance	Opening balance
Interest payable	740,561.84	772,351.26
Other payables	91,573,312.72	71,047,579.04
Total	92,313,874.56	71,819,930.30

(1) Interest payable

In CNY

Items	Ending balance	Opening balance
Interest payable for short term loan	740,561.84	772,351.26
Total	740,561.84	772,351.26

(2) Dividend payable

Inapplicable

(3) Other payables

1) Other payments stated based on nature of fund

In CNY

Items	Ending balance	Opening balance
Collateral and Deposit	33,429,349.06	22,954,307.95
Fund for shop-front activities	1,939,718.66	17,461,589.65
Personal account payable	20,580,376.18	3,058,122.71
Refurbishment	5,100,755.67	6,096,460.99
Down payment	387,531.46	612,659.73
Others	30,135,581.69	20,864,438.01
Total	91,573,312.72	71,047,579.04

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

In CNY

Items	Ending balance	Cause of failure in repayment or carry-over
Shenzhen Tencent Computer System Co., Ltd.	4,693,429.16	Deposit for property lease
Shenzhen Qianhai Zubao Network Technology Co., Ltd.	1,877,815.24	Deposit for property lease
SHENZHEN COMEN MEDICAL INSTRUMENTS CO., LTD.	1,059,236.96	Deposit for property lease
Shenzhen Zhongshen Commercial Property Service Co., Ltd.	903,166.80	Deposit for property lease
Oracle Research & Development Center(Shenzhen) Co.,Ltd	804,000.00	Deposit for property lease
Total	9,337,648.16	--

42. Held-for-sale liabilities

Inapplicable

43. Non-current liabilities due within a year

In CNY

Items	Ending balance	Opening balance
Long-term liabilities due within a year	352,790.00	347,470.00
Total	352,790.00	347,470.00

44. Other current liabilities

Inapplicable

45. Long-term Loan

(1) Classification of Long-term Borrowings

In CNY

Items	Ending balance	Opening balance
Mortgage loan	4,409,875.00	4,517,110.00
Total	4,409,875.00	4,517,110.00

Notes to classification of long term borrowings:

(1) The Company has no overdue and outstanding long term borrowing.

(2) The Company has no secured borrowings in the balance of the long term borrowings during the reporting period

Other notes, including the interest rate interval:

The interest rate of long term borrowings is 3.00%.

46. Bonds Payable

(1) Bonds payable

Inapplicable

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

Inapplicable

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

Inapplicable

(4) Note to other financial instruments classified as financial liabilities

Inapplicable

47. Lease liabilities

Inapplicable

48. Long term accounts payable

Inapplicable

(1) Long term accounts payable stated based on the nature

Inapplicable

(2) Special accounts payable

Inapplicable

49. Long term payroll payable

(1) Statement of long term payroll payable

Inapplicable

(2) Change of defined benefit plans

Inapplicable

50. Predicted liabilities

Inapplicable

51. Deferred income

In CNY

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance	Cause of formation
Government subsidies	3,672,855.36	0.00	0.00	3,672,855.36	Income to be recognized
Total	3,672,855.36	0.00	0.00	3,672,855.36	--

Items involving government subsidies:

In CNY

Liabilities	Opening balance	Amount of newly added subsidy in the reporting period	Amount counted to the non-operating income in the reporting period	Amount counted to the other income in the reporting period	Amount offsetting costs and expenses in the reporting period	Other changes	Ending balance	Related with assets/related with income
Special purpose fund of Shenzhen industrial design development (Note (1))	933,011.22	0.00	0.00	0.00	0.00	0.00	933,011.22	Related with assets
Funding project for construction of enterprise technology center designated by the state (Note (2))	1,511,421.57	0.00	0.00	0.00	0.00	0.00	1,511,421.57	Related with assets
Special purpose fund for 2017 Industry and Informationization at Provincial Level (Note (3))	1,162,384.83	0.00	0.00	0.00	0.00	0.00	1,162,384.83	Related with income
Special fund for upgrading standard and quality of	66,037.74	0.00	0.00	0.00	0.00	0.00	66,037.74	Related with assets

consumer goods								
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Other notes:

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

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

Note (3): The special purpose fund obtained according to the Circular of the Economic and Information Commission of Guangdong Province on Doing a Good Job in Submission to the Special Project Library of Production and Services at Provincial Level in 2017 (YUE JING XIN SHENG CHAN HAN (2016) No. 53) jointly promulgated by the Economic & Information Commission of Guangdong Province and the Finance Department of Guangdong Province.

52. Other non-current liabilities

Inapplicable

53. Capital stock

In CNY

	Opening balance	Increase / Decrease (+/-)					Ending balance
		New issuing	Bonus shares	Shares converted from reserve	Others	Sub-total	
Total Shares	438,744,881.00	4,224,000.00	0.00	0.00	0.00	4,224,000.00	442,968,881.00

Other notes:

Approved by the 3rd session of the Ninth Board of Directors held on November 12, 2018 and 2019 1st Extraordinary General Meeting held on January 11, 2019, the Company decided to grant 4.224 million restrictive A-shares to 128 persons eligible for the incentive at the price of CNY 4.40 per share. This part of A-share restrictive stock was all granted and registered for listing by the end of the reporting period. The total consideration of the shares granted to the persons eligible for the incentive received by the Company amounted to CNY 18,585,600.00, including the increased capital stock amounted to CNY 4,224,000.00.

54. Other equity instruments

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

Inapplicable

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

Inapplicable

55. Capital reserve

In CNY

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance
Capital premium (capital stock premium)	1,047,963,195.57	14,361,600.00	0.00	1,062,324,795.57
Other capital reserve	14,492,448.65	2,234,597.31	0.00	16,727,045.96
Total	1,062,455,644.22	16,596,197.31	0.00	1,079,051,841.53

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

Approved by the 3rd session of the Ninth Board of Directors held on November 12, 2018 and 2019 1st Extraordinary General Meeting held on January 11, 2019, the Company decided to grant 4.224 million restrictive A-shares to 128 persons eligible for the incentive at the price of CNY 4.40 per share. This part of A-share restrictive stock was all granted and registered for listing by the end of the reporting period. The total consideration of the shares granted to the persons eligible for the incentive received by the Company amounted to CNY 18,585,600.00, including the increased capital stock amounted to CNY 4,224,000.00; the increased capital reserve (capital stock premium) amounted to CNY 14,361,600.00.

The increase of other capital reserve was the amount of the expenses recognized in the reporting period.

56. Treasury shares

In CNY

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance
Shares in stock	0.00	32,902,198.89	0.00	32,902,198.89
Total	0.00	32,902,198.89	0.00	32,902,198.89

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

The increase of the shares in stock during the reporting period consisted of two parts. One part was the consideration from the subscription of the employees' restrictive shares received totaling CNY 18,585,600.00 and the other part was the amount from the repurchase of B-shares totaling CNY 14,316,598.89.

57. Other comprehensive income

In CNY

Items	Opening balance	Amount incurred in the reporting period						Ending balance
		Amount incurred before income tax in the reporting period	Less: the amount counted to the profit and loss during the reporting period which had been counted to the other comprehensive income in the previous period.	Less: the amount counted to the retained earnings during the reporting period which had been counted to the other comprehensive income in the previous period.	Less: Income tax expense	Attributable to the parent company after tax	Attributable to minority shareholders after tax	
I. Other comprehensive income which cannot be re-classified into profit and loss	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Other comprehensive income which shall be re-classified into profit and loss	-5,442,139.78	1,749,407.20	0.00	0.00	0.00	1,749,407.20	13.67	-3,692,732.58
Conversion difference in foreign currency statements	-5,442,139.78	1,749,407.20	0.00	0.00	0.00	1,749,407.20	13.67	-3,692,732.58
Total other comprehensive income	-5,442,139.78	1,749,407.20	0.00	0.00	0.00	1,749,407.20	13.67	-3,692,732.58

58. Special reserve

Inapplicable

59. Surplus Reserve

In CNY

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance
Statutory surplus reserve	161,030,899.80	0.00	0.00	161,030,899.80
Discretionary surplus reserve	61,984,894.00	0.00	0.00	61,984,894.00
Total	223,015,793.80	0.00	0.00	223,015,793.80

60. Retained earnings

In CNY

Items	Reporting period	Previous period
Before adjustment: Retained earnings at the end of the previous period	851,360,603.66	771,484,565.02
After adjustment: Retained earnings at the beginning of the reporting period	0.00	771,484,565.02
Plus: Net profit attributable to the parent company's owner in the report period	123,495,460.90	183,835,095.29
Less: Provision of statutory surplus public reserve	0.00	16,210,080.45
Dividends of common shares payable	0.00	87,748,976.20
Retained earnings at the end of the reporting period	974,856,064.56	851,360,603.66

61. Operation Income and Costs

In CNY

Items	Amount incurred in the reporting period		Amount incurred in the previous period	
	Income	Costs	Income	Costs
Principal business	1,775,615,457.33	1,049,188,996.85	1,683,836,915.14	973,240,076.81
Other businesses	9,420,562.90	2,315,078.37	12,054,517.58	3,085,659.54
Total	1,785,036,020.23	1,051,504,075.22	1,695,891,432.72	976,325,736.35

Has the new standard for income been implemented

No

62. Business Taxes and Surcharges

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Consumption tax	184,399.06	35,185.87

Urban maintenance and construction tax	6,395,004.36	8,003,388.87
Education Surcharge	4,548,531.69	5,707,461.48
Real estate tax	1,886,754.77	1,987,807.87
Land use tax	211,126.82	189,899.66
Tax on using vehicle and boat	1,035.00	375.00
Stamp duty	1,102,915.98	990,689.30
Others	765,107.65	875,978.38
Total	15,094,875.33	17,790,786.43

63. Sales expenses

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Salaries & bonus	145,512,139.90	139,546,287.86
Employees' welfare	3,159,080.44	3,138,963.39
Public reserve for housing	5,750,656.98	5,500,716.30
Social security premium	22,997,809.84	20,980,632.82
Shopping mall and rental fees	83,986,057.93	64,037,045.34
Advertising, exhibition and market promotion fee	72,972,500.97	97,597,459.44
Depreciation and amortization	43,315,834.35	39,426,656.57
Packing expenses	5,502,133.20	8,692,707.95
Water & power supply and property management fee	9,561,119.07	6,745,296.70
Freight	6,971,013.87	5,646,078.77
Office expenses	2,779,674.92	4,263,061.96
Business travel expenses	4,887,148.59	5,097,034.58
Others	8,380,858.89	21,441,100.01
Total	415,776,028.95	422,113,041.69

64. Administrative expenses

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Salaries & bonus	67,718,045.37	63,138,017.67

Social security premium	5,755,767.56	5,047,581.22
Depreciation and amortization	14,295,251.10	12,160,071.63
Enterprise annuity	1,125,994.66	625,494.72
Labor union dues	2,630,194.16	2,603,067.32
Training fee	518,230.67	1,199,149.56
Business travel expenses	3,353,907.41	3,182,680.24
Office expenses	1,688,108.77	1,870,367.44
Public reserve for housing	2,077,719.29	2,048,849.77
Service fee to intermediary agencies	1,625,961.96	1,792,807.55
Employees' welfare	1,790,667.18	1,385,238.49
Others	13,772,987.29	9,189,066.08
Total	116,352,835.42	104,242,391.69

65. R & D expenditures

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Salaries & bonus	10,860,114.59	10,517,474.56
Employees' welfare	205,127.58	307,905.39
Social security premium	924,124.54	992,592.32
Public reserve for housing	304,138.80	336,550.86
Cost of materials	63,256.68	2,478,026.50
Payment for samples	868,357.42	1,146,145.67
Processing charges	-	15,226.36
Depreciation and amortization	2,627,949.69	2,356,002.47
Technical cooperation fee	560,030.37	604,801.61
Others	3,113,311.26	2,531,200.28
Total	19,526,410.93	21,285,926.02

66. Financial expenses

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
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Interest payment	12,023,843.93	14,273,043.13
Less: capitalized interest	0.00	0.00
Less: Interest income	908,850.92	1,079,587.08
Exchange gain & loss	-134,740.68	33,652.69
Financial service charges and miscellaneous	5,258,713.56	4,920,682.75
Total	16,238,965.89	18,147,791.49

67. Other income

In CNY

Source of arising of other income	Amount incurred in the reporting period	Amount incurred in the previous period
Government subsidies	13,045,742.36	6,497,018.80
Total	13,045,742.36	6,497,018.80

68. Return on investment

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Income from long term equity investment based on equity method	1,531,310.06	93,013.38
Total	1,531,310.06	93,013.38

69. Net exposure hedge income

Inapplicable

70. Income from change of the fair value

Inapplicable

71. Loss from impairment of credit

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Provision for bad debt of other receivables	-301,318.07	-253,014.23
Loss from bad debt of accounts receivable	-2,780,450.82	5,431,814.64
Total	-3,081,768.89	5,178,800.41

72. Loss from impairment of assets

Has the new standard for income been implemented

No

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
I. Loss from impairment of assets		
II. Loss from price falling of inventories	2,514,740.86	-1,765,800.30
Total	2,514,740.8	-1,765,800.30

73. Income from disposal of assets

In CNY

Source of income from disposal of assets	Amount incurred in the reporting period	Amount incurred in the previous period
Profit from disposal of assets	1,720.00	3,490.00
Loss from disposal of assets	-213,730.13	-57,897.16

74. Non-operating expenses

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period	Amount counted to the current non-operating gain and loss
Disposal of account payable impossible to be paid	212,175.93	52,506.24	212,175.93
Others	82,135.77	311,353.27	82,135.77
Total	294,311.70	363,859.51	294,311.70

75. Non-operating expenditure

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period	Amount counted to the current non-operating gain and loss
Outward donation	200,000.00	380,000.00	200,000.00
Others	324,505.98	86,522.53	324,505.98
Total	524,505.98	466,522.53	524,505.98

76. Income tax expense

(1) Statement of income tax expense

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Income tax expense in the reporting period	22,066,289.48	34,026,742.02
Deferred income tax expense	18,548,898.09	-562,942.30
Total	40,615,187.57	33,463,799.72

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

In CNY

Items	Amount incurred in the reporting period
Total profit	164,110,648.47
Income tax expense calculated based on the statutory/ applicable tax rate	41,027,662.12
Influence of different tax rates applicable to subsidiaries	-3,658,836.86
Influence of adjustment of the income tax in the previous period	414,337.14
Influence of the non-offsetable costs, expenses and loss	1,425,382.35
Influence from the offsetable provisional difference or offsetable loss of the unrecognized deferred income tax asset at the end of the reporting period	1,797,934.13
Profit and loss of the joint ventures and associated calculated based on the equity method	-382,827.52
Others	-8,463.80
Income tax expenses	40,615,187.57

77. Other comprehensive income

For the detail, refer to Note 57.

78. Cash Flow Statement Items

(1) Other operation activities related cash receipts

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Commodity promotion fee	7,326,827.42	6,072,093.46

Government subsidies	13,045,742.36	6,497,018.80
Cash deposit	6,493,217.88	4,350,761.76
Interest income	908,850.92	1,079,587.08
Reserve	687,618.62	1,406,129.93
Others	12,513,870.71	5,617,057.35
Total	40,976,127.91	25,022,648.38

(2) Other cash paid in connection with operation activities

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Market promotion	55,480,743.21	66,401,628.85
Rent	54,742,365.90	39,732,881.18
Shopping mall fees	30,786,192.52	26,461,676.31
Advertisement fee	11,083,207.52	11,176,335.56
Packing expenses	5,703,500.29	8,883,462.57
Business travel expenses	8,284,981.38	8,333,226.89
Water and electricity fees	6,714,986.63	7,029,160.13
R & D expenses	4,322,224.36	6,759,781.73
Office expenses	5,207,489.18	6,534,273.39
Freight	7,747,014.23	6,018,407.34
Exhibition fee	6,546,230.71	5,974,002.19
Property management fee	7,982,065.97	4,228,170.40
Business entertainment	2,683,582.53	2,830,040.57
Service fee to intermediary agencies	2,043,210.38	2,156,715.09
Others	27,973,348.54	14,825,683.48
Total	237,301,143.35	217,345,445.68

(3) Other investment activities related cash receipts

Inapplicable

(4) Other investment activities related cash payments

Inapplicable

(5) Other fund-raising activities related cash receipts

Inapplicable

(6) Other fund-raising activities related cash payments

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Others	17,565,400.00	0.00
Total	17,565,400.00	0.00

Note to the cash paid for other fund raising related activities:

The amount incurred in the reporting period was the payment for repurchase of B-shares.

79. Supplementary information of the cash flow statement

(1) Supplementary information of the cash flow statement

In CNY

Supplementary information	Amount in the reporting period	Amount in the previous period
1. Net cash flows arising from adjustment of net profit into operating activities:	--	--
Net profit	123,495,460.90	112,367,921.44
Plus: Provision for impairment of assets	567,028.03	-14,525,567.48
Depreciation of fixed assets, depletion of oil and gas asset, depreciation of productive biological asset	21,385,076.08	21,080,763.14
Amortization of intangible assets	3,291,008.97	2,430,354.87
Amortization of the long-term expenses to be apportioned	46,754,405.36	40,947,482.90
Loss (income is stated in "-") from disposal of fixed assets, intangible assets and other long term assets	212,010.13	54,407.16
Financial expenses (income is stated with "-")	12,023,843.93	14,273,043.13
Investment loss (income is stated with "-")	-1,531,310.06	-93,013.38
Decrease of the deferred income tax asset (increase is stated with "_")	17,382,217.94	-562,942.30
Decrease of inventories (Increase is stated with "-")	57,362,696.37	94,502,115.24

Decrease of operative items receivable (Increase is stated with "-")	-112,532,040.70	-56,854,840.95
Increase of operative items payable (Decrease is stated with "-")	-9,395,746.59	11,052,550.32
Net cash flows arising from operating activities	159,014,650.37	224,672,274.09
2. Significant investment and fund-raising activities with no cash income and expenses involved:	--	--
3. Net change in cash and cash equivalents:	--	--
Ending cash balance	224,316,552.42	278,804,271.58
Less: Opening balance of cash	162,623,059.97	184,947,891.32
Net increase of cash and cash equivalents	61,693,492.45	93,856,380.26

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

Inapplicable

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

Inapplicable

(4) Composition of cash and cash equivalents

In CNY

Items	Ending balance	Opening balance
I. Cash	224,316,552.42	162,623,059.97
Including: Cash in stock	225,027.58	420,783.85
Bank deposit available for payment at any time	223,207,376.62	160,135,454.62
Other monetary fund used for payment at any time	884,148.22	2,066,821.50
II. Cash equivalents	224,316,552.42	162,623,059.97
III. Ending balance of cash and cash equivalents	224,316,552.42	162,623,059.97
Including: cash and cash equivalents restricted for use from the parent company or other subsidiaries of the Group	2,205,000.00	2,205,000.00

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

Inapplicable

81. Assets restricted in ownership or use right

In CNY

Items	Book value at the end of the reporting period	Cause of restriction
Monetary fund	2,205,000.00	L/G cash deposit: CNY 1,575,000.00; judicially frozen fund: CNY 630,000.00.
Fixed assets	14,609,376.25	Security guarantee
Other receivables	8,958,057.64	Guarantee for property suit
Total	25,772,433.89	--

82. Foreign currency monetary items

(1) Foreign currency monetary items

Items	Ending balance of foreign currency	Conversion rate	Ending balance of Renminbi converted
Monetary capital	--	--	19,563,618.98
Including: USD	1,544,000.97	6.87470	10,614,543.46
Euro	5,335.38	7.81700	41,706.67
HKD	8,474,774.02	0.87966	7,454,919.72
CHF	206,348.97	7.03880	1,452,449.13
Accounts receivable	--	--	19,722,262.85
Including: USD	1,666,823.49	6.87470	11,458,911.45
Euro	38,235.40	7.81700	298,886.12
HKD	8,181,240.80	0.87966	7,196,710.28
CHF	109,074.70	7.03880	767,755.00
Long-term Loan	--	--	4,409,875.00
Including: USD	0.00	0.00	0.00
Euro	0.00	0.00	0.00
HKD	0.00	0.00	0.00
CHF	625,000.00	7.03880	4,409,875.00
Advance payments			7,691,652.56
Including: HKD	567,280.00	0.87966	499,013.52
CHF	742,779.63	7.03880	5,228,277.26
JP Yen	30,781,650.00	0.06382	1,964,361.78
Other receivables			6,622,119.65
Including: HKD	281,839.74	0.87966	247,923.15

CHF	905,580.00	7.03880	6,374,196.50
Accounts payable			5,839,977.02
Including: USD	3,144.30	6.87470	21,616.12
HKD	6,459,259.72	0.87966	5,681,952.41
CHF	19,379.51	7.03880	136,408.49
Advance receipt			1,903,605.64
Including: USD	265,931.77	6.87470	1,828,201.14
HKD	85,720.05	0.87966	75,404.50
Other payables			1,289,717.20
Including: USD	25,326.00	6.87470	174,108.65
HKD	498,843.80	0.87966	438,812.94
CHF	96,152.13	7.03880	676,795.61
Short term loans			30,086,500.00
Including: HKD	23,000,000.00	0.87966	20,232,180.00
CHF	1,400,000.00	7.03880	9,854,320.00
Non-current liabilities due within a year			
Including: CHF	50,000.00	7.03880	352,790.00

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

Inapplicable

83. Hedging

Inapplicable

84. Government subsidies

(1) Basic information of government subsidies

In CNY

Categories	Amount	Items presented	Amount counted to the current profit and loss
Allowance for BaselWorld from Shenzhen Watch & Clock Association	114,333.32	Other income	114,333.32
Financial support in 2018 from	435,000.00	Other income	435,000.00

Shenzhen Standardization Special Fund Industrial Standard in 2018 (Note (1))			
Financial support of Shenzhen Intellectual Property Big Data Testing Platform (Note (2))	500,000.00	Other income	500,000.00
2018 R & D Financial Support from Shenzhen Science & Technology Innovation Commission (Note (3))	1,191,000.00	Other income	1,191,000.00
2018 Self-innovation Industry Development Financial Support from Shenzhen Science & Technology Innovation Commission	593,600.00	Other income	593,600.00
Supplementary Award of the 20th China Patent Award of Guangdong Intellectual Property	150,000.00	Other income	150,000.00
2018 Head Office Enterprise Contribution Award from Development and Reform Commission of Shenzhen Municipality (Note (4))	4,843,500.00	Other income	4,843,500.00
Subsidy of the Talent Qualification Improvement Engineering Project of the Human Resource Bureau of Nanshan District, Shenzhen	25,000.00	Other income	25,000.00
Allowance for the supporting project of commerce & trade circulation innovation development (Note (5))	712,664.00	Other income	712,664.00
Financial support from the Special Fund of Shenzhen Standards in 2018	233,000.00	Other income	233,000.00
2018 R & D financial support from the municipal bureau (Note (6))	961,000.00	Other income	961,000.00
Bonus of the R & D Financial Support Projects of Guangming District 2018	351,000.00	Other income	351,000.00
Special fund for the Economic Development of Guangdong District 2019	300,000.00	Other income	300,000.00

Financial support for the production capacity expansion and efficiency improvement of the key industrial enterprises from the Science and Technology Innovation Commission in 2018 (Note (7))	1,000,000.00	Other income	1,000,000.00
Special financial support for the standards of the Market and Quality Supervision Commission	108,000.00	Other income	108,000.00
Allowance for the Endowment and Medical Insurance for the Disabled in the Second Half of 2018 from the United Front and Social Construction Bureau of Guangming District	3,651.47	Other income	3,651.47
Birth allowance from the Social Security Bureau of Shenzhen Municipality	65,323.57	Other income	65,323.57
R & D financial support from Guangming District in 2017	258,000.00	Other income	258,000.00
Domestic market development subsidy of Small and Medium-sized Enterprises Division of Shenzhen Municipality	14,670.00	Other income	14,670.00
Supplementary Award of the 20th China Patent Award of Guangdong Province - Shenzhen Market Supervision	150,000.00	Other income	150,000.00
Financial support from the Finance Bureau of Guangming District on Making Enterprises in Guangming District Bigger and Stronger	286,000.00	Other income	286,000.00
Shenzhen R & D Financial Support in 2018 (expenses in 2017) (Note (8))	550,000.00	Other income	550,000.00
Allowance for the talents' quality improvement project	100,000.00	Other income	100,000.00
Bonus for encouraging medium-sized and small enterprises from Economic Promotion Bureau of Nanshan	100,000.00	Other income	100,000.00

District			
Total		13,045,742.36	13,045,742.36

Note (1): It refers to the financial support from the government according to the “Measures for Management of the Special Fund for Developing Shenzhen Standards in Shenzhen” and the “Operating Instructions on Financial Support with the Special Fund for Developing Shenzhen Standards in Shenzhen” (SHEN SHI ZHI (2019) No. 17) promulgated by Market and Quality Supervision Commission of Shenzhen Municipality.

Note (2): It refers to the special fund obtained according to the “Circular on Application for the Financial Support for the Intellectual Property Big Data Monitoring in Shenzhen during 2018 - 2019” promulgated by Market and Quality Supervision Commission of Shenzhen Municipality.

Note (3): It refers to the bonus from of the governmental financial support bonus obtained according to the “Announcement of the First Enterprises to be Financially Supported for the Enterprise R & D Financial Support Program in 2018” promulgated by Science & Technology Innovation Commission of Shenzhen Municipality.

Note (4): It refers to the governmental financial support obtained according to the “Measures for Implementation of Encouraging Development of Head Office Enterprises in Shenzhen” promulgated by Development and Reform Commission of Shenzhen Municipality (SHEN FU GUI (2017) No. 7).

Note (5): It refers to the governmental financial support according to the “Program for Supporting Commerce & Trade Circulation Innovation Development 2019” promulgated by Shenzhen Municipal Commission of Economy and Informatization.

Note (6): It refers to the bonus from of the governmental financial support bonus obtained according to the “Announcement of the First Enterprises to be Financially Supported for the Enterprise R & D Financial Support Program in 2018” promulgated by Science & Technology Innovation Commission of Shenzhen Municipality.

Note (7): It refers to the governmental financial support obtained according to the “Circular on Instructions for Application for Projects to be Awarded for Production Capacity Expansion and Efficiency Improvement of the Key Industrial Enterprises in 2018” promulgated by Shenzhen Municipal Commission of Economy and Informatization.

Note (8): It refers to the bonus from of the governmental financial support bonus obtained according to the “Announcement of the First Enterprises to be Financially Supported for the Enterprise R & D Financial Support Program in 2018” promulgated by Science & Technology Innovation Commission of Shenzhen Municipality.

(2) Refunding of the government subsidies

Inapplicable

85. Others

Inapplicable

VIII. Change in consolidation scope

1. Consolidation of enterprises not under the same control

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

Inapplicable

(2) Consolidation cost and goodwill

Inapplicable

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

Inapplicable

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

Inapplicable

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

Inapplicable

(6) Other notes

Inapplicable

2. Consolidation of enterprises under the same control

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

Inapplicable

(2) Consolidation cost

Inapplicable

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

Inapplicable

3. Counter purchase

Inapplicable

4. Disposal of subsidiaries

Inapplicable

5. Change of consolidation scope due to other reason

Inapplicable

6. Others

Inapplicable

IX. Equity in other entities

1. Equity in a subsidiary

(1) Composition of an enterprise group

Subsidiaries	Main business location	Place of registration	Nature of business	Shareholding proportion		Way of acquisition
				Direct	Indirect	
Harmony	Shenzhen	Shenzhen	Commerce	100.00%		Establishment or investment
the Manufacture Co.	Shenzhen	Shenzhen	Manufacture	90.00%	10.00%	Establishment or investment
the Hong Kong Co.	Hong Kong	Hong Kong	Commerce	100.00%		Establishment or investment
Station-68 Co.	Hong Kong	Hong Kong	Commerce		60.00%	Establishment or investment
Harbin Co.	Harbin	Harbin	Commerce	100.00%		Establishment or investment
the Technology Co.	Shenzhen	Shenzhen	Manufacture	100.00%		Establishment or investment
SHIYUEHUI	Shenzhen	Shenzhen	Commerce	100.00%		Establishment or investment

Emile Chouriet (Shenzhen) Limited	Shenzhen	Shenzhen	Commerce	100.00%		Establishment or investment
The Sales Co.	Shenzhen	Shenzhen	Commerce	100.00%		Establishment or investment
Hengdarui	Shenyang	Shenyang	Commerce	100.00%		Consolidation of enterprises under the same control
Switzerland Company	Switzerland	Switzerland	Commerce		100.00%	Consolidation of enterprises not under the same control

(2) Important non-wholly-owned subsidiaries

Inapplicable

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

Inapplicable

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

Inapplicable

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

Inapplicable

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

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

Inapplicable

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

Inapplicable

3. Equity in joint venture arrangement or associates

(1) Important joint ventures or associates

Name of joint venture	Main business	Place of registration	Nature of business	Shareholding proportion	Accounting
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or associate	location			Direct	Indirect	treatment method for investment in joint ventures or associates
Shanghai Watch Industry Co., Ltd.	Shanghai	Shanghai	Manufacture	25.00%		Equity method

(2) Key financial information of important joint ventures

Inapplicable

(3) Key financial information of important associates

In CNY

	Ending balance/amount incurred in the reporting period	Opening balance/ amount incurred in the reporting period
Current assets	108,665,233.95	99,901,286.09
Non-current assets	15,540,417.40	15,459,207.08
Total assets	124,205,651.35	115,360,493.17
Current liabilities	13,047,529.95	10,833,917.48
Total liabilities	13,047,529.95	10,833,917.48
Equity attributable to the parent company's shareholders	111,158,121.40	104,526,575.69
Share of net assets calculated according to the shareholding proportion	27,789,530.35	26,131,643.92
Book value of the equity investment in associates	46,412,373.21	44,881,063.15
Revenue	57,039,155.07	46,323,386.37
Net profit	6,125,240.23	372,053.52
Total comprehensive income	6,125,240.23	372,053.52

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

Inapplicable

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

Inapplicable

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

Inapplicable

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

Inapplicable

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

Inapplicable

4. Important joint operation

Inapplicable

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

Inapplicable

6. Others

Inapplicable

X. Financial instruments and risk management

The Company's major financial instruments include monetary funds, notes receivable and accounts receivable, other receivables, available-for-sale financial assets, equity investment, notes payable and accounts payable, other payables, borrowings, etc. For details of financial instruments, please refer to the relevant items in Note VI. The risks involved in these financial instruments and the Company's risk control policies aiming at reducing these risks are stated as follows. The Company's management conducts management and monitoring of these risk exposures so as to ensure risks to be controlled within a specific limitation.

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

(I) Risk management goals and policies

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

1. Market Risks

(1) Foreign exchange risk

Foreign exchange risk refers to the risk arising from the loss on exchange rate changes. The Company is mainly exposed

to foreign exchange risk that relates to Hong

Kong dollars, Swiss Franc. Except a number of the Company's subsidiaries that conduct procurement and sales in Hong Kong Dollars and Swiss Franc, the principal business activities of the Company's principal business activities are settled in Renminbi. As at 30 June 2019, except the balance of the aforesaid assets or liabilities which are stated in Hong Kong dollar, Swiss Franc, US dollar, etc., the balance of the financial assets and financial liabilities of the Company are all in Renminbi. Foreign exchange risks arising from the balance of assets and liabilities of such foreign currencies may have an impact on the operating results of the Company.

Items	Ending balance	Opening balance
Monetary fund	19,563,618.98	11,875,297.06
Notes receivable and accounts receivable	19,722,262.85	11,545,880.33
Advance payment for goods	7,691,652.56	4,733,540.86
Other receivables	6,622,119.65	6,589,218.31
Notes payable and accounts payable	5,839,977.02	2,655,278.19
Advance from customers	1,903,605.64	65,276.30
Other payables	1,289,717.20	489,881.07
Short term loans	30,086,500.00	42,118,460.00
Non-current liabilities due within a year	352,790.00	347,470.00
Long-term Loan	4,409,875.00	4,517,110.00

The Company paid close attention to the influence from the movement of exchange rate upon the Company. The Company has not taken any measures to avoid foreign exchange risks.

Sensitivity analysis on foreign exchange risks:

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

Items	Change of the exchange rate	End of the reporting period		End of the same period of the previous year	
		Influence upon the profit	Influence upon the shareholders' equity	Influence upon the profit	Influence upon the shareholders' equity
Monetary fund	Appreciation against Renminbi by 5%	978,180.95	978,180.95	483,724.43	483,724.43
	Depreciation against Renminbi by 5%	-978,180.95	-978,180.95	-483,724.43	-483,724.43
Notes receivable and accounts receivable	Appreciation against Renminbi by 5%	986,113.14	986,113.14	846,483.91	846,483.91

	Depreciation against Renminbi by 5%	-986,113.14	-986,113.14	-846,483.91	-846,483.91
Advance payment for goods	Appreciation against Renminbi by 5%	384,582.63	384,582.63	598,990.31	598,990.31
	Depreciation against Renminbi by 5%	-384,582.63	-384,582.63	-598,990.31	-598,990.31
Other receivables	Appreciation against Renminbi by 5%	331,105.98	331,105.98	312,581.81	312,581.81
	Depreciation against Renminbi by 5%	-331,105.98	-331,105.98	-312,581.81	-312,581.81
Notes payable and accounts payable	Appreciation against Renminbi by 5%	291,998.85	291,998.85	494,013.75	494,013.75
	Depreciation against Renminbi by 5%	-291,998.85	-291,998.85	-494,013.75	-494,013.75
Advance from customers	Appreciation against Renminbi by 5%	95,180.28	95,180.28	9,193.71	9,193.71
	Depreciation against Renminbi by 5%	-95,180.28	-95,180.28	-9,193.71	-9,193.71
Other payables	Appreciation against Renminbi by 5%	64,485.86	64,485.86	23,904.05	23,904.05
	Depreciation against Renminbi by 5%	-64,485.86	-64,485.86	-23,904.05	-23,904.05
Short term loans	Appreciation against Renminbi by 5%	1,504,325.00	1,504,325.00	1,264,650.00	1,264,650.00
	Depreciation against Renminbi by 5%	-1,504,325.00	-1,504,325.00	-1,264,650.00	-1,264,650.00
Non-current liabilities due within a year	Appreciation against Renminbi by 5%	17,639.50	17,639.50	-	-
	Depreciation against Renminbi by 5%	-17,639.50	-17,639.50	-	-
Long-term borrowings	Appreciation against Renminbi by 5%	220,493.75	220,493.75	240,518.75	240,518.75
	Depreciation against Renminbi by 5%	-220,493.75	-220,493.75	-240,518.75	-240,518.75

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

The Company's risk of movement in the cash flow of financial instrument arising from change of the interest rate is mainly related with the bank loan of the fluctuating interest rate. The Company's policy is to maintain the fluctuating interest rate of

these loans.

Sensitivity analysis on interest rate risks:

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

Influence of the change of market interest rate upon the interest income or expenses of the financial instruments with variable interest rates;

For the financial instrument with fixed interest rate measured based on the fair value, the change of the interest rate only impact its interest income or expenses;

For the derivative financial instrument designated as arbitrage tool, the change of the market interest rate impacts its fair value and all the interest rate hedging is predicted to be highly valid;

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

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

As at June 30, 2019, the Company had no borrowings calculated based on the floating interest rate.

(3) Other price risks

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

2. Credit risk

As at June 30, 2019, the maximum credit risk exposure possibly arising from the financial loss to the Company was mainly from the loss arising from failure of the other party to the contract in implementing the obligations which caused loss from generation of the Company's financial assets, which specifically included: the carrying amount of the financial assets recognized in the consolidated balance sheet.

The Company provided no other guarantee which may render the Company bear the credit risk.

For the purpose of lowering the credit risk, the Company may possibly access to the guarantee, credit record and other elements from the third party based on the debtor's financial status, independent rating and other elements, such as assessment of the debtor's credit qualification, such as the current market situation and specifying the corresponding debt limit and credit term. The Company conducts regular supervision over the debtors' credit records and may take the measures of written reminders, shortening the credit period or canceling the credit period, etc. against the debtors with poor credit record so as to ensure the Company's overall credit risk to be within the controllable scope. In addition, the Company

examines the recovery of the accounts receivable on each balance sheet date so as to ensure to provide sufficient bad debt reserve for the accounts impossible to be recovered. Therefore, in the opinion of the Company's management, the credit risk borne by the Company has been greatly reduced.

The Company's working capital is deposited in banks with higher credit ratings, so the credit risk of liquid funds is relatively low.

In the Company's accounts receivable, the accounts receivable owed by the top five customers took 11.16% of the Company's total accounts receivable; in the Company's other receivables, the total other receivables owed by the top five customers took 16.8% of the Company's total other receivables.

3. Liquidity risk

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

The Company took the capital arising from its business and bank loans as the major capital source. As at June 30, 2019, the amount of the bank loan not yet used by the Company was CNY 1,527.61 million (December 31, 2018: CNY 1,981.03 million).

The expiry of the remaining contract obligations for the financial assets and liabilities held by the Company not discounted is analyzed as follows: (in CNY 10,000)

Items	Within 1 year	1 to 2 years	2-3 years	Over 3 years	Total
Financial assets:					
Monetary fund	22,652.16	-	-	-	22,652.16
Notes receivable and accounts receivable	47173.41	-	-	-	47173.41
Where: Notes receivable	994.10	-	-	-	994.10
Accounts receivable	46,179.31	-	-	-	46,179.31
Other receivables	6,527.13	-	-	-	6,527.13
Total financial assets	76,352.70	-	-	-	76,352.70
Financial liabilities:					
Short term loans	55,007.83	-	-	-	55,007.83
Notes payable and accounts payable	22,768.25	-	-	-	22,768.25
Including: accounts payable	22,768.25	-	-	-	22,768.25
Other payables	9231.39	-	-	-	9231.39
Including: interest payable	74.06	-	-	-	74.06

Other payables	9,157.33	-	-	-	9,157.33
Non-current liabilities due within a year	35.28	-	-	-	35.28
Long-term Loan	-			440.99	440.99
Financial guarantee	11,007.83	-	-	-	11,007.83
Total financial liabilities and contingent liabilities	174,403.28	-	-	440.99	174,844.27

XI. Disclosure of Fair Value

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

Inapplicable

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

Inapplicable

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

Inapplicable

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

Inapplicable

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

Inapplicable

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

Inapplicable

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

Inapplicable

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

Inapplicable

9. Others

Inapplicable

XII. Related parties and transactions

1. Details of the parent company of the Company

Name of the parent company	Place of registration	Nature of business	Registered capital	Shareholding ratio of the parent company in the Company	Ratio of vote right of the parent company in the Company
AVIC International Holding Limited	Shenzhen	Investment in industries, domestic trade, material supply and distribution; import and export.	1,166,161,996	36.79%	36.79%

Note to the parent company:

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

Therefore, the eventual controller of the Company is AVIC.

2. Subsidiaries of the Company

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

3. Joint venture and association of the Company

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

4. Other related parties of the Company

Names of other related parties	Relationship between other related parties and the Company
AVIC Property Management Co., Ltd. (AVIC Property)	Controlled by the same party
Shenzhen AVIC Building Technology Co., Ltd. (AVIC Building Co.)	Controlled by the same party
Rainbow Department Store Co., Ltd. (RAINBOW)	Controlled by the same party
Shennan Circuit Co., Ltd. (Shennan Circuit)	Controlled by the same party

AVIC SUNDA Co., Ltd. (AVIC SUNDA)	Controlled by the same party
AVIC Securities Co., Ltd. (AVIC Securities)	Controlled by the same party
Xi'an Skytel Hotel Co., Ltd. (Skytel Hotel)	Controlled by the same party
Shenzhen AVIC City Property Development Co., Ltd.(AVIC City Property)	Controlled by the same party
Shenzhen AVIC Development Co., Ltd. (AVIC City Development)	Controlled by the same party
Shenzhen AVIC Guanlan Real Estate Development Co., Ltd. (AVIC Guanlan Real Estate)	Controlled by the same party
Shenzhen AVIC Changtai Investment Development Co., Ltd. (AVIC Changtai)	Controlled by the same party
Shenzhen AVIC 9 Square Assets Management Co., Ltd. (9 Square Asset)	Controlled by the same party
Shenzhen AVIC City Investment Co., Ltd.(AVIC City Investment)	Controlled by the same party
Shenzhen CATIC Group Enterprise Training Center (CATIC Training Center)	Controlled by the same party
Ganzhou CATIC 9 Square Commerce Co., Ltd. (Ganzhou 9 Square)	Controlled by the same party
AVIC City Property (Kunshan) Co., Ltd. (AVIC City Property (Kunshan))	Controlled by the same party
Shenzhen AVIC Huacheng Property Development Co., Ltd.(AVIC Huacheng Property)	Controlled by the same party
AVIC Finance Co., Ltd. (AVIC Finance)	Controlled by the same party
Shenzhen AVIC Security Service Co., Ltd. (AVIC Security Service)	Controlled by the same party
Shenzhen AVIC Property Asset Management Co., Ltd. (AVIC Property Asset Management)	Controlled by the same party
Jiujiang 9 Square Commerce Management Co., Ltd. (9 Square Commerce Management)	Controlled by the same party
Shenzhen AVIC Grand Skylight Hotel Management Co., Ltd. (Grand Skylight Hotel)	Controlled by the same party
Shenzhen AVIC City Parking Lots Management Co., Ltd. (AVIC Parking Lots Management)	Controlled by the same party
Shenzhen AVIC Grand Skylight Hotel Management Co., Ltd. (Grand Skylight Hotel)	Controlled by the same party
Shenzhen CATIC Technical Testing Office (CATIC Technical Testing)	Controlled by the same party
Gongqingcheng CATIC Cultural Investment Co., Ltd. (Gongqingcheng CATIC Cultural Investment)	Controlled by the same party
AVIC International Complete Set Equipment Co., Ltd. (AVIC Complete Set Equipment)	Controlled by the same party
Shenzhen AVIC Real Estate Development Co., Ltd. (AVIC Real Estate)	Controlled by the same party
Jiujiang AVIC City Real Estate Development Co., Ltd. (Jiujiang AVIC Real	Controlled by the same party

Estate)	
Shenzhen AVIC Property Asset Management Co., Ltd. (AVIC Property Asset Management)	Controlled by the same party
Shenzhen AVIC Nanguang Elevator Co., Ltd. (AVIC Nanguang)	Controlled by the same party
Shenzhen AVIC Curtain Wall Engineering Co., Ltd. (AVIC Curtain Wall Engineering)	Controlled by the same party
Huang Yongfeng	A senior executive
Wang Mingchuan	A senior executive
Fu Debin	A senior executive
Xiao Zhanglin	A senior executive
Wang Bo	A senior executive
Chen Libin	A senior executive
Wang Jianxin	A senior executive
Zhong Hongming	A senior executive
Tang Xiaofei	A senior executive
Wang Baoying	A senior executive
Sheng Qing	A senior executive
Fang Jiasheng	A senior executive
Lu Bingqiang	A senior executive
Lu Wanjun	A senior executive
Liu Xiaoming	A senior executive
Pan Bo	A senior executive
Li Ming	A senior executive
Chen Zhuo	A senior executive
Zou Zhixiang	A senior executive

5. Related transactions

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

Statement of purchase of commodities and acceptance of labor services

In CNY

Related parties	Description of Related Transactions	Amount incurred in the reporting period	Transaction quota as approved	Has it exceeded the transaction quota	Amount incurred in the previous period

AVIC Property	Reception of services	4,665,553.46	10,000,000.00	No	2,966,178.17
Rainbow Ltd.	Shopping mall fees/purchase of goods	3,005,499.82	8,000,000.00	No	2,554,556.27
Shenzhen AVIC Group Enterprise Training Center	Training fee	0.00	500,000.00	No	144,548.39

Statement of sales of goods/supply of labor services

In CNY

Related parties	Description of Related Transactions	Amount incurred in the reporting period	Amount incurred in the previous period
Rainbow Ltd.	Products and labor services	35,273,411.88	35,060,373.29
Shennan Circuit	Products and labor services	4,656,548.21	3,300,322.92
Ganzhou 9 Square	Products and labor services	68,392.00	701,423.33
Shenzhen Grand Skylight Hotel Management Co., Ltd.	Products and labor services	0.00	5,982.90

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

Inapplicable

(3) Related lease

The Company as lessor:

In CNY

Names of lessees	Categories of leasehold properties	Rental income recognized in the current period	Rental income recognized in the previous period
AVIC Property	Housing	9,236,271.13	3,786,677.96
Tianyue Hotel	Housing	2,095,238.09	1,746,031.74
9 Square Assets	Housing	993,238.13	579,564.39
AVIC SUNDA	Housing	926,577.86	898,931.71
CATIC Public Security Service Co.	Housing	706,043.41	0.00
AVIC Securities	Housing	527,428.55	608,571.42
Rainbow Ltd.	Housing	289,764.58	229,327.58
Guanlan Real Estate	Housing	172,145.99	53,919.42
AVIC City Property Co., Ltd.	Housing	149,630.10	187,965.57
AVIC Real Estate Development	Housing	133,876.07	33,406.82
AVIC City Investment	Housing	133,320.56	232,636.75
AVIC Huacheng Property	Housing	117,566.50	143,684.84

AVIC City Development	Housing	0.00	2,428.57
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The Company as lessee:

In CNY

Names of lessees	Categories of leasehold properties	Rental fee recognized in the current period	Rental fee recognized in the previous period
Ganzhou 9 Square	Housing	538,609.84	544,600.15
Jiujiang AVIC Real Estate	Housing	191,570.45	201,501.48
AVIC City Property (Kunshan)	Housing	87,666.38	110,753.27
AVIC City Property Co., Ltd.	Housing	203,568.04	0.00

(4) Related guarantee

The Company as a guarantor

In CNY

Guarantees	Amount guaranteed	Effective date	Expiring date	Is the guarantee finished
the Hong Kong Co.	30,078,332.26	July 24, 2018	May 31, 2020	No
Harmony	80,000,000.00	December 30, 2018	December 29, 2019	No

The Company as a guarantee

In CNY

Guarantors	Amount guaranteed	Effective date	Expiring date	Is the guarantee finished
Harmony	60,000,000.00	December 04, 2018	March 08, 2020	No

(5) Borrowings and lendings among related parties

In CNY

Related parties	Borrowing amount	Starting date	Due date	Note
Borrowed from				
AVIC Financial Co.	100,000,000.00	April 02, 2019	April 02, 2020	
AVIC Financial Co.	50,000,000.00	March 26, 2019	March 26, 2020	
Lending				

(6) Assets assignment and liabilities reorganization of related parties

Inapplicable

(7) Remuneration to senior executives

Inapplicable

(8) Other related transactions

Inapplicable

6. Accounts receivable from and payable to related parties

(1) Receivables

In CNY

Project name	Related parties	Ending balance		Opening balance	
		Book balance	Bad debt reserve	Book balance	Bad debt reserve
Accounts receivable:					
	Rainbow Ltd.	7,724,759.31	386,237.97	2,205,867.79	115,293.39
	AVIC City Property Co., Ltd.	46,669.00	2,333.45	3.00	0.15
	Shennan Circuit	2,972,141.83	148,607.09	1,659,077.38	82,953.87
	Ganzhou 9 Square	0.00	0.00	4,000.00	200.00
	Gongqingcheng CATIC Cultural Investment	0.00	0.00	28,269.36	1,413.47
	9 Square Commerce Management Co., Ltd.	0.00	0.00	4,288.00	214.40
	AVIC Securities	0.00	0.00	101,428.57	5,071.43
	9 Square Assets	0.00	0.00	33,331.01	1,666.55
	Guanlan Real Estate	0.00	0.00	8,315.43	415.77
	AVIC SUNDA	0.00	0.00	148,915.46	7,445.77
	AVIC Property	0.52	0.03	0.52	0.03
Total		10,743,570.66	537,178.54	4,293,496.52	214,674.83
Notes receivable:					
	Shennan Circuit	1,357,388.98	0.00	2,398,579.72	0.00
Total		1,357,388.98	0.00	2,398,579.72	0.00
Other receivables:					
	Rainbow Ltd.	905,787.00	45,289.35	761,860.00	38,093.00
	AVIC Property	464,011.74	23,200.59	10,100.00	505.00
	Ganzhou 9 Square	122,666.00	6,133.30	122,665.60	6,133.28
	AVIC City Property (Kunshan)	50,400.00	2,520.00	50,400.00	2,520.00
	9 Square Commerce Management Co., Ltd.	50,000.00	2,500.00	50,000.00	2,500.00
	AVIC City Property Co., Ltd.	59,923.00	2,996.15	54,923.00	2,746.15

	AVIC IHL	11,101.80	555.09	11,101.80	555.09
	AVIC Training Center	16,000.00	800.00	0.00	0.00
	Grand Skylight Hotel	0.00	0.00	32,000.00	1,600.00
	Gongqingcheng CATIC Cultural Investment	0.00	0.00	5,500.00	275.00
Total	-	1,679,889.54	83,994.48	1,098,550.40	54,927.52

(2) Payables

In CNY

Project name	Related parties	Ending book balance	Opening book balance
Accounts payable:			
	AVIC Building Co.	0.00	24,000.00
	AVIC Property	0.00	40,821.05
Total		0.00	64,821.05
Advance receipts:			
	Rainbow Ltd.	0.00	0.00
	AVIC SUNDA	160,128.00	0.00
	CATIC Public Security Service Co.	122,016.00	0.00
	AVIC Property	1,756.40	0.00
Total		283,900.40	0.00
Other payables:			
	AVIC Property	960,753.30	1,131,164.13
	AVIC SUNDA	442,407.92	442,407.92
	AVIC City Investment	309,732.00	309,732.00
	AVIC Securities	213,000.00	213,000.00
	AVIC Building Co.	117,888.63	116,960.23
	AVIC City Property Co., Ltd.	99,052.32	99,052.32
	AVIC Huacheng Property	73,819.68	73,819.68
	9 Square Assets	378,483.84	378,483.84
	Rainbow Ltd.	96,465.30	60,000.00
	AVIC Changtai	0.00	4,064.81
	AVIC Real Estate	51,014.88	51,014.88
	Guanlan Real Estate	25,401.60	25,401.60
	CATIC Public Security Service Co.	10,533.44	10,533.44

	Ganzhou 9 Square	4,909.00	3,446.22
	Shennan Circuit	0.00	150,000.00
	9 Square Commerce Management Co., Ltd.	1,135.00	0.00
Total		2,784,596.91	3,069,081.07

7. Related parties' commitments

Inapplicable

8. Others

Inapplicable

XIII. Stock payment

1. General

In CNY	
Total amount of various equity instruments granted by the Company during the reporting period	4,224,000.00
Total amount of various equity instruments of the Company exercisable during the reporting period	0.00
Total amount of various equity instruments of the Company expired during the reporting period	0.00
The scope of the exercise price of stock options issued at the end of the reporting period and the remaining time of the contract	Inapplicable
The scope of the exercise price of other equity instruments issued at the end of the reporting period and the remaining time of the contract	The granting price of the A-share restrictive stock incentive plan in 2018 (Phase I) was CNY4.40 per share. The restricted period is from January 11, 2019 to January 11, 2021 and the unlocking period is from January 11, 2021 to January 11, 2024 (it is necessary to satisfy the vested unlocking conditions).

Other notes:

Approved by the 3rd session of the Ninth Board of Directors held on November 12, 2018 and 2019 1st Extraordinary General Meeting held on January 11, 2019, the Company decided to grant 4.224 million restrictive A-shares to 128 persons eligible for the incentive at the price of CNY 4.40 per share. This part of A-share restrictive stock was all granted and registered for listing by the end of the reporting period. The total consideration of the shares granted to the persons eligible for the incentive received by the Company amounted to CNY 18,585,600.00, including the increased capital stock amounted to CNY 4,224,000.00; the increased capital reserve (capital stock premium) amounted to CNY 14,361,600.00. The valid term of the incentive plan is 5 years (60 months), including the 2 years (24 months) of the lock-up period and 3 years of unlocking period (36 months).

2. Stock payment for equity settlement

In CNY	
Method for determining the fair value of equity instruments granted	Fair value of the restrictive stock = closing price as at the date of authorization - granting price - costs of the restrictive factors

Basis for determining the quantity of exercisable equity instruments	Predicted exercisable quantity of the equity incentive shares as at the balance sheet day
Cause of significant difference between the estimation of the reporting period and that of the previous period	Nil
Accumulated amount of the equity-settled share-based payment counted to the capital reserve	16,596,197.31
Total expenses recognized in the equity-settled share-based payment during the reporting period	2,234,597.31

3. Stock payment for cash settlement

Inapplicable

4. Correction and termination of stock payment

Inapplicable

5. Others

Inapplicable

XIV. Commitments and contingencies

1. Important commitments

Important commitments existing as at the balance sheet date

(1) Operating lease commitment

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

Items	Ending balance	Opening balance
Minimum rent payment for irrevocable operational lease:		
1st year after the balance sheet day	59,257,332.36	54,382,100.37
2nd year after the balance sheet day	33,741,124.09	28,501,337.58
3rd year after the balance sheet day	1,465,970.91	12,406,400.37
Subsequent years	6,968,712.39	9,533,027.43
Total	114,626,878.74	104,822,865.75

(2) Other commitments

Ended June 30, 2019, there was no other commitments necessary to be disclosed.

2. Contingencies

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

Nil

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

There existed no such contingencies necessary to be disclosed in the Company.

3. Others

Inapplicable

XV. Events after balance sheet day

Significant non-adjustment events

Inapplicable

2. Profit distribution

In CNY

Profit or dividend to be distributed	87,748,976.20
Profit or dividend announced to be distributed after review and approval	87,748,976.20

3. Sales return

Inapplicable

4. Note to other matters after the balance sheet date

Inapplicable

XVI. Other significant events

1. Correction of the accounting errors in the previous period

(1) Retroactive restatement

Inapplicable

(2) Prospective application

Inapplicable

2. Liabilities restructuring

Inapplicable

3. Replacement of assets

(1) Non-monetary assets exchange

Inapplicable

(2) Other assets exchange

Inapplicable

4. Pension plan

Inapplicable

5. Discontinuing operation

Inapplicable

6. Segment information

(1) Basis for determining the reporting segments and accounting policy

Inapplicable

(2) Financial information of the reporting segments

Inapplicable

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

Inapplicable

(4) Other notes

Inapplicable

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

Inapplicable

8. Others

Inapplicable

XVII. Notes to the parent company's financial statements

1. Accounts receivable

(1) Accounts receivables disclosed by types

In CNY

Categories	Ending balance					Opening balance				
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		Book value
	Amount	Proportion	Amount	Provision proportion		Amount	Proportion	Amount	Provision proportion	
in which										
Accounts receivable for which bad debt reserve has been provided based on portfolios	2,350,230.66	100.00%	117,511.54	5.00%	2,232,719.12	776,459.35	100.00%	38,822.97	5.00%	737,636.38
in which										
Group of aging	2,350,230.66	100.00%	117,511.54	5.00%	2,232,719.12	776,459.35	100.00%	38,822.97	5.00%	737,636.38

Total	2,350,230.66	100.00%	117,511.54	5.00%	2,232,719.12	776,459.35	100.00%	38,822.97	5.00%	737,636.38
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Individual provision for bad and doubtful debts:

Inapplicable

Total provision for bad and doubtful debts based on portfolio: CNY 117,511.54

In CNY

Name	Ending balance		
	Book balance	Bad debt reserve	Provision proportion
Group of aging	2,350,230.66	117,511.54	5.00%
Total	2,350,230.66	117,511.54	--

Note to the basis for determining the combination:

In the portfolio, the account receivable for which provision for bad debt is made based on balance percentage:

(2) Provision, recovery or reversal of reserve for bad debts during the reporting period

Provision for bad debt during the reporting period

In CNY

Categories	Opening balance	Amount of movement during the reporting period			Ending balance
		Provision	Amount recovered or reversed	Written-off	
Group of aging	38,822.97	78,688.57	0.00	0.00	117,511.54
Total	38,822.97	78,688.57	0.00	0.00	117,511.54

(3) Accounts receivable actually written off in current period

Inapplicable

(4) Accounts receivable owed by the top five debtors based on the ending balance

No.	Names of the debtors	Nature of Payment	Amount	Aging	Proportion taken	Bad debt reserve at the end of the reporting period	Are they related parties
1	Shenzhen Zhongshen Commercial Property Service Co., Ltd.	Rent	909,993.48	Within 1 year	38.72%	45,499.67	No
2	ICBC Shenzhen Branch	Rent	661,473.12	Within 1 year	28.15%	33,073.66	No
3	Shenzhen Goodfamily Sports Equipment Chain Store Co., Ltd.	Rent	356,020.60	Within 1 year	15.15%	17,801.03	No
4	Bravo Tech (Shenzhen) Limited	Rent	313,391.69	Within 1 year	13.33%	15,669.58	No
5	Rainbow Ltd.	Rent	99,343.20	Within 1 year	4.23%	4,967.16	Yes

(5) Account receivable with recognition terminated due to transfer of financial assets

Inapplicable

(6) Amount of assets and liabilities formed through transfer of long term account receivable and continuing to be involved

Inapplicable

2. Other receivables

In CNY

Items	Ending balance	Opening balance
Other receivables	802,334,152.26	870,739,378.37
Total	802,334,152.26	870,739,378.37

(1) Interest receivable

Inapplicable

(2) Dividends receivable

Inapplicable

(3) Other receivables

1) Classification of other receivables based on nature of payment

In CNY

Nature of Payment	Ending book balance	Opening book balance
Dealings among related parties within the consolidation scope	797,642,912.65	869,342,613.30
Reserve	76,233.69	70,000.00
Cash deposit and deposit in security	257,635.90	248,104.00
Others	4,443,236.36	1,178,412.07
Total	802,420,018.60	870,839,129.37

2) Provision for bad debts

Disclosed based on aging

In CNY

Aging	Ending balance
Within 1 year (with 1 year inclusive)	878,515.24
1 to 2 years	219,155.80
Over 3 years	40,050.00
Total	1,137,721.04

3) Provision, recovery or reversal of reserve for bad debts during the reporting period

Provision for bad debt during the reporting period

In CNY

Categories	Opening balance	Amount of movement during the reporting period		Ending balance
		Provision	Amount recovered or reversed	
Group of aging	99,751.00	1,355.09	15,239.75	85,866.34
Total	99,751.00	1,355.09	15,239.75	85,866.34

4) Accounts receivable actually written off in the reporting period

Inapplicable

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

In CNY

Company name	Nature of Payment	Ending balance	Aging	Proportion in total ending balance of other receivables	Ending balance of the provision for bad debts
Harmony	Inter-company current account	464,511,889.07	Within 1 year	57.89%	0.00
The Sales Co.	Inter-company current account	192,510,054.01	Within 1 year	23.99%	0.00
Hengdarui	Inter-company current account	98,030,500.00	Within 1 year	12.22%	0.00
SHIYUEHUI	Inter-company current account	22,846,703.45	Within 1 year	2.85%	0.00
Emile Chouriet (Shenzhen) Limited	Inter-company current account	19,743,766.12	Within 1 year	2.46%	0.00
Total	--	797,642,912.65	--	99.40%	0.00

6) Accounts receivable involving government subsidy

Inapplicable

3. Long-term equity investments

In CNY

Items	Ending balance			Opening balance		
	Book balance	Impairment reserve	Book value	Book balance	Impairment reserve	Book value
Investment in	1,331,248,590.93	0.00	1,331,248,590.93	1,331,248,590.93	0.00	1,331,248,590.93

subsidiaries						
Investment in associates and joint ventures	46,412,373.21	0.00	46,412,373.21	44,881,063.15	0.00	44,881,063.15
Total	1,377,660,964.14	0.00	1,377,660,964.14	1,376,129,654.08	0.00	1,376,129,654.08

(1) Investment in subsidiaries

In CNY

Investees	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance	Provision for impairment in the reporting period	Ending balance of the provision for impairment
Harmony	601,307,200.00	0.00	0.00	601,307,200.00	0.00	0.00
The Sales Co.	450,000,000.00	0.00	0.00	450,000,000.00	0.00	0.00
the Manufacture Co.	9,000,000.00	0.00	0.00	9,000,000.00	0.00	0.00
the Technology Co.	10,000,000.00	0.00	0.00	10,000,000.00	0.00	0.00
FIYTA (Hong Kong) Limited	137,737,520.00	0.00	0.00	137,737,520.00	0.00	0.00
SHIYUEHUI	5,000,000.00	0.00	0.00	5,000,000.00	0.00	0.00
Harbin Harmony World Watch Co., Ltd.	2,184,484.39	0.00	0.00	2,184,484.39	0.00	0.00
Hengdarui	36,867,843.96	0.00	0.00	36,867,843.96	0.00	0.00
Emile Chouriet (Shenzhen) Limited	79,151,542.58	0.00	0.00	79,151,542.58	0.00	0.00
Total	1,331,248,590.93	0.00	0.00	1,331,248,590.93	0.00	0.00

(2) Investment in associates and joint ventures

In CNY

Investees	Opening balance	Increase/ Decrease (+ / -) in the reporting period								Ending balance	Ending balance of the provision for impairment
		Additional investment	Decrease of investment	Income from equity investment recognized under equity method	Other comprehensive income adjustment	Other equity movement	Announced for distributing cash dividend or profit	Provision for impairment	Others		
I. Joint Venture											
II. Associates											
Shanghai	44,881,063.15	0.00	0.00	1,531,310.06	0.00	0.00	0.00	0.00	0.00	46,412,373.21	0.00

Watch Industry Co., Ltd.											
Sub-total	44,881,063.15	0.00	0.00	1,531,310.06	0.00	0.00	0.00	0.00	0.00	46,412,373.21	0.00
Total	44,881,063.15	0.00	0.00	1,531,310.06	0.00	0.00	0.00	0.00	0.00	46,412,373.21	0.00

(3) Other notes

Inapplicable

4. Operation Income and Costs

In CNY

Items	Amount incurred in the reporting period		Amount incurred in the previous period	
	Income	Costs	Income	Costs
Principal business	64,124,939.95	11,807,925.90	56,119,634.18	9,578,544.70
Other businesses	0.00	0.00	0.00	0.00
Total	64,124,939.95	11,807,925.90	56,119,634.18	9,578,544.70

Has the new standard for income been implemented

No

5. Return on investment

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Income from long term equity investment based on equity method	1,531,310.06	93,013.38
Total	1,531,310.06	93,013.38

6. Others

Inapplicable

XVIII. Supplementary information

1. Statement of non-recurring gains and losses in the reporting period

In CNY

Items	Amount	Note
1. Gain/Loss from disposal of non-current assets	-212,010.13	It refers to the loss from disposal of fixed assets, such as the obsolete production equipment
The government subsidies included in the profits and losses of the current period (excluding government grants which are closely related to the Company's business and	13,045,742.36	For detail, refer to the supplementary description of the government subsidy counted to the current profit and loss, Note VII.67.

conform with the national standard amount or quantity)		
Other non-operating income and expenses other than the aforesaid items	-230,194.27	It mainly refers to the security deposit due to the advance withdrawal of the shops in some channels, etc.
Less: Amount affected by the income tax	2,735,223.75	
Total	9,868,314.21	--

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

Inapplicable

2. ROE and EPS

Profit in the reporting period	Return on equity, weighted average	Earnings per share	
		Basic earnings per share (CNY/share)	Diluted earnings per share (CNY/share)
Net profit attributable to the Company's shareholders of ordinary shares	4.69%	0.2788	0.2788
Net profit attributable to the Company's shareholders of ordinary shares less non-recurring gains and loss	4.32%	0.2565	0.2565

3. Discrepancy in accounting data between IAS and CAS

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

Inapplicable

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

Inapplicable

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

Inapplicable

4. Others

Inapplicable