



**FIYTA HOLDINGS LTD.**

**2015 Annual Report**

**March, 2016**

## Chapter 1 Important Notice, Table of Contents and Definition

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

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

With the exception of the following directors, all the other directors personally attended the Board Meeting for reviewing the Annual Report

Names of the directors failed in attending the meeting personally	Posts of the directors failed in attending the meeting personally	Cause of failure in attending the meeting personally	Names of the attorneys
Diao Weicheng	Chairman	Business trip	Xu Dongsheng
Liu Aiyi	Director	Business trip	Cao Zhen
Zhong Sijun	Director	Business trip	Wang Mingchuan
Zhang Hong Guang	Independent director	Business trip	Wang Yan

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

In the Report, the Company has presented in detail the potential risks existing in the macro economy and operation. Investors are advised to read carefully the contents concerning risk factors possibly to be confronted with in the Company's future development prospects and the countermeasures in Chapter 4 Management Discussion and Analysis.

The profit distribution preplan reviewed and approved by the said board meeting is summarized as follows: With the Company's total share capital 438,744,881 as the base, the Company would distribute cash dividend at the rate of CNY 1.00 for every 10 shares (with tax inclusive) and bonus share at the rate of 0 share (with tax inclusive) to the whole shareholders and no reserves would be converted into share capital.

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**Definition**

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

## Chapter 2 Company Profile and Financial Highlights

### I. Company Profile

Short form of the stock:	FIYTAA, FIYTA B	Stock Codes:	000026 and 200026
Stock Exchange Listed with	Shenzhen Stock Exchange		
Company Name In Chinese	飞亚达（集团）股份有限公司		
Abbreviation of Registered Company Name in Chinese	飞亚达公司		
Company name in foreign language (if any)	FIYTA HOLDINGS LTD.		
Short form of the Company name in foreign language (if any)	FIYTA		
Legal Representative	Xu Dongsheng		
Registered address:	FIYTA Technology Building, Gaoxin S. Road One, Nanshan District, Shenzhen		
Postal Code of the Registered Address	518057		
Office Address	20 <sup>th</sup> Floor, FIYTA Technology Building, Gaoxin S. Road One, Nanshan District, Shenzhen		
Postal Code of the Office Address	518057		
Internet Web Site	www.fiytagroup.com		
E-mail	investor@fiyta.com.cn		

### II. Liaison Persons and Communication Information

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

**III. Information Disclosure and Place where the Regular Reports are Prepared**

Newspapers Designated for Disclosing the Information:	Securities Times and Hong Kong Commercial Daily
Internet Web Site Designated by China Securities Regulatory Commission for Publishing the Company's semi-annual report:	www.cninfo.com.cn
Place of the Company's Semi-annual Report Prepared for Inquiry	Office of the Board of Directors

**IV. Changes in Registration**

Organization Code	19218978-3
Changes in principal business activities since listing (if any)	No change
Changes in the controlling shareholder in the past (if any)	No change

**V. Other Relevant Information**

CPAs engaged

Name of the CPAs	Grant Thornton Certified Public Accountants (Special General Partnership)
Office address	5th Floor, Scitech Tower, 22 Jianguomen Wai Avenue, Chaoyang District, Beijing
Names of the Certified Public Accountants as the signatories	Su Yang and Chen Zhifang

The sponsor performing persistent supervision duties engaged by the Company in the reporting period

Name of the Sponsor	Office Address	Representatives	Duration of persistent supervision
Huachuang Securities Co., Ltd.	Huachuang Building, 216 Zhonghua N. Road, Guiyang, Guizhou Province	Li Xiumin and Huang Junyi	January 15, 2016 to December 31, 2017

The financial advisor performing persistent supervision duties engaged by the Company in the reporting period

Inapplicable

**VI. Summary of Accounting/Financial Data**

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

No

	2015	2014	Year-on-year increase/decrease	2013
Turnover in CNY	3,162,196,212.90	3,278,142,785.87	-3.54%	3,103,496,962.22
Net profit attributable to the Company's shareholders, in CNY	121,702,057.44	145,591,136.39	-16.41%	130,125,124.48
Net profit attributable to the Company's shareholders less the non-recurring items, in CNY	113,441,715.91	136,799,116.72	-17.07%	127,158,503.02
Net cash flows arising from operating activities, in CNY	396,236,992.41	289,189,630.97	37.02%	79,047,490.92
Basic earning per share (CNY/share)	0.3099	0.3707	-16.40%	0.3310
Diluted earning per share (CNY/share)	0.3099	0.3707	-16.40%	0.3310
Return on equity, weighted average (%)	7.24%	8.62%	-1.38%	8.69%
	End of 2015	End of 2014	Increase/decrease at the end of the year over the end of the previous year	End of 2013
Total assets, in CNY	4,246,670,045.02	3,657,781,647.20	16.10%	3,558,702,591.28
Net assets attributable to the Company's shareholders (owner's equity attributable to the Company's shareholders, in CNY)	2,299,215,650.21	1,633,401,930.64	40.76%	1,536,434,684.56

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

### 1. Differences in the net profit disclosed in the financial report & the net assets respectively according to the IAS and the CAS.

Inapplicable

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

Inapplicable

## VIII. Financial Data Summary based on Quarters

In CNY

	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
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Operating revenue	894,056,260.25	789,736,987.34	784,087,458.61	694,315,506.70
Net profit attributable to the Company's shareholders	44,967,185.35	28,142,234.38	33,505,446.25	15,087,191.50
Net profit attributable to the Company's shareholders less the non-recurring profit and loss	44,409,083.60	27,549,001.67	31,372,100.25	10,142,734.20
Net cash flows arising from operating activities	109,358,176.80	62,895,601.76	86,981,239.77	137,001,974.10

Does there exist significant difference in the foregoing financial data or their total sum from the relevant financial data as disclosed in the quarterly reports and/or semi-annual report.

No

## IX. Non-recurring gain/loss items and amount involved

in CNY

Items	Amount in 2015	Amount in 2014	Amount in 2013	Note
Gain/loss from disposal of non-current assets, including the part offset from the provision for impairment of assets.	34,435.32	-44,920.98	388,966.99	
Tax rebate, exemption or reduction approved by overstepping the authority or without official approval document		0.00	0.00	
Government subsidy credited to the current gain and loss (except the government subsidies closely related with the Company's business and enjoyable according to the unified standard quota or fixed amount specified by the central government).	10,889,579.23	10,344,542.00	3,610,593.36	
Fund occupancy fee collected by non-financial enterprises stated in the gains and losses in the very period		0.00	0.00	
Income from the costs of the investments in the subsidiaries, associates and joint ventures as acquired less than the fair value of the enjoyable recognizable net assets of the investees at the time of investment acquired.		0.00	0.00	
Exchange gain/loss from non-monetary		0.00	0.00	



assets				
Gain/loss from entrusted investment or asset management		0.00	0.00	
Provision for impairment of various assets arising from force majeure, such as natural disaster		0.00	0.00	
Gains/Losses from debts reorganization		0.00	0.00	
Enterprise reorganization fees, such as expenses for arrangement for employees, integration fee, etc.		0.00	0.00	
Gains/losses exceeding the fair value arising from transactions with obviously unfair prices		0.00	0.00	
Net gain and loss of the subsidiary under the common control and produced from enterprise consolidation from the beginning of the period to the consolidation date		0.00	0.00	
Gain and loss arising from contingent matters irrelevant with the Company's normal operation business		0.00	0.00	
Gain and loss from change of the fair value arising from transactional monetary assets, transactional financial liabilities as held as well as the investment income arising from disposal of the transactional monetary assets, transactional financial liabilities and financial assets available for sale excluding the effective hedging transaction in connection with the Company's normal business		0.00	0.00	
Reverse of the provision for impairment of accounts receivable undergoing impairment test individually		0.00	0.00	
Gain/loss from external entrusted loan		0.00	0.00	
Gain and loss arising from change in the fair value of the investment based real estate measured afterwards by means of fair value model		0.00	0.00	
Influence upon the current gains and		0.00	0.00	

losses from the once-and-for-all adjustment over the current gains and losses according to the taxation and accounting laws and regulations				
Income from custodian charge obtained from entrusted operation		0.00	0.00	
Operating income and expenses other than the aforesaid items	-17,790.06	0.00	-153,915.17	
Other gains/losses in compliance with the definition of non-recurring gain/loss		1,149,979.86	0.00	
Less: Amount affected by the income tax	2,645,882.96	2,657,581.21	873,382.95	
Amount affected by minority equity (after tax)		0.00	5,640.77	
Total	8,260,341.53	8,792,019.67	2,966,621.46	--

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

## Chapter 3 Business Summary

### I. Principal Businesses in the Reporting Period

FIYTA has been concentrating itself in watch industry under the strategy of brand building, carrying forward integration and upgrading of the key value chain, successfully constructed commercial retail network channels of seamless coverage consisting of HARMONY, HENGLIANDA, the Sales Company (including BRAND GALLERY), e-commerce platform, etc., provided the consumers with extremely thoughtful top quality services; improved R & D, design and manufacture platform of watches, formed our own brand group with the high-end brands, FIYTA watches and fashion brands as the principal and both the brands and products have been well upgraded.

### II. Significant Changes in the Prime Assets

#### 1. Significant Changes in the Prime Assets

Prime Assets	Notes to Significant Changes
Equity Assets	On November 11, 2015 China Securities Regulatory Commission issued the Official Reply to FIYTA Holdings Ltd. on Approval for Non-public Issuing ( ZHENG JIAN XU KE [2015] No. 2588 which authorized the Company to issue no more than 46,911,649 new shares in non-public way. Ended December 22, 2015, the Company completed the work of non-public issuing of 45,977,011 A-shares to the designated investors. After deducting the issuing costs, the net raised capital amounted to CNY 582,924,373.62. Upon the foregoing transaction, the Company increased the registered capital by CNY 45,977,011 with the total registered capital turning to be CNY 438,744,881, and increased the capital reserve by CNY 536,947,362.62. The shares newly issued got listed with Shenzhen Stock Exchange on January 15, 2016.
Fixed Assets	In the reporting year, the annex to the Company's 1928 Building was transferred into fixed assets for accounting upon completion in construction and acceptance inspection with total amount of CNY 38,499,050.00.
Intangible Assets	No change
Construction-in-process	No change

#### 2. Main Assets Overseas

Inapplicable

### III. Analysis on Core Competitiveness

FIYTA's core competitiveness is a collection consisting of a set of techniques and technology which enables the Company to provide customers with particular values, is the competitive power on which a series of products or services rely in achieving the leading position. It consists of the ability of brand building, ability of offering top quality services, ability of product innovation, ability of knowledge management and ability of management of strategic human resources.

In addition to the continuous consolidation of the foregoing core ability, in the reporting period, the Company achieved great success in construction of the technology platform and technological innovation.

Following being certified as an enterprise technology center at municipal level, the Company's innovative design center has been certified as an industrial design center at national level by the Ministry of Industry and Information Technology of the People's Republic of China and The Company has kept its leading position in the domestic watch industry. In 2015, the Company's invention patents and design patents won one honorable mention of Chinese patents and one honorable mention of Chinese design respectively. The design products won "Red Star Design Award in 2015"; "Grand Award at the First China Light Industry Excellence Award"; "Global Final Jury of Shenzhen Design Award for Young Talents 2015"; five awards at the 2nd China Hengli-Blue Light Cup Horologe Design Competition, namely one Gold, one Silver and three Bronze Awards. In the whole, the Company applied for 1 invention patent, 7 utility model patents and 35 design patents; in the very, 3 invention patents, 4 utility model and 25 design patents have been granted; in the reporting year, the Company took lead or participated in preparation or revision of 6 national industrial standards; one international technical standard the Company took lead in preparation of got promulgated and the Company took lead or participated in preparation or revision of 6 national industrial standards.

## Chapter 4 Discussion and Analysis of the Management

### I. General

In the reporting period, the development of China's economy was slowing down and the consumption market was not so flourishing. Such a situation has resulted in a big pressure upon the business of watch industry. Being confronted with the extremely challenging market environment, the Company, based on the idea of striving to be better and seeking improvement through innovation, took the brand building strategy as the guidance, focused on the annual work theme of "values, innovation, adjustment and profit", further propelled construction of the business model of "products + channels", and achieved significant progress in brand building, quality service, product innovation, strategic human resources, knowledge management, etc. Based on establishment of the innovation system of creating values for customers, devoted great efforts to in carrying out the innovation practice work with whole employees involved; keenly looked into the market changes, positively optimized and adjusted the channel structure, devoted great efforts in research and development and timely launched new products; focused on efficiency improvement, emphasized such management items as "per unit yield improvement", "inventory turnover improvement" and "increasing revenue and reducing expenditure"; enthusiastically made use of the Internet and energetically developed e-commerce and newly-developing business, realized precision brand marketing and effective communication. In the reporting period, the whole colleagues of FIYTA successfully overcame all difficulties with their courage, passion, wisdom and sweat and reduced unfavorable influences brought about by the rapid change of the environment, timely adjusted the operation strategy and integrated cores and optimized the businesses, insisted on sustainable development of the Company's multiple brands and multi-channel business. As a result, the Company realized sales revenue amounting to CNY 3,162,196,212.90 in the whole year, dropped by 3.54% over the previous year; realized net profit attributed to the shareholders amounting to CNY 121,702,057.44, dropped by 16.41% over the previous year; and net cash flow arising from the operating activities amounting to CNY 396,236,992.41.

Under the circumstance of general declining of the domestic watch industry in the reporting period, FIYTA carried out the work in such dimensions as "per unit yield improvement, channel expansion, brand promotion, shopping guide team building" at deepened level, developed the market channels at depth, integrated and optimized the business models, vigorously fostered dealers, reinforced the ability of communication with customers. As a result, FIYTA watch channel quality and the customers' satisfaction have been constantly improved; the celebrity endorsement validation and the reputation of the brand have been continuously enhanced; the product R & D and design ability have been further improved. In the reporting year, the Company once again honorably gained the title of "Industrial Design Center at National Level" which keeps pace with the "Technology Center at National Level", a title which the Company has been enjoying, which has compacted the development platform supported with own watch brands. The Company has kept developing e-commerce, BRAND GALLERY and repairing services; and explored innovation in business models based on the customer experience upgrading and the Internet based ideology. With the unfavorable influence from the tremendous fluctuation of the domestic capital market and change of the consumption environment of the industrial market, growth of the revenue from FIYTA watches significantly slowed down over the previous year. In the reporting year, the Company realized operating revenue amounting to CNY 885,294,253.56, with a year-on-year growth rate of 3.36%.

In the reporting period, being faced with the challenge from the persistent gliding of the market of medium and high end watches, Shenzhen Harmony World Watches Center Co., Ltd. has been closely centering on the annual work theme of "values, adjustment, foundation and profit" and taking efficiency improvement as the objective, vigorously optimized the

shops, brands and stock patterns; laid a solid foundation in the management work, continuously carried out the special work of “per unit yield improvement”, “stopping or reducing loss”, and “stock structure optimization” etc., improved the profit making ability of the shops, greatly enforced stock consumption, timely closed deficit making shops; vigorously developed repairing and technical service businesses, carried out various items of business innovation work based on the Internet related ideas. However, as the consumption market of domestic famous brand watches is depressed in general, HARMONY realized sales income from famous watches amounting to CNY 2,139,277,415.85, dropped by 6.92% on year-on-year basis.

In the reporting period, the income from the Company's properties kept steady growth.

The Company has successfully finished the work of non-public issuing of A-shares, from which the Company raised net proceeds amounting to CNY 582,924,373.62. The newly added 45,977,011 shares were listed on January 15, 2016.

Movements of the key financial items in 2015 are summarized as follows:

Statement Items	2015	2014	Increase/ Decrease (%)	Cause of the Movements
Operating revenue	3,162,196,212.90	3,278,142,785.87	-3.54%	
Operating costs	1,929,513,666.04	2,054,714,957.45	-6.09%	
Sales expenses	779,536,520.59	722,839,956.11	7.84%	
Administrative expenses	198,077,866.76	208,452,027.58	-4.98%	
Financial expenses	94,347,464.79	105,819,460.82	-10.84%	
Net cash flow arising from operating activities	396,236,992.41	289,189,630.97	37.02%	It was mainly due to that being confronted with the increasingly complicated market environment, the Company made proper control over the network development speed and inventory procurement and reinforced the management of the cash flow
Net cash flow arising from investment activities	-230,011,696.60	-94,503,209.83	22.84%	
Net cash flow arising from financing activities	354,689,968.60	-94,503,209.83	-475.32%	It was mainly due to that the Company grasped the opportunity that the central bank lowered the benchmark interest rate several times in the reporting year and lowered the interest payment by means of exchanging the bank loans ahead of time. In addition, the Company finished the non-public issuing of 45,977,011 A-shares from which

the Company raised capital with net amount of CNY 582,924,373.62.

## II. Analysis on Principal Businesses

### 1. General

Refer to “I. General” of “Discussion and Analysis of the Management”

### 2. Revenue and Costs

#### (1) Operating Revenue Composition

In CNY

	2015		2014		Year-on-year increase/decrease
	Amount	Proportion in the operating revenue	Amount	Proportion in the operating revenue	
Total operating revenue	3,162,196,212.90	100%	3,278,142,785.87	100%	-3.54%
Classified based on sectors					
Watches	3,032,902,719.41	95.91%	3,154,917,328.23	96.24%	-3.87%
Lease	94,871,950.77	3.00%	90,452,962.92	2.76%	4.89%
Others	34,421,542.72	1.09%	32,772,494.72	1.00%	5.03%
Classified based on products					
Watches	2,147,608,465.85	67.92%	2,298,438,269.08	70.11%	-6.56%
FIYTA watches	885,294,253.56	28.00%	856,479,059.15	26.13%	3.36%
Lease	94,871,950.77	3.00%	90,452,962.92	2.76%	4.89%
Others	34,421,542.72	1.09%	32,772,494.72	1.00%	5.03%
Classified based on regions					
South China	1,034,176,502.17	32.71%	1,066,617,663.91	32.54%	-3.04%
Northwest China	524,570,697.36	16.59%	565,700,125.97	17.26%	-7.27%
North China	504,961,668.45	15.97%	539,995,688.23	16.47%	-6.49%
East China	449,126,026.79	14.20%	447,079,002.18	13.64%	0.46%
Northeast China	303,634,173.44	9.60%	310,178,526.39	9.46%	-2.11%
Southwest China	345,727,144.69	10.93%	348,571,779.19	10.63%	-0.82%

**(2) Sector(s), Product(s) or Region(s) Taking over 10% of the Operating Revenue or Operating Profit**

In CNY

	Operating revenue	Operating costs	Gross profit rate	Year-on-year increase/decrease of operating revenue over the previous year	Year-on-year increase/decrease of operating costs over the previous year	Year-on-year increase/decrease of gross profit rate over the previous year
<b>Sectors</b>						
Watch	3,032,902,719.41	1,906,085,186.72	37.15%	-3.87%	-6.11%	1.50%
Lease	94,871,950.77	14,533,950.78	84.68%	4.89%	12.14%	-0.99%
Others	34,421,542.72	8,894,528.54	74.16%	5.03%	-23.36%	9.57%
<b>Products</b>						
Watches	2,147,608,465.85	1,623,918,119.34	24.38%	-6.56%	-7.38%	0.67%
FIYTA watches	885,294,253.56	282,167,067.38	68.13%	3.36%	1.91%	0.45%
Lease	94,871,950.77	14,533,950.78	84.68%	4.89%	12.14%	-0.99%
Others	34,421,542.72	8,894,528.54	74.16%	5.03%	-23.36%	9.57%
<b>Regions</b>						
South China	1,034,176,502.17	562,653,054.71	45.59%	-3.04%	-9.86%	4.11%
Northwest China	524,570,697.36	340,488,440.23	35.09%	-7.27%	-7.43%	0.11%
North China	504,961,668.45	329,038,618.83	34.84%	-6.49%	-6.62%	0.09%
East China	449,126,026.79	277,859,635.82	38.13%	0.46%	-1.35%	1.13%
Northeast China	303,634,173.44	192,956,014.26	36.45%	-2.11%	-3.54%	0.94%
Southwest China	345,727,144.69	226,517,902.19	34.48%	-0.82%	-0.95%	0.09%

While adjustment of the statistical caliber for the principal business data took place in the reporting period, the principal business data with the statistical caliber adjusted at the end of the reporting period.

Inapplicable

**(3) Is the income from sales in kind greater than service revenue**

yes

Based on sector(s)	Items	Unit	2015	2014	Year-on-year increase/decrease
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FIYTA watches	Sales volume	pcs	967,866	841,978	14.95%
	Output	Pcs	1,185,408	977,480	21.27%
	Inventory level	pcs	1,000,134	782,592	27.80%

Causes of the change in the year-on-year data by over 30%

Inapplicable

#### (4) Implementation of Important Sale Contracts Concluded at the End of the Reporting Period

Inapplicable

#### (5) Composition of Operating Costs

Classified based on sectors and products

Classified based on sectors

In CNY

Classified based on sectors	Items	2015		2014		Year-on-year increase/decrease
		Amount	Proportion in operating costs	Amount	Proportion in operating costs	
Watch	Merchandise procurement cost	1,623,918,119.34	84.16%	1,753,276,107.39	85.33%	-1.17%
Watch	Raw materials	243,872,473.79	12.64%	243,230,326.08	11.84%	0.80%
Watch	Labor cost	26,043,601.65	1.35%	24,071,448.84	1.17%	0.18%
Watch	Depreciation cost	2,186,010.90	0.11%	1,778,552.44	0.09%	0.03%
Watch	Utility bills	2,566,336.12	0.13%	2,767,942.77	0.13%	0.00%
Watch	Rental fee	2,211,474.27	0.11%	1,842,729.25	0.09%	0.02%
Watch	Others	5,287,170.65	0.27%	3,182,787.69	0.15%	0.12%
Lease	Depreciation cost	9,144,144.60	0.47%	9,144,144.60	0.45%	0.03%
Lease	Labor cost	480,178.00	0.02%	424,349.80	0.02%	0.00%
Lease	Others	4,909,628.18	0.25%	3,391,481.48	0.17%	0.09%
Others	Procurement cost	8,894,528.54	0.46%	11,605,087.11	0.56%	-0.10%

Notes: 1. The Company should disclose the proportion of the major components of the operation costs (such as raw materials, labor wages, depreciation, energy, power, etc.) of the reporting year in the total costs based on the sectors or

products and provide the comparable data of the same account of the previous year. Should there be no comparable data available, the Company should specify the cause.

2. If such information involves business secret, the Company may merely disclose the maximum or the most important individual items.

Classified based on Products

In CNY

Classified based on products	Items	2015		2014		Year-on-year increase/decrease
		Amount	Proportion in operating costs	Amount	Proportion in operating costs	
Famous brand watches	Merchandise procurement cost	1,623,918,119.34	84.16%	1,753,276,107.39	85.33%	-1.17%
FIYTA watches	Raw materials	243,872,473.79	12.64%	243,230,326.08	11.84%	0.80%
FIYTA watches	Labor cost	26,043,601.65	1.35%	24,071,448.84	1.17%	0.18%
FIYTA watches	Depreciation cost	2,186,010.90	0.11%	1,778,552.44	0.09%	0.03%
FIYTA watches	Utility bills	2,566,336.12	0.13%	2,767,942.77	0.13%	0.00%
FIYTA watches	Rental fee	2,211,474.27	0.11%	1,842,729.25	0.09%	0.02%
FIYTA watches	Others	5,287,170.65	0.27%	3,182,787.69	0.15%	0.12%
Lease	Depreciation cost	9,144,144.60	0.47%	9,144,144.60	0.45%	0.03%
Lease	Labor cost	480,178.00	0.02%	424,349.80	0.02%	0.00%
Lease	Others	4,909,628.18	0.25%	3,391,481.48	0.17%	0.09%
Others	Finished products procurement	8,894,528.54	0.46%	11,605,087.11	0.56%	-0.10%

Notes: 1. The Company should disclose the proportion of the major components of the operation costs (such as raw materials, labor wages, depreciation, energy, power, etc.) of the reporting year in the total costs based on the sectors or products, and provide the comparable data of the same account of the previous year. Should there be no comparable data available, the Company should specify the cause.

2. If such information involves business secret, the Company may merely disclose the maximum or the most important individual items.

Remarks:

Inapplicable

Notes: 1. The Company's supplemental explanation to the foregoing items.

2. Explain the reason why it is impossible to obtain the data of the same account.

#### **(6) Is there any change in the consolidation scope in the reporting period**

No

#### **(7) Is there any significant change or adjustment related situation take place in the Company's business, products or services in the reporting period**

Inapplicable

#### **(8) Major trade debtors and major suppliers**

Major trade debtors

Total sales to the top five customers, in CNY	261,939,772.75
Proportion of the total sales to the top five customers in the total sales of the year,	8.28%

Information of the top 5 customers

No.	Customers	Sales (in CNY)	Proportion in the total sales of the year
1	Rainbow Supermarket	81,677,865.75	2.58%
2	Xi'an Kaiyuan Shopping Mail Co., Ltd.	47,472,424.57	1.50%
3	CHINA RESOURCES SUN HUNG KAI PROPERTIES(HANGZHOU)LIMITED	46,061,278.60	1.46%
4	Jiangxi Baisheng Zhongshancheng Department Store Co., Ltd.	43,705,884.01	1.38%
5	Pinghe Tong (China) Ltd.	43,022,319.82	1.36%
Total	--	261,939,772.75	8.28%

Other Information about the major customers

Of the top five customers, Rainbow Supermarket is one of the controlled subsidiaries of AVIC International Holdings Limited and is one of the Company's related legal persons.

Top 5 suppliers

Total amount of purchase from top five suppliers, in CNY	1,024,748,888.00
Proportion of the purchase amount from the top five suppliers in the Company's total purchase amount	53.11%

Information about the top 5 suppliers

No.	Suppliers	Purchase amount, in CNY	Proportion in the total purchases of the year (%)
1	SMH Swiss Watch Trading (Shanghai) Co., Ltd.	557,159,710.71	28.88%
2	Ningbo Shangheng Watches Co., Ltd.	211,500,391.90	10.96%
3	Rolex (Guangzhou) Ltd.,	126,129,988.30	6.54%
4	RICHEMONT COMMERCIAL COMPANY LIMITED	67,806,044.53	3.51%
5	Shenzhen Hendry Watches Co., Ltd.	62,152,752.20	3.22%
Total	--	1,024,748,888.00	53.11%

Other information about the major suppliers

Inapplicable

### 3. Expenses

In CNY

	2015	2014	Year-on-year increase/decrease	Note to significant changes
Sales expenses	779,536,520.59	722,839,956.11	7.84%	
Administrative expenses	198,077,866.76	208,452,027.58	-4.98%	
Financial expenses	94,347,464.79	105,819,460.82	-10.84%	

### 4. Investment in R & D

The Company has attached importance on technology innovation work all the time, enhances its core competitiveness through innovation of the technology with own intellectual property, consolidate its leading position of self-innovation in China's clock and watch brands so as to realize its vision of becoming an international brand and improve its international competitiveness in the industry. In the year 2015, the Company's total investment in R & D amounted to CNY 37,481,362.43, a 10.75% growth over the previous year, taking 1.63% of the net assets as audited in the most recent period and taking 1.19% of the operation revenue as audited in the most recent period.

Growth of investment in R & D in 2015 was mainly due to that for the purpose of consolidating the Company's leading position of self-innovation in China's clock and watch brands and leading the industry for innovative development, the

Company increased investment in such key technology fields as space watches, timekeeping technology, research on application of new materials, etc., greatly increased personnel, equipment, research budget, etc., and achieved a number of scientific research achievements. In 2015, the number of patents for invention granted increased by 14% over the previous year and such patents have been applied in our products. By virtue of the accumulation in innovation mechanism, innovation ability, innovative talents and innovation products, etc., FIYTA Innovative Design Center has been certified as a national industrial design center by the Ministry of Industry and Information Technology of the People's Republic of China.

#### Information of Investment in R & D

	2015	2014	Variable proportion
Number of R & D staff (persons)	39	36	8.33%
Proportion of R & D staff in total employees	0.70%	0.65%	0.05%
Amount of investment in R & D, in CNY	37,481,362.43	33,842,818.77	10.75%
Proportion of investment in R & D in operating revenue	1.19%	1.03%	0.16%
Amount of capitalized investment in R & D (in CNY)	0.00	0.00	0.00%
Proportion of capitalized investment in R & D in the total investment in R & D	0.00%	0.00%	0.00%

Cause(s) of significant change of the total investment in R & D in the operating revenue

Inapplicable

Note to the cause of significant change in the capitalization rate of investment in R & D and note to the reasonability

Inapplicable

#### Number of patents in the past two years

	Application submitted	Granted	Accumulated number granted ended the reporting period
Invention	5	8	15
Utility model	10	8	49
Design	45	48	213
Movement of the core technology team or key technical staff	Nil		
Does it belong to a hi-tech enterprise certified by the Ministry?	Yes		

## 5. Cash flow

In CNY

Items	2015	2014	Year-on-year increase/decrease
Sub-total of cash flow received from operation activities	3,696,332,927.45	3,792,449,143.86	-2.53%
Subtotal of cash flow paid for operating activities	3,300,095,935.04	3,503,259,512.89	-5.80%
Net cash flow arising from operating activities	396,236,992.41	289,189,630.97	37.02%
Sub-total of cash flow-in received from investing activities	340,367.11	51,919.04	555.57%
Sub-total of cash flow paid for investment activities	230,352,063.28	187,300,953.70	22.98%
Net cash flow arising from investment activities	-230,011,696.17	-187,249,034.66	22.84%
Sub-total cash flow received from financing activities	2,937,413,848.66	1,573,439,386.01	86.69%
Sub-total cash flow paid for financing activities	2,582,723,880.06	1,667,942,595.84	54.84%
Net cash flow arising from financing activities	354,689,968.60	-94,503,209.83	-475.32%
Net increase in cash and cash equivalents	522,507,805.39	7,216,959.80	7,140.00%

Note to the major influence factors for the significant change in the relevant year-on-year data

### Net cash flow arising from operating activities:

In the reporting period, the year-on-year growth of the net cash flow arising from operating activities by 37.02% was mainly due to that facing the increasingly complicated market environment, the Company controlled the network extension speed and enhanced inventory procurement and strengthened the cash flow management.

### Cash inflow from financing activities:

In the reporting period, cash inflow from financing activities increased by 86.69% over the same period of the previous year was mainly due to that the Company grasped the opportunity that the central bank lowered the benchmark interest rate several times in the reporting year and lowered the interest payment by means of exchanging the bank loans ahead of time. In addition, the Company finished the non-public issuing of 45,977,011 A-shares from which the Company raised capital with net amount of CNY 582,924,373.62.

### Cash outflow for financing activities:

In the reporting period, cash outflow for financing activities increased by 54.84% over the same period of the previous year was mainly due to that the Company grasped the opportunity that the central bank lowered the benchmark interest

rate several times in the reporting year and lowered the interest payment by means of exchanging the bank loans ahead of time.

#### Net increase of cash and cash equivalent:

In the reporting period, net increase of cash and cash equivalent rose by 7,140.00% was mainly due to that the Company successfully complete non-public issuing of 45,977,011 A-shares and raised net amount of capital totaling CNY 582,924,373.62. Since the raised capital is earmarked for the designated purpose, the retained book value at year end was CNY 485,499,836.55.

Cause(s) of significant difference in the net cash flow arising from the operating activities and the net profit in the reporting year

Inapplicable

### III. Analysis on Non-Principal Businesses

Inapplicable

### IV. Assets and Liabilities

#### 1. Significant Changes in Assets Composition

In CNY

	End of 2015		End of 2014		Proportion increase/d/decreased	Note to significant changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary capital	638,962,875.93	15.05%	116,455,070.54	3.18%	11.87%	
Accounts receivable	304,725,676.29	7.18%	351,276,905.53	9.60%	-2.42%	
Inventories	2,092,691,019.29	49.28%	2,133,791,024.32	58.34%	-9.06%	
Investment based real estate	216,948,193.02	5.11%	226,091,938.89	6.18%	-1.07%	
Long term equity investment	43,221,572.05	1.02%	42,389,759.91	1.16%	-0.14%	
Fixed assets	361,979,828.01	8.52%	323,732,870.58	8.85%	-0.33%	

Construction-in-process	173,189,274.57	4.08%	51,389,263.53	1.40%	2.68%	
Short term loan	988,186,200.00	23.27%	989,445,000.00	27.05%	-3.78%	
Long term loan	90,994,964.33	2.14%	139,952,425.65	3.83%	-1.69%	

## 2. Assets and liabilities measured based on fair value

Inapplicable

## V. Investment

### 1. General

Inapplicable

### 2. Significant equity investment acquired in the reporting period

Inapplicable

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

Inapplicable

### 4. Financial assets investment

#### (1) Portfolio investment

Inapplicable

#### (2) Investment in derivatives

Inapplicable

### 5. Application of raised capital

#### (1) General application of the raised capital

In CNY 10,000

Year of raising	Way of raising	Total capital raised	Total amount of raised capital	Total accumulative amount of	Total raised capital whose	Total accumulative	Proportion of the total accumulative	Total raised capital not yet	Application and status of the raised	Amount of the raised capital
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			used in the reporting period	raised capital used accumula ted	applicatio n purpose has been changed in the reporting period	raised capital whose applicatio n purpose has been changed	tive raised capital whose applicatio n purpose has been changed	used	capital unused	idled for more than 2 years
2012	Issuing company bonds	40,000	0	40,000	0	0	0.00%	0	Inapplica ble	0
2015	Non-publi c issuing of A-shares	58,550	16,358.41	16,358.41	0	0	0.00%	42,191.59	Inapplica ble	0
Total	--	98,550	16,358.41	56,358.41	0	0	0.00%	42,191.59	--	0

#### Note to General Application of the Raised Capital

The Company held the 33<sup>rd</sup> meeting of the Sixth Board of Directors and 2012 1<sup>st</sup> extraordinary general meeting respectively on June 19, 2012 and July 6, 2012. The meetings reviewed and approved the Proposal of Issuing Company Bonds, etc. according to which, the Company planned to issue company bonds with a size not exceeding CNY400 million and with a term not exceeding 5 years (with 5 years inclusive) which would be used for replacing bank loan and replenishing the working capital. On September 9, 2012, approved through verification by China Securities Regulatory Commission (CSRC) with Document ZHENG JIAN XU KE [2012] No. 1209, the Company was approved to issue company bonds with the size not exceeding CNY 400 million. The Company issued CNY 400 million of bonds in the said period. After deduction of the issuing costs, the net raised capital amounting to CNY396.9 million was remitted to the bank account designated by the Company on March 5, 2013. RSM China CPAs, the CPAs engaged by the Company issued the capital verification reports of ZHONG RUI YUE HUA YAN ZI [2013] No. 0053, ZHONG RUI YUE HUA YAN ZI [2013] No. 0054 and ZHONG RUI YUE HUA YAN ZI [2013] No. 0055 respectively for the frozen capital for subscription of the on-line bond issuing, the frozen capital for subscription of the off-line placement and the actual raised capital conditions. Approved by Shenzhen Stock Exchange with Document SHEN ZHENG SHANG [2013] No. 99, the bonds have been listed with both SZSE Centralized Bidding System and the Comprehensive Agreement Based Transaction Platform commencing from March 29, 2013 with the abbreviation of the security as "12 YADA BOND" and security code as "112152". The issuing of the company bonds has been completed. The capital raised from the issuing was remitted to the bank account designated by the Company on March 5, 2013. Up to now, the Company had used up all the raised capital and no change has taken place in the application purpose of the raised capital. By February 29, 2016, the Company had redeemed all the company bonds and the company bonds have been delisted.

The Company held the 18<sup>th</sup> meeting of the Seventh Board of Directors and 2014 Annual General Meeting respectively on April 16, 2015 and June 17, 2015. The meetings reviewed and approved the Proposal on the Plan for Non-public Issuing of A-shares to the Specified Investors, etc., according to which the Company planned to issue in a non-public way A-shares to no more than 10 (with 10 inclusive) specified investors with the total raised capital not exceeding CNY 600 million, which would be applied for four projects, including the project of launching new FIYTA watches and supplement the working capital. The application for non-public issuing of A-shares was reviewed and approved by

CSRC Securities Issuance Examination Committee (CSIEC) on October 30, 2015. On November 17, 2015, the Company received Official Reply to FIYTA Holdings Ltd. on Approval for Non-public Issuing ( ZHENG JIAN XU KE [2015] No. 2588 which authorized the Company to issue no more than 46,911,649 new shares in non-public way. The actual number of A-shares actually issued in the non-public issuing activity was 45,977,011 shares and the raised capital amounted to CNY 599 million. After deduction of the underwriting fee, the raised capital amounted to RMB 585 million. After deduction of the issuing costs, the net raised capital amounting to CNY583 million was remitted to the bank account designated by the Company on December 18, 2015. Grant Thornton Certified Public Accountants (Special General Partnership) issued the Capital Verification Reports ZHI TONG YAN ZI (2015) No. 441ZC0653, ZHI TONG YAN ZI (2015) No. 441ZC0652 respectively for the raised capital. The A-shares issued in a non-public way were registered for listing on January 15, 2016 and locked for 12 months. The Company has published the Announcement of Commitment concerning the Shares Issued in a Non-public Way. Up to now, the capital raised from non-public issuing of A-shares is going to be applied for the originally designated application purpose and there exists no such a case that the application purpose has been changed. The concerned follow-up commitments are in process of implementation.

## (2) Promised Projects with Raised Capital

In CNY 10,000

Promised investment projects and investment with the over-raised capital	Has the project been changed (including partial change)	Total promised investment with raised capital	Total investment after adjustment (1)	Amount invested in the report period	Amount accumulatedly invested up to the end of the report period (2)	Investment progress by the end of the report period (%) (3) = (2)/(1)	Date when the project has reached the predicted applicable status	Result realized in the reporting period	Has the predicted operation result been reached?	Has significant change taken place in the feasibility of the project?
Investment projects as promised										
Repayment of bank loan	No	30,000	30,000	0	30,000	100.00%		0	Yes	No
Replenishing the working capital.	No	10,000	10,000	0	10,000	100.00%		0	Yes	No
Project of Launching New FIYTA Watches	No	18,000	18,000	18.34	18.34	0.10%		0	Yes	No
FIYTA E-commerce project	No	12,000	12,000	1,213.74	1,213.74	10.11%		0	Yes	No
FIYTA Brand Marketing Promotion Project	No	10,000	10,000	4,700.65	4,700.65	47.01%		0	Yes	No
Technic Service Website Construction Project	No	5,000	5,000	425.66	425.66	8.51%		0	Yes	No
Replenishing working capital	No	15,000	15,000	10,000.02	10,000.02	66.67%		0	Yes	No

[illegible]

Amount of the balance of the raised capital incurred in project implementation and the cause	Inapplicable
Application of the raised capital not yet used and the whereabouts	Inapplicable
Application of the raised capital and the existing problems not disclosed or other situation	Inapplicable

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

Inapplicable

## VI. Sales of Significant Assets and Equity

### 1. Sales of Significant Assets

Inapplicable

### 2. Sales of Significant Equity

Inapplicable

## VII. Analysis on Principal Subsidiaries and Mutual Shareholding Companies

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

In CNY

Company Names	Company type	Principal business	Leading products and services	Total assets, in CNY	Net assets (CNY)	Turnover in CNY	Operating profit (in CNY)	Net profit (in CNY)
Shenzhen Harmony World Watches Center Co., Ltd.	Subsidiary	Retail	Mainly engaged in sales of world famous brand watch, including purchase, sales and maintenance	2,001,459,574.91	716,500,947.19	2,140,836,385.85	12,974,393.15	15,267,549.19

			service of timepieces and parts					
FIYTA Sales Co., Ltd.	Subsidiary	Retail	Sales and repairing of clocks and watches and parts, sales of jewelry and ornaments.	804,054,026.32	10,804,452.90	939,412,594.13	-38,279,561.17	-25,832,488.57
Shenzhen FIYTA Sophisticated Timepieces Manufacture Co., Ltd.	Subsidiary	Manufacture	Mainly engaged in production and sales of FIYTA watches, including production and maintenance of clocks and watches, and driving units, spares and parts, sophisticated timepieces.	270,530,028.80	166,337,330.43	524,115,539.77	175,996,805.91	150,382,955.96
Shenzhen FIYTA Technology Development Co., Ltd.	Subsidiary	Manufacture	R & D, production and sales of watches, production, machining, sales and technology development of sophisticated parts.	91,310,910.62	54,705,773.20	171,966,217.92	16,115,454.65	14,803,650.69
FIYTA (Hong Kong) Limited	Subsidiary	Retail	Mainly engaged in trade and overseas market development	448,491,009.49	164,332,147.05	116,126,118.79	-3,930,979.32	-4,235,393.48

			of FIYTA watches					
Shenzhen Symphony Trading Co., Ltd.	Subsidiary	Retail	Sales of clocks and watches and gifts and consultation of relevant information and other domestic trading	26,980,197.16	2,463,814.45	31,596,993.99	6,323,612.14	4,968,483.36
Shanghai Watch Industry Co., Ltd.	Mutual shareholding company	Manufacture	Sales of watches and spares and parts	106,306,675.76	96,668,196.88	91,465,902.16	3,724,158.84	3,327,248.55

Subsidiaries acquired and disposed in the reporting period

Inapplicable

Particulars about the principal holding and mutual shareholding companies

Inapplicable

## VIII. Structurized Entities Controlled by the Company

Inapplicable

## IX. Development Prospect

### (I) Development Trend of the Industry

In 2016, the environment of the macro-economy and retail and consumption industry is predicted to be confronted with bigger pressure in growth. The consumption situation of the domestic watch retail market shall still not be optimistic. However, watch belongs to a commodity of affection, with knowledge and affection as the kernel. It is a perfect combination of art, aesthetos and subtle technology and an important carrier for displaying life taste. Despite the short term pressure to be confronted in benefit growth, with continuous deepening of various reform measures in China, gradual improvement of the market environment and upgrading of people's life quality, we still keep optimistic judgment of the long term development potential of the watch market.

### (II) Development Strategy

In 2016, the Company shall continue to stick to the corporate philosophy and brand development strategy with the attitude of innovation and progressiveness, arouse all efforts to achieve prosperity, fearlessness of hardship, face challenges, do the best in the Chinese market based on the annual strategic theme of "deep ploughing, integration, innovation and beneficence", keep a close watch on the "Chinese people's market", take the customers' demand as the origin, carefully

study the trend of the industry, accurately identify the customers' demand, continue to build excellent own brand ethnic group, and high efficiency watch retail comprehensive service provider, put forth efforts to carry out brand building, customer study, model innovation and new business exploration, etc., continuously improve the earning power, and strive to realize better growth of the Company's performances.

### **(III) Annual Operation Plan in 2016**

1. FIYTA Watch Industry shall center on the annula work them of "integration, innovation, efficiency and benefit" for, carry out full implementation of the customer study work, see through clearly and grasp the trend of young consumers' demands, further refine and enrich DNA of our own brands, accelerate launching of new products, enhance cost control ability; increase investment in precision marketing through the Internet, enhance brand exposure, improve the brand perception; strengthen construction of shopping guide capacity, and optimize channel operation capability.

2. Harmony World Watches Center Co., Ltd. shall center on the annual work theme of "values, customers, deep ploughing and innovation", put forth effort to build "high aspiration, high standard and high efficiency" team; respond actively to the change of the market environment, carry out in a deep-going way customer study, improve excellent service ability; track the operation status of physical stores in a rolling way, continuously carry out "per unit yield improvement" work; timely optimize and adjust shopfront layout and product structure, improve assets operation efficiency; carry forward upgrading and transition of business model, gradually construct online operation and service platform and enhance customers' consumption experience.

### **(IV) Capital Necessary for Future Development**

According to the Company's business development plan and financial budget planning in 2016, for the purpose of satisfying the capital demand for investment and operation and at the same time timely seize the opportunity of merger which is to be brought about from change of the market, the Company is going to apply for bank credit line not exceeding CNY1.8 billion in various ways, including secured loan, loans through subsidiaries, mortgage, etc.

### **(V) Risks Possibility to be Confronted with**

Affected by the macro-economic and policy factors, China's watch retail market is confronted with challenge in operation and upgrading, showing that the growth of the retail market has slowed down on general basis, famous brand watches , especially high-end famous brand watches, have been restricted in consumption. However, the enviroment of the domestic famous brand retail sector tends to be gradually rational; donation based consumption has been reduced rapidly; and the proportion of ordinary consumption is increasing continuously. The home-made brand watches tend to be gentle after the past two years' high speed growth and the competition fo the domestic brands is becoming more and more intense and intense. Homogeneity of low-price products is still serious. Channel expansion is developing in depth and horizontal innovation is in extension. Meanwhile, with continuously development of the Company's business, risks in channels and assets also tend to be increscent.

## **X. Statement of Such Activities as Reception of Survey, Communications, Interview, etc.**

### **1. Registration Form of the Activities, such as Reception of Survey, Communications, Interviews, etc. in the Reporting Period**

Reception time	Way of reception	Types of visitors received	Index of basic information of survey
----------------	------------------	----------------------------	--------------------------------------

August 20, 2015	Field survey	Institution	<a href="http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000026">http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000026</a>
August 26, 2015	Field survey	Institution	<a href="http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000026">http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000026</a>
September 14, 2015	Field survey	Institution	<a href="http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000026">http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000026</a>
November 5, 2015	Field survey	Institution	<a href="http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000026">http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000026</a>
Number of reception		4	
Number of institutions received		28	
Number of persons received		29	
Number of other visitors received		0	
Is there any important information disclosed, revealed or leaked to the public?		No	

**2. Registration Form of the Activities, such as Reception of Survey, Communications, Interviews, etc. from the End of the Reporting Period to the Date of Disclosure**

Inapplicable



## Chapter 5 Significant Events

### I. Profit Distribution for Common Stock and Conversion of Capital Reserve into Share Capital

Preparation, Implementation or Adjustment of the Policy for Common Stock Profit Distribution, Especially the Policy for Cash Dividend Distribution

The 18th Meeting of the Seventh Board of Directors held on April 16, 2015 and 2014 Annual General Meeting held on June 17, 2015 reviewed and approved the Proposal for Amendment of the Articles of Association, according to which the profit distribution policy as specified in Article 155 of the Articles of Association was amended correspondingly. For the detail, refer to the Announcement on the Resolutions of the 18th Meeting of the Seventh Board of Directors 2015-008 and Announcement of the Resolutions of 2014 Annual General Meeting 2015-020 and the Bill of Amendment of the Articles of Association.

Special Note to the Cash Dividend Distribution Policy	
Does the policy comply with the provisions of the Articles of Association or the requirements of the resolution of the General Meeting:	Yes
Are the dividend distribution rate and proportion definite and clear:	Yes
Are the relevant decision-making procedures and mechanism complete:	Yes
Do independent directors do their duties and play their role:	Yes
Is there any opportunity available for minority shareholders to fully express their opinions and appeal and have legitimate right to get sufficient protection:	Yes
Are the conditions and procedures of law-compliance and transparent in case the cash dividend distribution policy has been adjusted or altered:	Yes

Note: The Company should disclose the common stock profit distribution policy in the reporting period, especially preparation, implementation or adjustment of the cash dividend distribution policy, specify whether the profit distribution policy complies with the Articles of Association and review procedures, whether the minority shareholders' legal interests have been fully protected, whether independent directors have expressed their opinions on the policy, whether the dividend distribution criteria and distribution rate are explicit; and whether the conditions and procedures for adjustment or alteration of the profit distribution policy be of law compliance or transparent.

The profit distribution preplan or proposal and the preplan or proposal of conversion of the capital reserve into share capital in the past three years (with the reporting period inclusive):

According to the provisions concerning cash dividend distribution in the Articles of Association, the Company prepared specific cash dividend distribution plan after the Board of Directors and the Shareholders' General Meeting have reviewed strictly according to the requirements. In the past three years, the Company has well implemented the cash dividend distribution policy, fully asked for the independent directors' opinions, effectively ensured the minority shareholders' benefit and made timely and accurate disclosure in its annual report and the relevant media,

Profit Distribution Plan in 2013: With the total share capital of 392,767,870 shares as at December 31, 2013 as the base, the Company distributed to the whole shareholders cash dividend at CNY 1.00 for every 10 shares (with tax inclusive), 0 bonus share for every 10 shares; converted no reserve into share capital.

Profit Distribution Plan in 2014: With the total share capital of 392,767,870 shares as at December 31, 2014 as the base, the Company distributed to the whole shareholders cash dividend at CNY 1.00 for every 10 shares (with tax inclusive), 0 bonus share for every 10 shares; converted no reserve into share capital.

Profit Distribution Plan in 2015: With the total share capital of 438,744,881 shares as at January 15, 2016 as the base, the Company is going to distribute to the whole shareholders cash dividend at CNY 1.00 for every 10 shares (with tax inclusive), 0 bonus share for every 10 shares; converted no reserve into share capital.

The accumulative amount of cash dividend distributed in the past three years took 92.42% of the annual average net profit in the past three years, which complies with the rules and regulations.

Statement of cash dividends distributed in the past three years (with the reporting period inclusive)

In CNY

Year of Dividend Distribution	Amount of Cash Dividend (including tax)	Net profit attributable to the Company's shareholders in the consolidated statements of the year of dividend distribution	Ratio of the net profit attributable to the Company's shareholders taken in the consolidated statements	Amount of cash dividend distributed in other way(s)	Proportion of the cash dividend distributed in other way(s)
2015	43,874,488.10	121,702,057.44	36.05%	0.00	0.00%
2014	39,276,787.00	145,591,136.39	26.98%	0.00	0.00%
2013	39,276,787.00	130,125,124.48	30.18%	0.00	0.00%

In the reporting period, both the Company's profit and the parent company's profit available for shareholders of common stock were positive but no common stock cash dividend distribution proposal has been put forward.

Inapplicable

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

Bonus shares distributed at the rate of ____ (share) for every 10 shares	0
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Dividend distributed at the rate of CNY___ for every 10 shares (with tax inclusive)	1.00
Number of shares converted for every 10 shares (shares)	0
Share capital base for the dividend distribution preplan (shares)	438,744,881
Total cash dividend distributed (with tax inclusive)	43,874,488.10
Profit available for distribution (CNY)	469,841,589.40
Proportion of the cash dividend in the total profit available for distribution (%)	100.00%
Cash Dividend Distribution this Time	
Others	
Detailed information for profit distribution or conversion of capital reserve into share capital preplan	
<p>The Company's profit distribution plan for 2015 was reviewed and approved at the 6<sup>th</sup> meeting of the Eighth Board of Directors held on March 8, 2016 and is going to be submitted to 2015 Annual General Meeting for review. According to the plan, the Company is going to distribute cash dividend at the rate of CNY 1.00 for every 10 shares (with tax inclusive) and 0 bonus share to the whole shareholders with the total share capital as at January 15, 2015 totaling 438,744,881 shares as the base; and no public reserve is going to be converted into share capital. The profit distribution plan is subject to review and approval of the General Meeting before implementation.</p>	

### III. Implementation of Commitments

#### 1. Commitments finished in implementation by the Company, shareholders, actual controller, acquirer, directors, supervisors, senior executives or other related parties in the reporting period and commitments unfinished in implementation at the end of the reporting period

Commitments	Promiser	Commitment type	Description	Commitment time	Commitment deadline	Implementation status
Commitment for Equity Separation Reform						
Commitments in the acquisition report or the written report on change of equity						
Commitment made at the time of asset reorganization						
Commitment made at IPO or re-financing	FIYTA Holdings Ltd.	Other commitments	The Company commits that in case it is predicted that the Company	February 27, 2013	Deadline of the bonds (The valid term of the bonds is 5 years attached	Implementation finished (the company bonds had been redeemed

			<p>may be unable to duly pay the principal and interest of the bond or fail to duly pay the principal and interest of the bond when it is due, the Company shall at least take the following measures: 1. not profit distribution to the shareholders shall be conducted. 2. implementation of any capital expenditure projects, such as material external investment, acquisition and merger, etc. shall be suspended. 3. salaries and bonus to the directors and senior executives shall be adjusted down or suspended. 4. None of the key officers may be transferred out.</p>		<p>with the investors' option of selling back, the Company's option of redemption and option of up-regulation of the nominal interest rate at the end of the 3rd year).</p>	<p>all and delisted by February 29, 2016)</p>
	Caitong Fund Managem	Commitment on restricted sales	Commitmentof the investors	January 15, 2016	1 year	In processof implementatio

	ent Co., Ltd.; MANULIFE TEDA Fund Management Co., Ltd.; Xizang Investment Co., Ltd.; Golden Eagle Asset Management Co., Ltd.; Sws Mu Fund Management Co., Ltd	of shares	of the non-public issuing - Caitong Fund Management Co., Ltd., MANULIFE TEDA Fund Management Co., Ltd., Xizang Investment Co., Ltd., Golden Eagle Asset Management Co., Ltd., Sws Mu Fund Management Co., Ltd: the shares subscribed by them from the non-public issuing shall not be transferred in 12 months commencing from the date of listing.			n
Equity incentive commitment						
Other commitments to the minority shareholders	AVIC International Investment Co., Ltd.	Share acquisition commitment	Based on the understanding of the Chinese capital market situation and the confidence in the Company's sustainable and steady development, in order to	July 11, 2015	Refer to the Announcement on Commitment for the Shares Acquired (2015-022)	In process of implementation

			safeguard the whole shareholders' interest and promote stability of the capital market with practical action, and according to the Notice of China Securities Regulatory Commission on Acquisition of the Company's Shares by the Major Shareholders, Supervisors and Senior Executives of the Listed Company (ZHENG JIAN FA [2015] No. 51) and the relevant laws and regulations, AVIC International, as the actual controller of FIYTA, is desirous to acquire FIYTA shares through AVIC International Investment Co., Ltd., the person acting in concert			
	AVIC	Commitment on	AVIC	July 13, 2015	Refer to the	In process

	International Investment Co., Ltd.	restricted sales of shares	International Investment Co., Ltd., the person acting in concert of the Company's actual controller, acquired 100,000 shares of the Company's stock through the secondary market on July 13, 2015, and committed that the Company's shares it has acquired shall not be transferred during the outperforming period and in 6 months after the outperforming.		Announcement on Commitment for the Shares Acquired (2015-022)	of implementation
Have the commitments been implemented in a timely way	Yes					
If the commitment has not been implemented at the end of the reporting period, it is necessary to explain the specific reason of failure in implementation and the future work plan.	Inapplicable					

**2. There existed profit anticipation for the Company's assets or projects while the reporting period was still within the duration of the profit anticipation. The Company made explanation on whether the assets or projects reached the anticipated profit and the cause**

Inapplicable

#### **IV. Non-operational Occupancy of the Company's Capital by the Controlling Shareholder and its Related Parties**

Inapplicable

#### **V. Explanation of the Board of Directors, the Supervisory Committee and Independent Directors (if any) on the "Qualified Auditor's Report" issued by the CPAs in the Reporting Period**

Inapplicable

#### **VI. Explanation on the Changes in the Accounting Policy, Accounting Estimate, and Accounting Method in Comparison with the Financial Report of the Previous Year**

Inapplicable

#### **VII. Explanation on Serious Accounting Errors Occurred in the Reporting Period Necessary to be Restated Retrospectively**

Inapplicable

#### **VIII. Explanation on the Changes in the Scope of the Consolidated Statements in Comparison with the Financial Report of the Previous Year.**

Inapplicable

#### **IX. Engagement/Disengagement of CPAs**

CPAs currently engaged

Name of the domestic CPAs	Grant Thornton Certified Public Accountants (Special General Partnership)
Remuneration to the domestic CPAs (in CNY10,000)	95
Successive years of the domestic CPAs offering auditing services	2
Names of the certified public accountants from the domestic CPAs	Su Yang and Chen Zhifang

Has the CPAs been changed in the current period?

No

About the CPAs for auditing the internal control, financial consultant or sponsor appointed by the Company



The 17<sup>th</sup> meeting of the Seventh Board of Directors held on March 10, 2015 and 2014 Annual General Meeting held on June 17, 2015 reviewed and approved the Proposal for Payment of the Audit Fee of Year 2014 and Renewal of the Company's Auditor for Year 2015, according to which the Company decided to renew engagement of Grant Thornton Certified Public Accountants (Special General Partnership) as the auditor of the Company's financial report and internal control of year 2015 for a term of one year. During the reporting period, the Company paid audit fee amounting to CNY 650,000.00 for auditing the financial report and CNY 300,000.00 for auditing the internal control to Grant Thornton Certified Public Accountants (Special General Partnership).

In the reporting period, the Company engaged Huachuang Securities Co., Ltd. as the sponsor for the project of non-public issuing of A-shares with Huang Junyi and Li Xiumin as the sponsorship representatives. During the reporting period, the Company totally paid the sponsorship fee amounting to CNY1.2 million.

## **X. Listing Suspension or Delisting Possibly to be Confronted with after Disclosure of the Annual Report**

Inapplicable

## **XI. Matters concerning Bankruptcy Reorganization**

Inapplicable

## **XII. Significant Lawsuits and Arbitrations**

Inapplicable

## **XIII. Penalty and Rectification**

Inapplicable

## **XIV. Integrity of the Company and its Controlling Shareholder and Actual Controller**

There existed neither court judgment in force remaining unimplemented nor big outstanding liabilities due in either AVIC International Holdings Limited, the Company's controlling shareholder or AVIC International, the Company's actual controller.

## **XV. Implementation of the Company's Equit Incentive Plan, Employee Stock Ownership Plan or other Employee Incentive Measures**

Inapplicable

## XVI. Significant Related Transactions

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

Related Parties	Relationship	Type of related parties	Description of Related Transactions	Principle of pricing of the related transactions	Price of related transactions	Amount of the related transaction (in CNY 10,000)	Proportion in the amount of the similar transactions (%)	Transaction quota as approved (in CNY10,000)	Has the approved quota been exceeded?	Way of settlement for the related transaction	Market price	Disclosure date	Disclosure index
Rainbow Supermarket	Common controller	Revenue from principal business	Sales of goods	Market price	Inapplicable	8,167.79	2.58%	12,000	No	Bank account transference	Inapplicable	March 10, 2016	www.cninfo.com.cn
China National Aviation Industry Group Co.	Eventual controller	Revenue from principal business	Sales of goods	Market price	Inapplicable	48.58	0.01%	2,000	No	Bank account transference	Inapplicable	March 10, 2016	www.cninfo.com.cn
Shennan Holdings., Ltd.	Common controller	Revenue from principal business	Sales of goods	Market price	Inapplicable	1,166.89	30.15%	5,000	No	Bank account transference	Inapplicable	March 10, 2016	www.cninfo.com.cn
CATIC Real Estate	Common controller	Revenue from principal business	Property lease	Market price	Inapplicable	156.98	1.65%	180	No	Bank account transference	Inapplicable	March 10, 2016	www.cninfo.com.cn
CATIC Property	Common controller	Revenue from principal business	Property lease	Market price	Inapplicable	651.7	6.87%	700	No	Bank account transference	Inapplicable	March 10, 2016	www.cninfo.com.cn
CATIC Securities, Co., Ltd.	Common controller	Revenue from principal business	Property lease	Market price	Inapplicable	113.96	1.20%	120	No	Bank account transference	Inapplicable	March 10, 2016	www.cninfo.com.cn
Shenzhen CATIC City Development Co., Ltd.	Common controller	Revenue from principal business	Property lease	Market price	Inapplicable	2.32	0.02%	10	No	Bank account transference	Inapplicable	March 10, 2016	www.cninfo.com.cn
Shenzhen	Common	Revenue	Property	Market	Inapplicable	27.74	0.29%	40	No	Bank	Inapplicable	March	www.cn

CATIC Huacheng Property Developm ent Co., Ltd.	controller	from principal business	lease	price	ble					account transfere nce	ble	10, 2016	nfo.com. cn
Shenzhen CATIC City Property Developm ent Co., Ltd.	Common controller	Revenue from principal business	Property lease	Market price	Inapplica ble	37.63	0.40%	50	No	Bank account transfere nce	Inapplica ble	March 10, 2016	www.cni nfo.com. cn
Shenzhen CATIC Guanlan Real Estate Developm ent Co., Ltd.	Common controller	Revenue from principal business	Property lease	Market price	Inapplica ble	9.29	0.10%	20	No	Bank account transfere nce	Inapplica ble	March 10, 2016	www.cni nfo.com. cn
Shenzhen CATIC Changtai Investment Developm ent Co., Ltd.	Common controller	Revenue from principal business	Property lease	Market price	Inapplica ble	48.04	0.51%	60	No	Bank account transfere nce	Inapplica ble	March 10, 2016	www.cni nfo.com. cn
Xi'an Tianyue Hotel Co., Ltd.	Common controller	Revenue from principal business	Property lease	Market price	Inapplica ble	470	4.95%	500	No	Bank account transfere nce	Inapplica ble	March 10, 2016	www.cni nfo.com. cn
Rainbow Supermark et	Common controller	Revenue from principal business	Property lease	Market price	Inapplica ble	46.55	0.49%	60	No	Bank account transfere nce	Inapplica ble	March 10, 2016	www.cni nfo.com. cn
Shenzhen CATIC Jiufang Assets Managem ent Co., Ltd.	Common controller	Revenue from principal business	Property lease	Market price	Inapplica ble	36.36	0.38%	50	No	Bank account transfere nce	Inapplica ble	March 10, 2016	www.cni nfo.com. cn

Shenzhen CATIC City Investment Co., Ltd.	Common controller	Revenue from principal business	Property lease	Market price	Inapplica ble	95.09	1.00%	120	No	Bank account transfere nce	Inapplica ble	March 10, 2016	www.cni nfo.com. cn
Shenzhen CATIC Theme Real Estate Co., Ltd.	Common controller	Revenue from principal business	Property lease	Market price	Inapplica ble	35.33	0.37%	50	No	Bank account transfere nce	Inapplica ble	March 10, 2016	www.cni nfo.com. cn
Ganzhou CATIC Real Estate Developm ent Co., Ltd.	Common controller	Sales costs	Property lease	Market price	Inapplica ble	102.99	1.51%	120	No	Bank account transfere nce	Inapplica ble	March 10, 2016	www.cni nfo.com. cn
Chengdu CATIC Real Estate Developm ent Co., Ltd.	Common controller	Sales costs	Property lease	Market price	Inapplica ble	0.12	0.01%	20	No	Bank account transfere nce	Inapplica ble	March 10, 2016	www.cni nfo.com. cn
Shenzhen CATIC Changtai Investment Developm ent Co., Ltd.	Common controller	Sales costs	Property lease	Market price	Inapplica ble	20.84	0.31%	40	No	Bank account transfere nce	Inapplica ble	March 10, 2016	www.cni nfo.com. cn
Jiujiang CATIC City Real Estate Developm ent Co., Ltd.	Common controller	Sales costs	Property lease	Market price	Inapplica ble	32.19	0.47%	50	No	Bank account transfere nce	Inapplica ble	March 10, 2016	www.cni nfo.com. cn
Jiujiang CATIC City Real Estate	Common controller	Sales costs	Property lease	Market price	Inapplica ble	3.33	0.05%	20	No	Bank account transfere nce	Inapplica ble	March 10, 2016	www.cni nfo.com. cn

Development Co., Ltd.													
Rainbow Supermarket	Common controller	Sales costs	Market expenses	Market price	Inapplicable	445.76	7.76%	500	No	Bank account transference	Inapplicable	March 10, 2016	www.cninfo.com.cn
CATIC Property	Common controller	Administrative expenses	Property management fee	Market price	Inapplicable	323.62	100.00%	300	No	Bank account transference	Inapplicable	March 10, 2016	www.cninfo.com.cn
Shenzhen CATIC Training Center	Common controller	Administrative expenses	Training fees	Market price	Inapplicable	10.73	2.73%	0	No	Bank account transference	Inapplicable	March 10, 2016	www.cninfo.com.cn
Shanghai Watch Industry Co., Ltd.	Joint stock company	Costs	Procurement of materials	Market price	Inapplicable	13.21	0.01%	300	No	Bank account transference	Inapplicable	March 10, 2016	www.cninfo.com.cn
Total				--	--	12,067.04	--	22,310	--	--	--	--	--
Details of the rejection of the goods already sold in big amount				Inapplicable									
In case the total amount of the regular related transaction incurred in the reporting period has been predicted based on categories, state the actual implementation of the in the reporting period (if any)				The 17 <sup>th</sup> meeting of the Seventh Board of Directors and 2014 Annual General Meeting reviewed and approved the Proposal on Implementation of the Regular Related Transactions in 2014 and Prediction of the Regular Related Transactions in 2015. It is predicted that the total amount of the related transactions between the Company and the Related Parties would not exceed CNY 440.20 million in Year 2015 while the amount of the related transactions actually incurred in the reporting year was CNY 120.6703 million, which has not exceeded the predicted amount. Where the advances paid to CATIC Property by the Company for the property management fee did not exceed CNY 3 million while the amount of the related transactions actually incurred was CNY 3.2361 million.									
Cause of the big difference between the transaction price and the market reference price. (if applicable)				Inapplicable									

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

Inapplicable

### 3. Related transactions concerning joint investment in foreign countries

Inapplicable

### 4. Current Associated Rights of Credit and Liabilities

Due from related parties

Related parties	Relationship	Causes of formation	Does there exist non-operation capital occupancy?	Opening balance (in CNY10,000)	Newly increased amount in the reporting period (in CNY10,000)	Amount recovered in the reporting period (in CNY10,000)	Interest rate	Interest in the reporting period (in CNY10,000)	Ending balance (in CNY10,000)
Rainbow Supermarket	Common controller	Loan	No	213.44	9,511.83	8,923.99			801.28
Shennan Holdings., Ltd.	Common controller	Loan	No	764.01	1,365.26	1,412.08			717.19
Ganzhou CATIC Jiufang Commerce Co., Ltd.	Common controller	Loan	No	0	28.96				28.96
China National Aviation Industry Group Co.	Eventual controller	Loan	No	52.43	56.84	107.92			1.35
Chengdu CATIC Real Estate Development Co., Ltd.	Common controller	Loan	No	0.79	0	0.79			0
Rainbow Supermarket	Common controller	Shopping mall deposit	No	30.8	23.67	0			56.31
CATIC Property	Common controller	Rent	No	0	22.59	0			22.59
Ganzhou CATIC Jiufang Commerce	Common controller	Rental deposit	No	0	12.27	0			12.27

Co., Ltd.									
Chengdu CATIC Real Estate Developmen t Co., Ltd.	Common controller	Rental deposit	No	11.56	0	0			11.56
Shenzhen CATIC Changtai Investment Developmen t Co., Ltd.	Common controller	Rental deposit	No	5	0	0			5
Jiujiang CATIC City Real Estate Developmen t Co., Ltd.	Common controller	Rental deposit	No	0	5	0			5
CATIC City Property (Kunshan) Co., Ltd.	Common controller	Rental deposit	No	0	3.71	0			3.71
Influence of the related rights of credit and liabilities upon the Company's operation results and financial position.	Inapplicable								

## Due to related parties

Related Parties	Relationship	Causes of formation	Opening balance (in CNY10,000)	Amount newly increased in the reporting period(in CNY10,000)	Amount repaid in the reporting period(in CNY10,000)	Interest rate	Interest in the reporting period(in CNY10,000)	Ending balance (in CNY10,000)
CATIC Real Estate	Common controller	Rent received in advance	0	13.38	0			13.38
CATIC Property	Common controller	Rental deposit	0	47.2	0			47.2
CATIC Real Estate	Common controller	Rental deposit	42.48		0			42.48
Shenzhen CATIC City	Common controller	Rental deposit	3.77	20.64	0			24.41

Investment Co., Ltd.								
CATIC Securities, Co., Ltd.	Common controller	Rental deposit	18.74		0			18.74
Shenzhen CATIC City Property Development Co., Ltd.	Common controller	Rental deposit	0	9.79	0			9.79
Shenzhen CATIC Huacheng Property Development Co., Ltd.	Common controller	Rental deposit	0	7.38	0			7.38
Shenzhen CATIC Jiufang Assets Management Co., Ltd.	Common controller	Rental deposit	6.06	0	0			6.06
Rainbow Supermarket	Common controller	Rental deposit	6	0	0			6
Chengdu CATIC Real Estate Development Co., Ltd.	Common controller	Rental deposit	11.46	0	9.81			1.65
Shenzhen CATIC Building Technology Co., Ltd.	Common controller	Rental deposit	0	0.96	0			0.96
Shenzhen CATIC City Development Co., Ltd.	Common controller	Rental deposit	0	0.4	0			0.4
AVIC International Holdings Limited	Controlling shareholder	Loan	15,000	0	15,000			0
Shenzhen CATIC Changtai	Common controller	Rental deposit	22.17	0	22.17			0



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

## 5. Other Major Related Transactions

The 5th meeting of the Eighth Board of Directors held on January 19, 2016 reviewed and approved the Proposal on Renewing Financial Service Agreement with AVIC Finance Co., Ltd. For the detail, please refer to the Announcement on the Resolutions of the 5th meeting of the Eighth Board of Directors 2016-005 and the Announcement on the Related Transactions Involved in the Financial Service Agreement Renewed with AVIC Finance Co., Ltd. 2016-006 which were disclosed on Securities Times, Hong Kong Commercial Daily and [www.cninfo.com.cn](http://www.cninfo.com.cn). The proposal shall not be implemented until being reviewed and approved at the General Meeting.

For the project of non-public issuing of A-shares, the Company appointed CATIC Securities as the underwriter of the project of non-public issuing and the underwriting fee amounting to CNY7.25 million to CATIC Securities. This matter was reviewed and approved at the 3rd meeting of the Eighth Board of Directors held on November 25, 2015. For the detail, refer to the Announcement on the Resolution of the 3rd meeting of the Eighth Board of Directors 2015-044 and the Announcement on Conclusion of the Agreement for Underwriting of the A-shares Issued in a Non-public Way with Huachuang Securities Co., Ltd. and CATIC Securities, Co., Ltd. and the Related Transaction 2015-045 published on Securities Times, Hong Kong Commercial Daily and [www.cninfo.com.cn](http://www.cninfo.com.cn).

Inquiry concerning the provisional reports on major related transactions with the disclosing website.

Description of provisional announcements	Disclosure date of provisional announcements	Name of the website disclosing the provisional announcements
Announcement on the Resolutions of the 5th meeting of the Eighth Board of Directors 2016-005	January 20, 2016	<a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
Announcement on the Related Transactions Involved in the Financial Service Agreement Renewed with AVIC Finance Co., Ltd. 2016-006	January 20, 2016	<a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
Announcement on the Resolutions of the 3rd meeting of the Eighth Board of Directors 2015-044	November 27, 2015	<a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
Announcement on Conclusion of the Agreement for Underwriting of the A-shares Issued in a Non-public Way with Huachuang Securities Co., Ltd. and	November 27, 2015	<a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>

CATIC Securities, Co., Ltd. and the Related Transaction 2015-045		
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**There was no other major related transaction in the reporting period.**

## **XII. Important Contracts and Implementation**

### **1. Custody, Contacting and Leases**

#### **(1) Custody**

Inapplicable

#### **(2) Contracting**

Inapplicable

#### **(3) Leases**

Inapplicable

### **2. Significant Guarantees**

#### **(1) Guarantees**

In CNY 10,000

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

	ent on the guarantee line		of agreement execution)				status	party?
Shenzhen Harmony World Watches Center Co., Ltd.	April 28, 2014	30,000	January 13, 2015	200	Guarantee with joint responsibility	3 years	No	No
Shenzhen Harmony World Watches Center Co., Ltd.	March 12, 2015	30,000	November 20, 2015	5,000	Guarantee with joint responsibility	3 years	No	No
Shenzhen Harmony World Watches Center Co., Ltd.	March 12, 2015	30,000	December 2, 2015	6,000	Guarantee with joint responsibility	3 years	No	No
Shenzhen Harmony World Watches Center Co., Ltd.	March 12, 2015	10,000	December 2, 2015	10,000	Guarantee with joint responsibility	3 years	No	No
Shenzhen FIYTA Sophisticated Timepieces Manufacture Co., Ltd.	March 12, 2015	1,000	August 7, 2015	1,000	Guarantee with joint responsibility	3 years	No	No
FIYTA (Hong Kong) Limited	March 12, 2015	6,702.4	March 12, 2015	418.9	Guarantee with joint responsibility	4 years	No	No
FIYTA (Hong Kong) Limited	March 12, 2015	6,702.4	April 2, 2015	502.68	Guarantee with joint responsibility	3 years	No	No
FIYTA (Hong Kong) Limited	March 12, 2015	6,702.4	July 9, 2015	586.46	Guarantee with joint responsibility	3 years	No	No
FIYTA (Hong Kong) Limited	March 12, 2015	6,702.4	August 4, 2015	837.8	Guarantee with joint responsibility	3 years	No	No
FIYTA (Hong Kong) Limited	March 12, 2015	6,702.4	September 14, 2015	1,340.48	Guarantee with joint responsibility	3 years	No	No
FIYTA (Hong Kong) Limited	March 12, 2015	6,702.4	September 15, 2015	1,005.36	Guarantee with joint responsibility	3 years	No	No
FIYTA (Hong Kong) Limited	March 12, 2015	6,702.4	September 16, 2015	1,926.94	Guarantee with joint responsibility	3 years	No	No

FIYTA (Hong Kong) Limited	March 1, 2013	12,567	July 11, 2013	4,189	Guarantee with joint responsibility	5 years	No	No
FIYTA (Hong Kong) Limited	March 1, 2013	12,567	August 5, 2013	4,189	Guarantee with joint responsibility	5 years	No	No
FIYTA (Hong Kong) Limited	March 1, 2013	12,567	January 6, 2014	1,675.6	Guarantee with joint responsibility	5 years	No	No
FIYTA (Hong Kong) Limited	March 1, 2013	12,567	January 27, 2014	837.8	Guarantee with joint responsibility	5 years	No	No
FIYTA (Hong Kong) Limited	April 28, 2014	12,567	March 3, 2014	1,675.6	Guarantee with joint responsibility	5 years	No	No
FIYTA Holdings Ltd.	March 12, 2015	40,000	October 23, 2015	5,000	Guarantee with joint responsibility	3 years	No	No
Total guarantee quota to the subsidiaries approved in the reporting period (B1)		157,916.8		Total amount of guarantee to the subsidiaries actually incurred in the reporting period (B2)		33,618.62		
Total guarantee quota to the subsidiaries approved at the end of the reporting period (B3)		250,751.8		Total balance of actual guarantee to the subsidiaries at the end of the reporting period (B4)		46,385.62		
Subsidiary-Subsidiary Guarantees								
Names of Guarantees	Date of the announcement on the guarantee line	Guarantee line	Date of occurrence (date of agreement execution)	Actual amount of guarantee	Type of guarantee	Guarantee period	Implementation status	Guarantee to related party?
Inapplicable								
Total guarantee quota to the subsidiaries approved in the reporting period (C1)		0		Total amount of guarantee to the subsidiaries actually incurred in the reporting period (C2)		0		
Total guarantee quota to the subsidiaries approved at the end of the reporting period (C3)		0		Total balance of actual guarantee to the subsidiaries at the end of the reporting		0		

		period (C4)	
The Company's total guarantee (i.e. total of the first three main items)			
Total guarantee quota approved in the reporting period (A1+B1+C1)	157,916.8	Total amount of guarantee actually incurred in the reporting period (A2+B2+C2)	33,618.62
Total guarantee quota already approved at the end of the reporting period (A3+B3+C3)	250,751.8	Total balance of the actual guarantee at the end of the reporting period (A4+B4+C4)	46,385.62
Proportion of the actual guarantees in the Company's net assets (namely A4+B4 + C4)		20.17%	
Including:			
Amount of guarantees offered to the shareholders, actual controller and its related parties (D)		0	
Amount of guarantee for liabilities directly or indirectly offered to the guarantees with the asset-liability ratio exceeding 70% (E)		0	
Guarantee with total amount exceeding 50% of the net assets (F)		0	
Total amount of the aforesaid three guarantees (D+E+F)		0	
For the guarantee not yet due, guarantee responsibility incurred in the reporting period or description of the possible related discharge duty (if any)		Inapplicable	
Note to the outward guarantee against the established procedures (if any)		Inapplicable	

Description of the guarantee with complex method

Inapplicable

## (2) Outward guarantee against law

Inapplicable

## 3. Entrusting other Person to Manage the Cash Assets

### (1) Finance Management on Commission

Inapplicable

### (2) Entrusted Loan

Inapplicable

#### 4. Other Major Contracts

Inapplicable

### XVIII. Notes to Other Significant Events

#### 1. About Non-public Issuing of A-shares

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

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

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

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

On September 8, 2015, the Company received the Notice on the Feedback Opinions of China Securities Regulatory Commission on Examination of the Administrative Licensing Project (No. 152013). For the detail, refer to the Announcement on the Receiving of the Notice on the Feedback Opinions of China Securities Regulatory Commission on Examination of the Administrative Licensing Project 2015-034 disclosed on Securities Times, Hong Kong Commercial Daily and [www.cninfo.com.cn](http://www.cninfo.com.cn);

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

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

2015-036, disclosed on Securities Times, Hong Kong Commercial Daily and [www.cninfo.com.cn](http://www.cninfo.com.cn).

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

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

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

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

## **2. Subscription of the Framework Agreement on Outward Investment**

The 19th meeting of the Seventh Board of Directors held on June 4, 2015 reviewed and approved the Proposal on Subscription of the Framework Agreement on Outward Investment according to which the management was authorized to conclude a framework agreement with Beijign Watch Plant Co., Ltd. for establishing Beibiao Watch Industry (Beijing) Co., Ltd. by joint venture. For the detail, refer to the Announcement on Subscription of the Framework Agreement on Outward Investment 2015-016.

## **3. Amendment of Articles of Association**

The 18th meeting of the Seventh Board of Directors held on April 16, 2015 and 2014 Annual General Meeting held on June 17, 2015 reviewed and approved the Proposal on Amendment of the Articles of Association. For the detail, refer to the Announcement on the Resolutions of the 18th meeting of the Seventh Board of Directors and the Announcement on the Resolutions of 2014 Annual General Meeting 2015-020, disclosed on Securities Times, Hong Kong Commercial Daily and [www.cninfo.com.cn](http://www.cninfo.com.cn)

The 5th meeting of the Eighth Board of Directors held on January 19, 2016 reviewed and approved the Proposal on Amendment of the Articles of Association. The proposal shall not be implemented until being reviewed and approved at the general meeting. For the detail, refer to the Announcement on the Resolutions of the 5th meeting of the Eighth Board of Directors 2016-005 disclosed on Securities Times, Hong Kong Commercial Daily and [www.cninfo.com.cn](http://www.cninfo.com.cn).

## **4. Redemption of Company Bonds**

The 4th meeting of the Eighth Board of Directors held on January 8, 2016 reviewed and approved the Proposal on the Issuer to Exercise the Redemption Option for "12 YA DA ZHAI" Company Bond, for which the Company published indicative announcements respectively on January 13, 2016, January 22, 2016, February 2, 2016 and February 23, 2016. For the detail, refer to the Announcement on Giving up the Option of Adjusting High the Nominal Interest Rate and the

Investors' Redemption Option & Exercising the Issuer's Redemption Option for "12 YA DA ZHAI" Company Bond 2016-0016, the First Indicative Announcement on Redemption & Delisting of "12 YA DA ZHAI" Company Bond 2016-002, the Second Indicative Announcement on Redemption & Delisting of "12 YA DA ZHAI" Company Bond 2016-010, the Third Indicative Announcement on Redemption & Delisting of "12 YA DA ZHAI" Company Bond 2016-011 and the Fourth Indicative Announcement on Redemption & Delisting of "12 YA DA ZHAI" Company Bond 2016-012, which were all disclosed on Securities Times, Hong Kong Commercial Daily and [www.cninfo.com.cn](http://www.cninfo.com.cn). Implementation of the redemption of the company bonds was completed on February 29, 2016.

## XIX. Significant Events of the Company's Subsidiaries

Inapplicable

## XX. Social Responsibility

The Social Responsibility Report was published on [www.cninfo.com.cn](http://www.cninfo.com.cn) on March 10, 2016.

Do the Company and its subsidiaries belong to the industry of serious pollution as specified by the environmental protection authority of the state?

No

Enterprise's Social Responsibility Report					
Enterprise property	Does it contain information concerning environment	Does it contain information concerning the society	Does it contain information concerning corporate governance	Report disclosure standards	
				Domestic standards	International standards
State-owned enterprise	Inapplicable	Yes	yes	yes	Others

Notes to specific circumstances

1. Has the Company been certified for the Environment Management System Certification (ISO14001)	Yes
2. Amount of investment in the environmental protection in the reporting year, in CNY 10,000	0
3. Performances of the emission reduction of "waste gas, waste water and waste residue"	Inapplicable
4. Investment for improving employees' personal knowledge and techniques so as to upgrade employees' career development ability, in CNY10,000	359.19
5. Social charitable donations (fund, goods and materials and free professional services), in CNY 10,000	30



**XXI. Company Bond Related Information**

Is there any company bond which was issued in public and got listed with the stock exchange but has not been honored from the date of approval of the annual report to the expiry of the bond.

No.

## Chapter 6 Change of Shares and Particulars about Shareholders

### I. Change of Shares

#### 1. Change of Shares

In shares

	Before the change		Increase / Decrease (+/-)					After the change	
	Quantity	Proportion (%)	New issuing	Bonus shares	Shares converted from reserve	Others	Sub-total	Quantity	Proportion (%)
I. Restricted shares	49,733	0.01%	0	0	0	0	0	49,733	0.01%
1. Shares held by the state	0	0.00%	0	0	0	0	0	0	0.00%
2. State corporate shares	0	0.00%	0	0	0	0	0	0	0.00%
3. Other domestic shares	49,733	0.01%	0	0	0	0	0	49,733	0.01%
Including: Domestic corporate shares	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by domestic natural persons	49,733	0.01%	0	0	0	0	0	49,733	0.01%
4. Foreign invested shares	0	0.00%	0	0	0	0	0	0	0.00%
Including: Foreign corporate shares	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by foreign natural persons	0	0.00%	0	0	0	0	0	0	0.00%
II. Unrestricted shares	392,718,137	99.99%	0	0	0	0	0	392,718,137	99.99%
1. CNY ordinary shares	311,070,137	79.20%	0	0	0	0	0	311,070,137	79.20%
2. Foreign invested shares listed in Mainland China	81,648,000	20.79%	0	0	0	0	0	81,648,000	20.79%
3. Foreign invested shares listed abroad	0	0.00%	0	0	0	0	0	0	0.00%
4. Others	0	0.00%	0	0	0	0	0	0	0.00%

III. Total shares	392,767,870	100.00%	0	0	0	0	0	392,767,870	100.00%
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#### Causes of Change of Shares

The foregoing change of the shares is the situation at the end of the reporting period. In 2015, the Company issued 45,977,011 shares in a non-public way which got listed with Shenzhen Stock Exchange on January 15, 2016. The new shares were not allowed to be listed for trading or assigned within 12 months from the first day of listing. Ended the day of disclosing the Report, the Company had totally 438,744,881 shares, including 46,026,744 restricted shares and 392,718,137 negotiable shares.

#### Approval of Change of the Shares

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

The application for non-public issuing of A-shares was approved by CSRC Securities Issuance Examination Committee on October 30, 2015; on November 17, 2015, the Company received Official Reply to FIYTA Holdings Ltd. on Approval for Non-public Issuing (ZHENG JIAN XU KE [2015] No. 2588 on November 17, 2015, according to which the Company was approved to issue new shares with size not exceeding 46,911,649 shares.

#### Transfer in Change of Shares

Inapplicable

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

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

Weighted average		EPS			
ROE (%)		Basic EPS (CNY/share)		Diluted EPS (CNY/share)	
2015	2014	2015	2014	2015	2014
7.24%	8.62%	0.3099	0.3707	0.3099	0.3707

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

Inapplicable

## 2. Change of Restricted Shares

In shares

Shareholders	Number of restricted shares at the beginning of the reporting period	Number of shares released from trading restrictions	Number of restricted shares increased in the reporting period	Number of restricted shares at the end of the reporting period	Causes of restriction	Date of releasing of trading restriction
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Golden Eagle Asset Management Co.,Ltd	0	0	4,674,329	4,674,329	Raised capital from non-public issuing of A-shares	January 15, 2017
Caitong Fund Management Co., Ltd.	0	0	12,590,027	12,590,027	Raised capital from non-public issuing of A-shares	January 15, 2017
Sws Mu Fund Management Co., Ltd	0	0	8,429,118	8,429,118	Raised capital from non-public issuing of A-shares	January 15, 2017
Xizang Investment Co., Ltd.	0	0	4,976,551	4,976,551	Raised capital from non-public issuing of A-shares	January 15, 2017
MANULIFE TEDA Fund Management Co, Ltd.	0	0	15,306,986	15,306,986	Raised capital from non-public issuing of A-shares	January 15, 2017
Total	0	0	45,977,011	45,977,011	--	--

## II. Issuing and Listing

### 1. Issuing of securities (with preferred stock exclusive) in the reporting period

Description of stock and the derivatives	Issuing date	Issuing price (or interest rate)	Issuing quantity	Listing date	Number of shares approved to be listed for trading	Trading termination date
Types of stock						
A-shares issued in a non-public way	December 22, 2015	13.05	45,977,011	January 15, 2016	45,977,011	
Convertible company bonds, convertible company bonds for separated trading, debentures						
Other derivatives						

Note to the issuing of securities (with preferred shares exclusive) in the reporting period

The Company held the 18<sup>th</sup> meeting of the Seventh Board of Directors and 2014 Annual General Meeting respectively on April 16, 2015 and June 17, 2015. The meetings reviewed and approved the Proposal on the Plan for Non-public Issuing

of A-shares to the Specified Investors, etc., according to which the Company planned to issue in a non-public way A-shares to no more than 10 (with 10 inclusive) specified investors with the total raised capital not exceeding CNY 600 million, which would be applied for four projects, including the project of launching new FIYTA watches and supplement the working capital. The application for non-public issuing of A-shares was reviewed and approved by CSRC Securities Issuance Examination Committee (CSIEC) on October 30, 2015. On November 17, 2015, the Company received Official Reply to FIYTA Holdings Ltd. on Approval for Non-public Issuing (ZHENG JIAN XU KE [2015] No. 2588 which authorized the Company to issue no more than 46,911,649 new shares in non-public way. The actual number of A-shares actually issued in the non-public issuing activity was 45,977,011 shares and the raised capital amounted to CNY 599 million. After deduction of the issuing costs, the net raised capital amounting to CNY583 million was remitted to the bank account designated by the Company on December 18, 2015. Grant Thornton Certified Public Accountants (Special General Partnership) issued the Capital Verification Reports ZHI TONG YAN ZI (2015) No. 441ZC0653, ZHI TONG YAN ZI (2015) No. 441ZC0652 respectively for the raised capital. The A-shares issued in a non-public way were registered for listing on January 15, 2016 and locked for 12 months. The Company has published the Announcement of Commitment concerning the Shares Issued in a Non-public Way.

## 2. Changes of the Company's Total Shares and the Structure of Shareholders as well as the Structure of Assets and Liabilities

Ended December 22, 2015, the Company completed the work of non-public issuing of 45,977,011 A-shares to the designated investors. Upon completion of the issuing, the Company increased the registered capital by CNY 45,977,011 with the total registered capital turning to be CNY 438,744,881, and increased the capital reserve by CNY 536,947,362.62. The proportion of the shares held by the controlling shareholder decreased from 41.49% to 37.15%. The Company's asset-liability ratio before the non-public issuing was 55.27% and that after the non-public issuing was 45.77%. The new shares got listed with Shenzhen Stock Exchange on January 15, 2016.

## 3. About the existing employees' shares

Inapplicable

## III. Shareholders and Actual Controlling Shareholder

### 1. Number of Shareholders and Shareholding

In shares

Total common shareholders in the reporting period	33,608	Total common shareholders at the end of the month before before the date of disclosing the annual report	34,695	Total preference shareholders with the voting power recovered at the end of the reporting period (if any) (Refer to Note 8)	0	Total preference shareholders with the voting power not recovered at the end of the month before the day of disclosing the annual report (if any) (Refer to Note 8)	0
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Shares held by the shareholders holding over 5% shares or the top ten shareholders								
Shareholder names	Shares held by the top ten shareholders	Shares held by the top ten shareholders (%)	Quantity at the end of the reporting period	Increase/decrease in the reporting period	Number of the restricted shares held	Number of the non-restricted shares held	Pledging or freezing	
							Status of the shares	Quantity
AVIC International Holdings Limited	State-owned corporate	41.49%	162,977,327	0	0	162,977,327		
China Life Insurance Limited – Dividend – Dividend to Individuals --005L-FH002 SHEN	Domestic non-state-owned corporate	1.06%	4,157,800	4,157,800	0	4,157,800		
ESSENCE INTERNATIONAL SECURITIES (HONG KONG) LIMITED	Foreign corporate	0.66%	2,610,000	610,000	0	2,610,000		
Dai Wen	Domestic natural person	0.51%	2,009,321	0	0	2,009,321		
CMS (HK)	Foreign corporate	0.39%	1,522,341	65,812	0	1,522,341		
Zhou Weixian	Domestic natural person	0.36%	1,394,600	1,394,600	0	1,394,600		
Li Yunming	Domestic natural person	0.33%	1,314,100	1,314,100	0	1,314,100		
Yangzhou Municipal Mining Bureau	State-owned corporate	0.30%	1,161,639	1,161,639	0	1,161,639		
Shanghai Kewen Investment Management Co., Ltd. – KEWEN T KE No. 3 Investment Fund	Domestic non-state-owned corporate	0.29%	1,138,000	1,138,000	0	1,138,000		
Zeng Xialan	Domestic natural person	0.28%	1,099,080	1,099,080	0	1,099,080		
About the fact that a strategic investor or ordinary corporate became one of the top ten shareholders due to placement of new shares (if any) (Refer to Note 3)	Inapplicable							
Explanation on associated relationship or consistent action of the above shareholders	The Company has found neither affiliation among the aforesaid shareholders nor concerted actor as specified in the Measures for Administration of Information on the Shareholder Equity Change of Listed Companies.							
Shareholding of top 10 shareholders of unrestricted shares								

Shareholder's Name	Quantity of unrestricted shares held at the end of the reporting period	Share type	
		Share type	Quantity
AVIC International Holdings Limited	162,977,327	A-shares	162,977,327
China Life Insurance Limited – Dividend – Dividend to Individuals –005L-FH002 SHEN	4,157,800	A-shares	4,157,800
ESSENCE INTERNATIONAL SECURITIES (HONG KONG) LIMITED	2,610,000	B-shares	2,610,000
Dai Wen	2,009,321	A-shares	2,009,321
CMS (HK)	1,522,341	B-shares	1,522,341
Zhou Weixian	1,394,600	A-shares	1,394,600
Li Yunming	1,314,100	A-shares	1,314,100
Yangzhou Municipal Mining Bureau	1,161,639	A-shares	1,161,639
Shanghai Kewen Investment Management Co., Ltd. – KEWEN T KE No. 3 Investment Fund	1,138,000	A-shares	1,138,000
Zeng Xialan	1,099,080	A-shares	1,099,080
Explanation to the associated relationship or consistent action among the top 10 shareholders of non-restricted negotiable shares and that between the top 10 shareholders of non-restricted negotiable shares and top 10 shareholders.	The Company has found neither affiliation among the aforesaid shareholders nor concerted actor as specified in the Measures for Administration of Information on the Shareholder Equity Change of Listed Companies.		
Note to the top 10 shareholders involved in margin financing & securities lending (if any) (Refer to Note 4)	Inapplicable		

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

No

## 2. Controlling Shareholder

Nature of the controlling shareholder: State-owned holding directly under the central government

Type of the controlling shareholder: corporate

Name of the Controlling Shareholder	Legal Representative /Leader	Date of incorporation	Organization code	Principal business activities
AVIC International Holdings Limited	Wu Guangquan	June 20, 1997	27935122-9	Investing and initiating entities (separate application is to be submitted for a specific project); domestic commerce, supply and sales of goods and materials (excluding the goods for exclusive sale, under special control and

				monopolized goods); import and export (excluding the goods forbidden by law, administrative rules and regulations, decision of the State Council; the restrictive goods is not allowed for operation until permit is granted)
Equity in other domestic and foreign listed companies held by the controlling shareholder by means of control and mutual shareholding in the reporting period	Holding 22.35% equity in CATIC Real Estate Co., Ltd. (CATIC Real Estate000043), 73.87% equity in AVIC International Maritime Holdings Limited (listed in Singapore) and 20.81% equity in Tianma Micro-electronics Co., Ltd. (SHEN TIANMA A000050).			

Change of the controlling shareholder in the reporting period

Inapplicable

### 3. Actual Controller

Nature of the actual controller: State-owned assets regulatory agency directly under the central government

Type of the actual controller: corporate

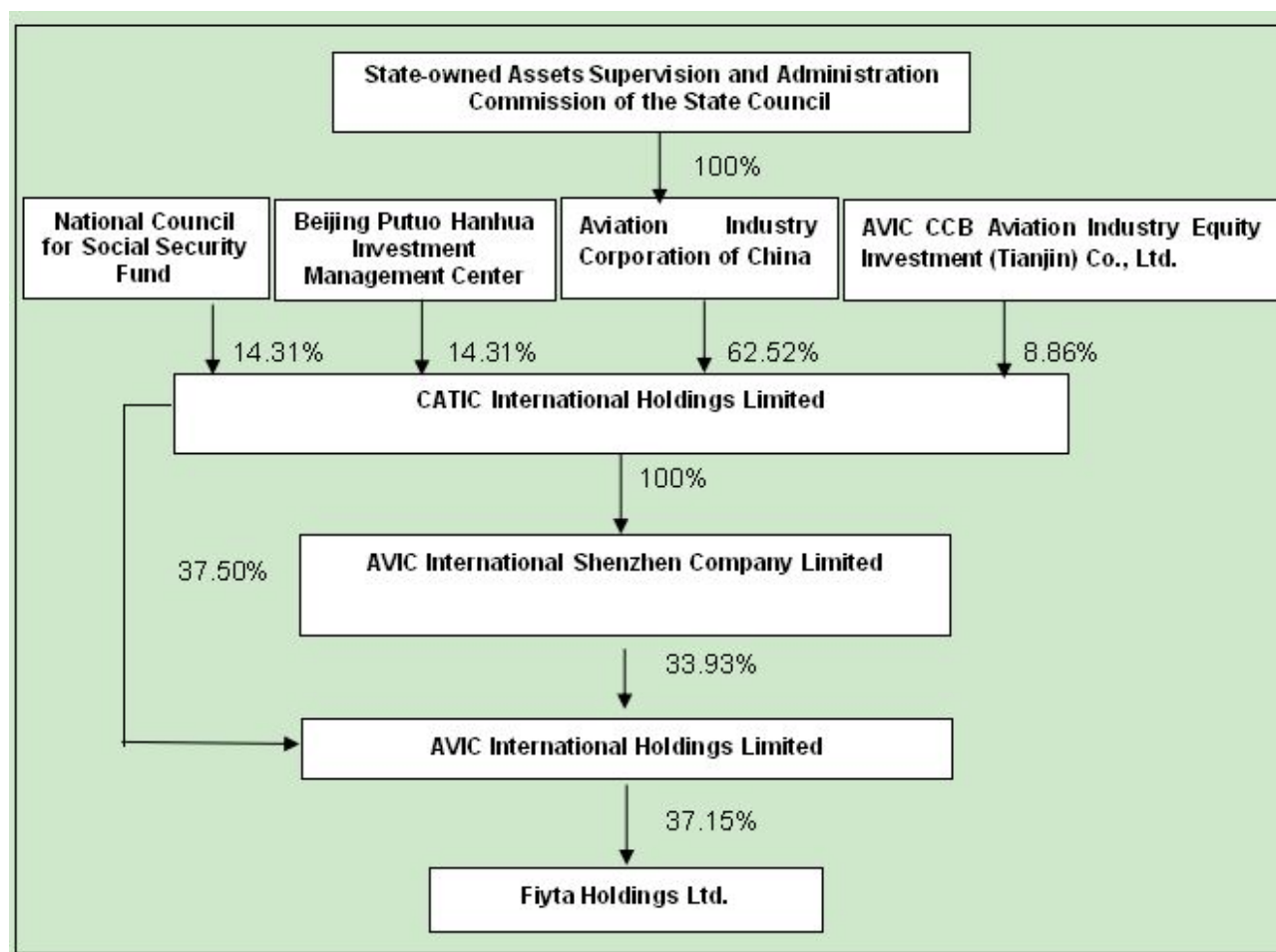
Name of the Actual Controller	Legal Representative /Leader	Date of incorporation	Organization code	Principal business activities
CATIC International Holdings Limited	Wu Guangquan	April 12, 1983	10000099-9	International aviation, trading and logistic, retail and high-end consumption goods, real estate and hotel, electronics and hi-tech, resource development, etc.
Equity in other domestic and foreign listed companies held by the actual controller by means of control and mutual shareholding in the reporting period	Holding 37.50% equity in AVIC International Holdings Limited (HK.0161) and 5.56%equity in Tianma Micro-electronics Co., Ltd. (SHEN TIANMA A000050).			

Change of the actual controller in the reporting period

Inapplicable

Block Diagram of the Ownership and Control Relations between the Company and the Actual Controller





The actual controller controls the Company by means of trust or managing the assets in other ways:

Inapplicable

#### 4. Other Corporate Shareholder Holding over 10% of the Company's Shares

Inapplicable

#### 5. Shareholding Reduction Restriction on the Controlling Shareholder, the Actual Controller, the Reorganizing Party and other Committing Party

Inapplicable

## Chapter 7 About the Preferred Shares

Inapplicable

## Chapter 8 Directors, Supervisors, Senior Executives and Staff

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

Names	Positions	Office Status	Gender	Age	Starting date of tenure	Expiry date of tenure	Number of shares acquired at end of the reporting period(shares)	Volume of shares acquired during the reporting period(shares)	Volume of shares sold during the reporting period(shares)	Other increase/decrease (shares)	Number of shares held at end of the reporting period (shares)
Diao Weicheng	Chairman	In office	Male	53	September 28, 2015	September 28, 2018	0	0	0	0	0
Xu Dongsheng	Managing Director	In office	Male	50	September 28, 2015	September 28, 2018	0	0	0	0	0
Wang Mingchuan	Director	In office	Male	50	August 31, 2015	August 31, 2018	0	0	0	0	0
Liu Aiyi	Director	In office	Male	44	August 31, 2015	August 31, 2018	0	0	0	0	0
Zhong Sijun	Director	In office	Male	40	August 31, 2015	August 31, 2018	0	0	0	0	0
Cao Zhen	Director	In office	Female	45	August 31, 2015	August 31, 2018	0	0	0	0	0
Zhang Hongguang	Independent Director	In office	Male	60	August 31, 2015	August 31, 2018	0	0	0	0	0
Zhang Shunwen	Independent Director	In office	Male	50	August 31, 2015	August 31, 2018	0	0	0	0	0
Wang Yan	Independent Director	In office	Male	59	August 31, 2015	August 31, 2018	0	0	0	0	0
Sui Yong	Chairman	In office	Male	58	August 31, 2015	August 31, 2018	0	0	0	0	0

	of the Supervisor y Committee				2015	2018					
Chen Zhuo	Supervisor	In office	Male	40	August 31, 2015	August 31, 2018	0	0	0	0	0
Tang Boxue	Supervisor	In office	Male	55	August 31, 2015	August 31, 2018	0	0	0	0	0
Chen Libin	Deputy GM	In office	Male	52	September 28, 2015	September 28, 2018	0	0	0	0	0
Lu Bingqiang	Deputy GM	In office	Male	55	September 28, 2015	September 28, 2018	66,311	0	0	0	66,311
Du Xi	Deputy GM	In office	Male	41	September 28, 2015	September 28, 2018	0	0	0	0	0
Lu Wanjun	Deputy GM, Director, secretary	In office	Male	49	September 28, 2015	September 28, 2018	0	0	0	0	0
Hu Xinglong	Chief accountant	In office	Male	52	September 28, 2015	September 28, 2018	0	0	0	0	0
Huang Yongfeng	Director	Retired	Male	42	September 10, 2012	June 5, 2015	0	0	0	0	0
Total	--	--	--	--	--	--	66,311	0	0	0	66,311

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

Names	Office Taken	Type	Date	Cause
Huang Yongfeng	Director	Resignment	2015 年 06 月 05 日	Mr. Huang applied for resigning the post of director of the Company and member of the Strategy Committee and the Nomination, Remuneration and Assessment Committee. After the resignation, Mr. Huang no longer held any post in the Company
Cao Zhen	Director	New appointment	August 31, 2015	At the 20 <sup>th</sup> meeting of the Seventh Board of Directors and 2015 1 <sup>st</sup> Extraordinary General Meeting, Ms. Cao was elected director of the Eighth Board of Directors.

## III. Posts Holding

Professional Background, CV and Major Duties of Directors, Supervisors and Senior Executives in Office

Mr. Diao Weicheng, born in June, 1963, research fellow senior engineer, bachelor of physics of Sun Yat-sen University,

MBA and PhD of management science and engineering of Tongji University. Mr. Diao is a member of the Party Leadership Group and deputy general manager of CATIC International Holdings Limited, the chairman of Rainbow Supermarket Co., Ltd. He used to be the general manager of China National Aero-technology Import & Export Corp. Beijing Co., deputy general manager of China National Aero-technology Import & Export Corp., director, deputy general manager and a member of the Party Committee of Shenzhen Pengji Holdings Co., Ltd. and deputy general manager of Shun Yip Holdings Company Limited.

Mr. Xu Dongsheng, born in April 1966 research fellow senior economist, MBA of Tongji University. and PhD of Beijing University of Aeronautics & Astronautics. He is now the managing director of the Company, a deputy of the 6<sup>th</sup> Session of People's Congress of Shenzhen Municipality, vice president of China Timepieces Association and chairman of Shenzhen Timepieces Association. Mr. Xu used to be the secretary of CYL Committee of CATIC Shenzhen Company Limited, GM of the Collective Life Service Co., Ltd. of Shenzhen CATIC Enterprise Group, vice secretary of the discipline committee, manager and president assistant of the supervision and audit department of CATIC Shenzhen Company Limited.

Mr. Wang Mingchuan, born in December 1966, senior accountant, master of management engineering of Tongji University. Mr. Wang is a director of the Company, vice chief accountant of CATIC International Holdings Limited, chief accountant of CATIC Shenzhen Company Limited, director of Tianma Microelectronics Co., Ltd., director of CATIC Real Estate Co., Ltd. and director of Rainbow Supermarket Co., Ltd. He used to be a financial supervisor of the financial division of Chengdu Engine Company, manager of the financial department of Shenzhen Shenrong Engineering Plastic Company, manager of the comprehensive management department and chief financial officer of Shenzhen CATIC Trading Co., Ltd., deputy manager of the financial and audit department, deputy manager and manager of the financial department and vice chief accountant of CATIC Shenzhen Company Limited.

Mr. Liu Aiyi, born in February, 1972, senior administrator, master of public relations management of Peking University. Mr. Liu is the director of the human resource department of AVIC International Holdings Limited and director of Tianma Micro-electronics Co., Ltd. and director of CATIC Real Estate Co., Ltd. He used to be the senior business manager of the human resource department, chief of the division of leading cadres of the human resource department of China Aviation Industry Corporation I and chief of the division of senior executives & talents of the human resource department of China National Aviation Industry Group Co.

Mr. Zhong Sijun, born in December 1976, economist, master of management of Northwestern Polytechnical University. Mr. Zhong is the secretary of AVIC International Holdings Limited, director of CATIC Real Estate Co., Ltd., director of Rainbow Supermarket Co., Ltd. and director of Tianma Micro-electronics Co., Ltd. Mr. Zhong used to be a deputy supervisor of the Operation Management Department of AVIC International Holdings Limited, the secretary of the board of Shenzhen CATIC Hotel Management Co., Ltd. and the secretary of the board of Shanghai Tianma Microelectronics Co., Ltd.

Ms. Cao Zhen, born in October 1971, born in October, 1971, medium-rank journalist, Bachelor of Arts of Jiangxi Normal University, EMBA of China Europe International Business School. Ms. Cao is the manager of the enterprise culture department of CATIC International Holdings Limited, a supervisor of CATIC Shenzhen Company Limited, a supervisor of CATIC Real Estate Co., Ltd. She used to be the assistant to GM of CATIC Shenzhen Company Limited, the editor-in-chief of AVIC News of CATIC Shenzhen Company Limited, the manager of the Administration and Management Department of CATIC Shenzhen Company Limited and the secretary of the board of CATIC Shenzhen Company Limited.

Mr. Zhang Hongguang, born in March 1956, senior engineer, bachelor of light industry machinery of Dalian Polytechnic University. He is now an independent director of the Company, vice president of China Timepieces Association. He used to be GM of Shenzhen Qixin Construction Group, deputy GM of Shenzhen Zhongyin Industrial Co., Ltd., manager of Shenzhen Xinghua Co., Ltd. and deputy chief of the education department of the Ministry of Light Industry.

Mr. Zhang Shunwen, born in May, 1966, senior accountant, a CPA, and master of Zhongnan University of Economics and Law. He is now an independent director of the Company, a partner of Lixin Certified Public Accountants (special general partnership), an expert member of the Third Assessment Committee of Guangdong Senior Accountants, vice president of Shenzhen Service Trade Association, practicing tutor of College of Economics of Shenzhen University, independent director of Shenzhen Gongjin Electronics Co., Ltd., AVIC Sanxin Co., Ltd. and Shenzhen Special Economic Zone Real Estate&Properties (Group).Co.,Ltd. He used to be a vice president of Shenzhen Association of CPAs and a member of CPPCC of Shenzhen Municipality.

Mr. Wang Yan, born in February 1957 senior economist, master of business administration of State University of New York. He is now an independent director of the Company, professor of Intellectual Property Academy of South China University of Technology, deputy director of South China Training Base of the State Intellectual Property Bureau, independent director of Shenzhen Maxonic Automation Control Co., Ltd. He used to be assistant to the director of the Management Department of the State Intellectual Property Bureau, chief economist of the domestic listing company of China Merchants Group (China Merchants Harbor Service), senior executive of First State China Fund Management Co., Ltd., associate professor of Southwest University of Political Science & Law and deputy director of Shenzhen Intellectual Property Bureau.

Mr. Sui Yong, born in January 1958, senior accountant, bachelor of management engineering of Beijing University of Aeronautics & Astronautics. He is the Chairman of the Supervisory Committee of the Company, deputy GM of CATIC Shenzhen Company Limited. He used to be deputy manager and manager of the financial department, manager of the settlement center, manager of the financial department, vice chief accountant and chief accountant of China National Aero-Technology Import & Export Corporation Shenzhen Company and chairman of the supervisory committee of CATIC Real Estate Co., Ltd.

Mr. Chen Zhuo, born in September 1976, accountant, MBA of Wuhan University, on-campus EMBA of China Europe International Business School. He is now a supervisor of the Company and manager of the strategy and information department. He used to be deputy manager of the strategy and information department of the Company, deputy GM and manager of the financial information department of FIYTA Sales Co., Ltd. and securities affairs representative of the Company.

Mr. Tang Boxue, born in July 1961, accountant, graduated from university. He is now a supervisor and the manager of the audit department of the Company. He used to be deputy manager of the audit department and project manager of the financial department of the Company and GM of Shenzhen Pengmen Restaurant Co., Ltd.

Mr. Chen Libin, born in June 1964, postgraduate of economics of the Party School of Guangdong Provincial CPC Committee and EMBA of Sun Yat-Sen University. He is now the Secretary of the CPC Committee and deputy GM of the Company. Mr. Chen used to be deputy director and director of the Party's affairs of the *Party*-masses Work Department and senior commissioner, deputy manager and manager of the enterprise culture department of AVIC Shenzhen and the Secretary of the Board of the Company.

Mr. Lu Bingqiang, born in December 1961, senior economist, bechalar of Guangzhou Jinan University. Mr. Lu is deputy GM of the Company and Managing Director of FIYTA (Hong Kong) Limited. He used to be the president secretary of AVIC Shenzhen, GM assistant amd director of the Company, and GM and chairman of Shenzhen Harmony World Watches Center.

Mr. Du Xi, born in July 1975, engineer, bachelor of mechatronic engineering of University of Electronic Science and Technology of China, and EMBA of Sino-European International Management Institute. He is now a deputy GM of the Company. Mr. Du used to be the assistant to the GM of the Company and the GM of FIYTA Brand, the deputy GM and GM of FIYTA Sales Co., Ltd. and manager of FIYTA South China Branch.

Mr. Lu Wanjun, born in February, 1967, accountant and EMBA of Sino-European International Management Institute. Mr. Lu is now a deputy GM and the Secretary of the Board of the Company. He used to be the assistant to the GM of the Company, executive deputy GM and deputy GM, the assistant to the GM and concurrently the manager of the financial department of Shenzhen Harmony World Watches Center Co.

Mr. Hu Xinglong, born in May, 1964, accountant, Chinese CPA, international certified internal auditor, EMBA of Sino-European International Management Institute. Mr. Hu is now the Chief Accountant of the Company. He used to be deputy chief accountant, management of the financial department and manager of the audit department of the Company.

#### Office taking in shareholder companies

Names of the persons in office	Names of the Shareholders	Titles engaged in the shareholders	Starting date of office term	Expiry date of office term	Does he/she receive remuneration or allowance from the shareholder?
Diao Weicheng	CATIC International Holdings Limited	Member of the Party Leadership Group	November 30, 2010		No
Diao Weicheng	CATIC International Holdings Limited	Deputy GM	February 29, 2012		Yes
Wang Mingchuan	CATIC International Holdings Limited	Vice Chief Accountant	November 3, 2010		No
Wang Mingchuan	AVIC Shenzhen	Chief Accountant	August 6, 2010		Yes
Liu Aiyl	CATIC International Holdings Limited	Supervisor of HR Dept.	July 1, 2010		Yes
Zhong Sijun	AVIC International Holdings Limited	Secretary of the company	June 1, 2015		Yes
Cao Zhen	CATIC International Holdings Limited	Manager of the enterprise	October 20, 2011		Yes

		culture department			
Cao Zhen	AVIC Shenzhen	Supervisor	August 20, 2014		No
Sui Yong	AVIC Shenzhen	Deputy GM	August 6, 2010		Yes
Explanation to the office taking in shareholder companies	Inapplicable				

#### Offices Taken in Other Organizations

Names of the persons in office	Names of Other Organizations	Titles engaged in the other organizations	Starting date of office term	Expiry date of office term	Does he/she receive remuneration or allowance from other organization?
Zhang Hongguang	China Timepieces Association	Vice chairman	Jan. 1, 2010		Yes
Zhang Shunwen	Lixin Certified Public Accountants (Special Ordinary Partnership)	Partner	Jan. 1, 2011		Yes
Wang Yan	Intellectual Property Academy of South China University of Technology	Full-time professor	Aug. 1, 2010		Yes
Explanation to the office taking in other organizations	Inapplicable				

Punishment imposed by the securities regulatory authority on the directors, supervisors and senior executives both in office and having left their posts in the reporting period.

Inapplicable

## IV. Remuneration to Directors, Supervisors and Senior Executives

Decision-making procedures, basis for determination and actual payment of the remuneration to directors, supervisors and senior executives

1. Decision-making procedures of the remuneration to directors, supervisors and senior executives: Remuneration to directors and supervisors was reviewed and approved by the Company's General Meeting and remuneration to senior executives was reviewed and approved by the Board of Directors.

2. Basis for determining the remuneration to directors, supervisors and senior executives:

(1) Basis for Determining Remuneration to Directors: Remuneration to the directors appointed by the controlling shareholder is determined and distributed by the controlling shareholder. Allowance to independent directors is subject to the proposal prepared by the Board of Directors and reviewed and approved by the General Meeting and disclosed in the

Company's annual report. Except the aforesaid allowance, independent directors received no extra and undisclosed benefit from the Company, the Company's principal shareholders or other organization or personnel with stakeholding.

(2) Basis for Determining Remuneration to Supervisors: Remuneration to the supervisors appointed by the controlling shareholder is determined and distributed by the controlling shareholder. Remuneration to the staff representative supervisor is determined by the Company based on the specific job he/she is engaged in.

(3) Basis for Determining Remuneration to senior executives: The Company brought into full play and mobilized the senior executives' work enthusiasm and creativeness based on the Company's operating results and with reference to the average remuneration level in the trade, better improved the Company's operating ability and result and ensured realization of the Company's strategic targets. The Company worked out the Measures for Administration of Remuneration to the Senior Executives in 2009, insisted on the principle of distribution according to work and combination of power, responsibility and benefit. The major orientation was "market based", "full amount based" and "broadband based". Commencing from 2007 on, the Company has introduced Balance Scorecard Strategic Management Structure, based on the establishment of the incentive and restriction mechanism adaptable to the modern enterprise system, improved the corporate governance structure, decomposed the Company's strategy to every department and post through the balance scorecard to determine senior executives' performance indicators and action plan on this basis, conducted regular strategic review, work report and assessment on quarterly basis, and decided their total remuneration and renewal of engagement according to the assessment results and fulfillment of performances.

### 3. Actual payment of the remuneration to directors, supervisors and senior executives:

The Company practiced the annual salary system for its senior executives. The annual salary structure consists of the basic annual salary and performance based annual salary. The annual salary assessment for the GM was carried out according to the assessment methods worked out by the shareholder. The assessment basis is mainly in accordance with a series of indicators systems prepared based on the balance scorecard. The assessment for other senior executives was conducted based on the indicators in the balance scorecard prepared at year beginning and the work report at year end.

### Remuneration to directors, supervisors and senior executives in the reporting period

In CNY10,000

Names	Positions	Gender	Age	Office Status	Total remuneration received from the Company	Remuneration actually received at the end of the reporting period
Diao Weicheng	Chairman	Male	53	In office	0	No
Xu Dongsheng	Managing Director	Male	50	In office	183.54	No
Wang Mingchuan	Director	Male	50	In office	0	No
Liu Aiyi	Director	Male	44	In office	0	No
Zhong Sijun	Director	Male	40	In office	0	No
Cao Zhen	Director	Female	45	In office	0	No



Zhang Hongguang	Independent Director	Male	60	In office	9	No
Zhang Shunwen	Independent Director	Male	50	In office	9	No
Wang Yan	Independent Director	Male	59	In office	9	No
Sui Yong	Chairman of the Supervisory Committee	Male	58	In office	0	No
Chen Zhuo	Supervisor	Male	40	In office	120.13	No
Tang Boxue	Supervisor	Male	55	In office	85.06	No
Chen Libin	Deputy GM	Male	52	In office	147.44	No
Lu Bingqiang	Deputy GM	Male	55	In office	142.99	No
Du Xi	Deputy GM	Male	41	In office	158.31	No
Lu Wanjun	Deputy GM, Director, Secretary of the Board	Male	49	In office	140.87	No
Hu Xinglong	Chief accountant	Male	52	In office	140.9	No
Huang Yongfeng	Director	Male	42	Retired	0	No
Total	--	--	--	--	1,146.24	--

Incentive equity to directors, supervisors or/and senior executives in the reporting period

Inapplicable

## VI. About Employees

Ended the reporting period, there were altogether 5,562 employees in the Company. The composition of their education background, age structure and job structure are indicated as follows:

### 1. Age Structure

Age Composition	Below 30	30 - 40	over 40	Total
Number of persons	2973	1876	713	5562
Proportion %	53.45%	33.73%	12.82%	100.00%

### 2. Education Background

Education background	Master's degree or higher	University graduation	Junior college graduation	below junior college	Total
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composition					
Number of persons	59	818	1540	3145	5562
Proportion%	1.06%	14.71%	27.69%	56.54%	100.00%

### 3. Job Structure

Job composition	Management	Operation	Financial	Production	Total
Number	442	4680	141	299	5562
Proportion	7.94%	84.14%	2.54%	5.38%	100.00%

### 4. Remuneration Policy for Staff

The Company's remuneration policy is based on strategy, market, performances and job value. The Company has established a remuneration and benefit system with external competitiveness and internal fairness according to the Company's strategic target, ensuring the attractiveness to high quality talents of the industry, retaining the core and key talents of the Company, activating the human resource, mobilizing staff's enthusiasm and improving the Company's core competitiveness.

### 5. Training Program

The Company is concentrated on watch industry, insists on the principle of guiding various businesses with the brand strategy, takes a broad view of the world and has established its vision of "moulding an international brand and becoming a globalized enterprise". While speeding up development, the Company firmly believes that "to build brand is to integrate the brand work and life style", the core speciality of the organization and staff and the qualification of the staff as brand personnel are the key elements determining the future development. For the purpose of creating the core competitiveness based on "brand building", meeting the strategy challenge, promoting realization of the long and short term plan, the Company determined the talent standard and qualification model based on the brand strategy by means of strategy analysis, internal and external environment analysis, talent supply analysis and employees' ability gap analysis, kept building a training system integrated with talent development model, improved comprehensive, multi-level, targeted and comprehensive accomplishment bearing, promoted overall and quick growth of employees and senior officers and enhanced the Company's core competitiveness.

6. Ended December 31, 2015, there were no retired staff whose pension or expenses needed to be borne by the Company. The Company shows loving care for the retired staff by means of paying respective visits and extending its regards.

	Current Period
Total number of employees receiving remuneration in the current period	5,562
Total amount of remuneration incurred in the current period, in CNY10,000	49,856.71
Proportion of total remuneration in the operation revenue in the current period	15.77%

Average remuneration per senior executive (CNY10,000/person)	152.3
Average remuneration per capita for all employees (CNY10,000)	8.96

## Chapter 9 Corporate Governance

### I. General

In the year 2015, the Company kept improving the Company's corporate governance structure strictly according to the PRC Company Law, the PRC Securities Law and the regulations of China Securities Regulatory Commission concerning governance of listed companies, and tried to enhance construction of modern enterprise system, upgraded the level of regulatory operation of the Company. As a result, there was no discrepancy between the situation of the Company's corporate governance and the regulatory documents of China Securities Regulatory Commission concerning governance of listed companies.

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

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

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

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

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

Does there exist any difference in compliance with the corporate governance, the PRC Company Law and the relevant provisions of CSRC.

No

## **II. Independence in Business, Personnel, Assets, Organization, Finance, etc. from the Controlling Shareholders**

The Company is independent in business, personnel, assets, organization and finance from its controlling shareholder. The Company has complete and independent business and the ability of autonomous operation.

**Business.** The Company is mainly engaged in timepiece businesses and has independent production, auxiliary production system and complementary facilities, and possesses its own procurement and sales systems. There exists no competition in the same sector between the Company and its controlling shareholder.

**Personnel:** The Company is completely independent in organization and has sound systems in labor, personnel and salaries management. Except Mr. Lai Weixuan, the Chairman, Mr. Wang Mingchuan, Mr. Huang Yongfeng, Mr. Wu Xiaohua and Madam Wang Xiaohua, the four directors, and Mr. Sui Yong, the chairman of the Supervisory Committee, none of other senior executives takes any concurrent office in the shareholders and none of the financial staff works concurrently for any related parties.

**Assets:** The assets of the Company and its controlling shareholder are highly distinct. The Company enjoys the corporate ownership over its assets and the assets are completely independent from its controlling shareholder. In addition, the Company enjoys sole ownership of the Trademark FIYTA.

**Organization:** The Company has established its own intra-company organizations independent from the controlling shareholder. The Board, the Supervisory Committee and the other internal departments and offices work independently. There exist neither subordinate relations between the controlling shareholder/its functional departments nor doing joint office work. The controlling shareholder enjoys its rights and undertakes the corresponding obligations according to the law and has never been involved in any action which directly or indirectly interferes the Company's business activities surpassing the authority of the General Meeting.

**Finance:** The Company has established independent financial department, worked out sound and independent financial and accounting system and financial management system and independently opened bank accounts. The controlling shareholder has never interfered the Company in its financial and accounting activities.

## **III. Horizontal Competitions**

Inapplicable

## **IV. Annual General Meeting and Extraordinary General Meetings in the Reporting Period**

## 1. General Meetings in the Reporting Period

Sessions	Meeting Types	Proportion of investors in total participants	Meeting date	Disclosure date	Disclosure index
2014 Annual General Meeting	Annual General Meeting	0.15%	June 17, 2015	June 18, 2015	www.cninfo.com.cn
2015 1 <sup>st</sup> Extraordinary General Meeting	Extraordinary General Meeting	0.01%	August 31, 2015	September 1, 2015	www.cninfo.com.cn

About institutional investor(s)

Inapplicable

## 2. Request by the Preference Shareholders with the Vote Recovered for an Extraordinary General Meeting

Inapplicable

## V. Duty Performance of Independent Directors in the Reporting Period

### 1. Attendance of Board Meetings and General Meetings

Independent Directors' Attendance at Board Meetings						
Independent directors	Number of Board meetings necessary to be attended in the reporting period	Number of Spot Attendances	Number of Meetings Attended by Communication	Number of attendances by representative	Number of Absence	Failure to personally attend board meetings successively twice (Yes/No)
Zhang Hongguang	9	2	6	1	0	否
Zhang Shunwen	9	3	6	0	0	否
Wang Yan	9	3	6	0	0	否
Number of general meetings attended by independent directors as non-voting delegates		2				

Notes to Failure to Personally Attend Board Meetings Successively Twice

Inapplicable

### 2. Objection of independent directors on some relevant issues

Did any of independent directors put forth any objection on some relevant issues

No

### 3. Other Note to Duty Performance of Independent Directors

Inapplicable

## VI Duty Performance of Special Committees under the Board of Directors in the Reporting Period

### Summary Report on Performances of the Strategy Committee of the Board of Directors

During the reporting period, the Strategy Committee performed its duties strictly according to the law and regulations, the Articles of Association and the Rules for Implementation of the Strategy Committee of the Board of Directors, continued to do research work on the strategic planning for the Company's long term development and supervised the Company in implementation of various strategies. The Strategy Committee held its first meeting of year 2015 on March 10, 2015. The meeting reviewed and approved the Work Report of the Board of Directors in Year 2014 and the Profit Distribution for Year 2014, etc.; The second meeting of the Strategy Committee of year 2015 was held on April 16, 2015. The meeting reviewed and approved the plan of non-public issuing of A-shares to the specified investors.

### Summary Report on Performances of the Audit Committee of the Board of Directors

In accordance with China Securities Regulatory Commission, Contents and Formats for Information Disclosure by Companies that Offer Securities to the Public Guideline (No. 2): Contents and Format of Annual Reports (Revision 2012), Shenzhen Stock Exchange: Circular on Doing a Good Job in 2014 Annual Report and the Relevant Work in Listed Companies, Basic Regulations on Enterprise Internal Control, Memorandum of Information Disclosure No. 21 – Information to be Disclosed in the Annual Report and the Company's Rules for the Work of the Audit Committee, the Audit Committee of the Company conducted overall review of the Company's audit work in 2014. The following is the summary of the performances of the Audit Committee and the work of Grant Thornton Certified Public Accountants (Special General Partnership) (hereinafter referred to as the "CPAs").

#### 1. Collecting General Information of the Company in the Reporting Period and Reviewing the Financial Statements Prepared by the Company and Progress of Internal Control Implementation

On January 16, 2015, the Audit Committee heard the management's overall report on the production and operation and progress of significant events during the reporting period and reviewed 2015 Financial and Accounting Statements prepared by the Company and heard the progress of implementation of the Company's internal control. In its opinion, the data in the financial and accounting statements prepared by the Company basically reflected the financial position and operation results of the Company as ended at December 31, 2015, and approved to carry out the audit work for the year 2015 with the financial statements as the base. The internal control implementation work carried out by the Company has been duly carried forward according to the Company Law, the Securities Law, Basic Standards for Enterprise Internal Control and other relevant laws and regulations. It has basically reflected the Company's internal control construction work ended December 31, 2015 and approved to prepare the Self-Assessment Report on the Internal Control on this basis and carry out the internal control audit work in 2015.

#### 2. Decision on Overall Audit Plan

Before the CPAs started auditing, the audit committee, after consultation with the CPAs, decided the time schedule of the

audit work in 2015.

### 3. Supervision of the Audit Work

On January 18, 2016, the CPAs formally started the audit work. During the auditing, the Audit Committee frequently urged the CPAs to complete the audit work according to the time schedule of audit so as to ensure timely disclosure of the Company's annual report and relevant documents.

### 4. Preliminary Auditor's Opinions after Reviewing the Financial and Accounting Statements

On March 4, 2016, the CPAs issued a preliminary auditor's opinions on the financial and accounting statements and internal control assessment, and the Audit Committee once again reviewed the Company's financial and accounting statements and internal control assessment report as preliminarily audited by the CPAs. In the opinion of the Audit Committee, these financial statements truly, accurately and completely reflected the financial position and operation result of the Company ended December 31, 2015 and approved 2015 Annual Report and Summary prepared on the basis of these statements. The said internal control assessment report has truly, accurately and entirely reflected the Company's achievement in internal control construction ended December 31, 2015 and approved to complete the internal control assessment report and internal control audit report based on said report. Meanwhile, the audit committee demanded the CPAs to complete the audit work according to the plan as soon as possible so as to ensure the Company to disclose 2015 Annual Report as scheduled.

### 5. Summary Work after the Formal Report

On March 8, 2016, the CPAs completed the auditing procedures as scheduled and issued a standard unqualified auditor's report and other relevant documents to the Audit Committee. The Audit Committee held 2016 1<sup>st</sup> Meeting of the Audit Committee on the very day and concluded a resolution and submitted it to the Board of Directors for review; and at the same time submitted the Summary Report on the Performances of the Audit Committee and the Audit Work of the Certified Public Accountants in 2015. In the opinion of the Audit Committee, Grant Thornton Certified Public Accountants (Special General Partnership), the domestic and international auditor engaged by the Company faithfully performed the duties in process of offering audit performances according to the professional principle of independence, objectiveness and fairness and did a good job in auditing 2015 Annual Accounting Statements and the internal control auditing.

### 6. CPAs' Performance of Basic Principle of the Professional Ethics

#### (1) Independence

None of the staff from the CPAs worked for the Company; the CPAs received neither cash nor economic interest in any other form from the Company other than the statutory audit fee. There existed neither direct or indirect mutual investment between the CPAs and the Company nor close operation relationship; there existed no self-assessment on the Company's audit work and there existed no related relation between the member of the auditing team and the Company's decision makers; the CPAs and the auditing staff kept independence both in form and substance in the auditing work and complied with the requirement on keeping independence as specified in the basic principle of the professional ethics.

#### (2) Professional Competence

All the members of the auditing team possessed the professional knowledge and relevant professional qualification certificates necessary for the auditing work, were competent for the auditing work and at the same time maintained necessary attention and professional cautiousness.



## **Summary Report on Performances of the Committees of Nomination, Remuneration and Assessment of the Board of Directors**

In the reporting period, the Committees of Nomination, Remuneration and Assessment of the Board of Directors performed its functions strictly according to the law and regulations, the Articles of Association and the Rules for Implementation of the Committees of Nomination, Remuneration and Assessment of the Board of Directors. 2015 1<sup>st</sup> meeting of the Committees of Nomination, Remuneration and Assessment held on March 10, 2015 reviewed and approved the emoluments to the senior executives in the year 2014; 2015 2<sup>nd</sup> meeting of the Committees of Nomination, Remuneration and Assessment held on August 12, 2015 reviewed and approved the proposal on election for the new Board of Directors; 2015 3<sup>rd</sup> meeting of the Committees of Nomination, Remuneration and Assessment held on September 23, 2015 reviewed and approved the transactions concerning election for the new Chairman of the Board, replacement of some members of the special committees of the Board of Directors, and appointment of new GM, Deputy GMs, Chief Accountant and the Secretary of the Board.

## **VII. Work Summary of the Supervisory Committee**

Did the Supervisory Committee find any risk existing in performing the supervision activities in the reporting period

No

## **VIII. Assessment and Incentive Mechanism for Senior Executives**

The Company brought into full play and mobilized the senior executives' work enthusiasm and creativeness based on the Company's operating results and with reference to the average remuneration level in the trade, better improved the Company's operating ability and result and ensured realization of the Company's strategic targets. The Company worked out the Measures for Administration of Remuneration to the Senior Executives in 2009, insisted on the principle of distribution according to work and combination of power, responsibility and benefit. The major orientation was "market based", "full amount based" and "broadband based". Since 2007, the Company has introduced the balance scorecard as the strategic management instrument. Based on the establishment of the incentive and binding mechanism corresponding to the modern enterprise system and improvement of the corporate governance structure, the Company disintegrated the Company's strategy to various departments and posts by means of the balance scorecard so as to determine senior executives' performance targets and plan of action, and regularly conducted strategic review and work report assessment on quarterly basis, and decided the total remuneration and office renewal based on the assessment results and performances. The remuneration to the Company's senior executives is the annual salary system. The annual salary structure consists of the basic annual salary and performance based annual salary. The annual salary assessment for the GM was carried out according to the assessment methods worked out by the shareholder. The assessment basis is mainly based on a series of indicators systems prepared based on the balance scorecard, in which the performance indicators of the surplus revenue rate were the main indicators. The assessment for other senior executives was conducted based on the indicators in the balance scorecard prepared at year beginning and the work report and assessment were carried out at year end.

## IX. Internal Control

### 1. No particular case found involving material defects in the internal control during the reporting period

No

### 2. Self-assessment Report of the Internal Control

Date of disclosing the full text of the internal control assessment report	March 10, 2016	
Index of disclosure of the full text of the internal control assessment report	<a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>	
Proportion of the total assets of the organizations involved in the assessment in the total assets of the Company's consolidated financial statements	100.00%	
Proportion of the operation revenue of the entitled involved in the assessment in the total operation revenue of the Company's consolidated financial statements	100.00%	
Criteria for affirming the defects		
Categories	Financial Report	Non-financial Report
Qualitative criteria	(1) Material defects: Misstatement≥Profit before tax 的 5%; (2)Important defects: 1% of profit before tax ≤ Misstatement< 5% of profit before tax; (3)Common defects: Misstatement<1% of profit before tax.	(1)Material defects: 5% of misstatement≥Profit before tax; (2)Important defects: 1% of profit before tax ≤Misstatement<5% of profit before tax; (3) Common defects: Misstatement<1% if Profit before tax.
Quantitative criterion	(1) This defect involves malpractices of the directors, supervisors and senior executives; (2) correction of the financial statements already published; (3) material	(1) Seriously breaching the law, administrative regulations and normative documents of the state; (2) "decision on major issues, important officer appointment and/or removal and arrangement of important projects as well as application of big sum of fund have not undergone collective decision-making

	misstatement involved in the current financial statements found by the CPAs while such misstatement has not been found in process of operation of the internal control; (4) the Company's audit committee and the internal audit service have conducted ineffective supervision over the internal control.	procedures; (3) serious running off of officers and technicians of the key positions; (4) there is no system control available for the Company's production and operation practice or the system no longer works; (5) the internal control for information disclosure no longer works, having caused the Company censured publicly by the regulatory authority; (6) the results of the internal control assessments, especially the material defects or important defects have not been rectified.
Number of material defects in the financial statements		0
Number of material defects in the non-financial statements		0
Number of important defects in the financial report		0
Number of important defects in the non-financial report		0

## X. Internal Control Audit Report

Review Opinions in the Internal Control Audit Report	
In our opinion, FIYTA Holdings Limited maintained effective internal control on the financial report in all material aspect according to the Basic Regulations for Enterprise Internal Control and the relevant provisions ended December 31, 2015.	
Disclosure of the internal control audit report	Disclosed
Date of disclosing the full text of the internal control audit report	March 10, 2016
Index of disclosing the full text of the internal control audit report	www.cninfo.com.cn
Type of the opinions in the internal control audit report	Standard unqualified auditor's report
Are there any material defects in the non-financial report	No

Has the CPAs issued a qualified auditor's report of internal control.

No

Does the internal control audit report issued by the CPAs agree with the self-assessment report of the Board of Directors

Yes

## **Chapter 10 Financial Report**

### **Auditors' Report**

**FIYTA Holdings Ltd.**

**For the Year Ended 31 December 2015**

**Grant Thornton**

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(English Translation for Reference Only)

## Auditors' Report

GTCSZ(2016) No. 441ZA2106

**To the shareholders of FIYTA Holdings Ltd.,**

We have audited the accompanying financial statements of FIYTA Holdings Ltd. ("FIYTA Holdings"), which comprise the consolidated and company balance sheets as at 31 December 2015, and the consolidated and company income statements, the consolidated and company cash flow statements and consolidated and company statements of change in shareholders' equity for the year then ended, and notes to the financial statements.

### **I. Management's Responsibility for the Financial Statements**

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **II. Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with Chinese Certified Public Accountants' ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting

policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **III. Opinion**

In our opinion, the accompanying financial statements of FIYTA Holdings present fairly, in all material respects, the consolidated and the company's financial position of FIYTA Holdings as at 31 December 2015, and of their consolidated and the company's financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

Grant Thornton

Chinese Certified Public Accountant

Su Yang

Chinese Certified Public Accountant

Chen Zhifang

Beijing, China

10 March 2016

## Consolidated and company balance sheets

As at 31 December 2015

Prepared by: FIYTA Holdings Ltd.

Monetary unit: RMB Yuan

Item	Notes	As at 31/12/2015		As at 31/12/2014	
		Consolidated	Company	Consolidated	Company
Current assets:					
Cash and bank balances	V. 1	638,962,875.93	513,869,824.81	116,455,070.54	37,060,566.79
Financial assets measured at fair value through profit or loss for the current period		-	-	-	-
Notes receivable	V. 2	7,197,788.08	-	6,162,768.29	-
Accounts receivable	V. 3	304,725,676.29		351,276,905.53	11,735,787.90
Prepayments	V. 4	48,869,563.60		43,054,642.06	-
Interest receivable		-	-	-	-
Dividends receivable		-	-	-	-
Other receivables	V. 5	39,847,732.76	1,527,756,817.18	41,525,719.27	1,524,513,111.66
Inventories	V. 6	2,092,691,019.29	-	2,133,791,024.32	-
Non-current assets due within one year		-	-	-	-
Other current assets	V. 7	15,796,773.56	2,089,651.83	14,421,516.43	503,071.74
<b>Total current assets</b>		3,148,091,429.51	2,043,716,293.82	2,706,687,646.44	1,573,812,538.09
Non-current assets:					
Available-for-sale financial assets	V. 8	85,000.00	85,000.00	85,000.00	85,000.00
Held-to-maturity investments		-	-	-	-
Long-term receivables		-	-	-	-
Long-term equity investment	V. 9	43,221,572.05	814,121,292.05	42,389,759.91	773,189,479.91
Investment property	V. 10	216,948,193.02	216,948,193.02	226,091,938.89	226,091,938.89
Fixed assets	V. 11	361,979,828.01	113,553,719.50	323,732,870.58	117,256,223.80
Construction in progress	V. 12	173,189,274.57	173,189,274.57	51,389,263.53	51,389,263.53
Construction materials		-	-	-	-
Disposal of fixed assets		-	-	-	-
Productive biological assets		-	-	-	-
Oil and gas assets		-	-	-	-
Intangible assets	V. 13	36,429,626.66	30,104,404.98	35,502,525.72	29,165,984.08
Development expenditures		-	-	-	-
Goodwill	V. 14	-	-	-	-
Long-term deferred expenses	V. 15	155,704,564.39	4,693,186.19	149,733,566.03	4,813,767.34
Deferred tax assets	V. 16	105,901,723.16	1,081,888.10	90,669,076.10	1,198,606.77
Other non-current assets	V. 17	5,118,833.65	5,118,833.65	31,500,000.00	-
<b>Total non-current assets</b>		1,098,578,615.51	1,358,895,792.06	951,094,000.76	1,203,190,264.32



<b>Total assets</b>		4,246,670,045.02	3,402,612,085.88	3,657,781,647.20	2,777,002,802.41
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## Consolidated and company balance sheets (continued)

As at 31 December 2015

Item	Notes	As at 31/12/2015		As at 31/12/2014	
		Consolidated	Company	Consolidated	Company
Current liabilities					
Short-term loans	V. 18	988,186,200.00	700,000,000.00	989,445,000.00	683,000,000.00
Financial liabilities measured at fair value through profit or loss for the current period		-	-	-	-
Notes payable		-	-	-	-
Accounts payable	V. 19	155,939,686.54	23,711,339.76	147,119,118.81	211,339.76
Advances from customer	V. 20	18,031,129.87	3,207,516.61	12,087,368.17	3,484,435.98
Employee benefits payable	V. 21	39,396,747.95	8,188,793.56	38,648,432.41	10,307,200.18
Taxes payable	V. 22	68,921,732.81	2,857,031.42	77,602,770.06	3,505,501.05
Interest payable	V. 23	19,211,630.02	18,170,745.35	19,420,893.75	18,139,997.63
Dividends payable		-	-	-	-
Other payables	V. 24	48,131,616.20	17,550,238.03	188,574,900.45	165,507,426.74
Non-current liabilities due within one year		108,914,000.00	-	-	-
Other current liabilities	V. 25	1,988,252.38	-	5,482,521.27	-
<b>Total current liabilities</b>		1,448,720,995.77	773,685,664.73	1,478,381,004.92	884,155,901.34
Non-current liabilities:					
Long-term loan	V. 26	90,994,964.33	68,361,928.00	139,952,425.65	15,361,928.00
Bonds payable	V. 27	399,823,760.28	399,823,760.28	398,767,929.40	398,767,929.40
Long-term payables		-	-	-	-
Long-term employee benefits payable		-	-	-	-
Specific payables		-	-	-	-
Contingent liabilities		-	-	-	-
Deferred income	V. 28	4,300,000.00	4,300,000.00	4,200,000.00	4,200,000.00
Deferred tax liabilities		-	-	-	-
Other non-current liabilities		-	-	-	-
<b>Total non-current liabilities</b>		495,118,724.61	472,485,688.28	542,920,355.05	418,329,857.40
<b>Total liabilities</b>		1,943,839,720.38	1,246,171,353.01	2,021,301,359.97	1,302,485,758.74
Share capital	V. 29	438,744,881.00	438,744,881.00	392,767,870.00	392,767,870.00
Capital reserve	V. 30	1,062,455,644.22	1,068,111,185.32	525,508,281.60	531,163,822.70
Less: treasury stock		-	-	-	-
Other comprehensive income	V. 31	-17,145,189.71	-	-17,609,265.22	-
Special reserves		-	-	-	-
Surplus reserve	V. 32	179,743,077.15	179,743,077.15	165,915,466.89	165,915,466.89
Undistributed profit	V. 33	635,417,237.55	469,841,589.40	566,819,577.37	384,669,884.08
Total shareholders' equity attributable to the parent company		2,299,215,650.21	2,156,440,732.87	1,633,401,930.64	1,474,517,043.67
		3,614,674.43	-	3,078,356.59	-

Total shareholders' equity		2,302,830,324.64	2,156,440,732.87	1,636,480,287.23	1,474,517,043.67
Total liabilities and shareholders' equity		4,246,670,045.02	3,402,612,085.88	3,657,781,647.20	2,777,002,802.41

Legal representative: Xu Dongsheng

Principal in charge of accounting: Hu Xinglong

Head of accounting department: Hu Xinglong

## Consolidated and company income statements

For the year ended 31 December 2015

Prepared by: FIYTA Holdings Ltd.

Monetary unit: RMB Yuan

Item	Notes	Year ended 31/12/2015		Year ended 31/12/2014	
		Consolidated	Company	Consolidated	Company
<b>I. Operating revenue</b>	V. 34	3,162,196,212.90	95,435,182.26	3,278,142,785.87	108,183,860.45
Less: Operating cost	V. 34	1,929,513,666.04	14,952,820.19	2,054,714,957.45	30,576,403.18
Business tax and surcharges	V. 35	30,674,510.18	5,351,881.76	23,901,881.30	5,072,072.03
Selling and distribution expenses	V. 36	779,536,520.59	-	722,839,956.11	-
G&A expenses	V. 37	198,077,866.76	53,984,337.81	208,452,027.58	53,365,686.49
Financial expenses	V. 38	94,347,464.79	18,388,066.34	105,819,460.82	22,482,320.07
Impairment loss	V. 39	6,253,998.83	-566,874.66	2,621,303.29	441,201.26
Add: Gains from changes in fair value ("-" for losses)		-	-	-	-
Investment gain ("-" for losses)	V. 40	831,812.14	132,219,952.72	-848,180.21	87,893,120.21
Including: Income from investment in associates and jointly controlled enterprise		831,812.14	831,812.14	-848,180.21	-848,180.21
<b>II. Operating profit ("-" for losses)</b>		124,623,997.85	135,544,903.54	158,945,019.11	84,139,297.63
Add: non-operating income	V. 41	12,037,251.82	3,566,753.92	12,541,095.86	8,530,541.14
Including: gains from disposal of non-current assets		94,316.07	4,000.00	70,124.76	57,532.85
Less: non-operating expenses	V. 42	1,131,027.33	316,767.32	1,091,494.98	212,482.77
Including: losses from disposal of non-current assets		59,880.75	16,717.32	115,045.74	32,482.77
<b>III. Profit before income tax ("-" for losses)</b>		135,530,222.34	138,794,890.14	170,394,619.99	92,457,356.00
Less: income tax expenses	V. 43	13,486,541.61	518,787.56	24,291,386.77	443,629.11
<b>IV. Net profit for the year ("-" for losses)</b>		122,043,680.73	138,276,102.58	146,103,233.22	92,013,726.89
Attributable to:					
Shareholders of the parent company		121,702,057.44	-	145,591,136.39	-
Minority interests		341,623.29	-	512,096.83	-
<b>V. After tax other comprehensive income</b>		658,770.06	-	-9,354,879.56	-
Attributable to:					
Shareholders of the parent company		464,075.51	-	-9,348,432.13	-
A. Not reclassified subsequently to profit or loss		-	-	-	-

B. Reclassified subsequently to profit or loss	464,075.51	-	-9,348,432.13	-
a. Translation differences arising on translation of foreign currency financial statements	464,075.51	-	-9,348,432.13	-
Minority interests	194,694.55	-	-6,447.43	-
<b>VI. Total comprehensive income for the year</b>	122,702,450.79	138,276,102.58	136,748,353.66	92,013,726.89
Attributable to:				
Shareholders of the parent company	122,166,132.95	-	136,242,704.26	-
Minority interests	536,317.84	-	505,649.40	-
<b>VII. Earnings per share:</b>		-	-	-
1. Basic earnings per share	0.310	-	0.371	-
2. Diluted earnings per share	-	-	-	-

Legal representative: Xu Dongsheng

Principal in charge of accounting: Hu Xinglong

Head of accounting department: Hu Xinglong

## Consolidated and company cash flow statements

For the year ended 31 December 2015

Prepared by: FIYTA Holdings Ltd.

Monetary unit: RMB Yuan

Item	Notes	Year ended 31/12/2015		Year ended 31/12/2014	
		Consolidated	Company	Consolidated	Company
<b>I. Cash flows from operating activities:</b>					
Cash received from sales of goods and rendering of services		3,655,072,713.33	106,837,676.30	3,753,155,046.51	342,112,116.63
Refund of taxes and surcharges		-	-	-	-
Cash received relating to other operating activities	V. 44	41,260,214.12	62,329,516.00	39,294,097.35	12,452,134.93
<b>Subtotal of cash inflows from operating activities</b>		3,696,332,927.45	169,167,192.30	3,792,449,143.86	354,564,251.56
Cash paid for goods and services		2,182,822,674.35	-	2,491,056,383.84	21,692,373.05
Cash paid to and on behalf of employees		498,411,775.82	50,544,482.34	450,944,736.29	42,583,354.07
Payments of taxes and levies		267,337,552.24	10,408,943.54	199,704,011.66	8,053,948.98
Cash paid relating to other operating activities	V. 44	351,523,932.63	13,607,560.44	361,554,381.10	137,085,829.65
<b>Subtotal of cash outflows for operating activities</b>		3,300,095,935.04	74,560,986.32	3,503,259,512.89	209,415,505.75
<b>Net cash flows from operating activities</b>		<b>396,236,992.41</b>	<b>94,606,205.98</b>	<b>289,189,630.97</b>	<b>145,148,745.81</b>
<b>II. Cash flows from investing activities</b>					
Cash received from disposal of investments		-	-	-	1,400,000.00
Cash received from returns on investments		-	131,388,140.58	-	88,741,300.42
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		340,367.11	111,800.00	51,919.04	41,000.00
Cash received from disposal of subsidiaries and other business units		-	-	-	-
Net cash received relating to other investing activities		-	-	-	-
<b>Subtotal of cash inflows from investing activities</b>		340,367.11	131,499,940.58	51,919.04	90,182,300.42
Cash paid to acquire fixed assets, intangible assets and other long-term assets		230,352,063.28	105,530,925.54	185,725,953.70	47,533,744.89

Cash paid to acquire investments		-	40,100,000.00	-	-
Net cash paid to acquire subsidiaries and other business units		-	-	-	-
Cash paid relating to other investing activities	V. 44	-	-	1,575,000.00	1,575,000.00
<b>Subtotal of cash outflows for investing activities</b>		230,352,063.28	145,630,925.54	187,300,953.70	49,108,744.89
<b>Net cash flows from investing activities</b>		<b>-230,011,696.17</b>	<b>-14,130,984.96</b>	<b>-187,249,034.66</b>	<b>41,073,555.53</b>
<b>III. Cash flows from financing activities:</b>					
Cash received from capital contributions		585,499,993.55	585,499,993.55	-	-
Including: Cash received from capital contributions by minority shareholders of subsidiaries		-	-	-	-
Cash received from loans		2,338,413,855.11	1,813,000,000.00	1,383,754,987.79	838,000,000.00
Cash received from bonds		-	-	-	-
Cash received relating to other financing activities	V. 44	13,500,000.00	-	189,684,398.22	150,001,328.82
<b>Sub-total of cash inflows from financing activities</b>		2,937,413,848.66	2,398,499,993.55	1,573,439,386.01	988,001,328.82
Cash repayments of borrowings		2,289,386,353.35	1,743,000,000.00	1,489,909,721.41	1,050,000,000.00
Cash payments for interest expenses and distribution of dividends or profits		127,821,827.59	107,150,257.43	135,784,422.03	115,502,648.61
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		-	-	-	-
Cash payments relating to other financing activities	V. 44	165,515,699.12	152,015,699.12	42,248,452.40	1,165,383.00
Including: Cash payments to minority shareholders of subsidiaries for capital reduction		-	-	-	-
<b>Sub-total of cash outflows for financing activities</b>		2,582,723,880.06	2,002,165,956.55	1,667,942,595.84	1,166,668,031.61
<b>Net cash flows from financing activities</b>		<b>354,689,968.60</b>	<b>396,334,037.00</b>	<b>-94,503,209.83</b>	<b>-178,666,702.79</b>
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>1,592,540.55</b>	<b>-</b>	<b>-220,426.68</b>	<b>-</b>
<b>V. Net increase in cash and cash equivalents</b>	V. 45	522,507,805.39	476,809,258.02	7,216,959.80	7,555,598.55
Add: Cash and cash equivalents as at 31/12/2014		<b>114,880,070.54</b>	<b>35,485,566.79</b>	<b>107,663,110.74</b>	<b>27,929,968.24</b>
<b>VI. Cash and cash equivalent as at 31/12/2015</b>	V. 45	637,387,875.93	512,294,824.81	114,880,070.54	35,485,566.79

Legal representative: Xu Dongsheng

Principal in charge of accounting:

Hu Xinglong

Head of accounting department: Hu Xinglong

## Consolidated statements of changes in shareholders' equity

for the Year Ended 31 December 2015

Prepared by: FIYTA Holdings Ltd.

Monetary Unit: RMB Yuan

Item	Year ended 31/12/2015									
	Attributable to shareholders' equity of the parent company								Minority interest	Total shareholders' equity
	Share capital	Capital reserve	Less: treasury stocks	Other comprehensive income	Special reserve	Surplus Reserve	General risk reserve	Undistributed profit		
<b>I. Balance at 31/12/2014</b>	392,767,870.00	525,508,281.60	-	-17,609,265.22	-	165,915,466.89	-	566,819,577.37	3,078,356.59	1,636,480,287.23
Add: Changes in accounting policies	—	—	—	—	—	—	—	—	—	—
Correction of errors	—	—	—	—	—	—	—	—	—	—
Consolidation under common control	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
<b>II. Balance at 1/1/2015</b>	392,767,870.00	525,508,281.60	-	-17,609,265.22	-	165,915,466.89	-	566,819,577.37	3,078,356.59	1,636,480,287.23
<b>III. Changes in equity for the year ( "- "for decrease)</b>	45,977,011.00	536,947,362.62	-	464,075.51	-	13,827,610.26	-	68,597,660.18	536,317.84	666,350,037.41
(I) Total comprehensive income for the year	-	-	-	464,075.51	-	-	-	121,702,057.44	536,317.84	122,702,450.79
(II) Shareholders' contributions and decrease of capital	45,977,011.00	536,947,362.62	-	-	-	-	-	-	-	582,924,373.62
1. Common shares by the shareholders	45,977,011.00	536,947,362.62	-	-	-	-	-	-	-	582,924,373.62
2. Increase in shareholders' equity resulted from share-based payments	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-
(III) Appropriation of profits	-	-	-	-	-	13,827,610.26	-	-53,104,397.26	-	-39,276,787.00
1. Transfer to surplus reserves	-	-	-	-	-	13,827,610.26	-	-13,827,610.26	-	-
2. Distributions to shareholders	-	-	-	-	-	-	-	-39,276,787.00	-	-39,276,787.00

3. Others	-	-	-	-	-	-	-	-	-	-
(IV) Transfer within equity	-	-	-	-	-	-	-	-	-	-
1.Capital reserves converting into share capital	-	-	-	-	-	-	-	-	-	-
2.Surplus reserves converting into share capital	-	-	-	-	-	-	-	-	-	-
3.Surplus reserves cover the deficit	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-
(V) Special Reserve	-	-	-	-	-	-	-	-	-	-
1. Provision for the year	-	-	-	-	-	-	-	-	-	-
2. Use for the year	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-
<b>IV. Balance at 31/12/2015</b>	438,744,881.00	1,062,455,644.22	-	-17,145,189.71	-	179,743,077.15	-	635,417,237.55	3,614,674.43	2,302,830,324.64

Legal Representative: Xu Dongsheng

Principal in charge of accounting: Hu Xinglong

Head of accounting department: Hu Xinglong

## Consolidated statements of changes in shareholders' equity (continued)

for the Year Ended 31 December 2015

Prepared by: FIYTA Holdings Ltd.

Monetary Unit: RMB Yuan

Item	Year ended 31/12/2014									
	Attributable to shareholders' equity of the parent company								Minority interest	Total shareholders' equity
	Share capital	Capital reserve	Less: treasury stocks	Other comprehensive income	Special reserve	Surplus Reserve	General risk reserve	Undistributed profit		
<b>I. Balance at 31/12/2013</b>	392,767,870.00	525,506,952.78	-	-8,260,833.09	-	156,714,094.20	-	469,706,600.67	2,384,907.19	1,538,819,591.75
Add: Changes in accounting policies	—	—	—	—	—	—	—	—	—	—
Correction of errors	—	—	—	—	—	—	—	—	—	—
Consolidation under common control	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
<b>II. Balance at 1/1/2014</b>	392,767,870.00	525,506,952.78	-	-8,260,833.09	-	156,714,094.20	-	469,706,600.67	2,384,907.19	1,538,819,591.75
<b>III. Changes in equity for the year ( "- "for decrease)</b>	-	1,328.82	-	-9,348,432.13	-	9,201,372.69	-	97,112,976.70	693,449.40	97,660,695.48
(I) Total comprehensive income for the year	-	-	-	-9,348,432.13	-	-	-	145,591,136.39	505,649.40	136,748,353.66
(II) Shareholders' contributions and decrease of capital	-	1,328.82	-	-	-	-	-	-	187,800.00	189,128.82
1. Common shares by the shareholders	-	-	-	-	-	-	-	-	187,800.00	187,800.00
2. Increase in shareholders' equity resulted from share-based payments	-	-	-	-	-	-	-	-	-	-
3. Others	-	1,328.82	-	-	-	-	-	-	-	1,328.82
(III) Appropriation of profits	-	-	-	-	-	9,201,372.69	-	-48,478,159.69	-	-39,276,787.00
1. Transfer to surplus reserves	-	-	-	-	-	9,201,372.69	-	-9,201,372.69	-	-

2. Distributions to shareholders	-	-	-	-	-	-	-	-39,276,787.00	-	-39,276,787.00
3. Others	-	-	-	-	-	-	-	-	-	-
(IV) Transfer within equity	-	-	-	-	-	-	-	-	-	-
1.Capital reserves converting into share capital	-	-	-	-	-	-	-	-	-	-
2.Surplus reserves converting into share capital	-	-	-	-	-	-	-	-	-	-
3.Surplus reserves cover the deficit	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-
(V) Special Reserve	-	-	-	-	-	-	-	-	-	-
1. Provision for the year	-	-	-	-	-	-	-	-	-	-
2. Use for the year	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-
<b>IV. Balance at 31/12/2014</b>	392,767,870.00	525,508,281.60	-	-17,609,265.22	-	165,915,466.89	-	566,819,577.37	3,078,356.59	1,636,480,287.23

Legal Representative: Xu Dongsheng

Principal in charge of accounting: Hu Xinglong

Head of accounting department: Hu Xinglong



## Company statements of changes in shareholders' equity

for the Year Ended 31 December 2015

Prepared by: FIYTA Holdings Ltd.

Monetary Unit: RMB Yuan

Item	Year ended 31/12/2015							
	Share capital	Capital reserve	Less: treasury stocks	Other comprehensive income	Special reserve	Surplus Reserve	Undistributed profit	Total shareholders' equity
<b>I. Balance at 31/12/2014</b>	392,767,870.00	531,163,822.70	-	-	-	165,915,466.89	384,669,884.08	1,474,517,043.67
Add: Changes in accounting policies	—	—	—	—	—	—	—	—
Correction of errors	—	—	—	—	—	—	—	—
Others	-	-	-	-	-	-	-	-
<b>II. Balance at 1/1/2015</b>	392,767,870.00	531,163,822.70	-	-	-	165,915,466.89	384,669,884.08	1,474,517,043.67
<b>III. Changes in equity for the year ( "- "for decrease)</b>	45,977,011.00	536,947,362.62	-	-	-	13,827,610.26	85,171,705.32	681,923,689.20
(I) Total comprehensive income for the year	-	-	-	-	-	-	138,276,102.58	138,276,102.58
(II) Shareholders' contributions and decrease of capital	45,977,011.00	536,947,362.62	-	-	-	-	-	582,924,373.62
1. Common shares by the shareholders	45,977,011.00	536,947,362.62	-	-	-	-	-	582,924,373.62
2. Increase in shareholders' equity resulted from share-based payments	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-
(III) Appropriation of profits	-	-	-	-	-	13,827,610.26	-53,104,397.26	-39,276,787.00
1. Transfer to surplus reserves	-	-	-	-	-	13,827,610.26	-13,827,610.26	-
2. Distributions to shareholders	-	-	-	-	-	-	-39,276,787.00	-39,276,787.00
3. Others	-	-	-	-	-	-	-	-
(IV) Transfer within equity	-	-	-	-	-	-	-	-
1.Capital reserves converting into share capital	-	-	-	-	-	-	-	-
2.Surplus reserves converting into share capital	-	-	-	-	-	-	-	-
3.Surplus reserves cover the deficit	-	-	-	-	-	-	-	-

4. Others	-	-	-	-	-	-	-	-
(V) Special Reserve	-	-	-	-	-	-	-	-
1. Provision for the year	-	-	-	-	-	-	-	-
2. Use for the year	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-
<b>IV. Balance at 31/12/2015</b>	438,744,881.00	1,068,111,185.32	-	-	-	179,743,077.15	469,841,589.40	2,156,440,732.87

Legal Representative: Xu Dongsheng

Principal in charge of accounting: Hu Xinglong

Head of accounting department: Hu Xinglong

## Company statements of changes in shareholders' equity

for the Year Ended 31 December 2015

Prepared by: FIYTA Holdings Ltd.

Monetary Unit: RMB Yuan

Item	Year ended 31/12/2014							
	Share capital	Capital reserve	Less: treasury stocks	Other comprehensive income	Special reserve	Surplus Reserve	Undistributed profit	Total shareholders' equity
<b>I. Balance at 31/12/2013</b>	392,767,870.00	531,162,493.88	-	-	-	156,714,094.20	341,134,316.88	1,421,778,774.96
Add: Changes in accounting policies	—	—	—	—	—	—	—	—
Correction of errors	—	—	—	—	—	—	—	—
Others	-	-	-	-	-	-	-	-
<b>II. Balance at 1/1/2014</b>	392,767,870.00	531,162,493.88	-	-	-	156,714,094.20	341,134,316.88	1,421,778,774.96
<b>III. Changes in equity for the year ( "- "for decrease)</b>	-	1,328.82	-	-	-	9,201,372.69	43,535,567.20	52,738,268.71
(I) Total comprehensive income for the year	-	-	-	-	-	-	92,013,726.89	92,013,726.89
(II) Shareholders' contributions and decrease of capital	-	1,328.82	-	-	-	-	-	1,328.82
1. Common shares by the shareholders	-	-	-	-	-	-	-	-
2. Increase in shareholders' equity resulted from share-based payments	-	-	-	-	-	-	-	-
3. Others	-	1,328.82	-	-	-	-	-	1,328.82
(III) Appropriation of profits	-	-	-	-	-	9,201,372.69	-48,478,159.69	-39,276,787.00

1. Transfer to surplus reserves	-	-	-	-	-	9,201,372.69	-9,201,372.69	-
2. Distributions to shareholders	-	-	-	-	-	-	-39,276,787.00	-39,276,787.00
3. Others	-	-	-	-	-	-	-	-
(IV) Transfer within equity	-	-	-	-	-	-	-	-
1.Capital reserves converting into share capital	-	-	-	-	-	-	-	-
2.Surplus reserves converting into share capital	-	-	-	-	-	-	-	-
3.Surplus reserves cover the deficit	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-
(V) Special Reserve	-	-	-	-	-	-	-	-
1. Provision for the year	-	-	-	-	-	-	-	-
2. Use for the year	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-
<b>IV. Balance at 31/12/2014</b>	392,767,870.00	531,163,822.70	-	-	-	165,915,466.89	384,669,884.08	1,474,517,043.67

Legal Representative: Xu Dongsheng

Principal in charge of accounting: Hu Xinglong

Head of accounting department: Hu Xinglong

## Notes to the Financial Statements

### I. Company information

#### 1. Company Profile

FIYTA Holdings Ltd. (the “Company”) was founded, under the approval of Shen Fu Ban Fu (1992) 1259 issued by the General Office of Shenzhen Municipal Government, through the restructuring of former Shenzhen FIYTA Time Industrial Company by the promoter of China National Aero-Technology Import and Export Shenzhen Industry & Trade Center (name changed to “China National Aero-Technology Shenzhen Co., Ltd” lately) on 25 December 1992, and the name changed to “Shenzhen FIYTA Holdings Ltd”.

Pursuant to the approval of ShenRen Yin Fu Zi (1993) 070 issued by the People’s Bank of China Shenzhen Special Economic Zone Branch, the Company issued Renminbi ordinary shares (A shares) and Renminbi special shares (B shares) publicly on 10 March 1993. On 3 June 1993, both the Company’s A shares and B shares were listed and traded on Shenzhen Stock Exchange pursuant to the approval of ShenZheng Ban Fu[1993]20 issued by Shenzhen Securities Regulatory Office and ShenZheng Shi Zi (1993)16 issued by Shenzhen Stock Exchange.

On 30 January 1997, the company name changed to Shenzhen FIYTA Holdings Limited with the approval of Shenzhen Municipal Administration for Industry and Commerce.

On 4 July 1997, China National Aero-Technology Shenzhen Co., Ltd. (“CATIC Shenzhen Company”) transferred 72,360,000 corporate shares (accounting for 52.24% of the Company’s total share capital) to Shenzhen China Aviation Group Company Limited (previously known as “Shenzhen China Aviation Industry Company Limited”, hereinafter referred to as “China National Aviation Group”) according to share transfer agreement signed by both parties. As a result, the Company’s controlling shareholder changed from CATIC Shenzhen Company to China National Aviation Group.

On 26 October 2007, the Company implemented split-share reform. Under the premise of maintaining the Company’s total of 249,317,999 shares unchanged, the Company’s shareholders of non-tradable shares paid 3.1 shares per 10 tradable shares to all the tradable share shareholders registered on option registration date designated by the split-share reform program. At that point, after the reform, the shares held by China National Aviation Group reduced to 44.69% from 52.24%.

On 29 February 2008, due to expanding the scope of business, the Company’s corporate business license was altered from Shen Si Zi No. 4403011001583 to No. 440301103196089 with the approval of Shenzhen Municipal Administration for Industry and Commerce.

With the approval of China Securities Regulatory Commission (CSRC) about non-public offering of stocks of Shenzhen FIYTA Holdings Limited” (ZhengjianXuKe[2010]1703) and the approval of State-owned Assets Supervision and Administration Commission of the State Council (SASAC) about non-public offering of stocks of Shenzhen FIYTA Holdings Limited” (SASAC(2010)430) in 2010, the Company was approved to issue not more than 50,000,000 ordinary shares (A shares) through non-public offering. After the completion of the non-public offering of stocks on 9 December 2010, the Company’s registered capital was increased to RMB280,548,479.00 and the equity capital of the Company held by China National Aviation Group reduced to 41.49%.

On 8 April 2011, at the basis of 280,548,479 equity shares on 31 December 2010, the Company issued 4 shares for each 10 shares by transfer of capital reserves to share capital. Total shares of the Company were increased to 392,767,870 shares after then on.

On 11 November 2015, with the approval of China Securities Regulatory Commission (CSRC) “Reply of non-public offering of stocks of Shenzhen FIYTA Holdings Limited” (ZhengjianXuKe[2015]2588) and the approval of State-owned Assets Supervision and Administration Commission of the State Council (SASAC) “Reply of non-public offering of stocks of Shenzhen FIYTA Holdings Limited” (SASAC(2015)415), the Company was approved to issue not more than 46,911,649 ordinary shares (A shares) through non-public offering. After the completion of the non-public offering of stocks on 22 December 2015, the Company’s registered capital was increased to RMB438,744,881.00 and the equity capital of the Company held by China National Aviation Group reduced to 37.15%.

As of 31 December 2015, the Company has accumulatively issued 438,744,881 shares in total, refer to Note V. 29 for details.

The business scope of the Company and its subsidiaries (collectively referred to as the “Group”) mainly includes: producing and selling of analogue quartz watches and its movements, components, various timing devices, processing and wholesaling karat gold jewelry watches (production sites are to be declared separately); domestic commercial and material supply and distributing business (excluding goods under exclusive operational rights, special control and exclusive sales); property management and leasing; import and export business of self-design, construction; import and export business (according to Shen Mao Guan Deng ZhengZi No.2007-072).The legal representative of the Company is Wu Guangquan. The residence of the Company is FIYTA Hi-Tech Building located at GaoXin Nan Yi Dao, Nanshan District, Shenzhen.

Corporate governance structure that are established by the Company includes general meeting of shareholders, board of directors, board of supervisors, audit committee, strategy committee and nomination, remuneration and evaluation committee.

FIYTA Holdings Ltd.

Notes to the Financial Statements

For the Year Ended 31 December 2015 (all amounts in RMB Yuan unless otherwise stated)

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The Company has administration, human resources, finance, property, innovative design, strategy and information department, general office of board of directors, audit, R&D, and other functional departments.

The financial statements and notes to the financial statements have been approved by the 6<sup>th</sup> meeting of the 8<sup>th</sup> Board of Directors of the Company on 8 March 2016.

## 2. Scope of consolidated financial statements

Within the reporting period, ProTop Limited, one of the subsidiaries of the Company, was deregistered. Refer to Notes VI, Change of consolidation scope, and Notes VII, Equity in other entities for more details.

## II. Basis of preparation

The financial statements are prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance and their application guidelines, interpretations and other relevant requirements (collectively, "Accounting Standards for Business Enterprises"). Besides, the Group discloses the relevant financial information in accordance with Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reports (2014 Revision) announced by China Securities Regulatory Commission.

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

The Group follows the accrual basis of accounting. The financial statements are prepared under the historical cost convention except for certain financial instruments. If impaired, the assets shall provide for impairment in accordance with the relevant regulations.

## III. Significant accounting policies and accounting estimates

The Group determines the policies of depreciation of fixed asset, amortization of intangible assets, capitalized conditions of R&D expenses and revenue recognition according to the characteristics of its production and operation. Refer to Notes III. 16, 19, 20 and 25 for specific accounting policies.

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

The financial statements are prepared in accordance with the requirements of the Accounting Standards for Business Enterprises, which have truly and completely presented the financial position of the Group and Company as of 31 December 2015 and their operating results and cash flows and other relevant information for the year ended 31 December 2015.

### 2. Accounting period

Accounting year starts on 1 January and ends on 31 December.

### 3. Operating Cycle

The operating cycle of the Group is 12 months.

### 4. Functional currency

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

Except for the Swiss-based subsidiary Montres Chouriet SA (the "Swiss Company"), which is a subsidiary of FIYTA (Hong Kong) Limited (the "FIYTA Hong Kong"), uses Swiss Franc as the functional currency on the basis of the primary economic environment in which the Swiss Company operates, all other subsidiaries outside of the mainland China, including HARMONY World Watches International Limited (the "World Watches International"), a subsidiary of Shenzhen HARMONY World Watches Centre Co., Ltd (the "HARMONY Company"), FIYTA Hong Kong and its subsidiary Station 68 Limited (the "Station 68") as well as Nature Art Limited, which is special purpose vehicles controlled by Station 68, use Hong Kong Dollar (HKD) as the functional currency and their financial statements are translated into RMB on the preparation of the financial statements.

The currency used in preparation of the Group's financial statements is RMB.

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

#### (1) Business combinations involving entities under common control

For a business combination involving enterprises under common control, assets and liabilities that are obtained in a business combination is measured at the carrying amount of the owners' equity of the party being absorbed in the consolidated financial

statements of the ultimate controlling party at combination date, except for the adjustments of different accounting policies. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or total par value of shares issued) is adjusted to capital reserve, if the capital reserve is not sufficient to absorb the difference, any excess is adjusted against retained earnings.

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

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

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

(2) Business combination involving entities not under common control

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

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill, and measured on the basis of its costs minus the accumulative impairment provisions. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized in profit or loss for the current period after reassessment.

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

In the separate financial statements, the initial investment cost is the sum of the carrying amount of equity investment of the acquiree held prior to the acquisition date and the additional investment cost at the acquisition date. When the previously-held equity investment is accounted for under the equity method, any other comprehensive income previously recognized is not changed on the combination date and is accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. The owners' equity recognized as the changes of the investee's other owners' equity except for net profit or loss, other comprehensive income and profit distribution are transferred to profit or loss for the current period when disposing the investment. For the previously-held equity investment which was accounted for using fair value, the accumulated changes in fair value included in other comprehensive income is transferred to profit or loss for the current period upon commencement of the cost method.

In the consolidated financial statements, the cost of business combination is the sum of the consideration paid at the acquisition date plus the fair value of equity investment of the acquiree held prior to the acquisition date. The cost of equity investment of the acquiree held prior to the acquisition date is re-measured at the fair value at the acquisition date, the difference between the fair value and carrying value is recognized as profit or loss for the current period. Other comprehensive income and changes of other owners' equity from the equity interest held in the acquire prior to the acquisition date are transferred to profit or loss for the current period except for other comprehensive income due to the movement of net liabilities or assets in the investee's re-measurement defined benefit plan.

(3) Transaction costs for business combination

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

6. Preparation of consolidated financial statements

(1) The scope of consolidated financial statements

The scope of consolidated financial statements is determined on the basis of control. Control exists when the investor has all the following: power over the investee; exposure, or rights to variable returns from its involvement with the investee; and the ability to

use its power over the investee to affect the amount of the investor's returns. A subsidiary is an entity that is controlled by the Company (such as enterprises, deemed separate entities, and structured entities).

(2) Basis of preparation of consolidated financial statements

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

Where a subsidiary or business has been acquired through a business combination involving enterprises under common control in the reporting period, the subsidiary and its business are included in the consolidated financial statements from the date they are controlled by the ultimate controlling party. Their operating results and cash flows are included in the consolidated income statement and consolidated cash flow statement from the date they are controlled by the ultimate controlling party.

Where a subsidiary or business has been acquired through a business combination not involving enterprises under common control, the subsidiary's or business income, expenses and profits are included in the consolidated income statement, and cash flows are included in the consolidated cash flow statement from the acquisition date to the end of the reporting date.

The portion of a subsidiary's equity that is not attributable to the parent is treated as minority interests and presented in the consolidated balance sheet within shareholders' equity. That portion of net profit or loss of subsidiaries for the period attributable to minority interests is presented in the consolidated income statement below the "net profit" line item as "minority interests". When the amount of loss for the current period attributable minority interests is more than minority interest in that subsidiary at beginning of the period, the minority interest is reversed by the balance of the loss of the subsidiary attributable to minority interests.

(3) Acquiring minority shareholders' equity

The difference between the cost of long-term equity investment and net asset enjoyed which was calculated based on newly increased equity holding started from the purchase date or combination date, and the difference between consideration received for the disposal which did not result in losing control over the subsidiary, and net asset enjoyed which was calculated based on equity holding after disposal started from the purchase date or combination date, is adjusted to capital reserve. If the capital reserve is insufficient to absorb the difference, any excess is adjusted against retained earnings.

(4) Losing control over the subsidiary

When the Company loses control over subsidiary because of disposing part of equity investment or other reasons, the remaining part of the equity investment is re-measured at fair value at the date when losing control over the subsidiary. A gain or loss is recognized in profit or loss and is calculated by the aggregate of the fair value of consideration received in disposal of the equity investment and the fair value of remaining part of the equity investment, and deduct the share of net assets in proportion to previous shareholding percentage in former subsidiary since acquisition date and the relating goodwill is derecognized.

Other comprehensive income related to the former subsidiary's equity investment is transferred to profit or loss for the current period of disposal, except for other comprehensive income due to the movement of net liabilities or assets in the subsidiary's re-measurement defined benefit plan.

(5) Disposing equity investment by stages until losing control

a. Determining whether those transactions in disposing equity investment until losing control step by step belong to "a basket transaction";

b. If those transactions belong to a basket transaction, choose the accounting treatment method for consolidated and individual financial statements;

c. If those transactions do not belong to a basket transaction, choose the accounting treatment method for consolidated and individual financial statements.

Multiple transactions resulting in a loss of control are considered as a single transaction, when any of the following conditions is satisfied:

- ① The transactions are entered into at the same time or in contemplation of each other;
- ② The transactions form a single transaction designed to achieve an overall commercial effect;
- ③ The occurrence of one transaction is dependent on the occurrence of at least one other transaction;

④ One transaction considered on its own is not economically justified, but it is economically justified when considered together with other transactions

If multiple transactions by disposing equity investment by stages until losing control do not belong to a basket transaction in individual financial statements, the carrying amount of long-term equity investments related to each disposal of equity is derecognized in the separate financial statements, the difference between the consideration received and the carrying amount of disposed long-term equity investments is recognized as investment income.

In the consolidated financial statements, for disposing equity investment by stages until losing control step by step, the measurement of remaining equity and accounting for profit or loss of disposing equity refer to the above “(3)Losing control over the investee”. The difference between each consideration received and the share of the subsidiary’s equity calculated consecutively since the purchase date related to disposing investment before losing control is accounted for using following principal:

①Belong to “a basket transaction”, is recognized as other comprehensive income and is transferred to profit or loss for the current period when losing control.

②Not belong to “a basket transaction”, is recognized in capital reserve as an equity transactions-and does not allowed to be transferred to profit or loss for the current period when losing control.

## 7. Joint arrangement

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

### (1) Joint operations

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

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

- A. its solely-held assets, and its share of any liabilities incurred jointly;
- B. its sole-assumed liabilities, and its share of any liabilities incurred jointly;
- C. its revenue from the sale of its share of the output arising from the joint operation;
- D. its share of the revenue from the sale of the output by the joint operation; and
- E. its sole-incurred expenses, and its share of any expenses incurred jointly.

### (2) Joint ventures

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

The Group adopts equity method under long-term equity investment in accounting for its investment in joint venture.

## 8. Cash and cash equivalents

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

## 9. Foreign currency transactions and translation of foreign currency statement

### (1) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the Company, using the exchange rates prevailing at the dates of the transactions (spot exchange rate)

As at the balance sheet date, monetary items denominated in foreign currency are exchanged to Renminbi by adopting the prevailing exchange rate on that date. Foreign exchange difference arising from the difference between the prevailing exchange rate on that date and the prevailing exchange rate on initial recognition or on the previous balance sheet date are recognized in profit or loss for the current period. Non-monetary items denominated in foreign currency that are measured at historical cost are still measured at amount denominated in reporting currency exchanged at the prevailing exchange rate at the transaction date.



Non-monetary items denominated in foreign currency that are measured at fair value are translated using the exchange rate at the date when fair value was determined and the difference between the translated functional currency amount and the prevailing exchange rate on initial recognition or on the previous balance sheet date are recognized in profit or loss for the current period.

(2) Translation of foreign currency financial statements

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

The revenue and expenses in the income statement are translated using the average exchange rate for the period.

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

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

When the control on foreign operation is lost due to disposal, exchange differences of foreign currency financial statements attributable to the foreign operation as presented [under shareholder's equity item] in the balance sheet are transferred to profit or loss for the current period entirely or partially on disposed portion.

10. Financial instruments

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

(1) Recognition and derecognition of financial instruments

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

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

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

While prevailing obligations of financial liability is relieved entirely or partially, the financial liability is derecognized accordingly. If the Company (borrower) makes an agreement with the lender to replace the original financial liability by assuming a new financial liability which contract terms are different substantially, the original financial liability is extinguished and the new financial liability is recognized.

Conventionally traded financial assets are recognized and de-recognized on trade date

(2) Classification and measurement of financial assets

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

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

Held-to-maturity investments

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

#### Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market including account receivables and other receivables (Note III. 12). Receivables are subsequently measured at amortized cost using the effective interest method; gains and losses arising from derecognition, impairment or amortization is recognized in profit or loss for the current period.

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

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

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

#### (3) Classification and measurement of financial liabilities

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

##### Financial liabilities at FVTPL

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

##### Other financial liabilities

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

#### (4) Derivative financial instruments and embedded derivative instruments

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

For hybrid instrument with embedded derivative, where financial assets or liabilities not designated as fair value through profit or loss, the economic features and risks of the embedded derivative are not closely related to that of the host contract, and a similar instrument with the same terms as the embedded derivative would meet the definition of a derivative, then embedded derivative is separated from hybrid instrument and accounted for as a derivative. If embedded derivative is unable to measure separately either at acquisition or subsequently at balance sheet date, hybrid instrument as a whole is designated as financial assets or liabilities at fair value through profit or loss.

#### (5) Fair value of financial instruments

Determination of fair value of financial assets and financial liabilities refers to Note III.11.

#### (6) Impairment of financial assets

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

Objective evidence that the financial assets are impaired including the following observable situations:

- ① The issuer or debtor has severe financial difficulties;
- ② The debtor has violated terms of the contract, such as the payment of the interest or principal is default or overdue;
- ③ The Company made concessions to debtors in financial difficulties based on economic or legal factors;
- ④ The debtor has probably bankruptcy or other financial reorganization;
- ⑤ The issuer has so severe financial difficulties that financial assets can't continue to be traded in an active market;
- ⑥ The cash flow of individual asset in a group of financial assets cannot be evaluated for reduction, while after evaluating the whole group of financial assets based on disclosed information, the expected future cash flow of the group of financial assets is measureable and has been reduced since its initial recognition, including that:
  - repayment capability of the debtor of group of financial assets gradually deteriorates;
  - economic difficulties of the country or region where the debtor is staying appear a situation where this group of financial assets cannot be paid;
- ⑦ Significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;
- ⑧ Significant or prolonged decline in the fair value of investment in equity instruments, such as the fair value of investment in equity instruments is less than 50% (50% inclusive) of the initial investment cost or in the case that the fair value has been less than the initial investment cost for more than 12 months (12 months inclusive).

Fair value less than the initial investment cost for more than 12 months (12 months inclusive) is being the monthly average fair value of the investment in equity instruments less than the initial investment cost for consecutive 12 months.

- ⑨ Other objective evidences indicate that financial assets have been impaired.

Financial asset measured at amortized cost.

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

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

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

Available-for-sale financial assets

If there is objective evidence that AFS financial assets are impaired, accumulated losses due to decreases in fair value previously recognized directly in other comprehensive income are reversed and charged to profit or loss for the current period. The reversed accumulated losses are the asset's initial acquisition costs after deducting amounts recovered and amortized, current fair value and impairment losses previously recognized in profit or loss.

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

Financial assets measured at cost

If there is objective evidence that the financial assets are impaired, the difference between the carrying amount and the present

value discounted at the market rate of return on future cash flows of the similar financial assets be recognized as impairment loss in profit or loss in the current period . The impairment loss recognized shall no longer be reversed.

(7) Transfer of financial assets

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

The Group derecognizes a financial asset if it transfers substantially all the risks and rewards of ownership of the financial asset to the transferee. If substantially all the risks and rewards of ownership of the financial asset is retained, the financial asset is not derecognized.

The Group neither transfers nor retains substantially all the risks and rewards of ownership of financial assets, then accounting for the following circumstances: if control over the financial assets is surrendered, derecognize the financial assets and recognize any assets and liabilities arose; if the Company retains the control of the financial assets, recognize the financial assets to the extent of the continuing involvement in the transferred financial assets by the Company and recognize any relating liability

(8) Offset between financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Otherwise, financial assets and financial liabilities are separately shown in the balance sheet and not allowed to offset.

11. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group measures the related assets or liabilities at fair value assuming the assets or liabilities are exchanged in an orderly transaction in the principal market or, in the absence of a principal market, in the most advantageous market.

For financial assets or financial liabilities in active markets, the Group uses the quoted prices in active markets as their fair value. Otherwise, the Group uses valuation technique to determine their fair value.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and if the observable inputs are not available or impractical, then unobservable inputs are used.

For assets and liabilities measured or disclosed at fair value in the financial statements, the level in which fair value measurement is categorized is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3 inputs are unobservable inputs for the asset or liability.

At each balance sheet date the Group evaluates for assets and liabilities that are measured at fair value on a recurring basis so as to determine any transfer between fair value hierarchy is necessary.

12. Receivables

Receivables include accounts receivable and other receivables.

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

Criteria of individually significant receivables: the carrying amount of accounts receivables of over RMB 800,000.00 (inclusive) and other receivables of over RMB500,000.00 (inclusive) are recognized as individually significant receivable.

Method for individually significant receivables for which separate bad and doubtful provision is made: Receivables that are individually significant are subject to separate impairment assessment, if there is objective evidence of impairment, provision for bad and doubtful debts is recognized on the shortfall between the present value of future cash flows and the carrying amount.

Individually insignificant accounts, for which there is no objective evidence under individual impairment tests warranting

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individual provision, are divided into different asset group for re-assessment of bad and doubtful debts.

- (2) Individually insignificant receivables but provision for bad and doubtful debts individually.

Reasons for provision individually	Litigation receivables, deterioration of customer credit receivables; receivables that there is obvious indication that the amount is likely un-collectible.
Method of provision	Recognize the provision for bad and doubtful debts on the shortfall between the present value of future cash flows and the carrying amount.

- (3) Receivables with provision for bad and doubtful debts collectively.

For individually insignificant receivables, and individually insignificant receivables which are not impaired in individual test, provision for bad and doubtful debts is recognized according to the following credit risk combination

Type of group	Basis of group	Method of provision for bad and doubtful debts collectively
Group of ageing	Ageing state	Ageing analysis method
Specific fund portfolio	Receivables such as employee petty cash receivables, accounts receivable due from subsidiaries included in consolidation scope, accounts receivable for the sales between the last date of settlement with department store and the date of balance sheet	No need for bad debt provision

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

Aging	Percentage of provision for accounts receivable %	Percentage of provision for other receivables %
Within 1 year (including 1 year)	5	5
1 to 2 years	10	10
2 to 3 years	30	30
Over 3 years	50	50

- B. For other groups, the description of provision for bad and doubtful debts in other methods are as follows:

Name of group	Description of provision method
Portfolio of specific accounts	No bad debt provision is recognized as the risk of impairment does not exist according to its credit risk characteristics

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

### 13. Inventories

- (1) Classification

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

- (2) Determination of cost

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

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

Net realizable value ("NRV") is the estimated selling price deducting estimated costs to be incurred upon completion, estimated selling expenses and related taxes. When determining the net realizable value of inventory, basis is relied on the actual evidences obtained while the objectives of inventories holding and the impact of post balance sheet date event are also considered:

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

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

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

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

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

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

(4) Inventory system

The Group adopts perpetual inventory system

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

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

14. Long-term equity investments

Long-term equity investments include equity investments where the Group has control of, or significant influence over, an investee, and equity investments in joint ventures. Where the Group can exercise significant influence over the investee, the investee is an associate.

(1) Recognition of investment cost

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

For a long-term equity investment acquired by paying cash, the initial investment cost is the amount of cash has been paid. For a long-term equity investment acquired by issuing equity securities, the initial investment cost is the fair value of the equity securities issued.

(2) Subsequent measurement and recognition of profit or loss

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

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

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

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

When the Group becomes capable of exercising significant influence or joint control (but not sole control) over an investee due to additional investment or other reasons, the accounting is changed to the equity method and the initial investment cost is the sum of the fair value of the previously-held equity investment and additional investment cost. Where the previously-held equity investment is classified as available-for-sale financial assets, the differences between the fair value and carrying amount and the accumulated changes in fair value included in other comprehensive income are transferred to profit or loss for the current period upon commencement of the equity method.

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

When the Group can no longer exercise control over an investee due to partial disposal of equity investment or other reasons and the remaining equity investment after disposal can exercise joint control or significant influence over an investee, the remaining equity investment is accounted for under equity method and re-measured by equity method as if it has been acquired since date of acquisition. Where the remaining equity investment can no longer exercise joint control or significant influence over an investee, the remaining equity investment is accounted for in accordance with Accounting Standard for Business Enterprises No.22-Recognition and Measurement of Financial Instruments and the difference between the fair value and the carrying amount at the date of the loss of control is charged to profit or loss for the current period.

The unrealized profit or loss from internal transactions entered into between the Group and its associate or joint venture is offset according to the shareholding percentage held by the Group and the remaining portion is recognized as investment income or loss. However, the unrealized loss from internal transactions entered into between the Group and its investee is not offset if it belongs to impairment loss from assets transferred.

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

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

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. In assessing whether an enterprise has joint control of an arrangement exists, the Group firstly assesses whether all the parties or a group of the parties control the arrangement collectively. When all the parties or a group of the parties must act together unanimously in directing the relevant activities, then all the parties or a group of the parties are regarded as having joint control of an arrangement. Then assess whether decisions about the relevant activities require the unanimous consent of those parties that control the arrangement collectively. When more than one combination of the parties can control an arrangement collectively, joint control does not exist. Protective rights of any party is not considered when determining joint control.

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

When the Group, directly or indirectly through subsidiaries, owns more than 20% (20% inclusive) but less than 50% of the voting shares of the investee, the Group has significant influence on the investee unless there is clear evidence to show that the Group cannot participate in the business and operation decisions of the investee, and accordingly cannot exercise any significant influence. When the Group owns less than 20% of the voting shares of the investee, the Group has no significant influence on the investee unless there is clear evidence to show that the Group can participate in the business and operation decisions of the investee, and accordingly can exercise a significant influence.

### (4) Method of impairment testing and impairment provision

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For investment of subsidiaries, associates and joint ventures, refer to Note III. 21 for the Group's method of asset impairment.

15. Investment property

Investment property is a property held to earn rentals or for capital appreciation. The Group's investment property includes land use rights and buildings leased to other party, and land use rights held for appreciation.

The Group's investment property is initially measured at acquisition cost, and is depreciated or amortized according to the same policy for fixed assets or intangible assets.

Refer to Note III. 21 for asset impairment method of investment property subsequently measured using the cost model.

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

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

16. Fixed asset

(1) Recognition of fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of services, for rental to others, or for administrative purposes and have useful lives more than one accounting year.

A fixed asset is 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 is initially measured at actual cost.

(2) Depreciation methods

The Group uses the straight line method for depreciation. Fixed assets begin to be depreciated from the state of intended use, and ceased being depreciated when derecognized or classified as held for sale non-current assets. Without considering impairment provision, the Group's annual depreciation rates are shown as follows according to the category, expected useful lives and estimated net residual values rates:

Category	Useful years (year)	Residual rate %	Annual depreciation rates%
Plant & buildings	20-35	5	2.7-4.8
Machinery & equipment	10	5-10	9-9.5
Motor vehicles	5	5	19
Electronic equipment	5	5	19
Others	5	5	19

Among the above, depreciation rate of impaired fixed assets are determined after deduction of the cumulative amount of impairment provision.

(3) For impairment test and the impairment provision of fixed asset, refer to Note III. 21.

(4) The Group conduct reviews to the useful life, estimated net residual rate and depreciation method of fixed assets at least at each end of the accounting year.

Useful lives of fixed assets are adjusted if they are different with the initial estimates. Estimated net residual values are adjusted if they are different with the initial estimates.

(5) Overhaul costs



The overhaul costs incurred in regular inspection of fixed assets are capitalized as cost of fixed assets if there is clear evidence that it meets the recognition criteria of fixed assets. It is recognized in profit or loss for the current period if it does not meet the recognition criteria of fixed assets. Depreciation continues during the period of regular overhaul.

17. Construction in progress

Construction in progress is recognized based on the actual construction cost, including all expenditures incurred for construction projects, capitalized borrowing costs for the construction in progress before it has reached the working condition for its intended use and other related expenses during the construction period.

Construction in progress is transferred to fixed assets when the asset is ready for its intended use.

For provision for impairment of construction in progress, refer to Note III.21.

18. Borrowing cost

(1) Recognition of borrowing cost capitalization

Borrowing costs are capitalized when they are directly attributable to the acquisition, construction or production of a qualifying asset and included in the cost of related assets. Other borrowing costs are recognized as expenses and recorded in profit or loss for the current period when incurred. Capitalization of such borrowing costs commenced only when all of the following conditions are satisfied:

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

② Borrowing costs are being incurred;

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

(2) Capitalization period of borrowing costs

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

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and when the interruption is for a continuous period of more than 3 months. Borrowing costs continues to be capitalized during the normal suspension period.

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

For funds borrowed for a specific purpose, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing less any bank interest earned from depositing the borrowed funds before being used into banks or any investment income on the temporary investment of those funds. For funds borrowed for general purpose, the amount of interest to be capitalized on such borrowings is calculated by applying a capitalization rate to the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of specific-purpose borrowings. Capitalization rate is determined as calculating weighted average interest rate of general borrowings.

In the capitalization period, exchange differences of specific borrowings in foreign currency are fully capitalized. Exchange differences of general borrowings in foreign currency are recognized in profit or loss for the current period.

19. Intangible assets

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

Intangible asset is initially measured cost and its useful life is determined on acquisition. An intangible asset with a finite useful life is amortized by a method which can reflect the expected realization of economic benefits related to the asset since the intangible asset is available for use. When the expected realization of economic benefits cannot be reliably determined, intangible asset is amortized under straight-line method. An intangible asset with an indefinite useful life is not amortized.

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

Category	Useful life	amortization method	Note
Land use right	45-50 years	straight-line method	-
Software system	5 years	straight-line method	-
trademark rights	5-10 years	straight-line method	-

The Group reviews the finite useful life of an intangible asset and the amortization method at the end of each financial year. Any change is accounted for as a change in accounting estimate.

If an intangible asset is expected no longer in generating future economic benefits to the Group at the balance sheet date, the carrying amount of the asset is charged to profit or loss for the current period.

Refer to Note III. 21 for impairment provision method for intangible assets.

## 20. Research and development expenditure

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

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

Expenditure on the development phase is capitalized only when the Group can satisfy all of the following conditions: it is technical feasible that the intangible asset can be used or sold upon completion; there is intention to complete the intangible asset for use or sale; the intangible asset can generate economic benefits, including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that there is usage for the intangible asset; there is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset; the expenses attributable to the development stage of the intangible asset can be measured reliably. Expenditure on the development phase is recorded in profit or loss for the current period if the above conditions are not met.

Research and development projects of the Group will enter into the development phase when they meet the above conditions and pass the technical feasibility and economic feasibility studies and necessary approval of the project.

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

## 21. Impairment of assets

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

At each balance sheet date, the Group determines whether there may be indication of impairment of the assets, if there is any, the Group will estimate the recoverable amount of the asset, and perform test for impairment.

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

The recoverable amount of an asset is determined by the higher of the net amount after deducting the disposal costs from the asset's fair value and the present value of the asset's estimated future cash flow.

If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. The identification of the asset group is based on whether the cash flow generated from the asset group is independent of the major cash inflows from other assets or asset groups.

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

For tests of goodwill impairment, the carrying amount of goodwill arising from a business combination is allocated reasonably to the relevant asset group since the acquisition date. If the carrying value of goodwill is unable to be allocated to asset group, the carrying value of goodwill will be allocated to asset portfolio. Asset group or portfolio of asset group is asset group or portfolio of asset group which can be benefit from synergies of a business combination and is not greater than the reportable segment of the Group.

In impairment testing, if indication of impairment exists in asset group or portfolio of asset group containing allocated goodwill, impairment test is first conducted on asset group or portfolio of asset group that does not contain goodwill, and corresponding recoverable amount is estimated and any impairment loss is recognized. Then asset group or portfolio of asset group containing goodwill is conducted impairment test by comparing its carrying amount and its recoverable amount. If the recoverable amount is less than the carrying amount, impairment loss of goodwill is recognized.

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

22. Long-term deferred expenses

Long-term deferred expenses are recorded at the actual cost, and amortized evenly over the expected benefit period. For the long-term deferred expense that cannot benefit in future accounting period, their amortized value is recognized in profit or loss for the current period.

23. Employee benefits

(1) Scope of employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for the termination of employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits provided to the Group's spouse, children, dependents, family members of deceased employees, or other beneficiaries are also employee benefits.

According to liquidity employee benefits is presented as "employee benefits payable" and "long-term employee benefits payable" on the balance sheet.

(2) Short-term employee benefit

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

(3) Post-employment benefits

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

Defined contribution plans

Defined contribution plans include primary endowment insurance and unemployment insurance.

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

For defined benefit plans, independent actuaries estimate the actuarial value at the balance sheet date to determine the cost of rendering welfare by using the Project Unit Credit method. The Group recognizes the following components of employee benefits cost arising from defined benefit plan:

- ① service cost, comprising current service cost, past service cost and any gain or loss on settlement. Current service cost is the increase in the present value of the defined benefit plan obligation resulting from employee service in the current period. Past service cost is the increase or decrease in the present value of the defined benefit plan obligation for employee service in prior periods, resulting from a plan amendment.
- ② net interest on the net defined benefit plan net liabilities or assets, including interest income on plan assets, interest cost on the defined benefit plan obligation and interest on the effect of the asset ceiling.
- ③ changes as a result of re-measurement of the net defined benefit plan liabilities or assets.

Item① and item② above are recognized in profit or loss for the current period unless another Accounting Standard requires or permits the inclusion of the employee benefit costs in the cost of assets. Item③ is recognized in other comprehensive income and is not reclassified to profit or loss in a subsequent period; however, the Group may transfer those amounts recognized in

other comprehensive income to other equity.

(4) Termination benefits

Termination benefits provided by the Group to employees are recognized as an employee benefits liability and charge to the profit or loss for the current period, at the earlier of the following dates: When the Group cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal and when the Group recognizes costs or expenses related to a restructuring that involves the payment of termination benefits.

For early retirement arrangement, early retirement benefits are accounted for termination benefits, in which the salaries and social security contributions to be paid to and for the early retired employees from the off-duty date to the normal retirement date are charged to the profit or loss for the current period. Compensations after the normal retirement date (such as formal endowment insurance) are accounted for as post-employment benefits.

(5) Other long-term employee benefits

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

24. Provisions

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

- (1) The obligation is a present obligation of the Group;
- (2) It is probable that an outflow of economic benefits will be required to settle the obligation;
- (3) The amount of the obligation can be measured reliably.

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

If all or part of the expenses necessary for settling the provision is expected to be compensated by a third party, the amount of compensation is separately recognized as an asset when it is basically certain to be received. The recognized compensation amount not exceed the carrying value of the provision.

25. Revenue

(1) General principal

① Sale of goods

Revenue from the sale of goods is recognized only when all of the following conditions are satisfied: the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, the Group retains neither continuing managerial involvement nor effective control over the goods sold, and related income can be measured reliably and the economic benefits are likely to flow to the Company, and the associated costs can be measured reliably.

② Providing of services

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

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

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

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

If the outcome of a transaction involving the providing of services can not be estimated reliably, the revenue of providing of services is recognized only to the extent of service cost incurred that is recoverable probably, and service cost incurred is charged to profit or loss for the current period. If the service cost incurred is not expected to be recoverable, no revenue is recognized.

③Transfer of the right to use assets

Revenue is recognized when the economic benefits associated with the transfer of the right to use assets can flow to the Company and the amount can be measured reliably.

④Interest income

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

⑤Revenue from property leasing

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

(2) Detailed method of revenue recognition

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

A. Direct sales to the customers

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

B. Exclusive shop

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

C. Shop-in-shop

Under shop-in-shop mode, the Group delivers products to customers, sales staff issues notes to retail customers and recognizes sales revenue after customers inspection and acceptance and the department store collects the payment from the customers.

D. Consignment sales

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

26. Government grants

A government grant is recognized only when the Group can comply with the conditions attaching to the grant and the Group can receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. Where there is undoubted evidence that the Group can comply with the conditions attaching to the grants and the Group will receive the

grants, they are measured in accordance with the receivable amount; otherwise, they are measured according to the amount actually received.

A government grant related to an asset is a grant obtained by the Group used for purchase or construction, or formation the long-term assets by other ways. Otherwise, the government grant is treated as a government grant related to income.

For government grant with unspecified purpose, the amount of grant used to form a long-term asset or related to an assets is regarded as government grant related to an asset, the remaining amount of grant is regarded as government grant related to income. If it is not possible to distinguish, the amount of grant is treated as government grant related to income.

A government grant related to an asset is recognized as deferred income, and evenly amortized to profit or loss over the useful life of the related asset. For a government grant related to income, if the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the current period; if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and then recognized in profit or loss over the periods in which the costs are recognized. Government grants measured at nominal amounts are directly recognized in profit or loss for the period.

Reversal of recognized government grant will be set off to the carrying value of relevant deferred income. Any excess of the reversal to the carrying amount of deferred income will be recognized in profit or loss for the current period. In case there is no relevant deferred income, reversal will be directly recognized in profit or loss for the current period.

## 27. Deferred tax assets and deferred tax liabilities

Income tax comprises of current income tax and deferred income tax. Current tax and deferred tax are included in profit or loss for the current period as income tax, other than deferred tax related to transactions or events that are directly recognized in shareholders' equity and deferred income tax arising from business combination should adjust the carrying amount of goodwill.

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

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

- (1) The initial recognition of goodwill, and the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) when the transaction occurs;
- (2) The taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, and the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

- (1) The transaction is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) when the transaction occurs;
- (2) The deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, the corresponding deferred tax asset is recognized when both of the following conditions are satisfied: it is probable that the temporary difference will reverse in the foreseeable future, it is probable that taxable profits will be available in the future, against which the temporary difference can be utilized.

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

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

## 28. Operating leases and finance leases

A finance lease is a lease that transfers in substance all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

(1) As lessor

In finance leases, at the beginning date of lease period, the Group will recognize the sum of minimum lease collection and initial direct costs as the recorded value of finance leases receivable and meanwhile is recorded as unguaranteed residual value; the difference between the sum of minimum lease collection, initial direct costs and unguaranteed residual value and their present value is recorded as unrecognized financing charges. Unrecognized financing charges are measured at amortized cost using the effective interest method in the periods of leasing and recognized in financing charges for the current period.

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

(2) As lessee

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

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

29. Critical accounting judgments and estimates

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

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

(1) Bad debt provision

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

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

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

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

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

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

The Group conducts impairment test to goodwill at least once a year. This requires estimating the present value of future cash flows of asset group or combination of asset group to which goodwill has been allocated. In estimating the present value of future cash flows, the Group needs estimate future cash flows generated from the asset group or the combination of asset groups and choose appropriate discount rates.

(3) Depreciation and amortization

Taking the residual value into consideration, an investment property, fixed asset and intangible asset are depreciated or amortized on a straight-line basis over its useful life. The Group reviews the useful life periodically to determine the amount of depreciation or amortization which is recognized in each accounting period. The useful life is determined according to historical experience of

similar assets and technological renovation estimated. The amount of depreciation or amortization is adjusted in future accounting periods if there are material changes in estimates made before.

(4) Deferred income tax asset

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

(5) Corporate income tax

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

(6) After-sale quality warranty

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

30. Changes in significant accounting policies and accounting estimates

(1) Change of significant accounting policies

There was no change to significant accounting policies during the reporting period.

(2) Change of significant accounting estimates

There was no change to significant accounting estimates during the reporting period.

#### IV. Taxation

1. Types of taxes and tax rates

Type of taxes	Tax base	Statutory tax rate%
VAT	Taxable income	17
Consumption tax	Import or produce high-class watches	20
Business tax	Taxable income	5
Urban maintenance and construction tax	Turnover tax payable	7
Educational surcharges	Turnover tax payable	3
Local educational surcharges	Turnover tax payable	2
Corporate income tax (note 1)	Taxable income	15-30
Property tax (note 2)	70% of original value of property, rental income	1.2, 12
(1) Corporate income tax		
Name of taxpayer	Income tax rate%	
The Company(Note①②)	25	



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Name of taxpayer	Income tax rate%
HARMONY Company(Note①)	25
Shenzhen FIYTA Precision Timer Manufacturing Co., Ltd. (Manufacturing Company)(Note②③)	15
FIYTA Hong Kong(Note⑤)	16.5
Station 68(Note⑤)	16.5
Nature Art Limited(Note⑤)	16.5
World Watches International(Note⑤)	16.5
Shenzhen FIYTA Technology Development Co., Ltd (Technology Company)(Note②④)	15
Shenzhen Xiangji Commercial & Trade Co., Ltd (Trading Company)(Note ⑥)	25
Beijing Henglianda Watch Center Co., Ltd (Henglianda Company)(Note ⑥)	25
Kunming Lishan Department Store Co., Ltd. (Lishan Department Store)(Note⑥)	25
Harbin World Watches Distribution Co., Ltd. (Harbin Company)(Note ⑥)	25
Shenzhen Harmony Culture Communication Co., Ltd (Culture Company) (Note⑥)	25
Emile Choureit Timing (Shenzhen) Ltd. (Emile Choureit Shenzhen Company)(Note ⑥)	25
FIYTA Sales Co., Ltd (Sales Company)(Note ①⑥)	25
Liaoning Hengdarui Commercial & Trade Co., Ltd (Hengdarui Company)(Note⑥)	25
Swiss Company(Note⑦)	30

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

Note ②: According to Notice of “Pre-tax Deduction of Enterprise Research and Development Expenses (Interim)”, GuoShui FA (2008) No. 116 issued by State Administration of Taxation on 10 Dec. 2008, research and development expenses, which are charged to profit or loss instead of being capitalized as intangible assets, that incurred by the Company and the Manufacture Company for developing new technology, new product and new technique can be deducted by 50% extra on top of actual expensed charged in profit or loss.

Note ③: The company enjoyed for “Reduction and Exemption in Corporate Income Tax Rate for High and New Technology Enterprises that Require Key Support from the State”.

Note ④: According to ShenGuoShuiBao Xi GaoXinNian Du Bei (2014) No. 0027 “Notice to Acceptance of Annual Information Filing of High-tech Enterprises” issued by Xixiang Tax Sub Bureau of National Taxation Bureau of Baoan District of Shenzhen, the Company enjoys the “Reduction and Exemption in Corporate Income Tax Rate for High and New Technology Enterprises that Require Key Support from the State”.

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

Note ⑥: According to the People's Republic of China Enterprise Income Tax Law, the income tax rate is 25% for residential enterprises since 1 January 2008.

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

## (2) Property tax

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

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

## V. Notes to main items of consolidated financial statements

### 1. Cash at bank and on hand

Item	31/12/2015			31/12/2014		
	Foreign currency	Exchange rate	RMB equivalent	Foreign currency	Exchange rate	RMB equivalent
Cash on hand:	--	--	387,241.40	--	--	338,694.81
RMB	--	--	369,313.36	--	--	323,007.58
USD	698.00	6.4936	4,532.53	698.00	6.1190	4,271.06
HKD	12,910.73	0.8378	10,816.55	11,252.83	0.7889	8,877.36
EUR	24.45	7.0952	173.48	24.45	7.4556	182.29
CHF	375.75	6.4018	2,405.48	375.75	6.2715	2,356.52
Bank deposit:	--	--	636,995,113.67	--	--	114,319,146.38
RMB	--	--	628,885,440.39	--	--	96,108,985.12
USD	165,167.86	6.4936	1,072,534.45	196,091.57	6.1190	1,199,885.01
HKD	7,451,264.03	0.8378	6,242,664.82	13,272,713.21	0.7889	10,470,753.04
CHF	124,101.66	6.4018	794,474.01	1,042,736.70	6.2715	6,539,523.21
Other monetary fund:	--	--	1,580,520.86	--	--	1,797,229.35
RMB	--	--	1,580,520.86	--	--	1,797,229.35
<b>Total</b>			<b>638,962,875.93</b>			<b>116,455,070.54</b>

Amount of RMB1,575,000.00 in other monetary funds is the security deposit with Shenzhen Center Branch of Agricultural Bank of China for issuing of irrevocable letter of guarantee.

### 2. Notes receivable

Classification	31/12/2015	31/12/2014
Bank acceptance bills	5,697,788.08	5,162,768.29
Trade acceptance bills	1,500,000.00	1,000,000.00
<b>Total</b>	<b>7,197,788.08</b>	<b>6,162,768.29</b>

(1) There is no pledge of notes receivable at the end of the period.

(2) There is no endorsed or discounted notes receivable that is not yet due at the end of the period.

(3) There is no notes receivable transferred to receivables due to issuer's default at the end of the period.

### 3. Accounts receivable

(1) Accounts receivables disclosed by categories:

Category	31/12/2015
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	Amount	Percentage %	Provision for bad debts	Provision rate %	Net amount
Receivables that are individually significant in amount and provided for bad debt separately	-	-	-	-	-
Receivables provided for bad debt by portfolio:					
Including: Portfolio based on ageing of receivables	138,760,245.46	44.39	7,856,219.86	5.66	130,904,025.60
Specific receivables	173,821,650.69	55.61	-	-	173,821,650.69
Subtotal	312,581,896.15	100.00	7,856,219.86	2.51	304,725,676.29
Receivables that are individually insignificant in amount but provided for bad debt separately	-	-	-	-	-
<b>Total</b>	<b>312,581,896.15</b>	<b>100.00</b>	<b>7,856,219.86</b>	<b>2.51</b>	<b>304,725,676.29</b>

Accounts receivables disclosed by categories (continued)

Category	31/12/2014				
	Amount	Percentage %	Provision for bad debts	Provision rate %	Net amount
Receivables that are individually significant in amount and provided for bad debt separately	-	-	-	-	-
Receivables provided for bad debt by portfolio:					
Including: Portfolio based on ageing of receivables	165,747,769.87	46.05	8,663,644.67	5.23	157,084,125.20
Specific receivables	194,192,780.33	53.95	-	-	194,192,780.33
Subtotal	359,940,550.20	100.00	8,663,644.67	2.41	351,276,905.53
Receivables that are individually insignificant in amount but provided for bad debt separately	-	-	-	-	-
<b>Total</b>	<b>359,940,550.20</b>	<b>100.00</b>	<b>8,663,644.67</b>	<b>2.41</b>	<b>351,276,905.53</b>

Note:

①Accounts receivable that are provided for bad debt based on aging analysis in aging portfolio:

Aging	31/12/2015				
	Amount	Percentage %	Provision for bad debts	Provision rate %	Net amount
Within 1 year	131,175,022.16	94.53	6,586,786.79	5.00	124,588,235.37
1 to 2 years	5,689,069.52	4.10	568,906.94	10.00	5,120,162.58
2 to 3 years	1,237,753.78	0.89	371,326.13	30.00	866,427.65
Over 3 years	658,400.00	0.48	329,200.00	50.00	329,200.00
<b>Total</b>	<b>138,760,245.46</b>	<b>100.00</b>	<b>7,856,219.86</b>	<b>5.66</b>	<b>130,904,025.60</b>

(Continued)

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Notes to the Financial Statements

For the Year Ended 31 December 2015 (all amounts in RMB Yuan unless otherwise stated)

Aging	31/12/2014				
	Amount	Percentage %	Provision for bad debts	Provision rate %	Net amount
Within 1 year	162,924,972.23	98.30	8,146,248.60	5.00	154,778,723.63
1 to 2 years	1,647,216.14	0.99	164,721.62	10.00	1,482,494.52
2 to 3 years	1,175,581.50	0.71	352,674.45	30.00	822,907.05
Over 3 years	-	-	-	-	-
<b>Total</b>	<b>165,747,769.87</b>	<b>100.00</b>	<b>8,663,644.67</b>	<b>5.23</b>	<b>157,084,125.20</b>

② Among the portfolio, accounts receivable that are provided for bad debt using other method

Name of portfolio	Carrying amount	Bad debt provision	Provision rate %
Portfolio of specific accounts	173,821,650.69	-	-

(2) Provision and recovery of provision within this year

The amount of Bad debt provision accrued is RMB54,831.98 in current period. There was no received bad debt provision in current period.

(3) Actual written-off of accounts receivable within this year

Item	Written-off amounts
Accounts receivable actually written off	862,256.79

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

The closing balance of total accounts receivable due from the top five debtors of the Group is RMB24,938,417.27, accounting for 7.98% of the total accounts receivable as at 31 December 2015 and the corresponding provision for bad and doubtful debts accrued as at 31 December 2015 is RMB1,246,920.86.

#### 4. Prepayments

(1)The ageing analysis of prepayments is as follows:

Aging	31/12/2015		31/12/2014	
	Amount	Percentage %	Amount	Percentage %
Within 1 year	40,458,069.74	82.79	42,177,990.15	97.97
1 to 2 years	7,684,834.45	15.73	225,856.85	0.52
2 to 3 years	103,176.35	0.21	103,427.06	0.24
Over 3 years	623,483.06	1.27	547,368.00	1.27
<b>Total</b>	<b>48,869,563.60</b>	<b>100.00</b>	<b>43,054,642.06</b>	<b>100.00</b>

(2)The top five prepayments are as follows:

Total prepayments due from the top five debtors of the Group as at 31 December 2015 is RMB25,528,143.71 and accounts for 52.24% of the total prepayments as at 31 December 2015.

#### 5. Other receivables

(1)Other receivables disclosed by categories

Category	31/12/2015
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## FIYTA Holdings Ltd.

## Notes to the Financial Statements

For the Year Ended 31 December 2015 (all amounts in RMB Yuan unless otherwise stated)

	Amount	Percentage %	Provision for bad debts	Provision rate %	Net amount
Other receivables that are individually significant in amount and provided for bad debt separately	800,000.00	1.88	800,000.00	100.00	-
Other receivables provided for bad debt by portfolio:					
Including: Portfolio based on aging of receivables	36,781,989.54	86.30	1,852,085.48	5.04	34,929,904.06
Specific other receivables	4,917,828.70	11.54	-	-	4,917,828.7
Subtotal	41,699,818.24	97.84	1,852,085.48	4.44	39,847,732.76
Other receivables that are individually insignificant in amount but provided for bad debt separately	120,000.00	0.28	120,000.00	100.00	-
<b>Total</b>	<b>42,619,818.24</b>	<b>100.00</b>	<b>2,772,085.48</b>	<b>6.50</b>	<b>39,847,732.76</b>

Other receivables disclosed by categories(continued)

Category	31/12/2014				
	Amount	Percentage %	Provision for bad debts	Provision rate %	Net amount
Other receivables that are individually significant in amount and provided for bad debt separately	-	-	-	-	-
Other receivables provided for bad debt by portfolio:					
Including: Portfolio based on aging of receivables	33,466,574.93	75.29	2,803,647.28	8.38	30,662,927.65
Specific other receivables	10,862,791.62	24.44	-	-	10,862,791.62
Subtotal	44,329,366.55	99.73	2,803,647.28	6.32	41,525,719.27
Other receivables that are individually insignificant in amount but provided for bad debt separately	120,000.00	0.27	120,000.00	100.00	-
<b>Total</b>	<b>44,449,366.55</b>	<b>100.00</b>	<b>2,923,647.28</b>	<b>6.58</b>	<b>41,525,719.27</b>

Note:

① Among the portfolio, other receivables that are provided for bad debt based on aging analysis:

Aging	31/12/2015				
	Amount	Percentage %	Provision for bad debts	Provision rate %	Net amount
Within 1 year	36,738,589.54	99.88	1,836,929.48	5.00	34,901,660.06
1 to 2 years	16,360.00	0.05	1,636.00	10.00	14,724.00
2 to 3 years	-	-	-	-	-
Over 3 years	27,040.00	0.07	13,520.00	50.00	13,520.00
<b>Total</b>	<b>36,781,989.54</b>	<b>100.00</b>	<b>1,852,085.48</b>	<b>5.04</b>	<b>34,929,904.06</b>

(Continued)

Aging	31/12/2014				
	Amount	Percentage %	Provision for bad debts	Provision rate %	Net amount
Within 1 year	27,670,158.67	82.68	1,383,509.74	5.00	26,286,648.93
1 to 2 years	3,271,785.31	9.78	327,178.52	10.00	2,944,606.79
2 to 3 years	846,782.30	2.53	254,034.69	30.00	592,747.61
Over 3 years	1,677,848.65	5.01	838,924.33	50.00	838,924.32
<b>Total</b>	<b>33,466,574.93</b>	<b>100.00</b>	<b>2,803,647.28</b>	<b>8.38</b>	<b>30,662,927.65</b>

②Among the portfolio, other receivables that are provided for bad debt using other method:

Name of portfolio	Carrying amount	Bad debt provision	Provision rate %
Portfolio of specific accounts	4,917,828.70	-	-

(2) Provision and recovery of provision within this year

The amount of bad debt provisions reversed is RMB151,561.80 in current period. There is no bad debt provisions received in current period.

(3)Other receivables by nature

Item	31/12/2015	31/12/2014
Petty cash	4,917,828.70	8,613,005.35
Security deposit	9,126,499.58	5,710,249.11
Guarantee deposit	19,654,321.18	21,201,491.16
Goods promotion fee	6,617,843.27	5,021,765.71
Others	2,303,325.51	3,902,855.22
<b>Total</b>	<b>42,619,818.24</b>	<b>44,449,366.55</b>

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

Company name	Nature	Balance	Aging	% of the balance of other receivables	Provision for bad and doubtful debts
China Resources (Shenzhen) Co., Ltd	Guarantee deposit	2,758,194.00	within one year	6.47	137,909.70
China Resources Sun Hung Kai Properties(Hangzhou)Limited	Guarantee deposit	1,497,003.00	within one year	3.51	74,850.15
The Swatch Group (China) Ltd.	Goods promotion fee	1,177,889.45	within one year	2.76	58,894.47
Shenzhen Yitian Holiday World Property Development Co., Ltd	Guarantee deposit	1,090,523.00	within one year	2.56	54,526.15
Oris International Trade (Shanghai) Co., Ltd.	Goods promotion fee	1,059,500.00	within one year	2.49	52,975.00
<b>Total</b>		<b>7,583,109.45</b>		<b>17.79</b>	<b>379,155.47</b>

## 6. Inventory

FIYTA Holdings Ltd.  
Notes to the Financial Statements  
For the Year Ended 31 December 2015 (all amounts in RMB Yuan unless otherwise stated)

(1) Inventories by categories

Category	31/12/2015			31/12/2014		
	Book balance	Provision for diminution in value	Carrying amount	Book balance	Provision for diminution in value	Carrying amount
Raw materials	160,662,691.18	6,305,697.86	154,356,993.32	129,886,207.63	7,759,807.87	122,126,399.76
Work-in-process	17,310,018.61	-	17,310,018.61	29,054,964.10	-	29,054,964.10
Finished goods	1,943,230,127.88	22,206,120.52	1,921,024,007.36	1,998,359,374.96	15,749,714.50	1,982,609,660.46
<b>Total</b>	<b>2,121,202,837.67</b>	<b>28,511,818.38</b>	<b>2,092,691,019.29</b>	<b>2,157,300,546.69</b>	<b>23,509,522.37</b>	<b>2,133,791,024.32</b>

Note: At the year end, the balance of the Group's inventory of branded watches with aging over 3 years is RMB 204,730,851.60, accounts for 13.56% of the closing balance of all branded watches. The opening balance of the branded watches of the Group's inventory with aging over 3 years is RMB240,521,136.99, about 16.67% of the opening balance of the branded watches.

(2) Provision for diminution in value of inventories

Category	31/12/2014	Increase		Decrease		31/12/2015
		Accrual	Other	Reversed	Written-off	
Raw materials	7,759,807.87	-	-	94,272.69	1,359,837.32	6,305,697.86
Finished goods	15,749,714.50	6,456,406.02	-	-	-	22,206,120.52
<b>Total</b>	<b>23,509,522.37</b>	<b>6,456,406.02</b>	<b>-</b>	<b>94,272.69</b>	<b>1,359,837.32</b>	<b>28,511,818.38</b>

Provision for diminution in value of inventories (continued)

Category	Determination basis of net realizable value	Reasons for inventory falling price reserves reversed or written off in current period
Raw materials	: realizable value is determined according to the estimated sale price of finished products produced deducted the costs that may incur till the completion of production, estimated sale costs and related taxes	①
Finished goods	: realizable value is determined according to the estimated sale price of finished goods less sales and distribution expenses and related taxes	-

Note:

① Reversal is due to the increase of net realizable value of raw material. Written-off is due to sales of raw material that were provided for impairment in prior period.

7. Other current assets

Item	31/12/2015	31/12/2015
Deductible input VAT tax	10,185,449.99	8,356,400.02
Housing rental	4,065,558.45	4,270,819.57
Others	1,545,765.12	1,794,296.84
<b>Total</b>	<b>15,796,773.56</b>	<b>14,421,516.43</b>

8. Available-for-sale financial assets

(1) Available-for-sale financial assets

FIYTA Holdings Ltd.

Notes to the Financial Statements

For the Year Ended 31 December 2015 (all amounts in RMB Yuan unless otherwise stated)

Item	31/12/2015			31/12/2014		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Available-for-sale equity instrument	385,000.00	300,000.00	85,000.00	385,000.00	300,000.00	85,000.00
Incl.: measured at cost	385,000.00	300,000.00	85,000.00	385,000.00	300,000.00	85,000.00
<b>Total</b>	385,000.00	300,000.00	85,000.00	385,000.00	300,000.00	85,000.00

(2) Available-for-sale financial asset measured at cost

Invested entity	Book balance				Provision for impairment				Investment percentage	Cash dividend
	31/12/2014	Increase	Decrease	31/12/2015	31/12/2014	Increase	Decrease	31/12/2015		
Shenzhen Zhonghang Culture Co. Ltd	300,000.00	-	-	300,000.00	300,000.00	-	-	300,000.00	15.00	-
Xi'an Tangcheng Limited Company	85,000.00	-	-	85,000.00	-	-	-	-	0.10	-
Total	385,000.00	-	-	385,000.00	300,000.00	-	-	300,000.00	--	-

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

Category	Available-for-sale equity instrument
Impairment as at 31/12/2014	300,000.00
Accrued in current year	-
Including: transferred from other comprehensive income	-
Decrease in current year	-
Including: reversal due to fair value increases	-
Impairment as at 31/12/2015	300,000.00



FIYTA Holdings Ltd.

Notes to the Financial Statements

For the Year Ended 31 December 2015 (all amounts in RMB Yuan unless otherwise stated)

9. Long-term equity investments

Investee	Balance as at 31/12/2014	Movement								Balance as at 31/12/2015	Balance of provision for impairment as at 31/12/2015
		Additio n	Reduction	Investment income/loss recognized under the equity method	Adjustment of other comprehensiv e income	Changes of other equity	Cash dividend or profit announce d to be issued	Provison for impairment	Others		
① Associated company Shanghai Watch Industry Co., Ltd(Shanghai Watch Industry)	42,389,759.91	-	-	831,812.14	-	-	-	-	-	43,221,572.05	-
<b>Total</b>	42,389,759.91	-	-	831,812.14	-	-	-	-	-	43,221,572.05	-

FIYTA Holdings Ltd.  
Notes to the Financial Statements  
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10. Investment property

Item	Buildings	Total
I. Total book value		
1.Balance as at 31/12/2014	340,029,020.44	340,029,020.44
2.Additions	-	-
(1)Purchase	-	-
(2)Inventory/fixed asset/construction in progress transfer	-	-
(3)Business combination	-	-
3.Disposals	-	-
(1)Disposals	-	-
(2)Other	-	-
4.Balance as at 31/12/2015	340,029,020.44	340,029,020.44
II. Accumulated depreciation or amortization		
1.Balance as at 31/12/2014	113,937,081.55	113,937,081.55
2. Additions	9,143,745.87	9,143,745.87
(1)Accrued or amortized	9,143,745.87	9,143,745.87
(2)Business combination	-	-
(3)Other increases	-	-
3. Disposals	-	-
(1)Disposal	-	-
(2)Others	-	-
4.Balance as at 31/12/2015	123,080,827.42	123,080,827.42
III. Provision of impairment		
1.Balance as at 31/12/2014	-	-
2. Additions	-	-
(1)Accrued	-	-
(2)Other increases	-	-
3. Disposals	-	-
(1)Disposal	-	-
(2)Others	-	-
4.Balance as at 31/12/2015	-	-
IV. Carrying amount		
1.As at 31/12/2015	216,948,193.02	216,948,193.02
2.As at 31/12/2014	226,091,938.89	226,091,938.89

FIYTA Holdings Ltd.  
Notes to the Financial Statements  
For the Year Ended 31 December 2015 (all amounts in RMB Yuan unless otherwise stated)

Note: The depreciation and amortization recognized in 2015 is RMB 9,143,745.87.

11. Fixed assets

(1) Fixed assets by categories

Item	Property and buildings	Machinery	Transportation vehicles	Electronic devices	Other equipment	Total
I. Total book value						
1. Balance as at 31/12/2014	318,842,602.17	63,510,303.08	16,021,718.53	29,830,349.42	38,350,321.67	466,555,294.87
2. Additions	40,214,221.05	16,361,135.14	883,703.40	4,192,363.41	1,889,137.34	63,540,560.34
(1) Purchasing	40,214,221.05	16,361,135.14	883,703.40	4,192,363.41	1,889,137.34	63,540,560.34
(2) Transfer from construction in progress	-	-	-	-	-	-
(3) Increase due to business combination	-	-	-	-	-	-
3. Disposals	-	406,320.94	385,777.94	162,294.30	80,612.61	1,035,005.79
(1) Disposal or retire	-	406,320.94	385,777.94	162,294.30	80,612.61	1,035,005.79
(2) Other decrease	-	-	-	-	-	-
4. Balance as at 31/12/2015	359,056,823.22	79,465,117.28	16,519,643.99	33,860,418.53	40,158,846.40	529,060,849.42
II. Accumulated depreciation						
1. Balance as at 31/12/2014	53,550,667.30	25,571,773.23	10,668,986.69	21,098,150.07	31,932,847.00	142,822,424.29
2. Additions	11,213,864.75	7,375,642.57	2,086,029.47	3,160,459.68	1,167,168.65	25,003,165.12
(1) Accrual	11,213,864.75	7,375,642.57	2,086,029.47	3,160,459.68	1,167,168.65	25,003,165.12
(2) Other increase	-	-	-	-	-	-
3. Reductions	-	201,507.94	366,489.04	132,919.29	43,651.73	744,568.00
(1) Disposal or retire	-	201,507.94	366,489.04	132,919.29	43,651.73	744,568.00
(2) Other decrease	-	-	-	-	-	-
4. Balance as at 31/12/2015	64,764,532.05	32,745,907.86	12,388,527.12	24,125,690.46	33,056,363.92	167,081,021.41
III. Provision for impairment						
1. Balance as at 31/12/2014	-	-	-	-	-	-
2. Additions	-	-	-	-	-	-
(1) Accrual	-	-	-	-	-	-
(2) Other increase	-	-	-	-	-	-
3. Reductions	-	-	-	-	-	-
(1) Disposal or retire	-	-	-	-	-	-
(2) Other decrease	-	-	-	-	-	-
4. Balance as at 31/12/2015	-	-	-	-	-	-
IV. Carrying amount						
1. As at 31/12/2015	294,292,291.17	46,719,209.42	4,131,116.87	9,734,728.07	7,102,482.48	361,979,828.01
2. As at 31/12/2014	265,291,934.87	37,938,529.85	5,352,731.84	8,732,199.35	6,417,474.67	323,732,870.58

FIYTA Holdings Ltd.

Notes to the Financial Statements

For the Year Ended 31 December 2015 (all amounts in RMB Yuan unless otherwise stated)

Note:

Fixed assets that are pledged or guaranteed

As at 31 December 2015, the property with original cost of RMB25,183,927.61, net book value of RMB20,007,240.87 was pledged for long-term loan of RMB5,877,036.33.

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

Item	Book value	Reason for not having certificate for property rights
Office rooms for Harbin Branch	319,555.68	Defective in property right

(3) Cost of the Group's assets that are fully depreciated but still in use amounts to RMB76,709,868.88 at the end of year 2015.

12. Construction in progress

(1) Details of construction in progress

Item	31/12/2015			31/12/2014		
	Book balance	Impairment	Net carrying amount	Book balance	Impairment	Net carrying amount
Clock & Watch base in Guangming New	173,189,274.57	-	173,189,274.57	51,283,233.53	-	51,283,233.53
FIYTA Tech. Building Canopy project	-	-	-	17,279.00	-	17,279.00
FIYTA Tech. Building basement renovation project	-	-	-	88,751.00	-	88,751.00
<b>Total</b>	<b>173,189,274.57</b>	<b>-</b>	<b>173,189,274.57</b>	<b>51,389,263.53</b>	<b>-</b>	<b>51,389,263.53</b>

(2) The Group's major construction projects in progress are set out as follows

Project name	31/12/2014	Additions	Transfer red to fixed assets	Other deducti on	Accumulated capitalized interest	Including current capitalized interest	Capitalize d rate%	31/12/2015
Clock & Watch base in Guangming New District	51,283,233.53	121,906,041.04	-	-	3,386,352.38	2,869,675.80	5.77	173,189,274.57

The Group's major construction projects in progress are set out as follows (continued):

Project	Budget	Percentage of accumulated investment to budget %	Progress	Sources of funds
Clock & Watch base in Guangming New District	270,000,000.00	64.14	64.39%	Self-raised and loan from the bank

13. Intangible asset

(1) Intangible asset

Item	Land right	Software system	Right to use	Total
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## FIYTA Holdings Ltd.

## Notes to the Financial Statements

For the Year Ended 31 December 2015 (all amounts in RMB Yuan unless otherwise stated)

trademarks				
I. Book value				
1. Balance as at 31/12/2014	34,854,239.40	4,631,161.08	9,547,313.86	49,032,714.34
2 Additions	-	2,327,148.25	-	2,327,148.25
(1) Purchasing	-	2,327,148.25	-	2,327,148.25
(2) Internal R&D	-	-	-	-
(3) Increase due to business combination	-	-	-	-
(4) Other increases	-	-	-	-
3. Reductions	-	-	-	-
(1) Disposal	-	-	-	-
(2) Other decreases	-	-	-	-
4. Balance as at 31/12/2015	34,854,239.40	6,958,309.33	9,547,313.86	51,359,862.59
II. Accumulated amortization				
1. Balance as at 31/12/2014	7,692,142.62	2,627,273.78	3,210,772.22	13,530,188.62
2. Additions:	731,567.04	657,160.31	11,319.96	1,400,047.31
(1) Accrual	731,567.04	657,160.31	11,319.96	1,400,047.31
(2) Other increases	-	-	-	-
3. Reduction	-	-	-	-
(1) Disposal	-	-	-	-
(2) Other decreases	-	-	-	-
4. Balance as at 31/12/2015	8,423,709.66	3,284,434.09	3,222,092.18	14,930,235.93
III. Provision for impairment				
1. Balance as at 31/12/2014	-	-	-	-
2. Additions:	-	-	-	-
(1) Accrual	-	-	-	-
(2) Other increases	-	-	-	-
3. Reduction	-	-	-	-
(1) Disposal	-	-	-	-
(2) Other decreases	-	-	-	-
4. Balance as at 31/12/2015	-	-	-	-
IV. Carrying amount				
1. Balance as at 31/12/2015	26,430,529.74	3,673,875.24	6,325,221.68	36,429,626.66
2. Balance as at 31/12/2014	27,162,096.78	2,003,887.30	6,336,541.64	35,502,525.72

Note: Amortization recognized in 2015 is RMB1,400,047.31 元。

## 14. Goodwill

## (1) Book value of goodwill

## FIYTA Holdings Ltd.

## Notes to the Financial Statements

For the Year Ended 31 December 2015 (all amounts in RMB Yuan unless otherwise stated)

Name of investee or events constituting goodwill	31/12/2014	Additon	Reduction	31/12/2015
Lishan Department Store	1,735,756.48	-	-	1,735,756.48

## (2) Provision for impairment of goodwill

Name of investee or events constituting goodwill	Balance as at 31/12/2014	Additon Provision	Other	Reduction Disposal	Other	Balance as at 31/12/2015
Lishan Department Store	1,735,756.48	-	-	-	-	1,735,756.48

Note:

HARMONY Company, a subsidiary of the Company, acquired 100% shares of Lishan Department Store on 31 March 2008 with consideration of RMB1,200,000.00. On the date of acquisition, the fair value of identifiable net assets of Lishan Department Store was RMB(535,756.48). HARMONY Company recorded the difference of RMB1,735,756.48 as goodwill in the consolidated financial statements. At the end of 2008, it carried out the impairment test for the goodwill. As the recoverable amount was lower than its book value, HARMONY Company charged the goodwill impairment losses of RMB1,735,756.48 to the profit or loss in year 2008.

## 15. Long-term deferred expenses

Item	31/12/2014	Additions	Reduction Amortization	Others deduction	31/12/2015
Counter fabrication expenses	59,982,521.32	68,436,819.26	61,531,837.33	-	66,887,503.25
Renovation expenses	79,898,617.77	24,842,100.99	32,968,056.59	-	71,772,662.17
Fee for representation	9,504,961.77	16,230,757.44	9,362,104.68	-	16,373,614.53
Others	347,465.17	575,502.72	252,183.45	-	670,784.44
<b>Total</b>	<b>149,733,566.03</b>	<b>110,085,180.41</b>	<b>104,114,182.05</b>	<b>-</b>	<b>155,704,564.39</b>

## 16. Deferred income tax assets and deferred income tax liabilities

## (1) Deferred income tax assets and deferred income tax liabilities before offsetting

Item	31/12/2015 Deductible/Taxable temporary difference	31/12/2015 Deferred income tax assets	31/12/2014 Deductible/Taxable temporary difference	31/12/2014 Deferred income tax assets
<b>Deferred income tax assets:</b>				
Asset impairment provision	53,423,315.43	12,781,048.95	35,096,814.32	7,934,522.40
Offset internal unrealized profit	371,236,241.47	87,969,273.73	321,704,912.25	79,169,123.81
Deferred income	4,300,000.00	1,075,000.00	4,200,000.00	1,050,000.00
Deductible loss	16,561,138.12	4,076,400.48	10,815,273.17	2,515,429.89
<b>Subtotal</b>	<b>445,520,695.02</b>	<b>105,901,723.16</b>	<b>371,816,999.74</b>	<b>90,669,076.10</b>

## (2) Details of deductible temporary difference and deductible losses that haven't been recognized as deferred tax assets

Item	31/12/2015	31/12/2014
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FIYTA Holdings Ltd.  
Notes to the Financial Statements  
For the Year Ended 31 December 2015 (all amounts in RMB Yuan unless otherwise stated)

Deductible temporary difference	2,035,756.48	2,035,756.48
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17. Other non-current assets

Item	31/12/2015	31/12/2014
Prepaid property building fund	-	31,500,000.00
Prepaid equipment fund	5,118,833.65	-
<b>Total</b>	<b>5,118,833.65</b>	<b>31,500,000.00</b>

18. Short-term loans

(1) Classification of short-term loans

Item	31/12/2015	31/12/2014
Guaranteed loan	338,186,200.00	436,445,000.00
Credit Loan	650,000,000.00	553,000,000.00
<b>Total</b>	<b>988,186,200.00</b>	<b>989,445,000.00</b>

Note:

- ① There are no unpaid short-term loans that fall due.  
② Refer to Note X. 5(3) for details of guarantee between related-parties.

19. Accounts payables

Item	31/12/2015	31/12/2014
Trade payables	111,750,463.34	136,579,035.50
Payables for material purchased	20,477,883.44	10,328,743.55
Payables for project warranty	23,711,339.76	211,339.76
<b>Total</b>	<b>155,939,686.54</b>	<b>147,119,118.81</b>

Among, significant accounts payable aging over 1 year

Item	31/12/2015	Reasons for not settle
Shenzhen Ruishi Watch Co., Ltd.	825,789.29	Invoice not received

20. Advances from customer

Item	31/12/2015	31/12/2014
Trade advances received	14,823,613.26	8,602,932.19
Rental advances received	3,207,516.61	3,484,435.98
<b>Total</b>	<b>18,031,129.87</b>	<b>12,087,368.17</b>

21. Employee remuneration payable

Item	31/12/2014	Increase	Decrease	31/12/2015
Short-term remuneration	38,082,957.60	457,737,029.58	456,909,320.37	38,910,666.81
Post-employment welfare-defined	565,474.81	39,118,755.83	39,198,149.50	486,081.14

## FIYTA Holdings Ltd.

## Notes to the Financial Statements

For the Year Ended 31 December 2015 (all amounts in RMB Yuan unless otherwise stated)

Item	31/12/2014	Increase	Decrease	31/12/2015
contribution plans				
Dismissal welfare	-	2,304,305.95	2,304,305.95	-
<b>Total</b>	<b>38,648,432.41</b>	<b>499,160,091.36</b>	<b>498,411,775.82</b>	<b>39,396,747.95</b>

## (1) Short-term employee benefits

Item	31/12/2014	Increase	Decrease	31/12/2015
Wages, bonuses and allowances	37,656,100.67	408,359,831.00	407,320,090.39	38,695,841.28
Employee Welfare	-	7,971,090.54	7,971,090.54	-
Social insurance	-	15,862,607.42	15,862,607.42	-
Incl.: 1. medical insurance	-	13,573,559.22	13,573,559.22	-
2. work-related injury insurance	-	881,679.02	881,679.02	-
3. maternity insurance	-	1,407,369.18	1,407,369.18	-
Housing fund	-	15,260,562.48	15,260,562.48	-
Expenditure for labor union and employee	426,856.93	8,336,445.02	8,548,476.42	214,825.53
Other short-term benefits	-	1,946,493.12	1,946,493.12	-
<b>Total</b>	<b>38,082,957.60</b>	<b>457,737,029.58</b>	<b>456,909,320.37</b>	<b>38,910,666.81</b>

## (2) Defined contribution plans

Item	31/12/2014	Increase	Decrease	31/12/2015
Post-employment welfare				
Incl.: 1. endowment insurance	-	35,009,138.91	35,008,301.11	837.80
2. unemployment insurance	-	1,926,514.75	1,926,514.75	-
3. Enterprise annuity payment	565,474.81	2,183,102.17	2,263,333.64	485,243.34
4. Others	-	-	-	-
<b>Total</b>	<b>565,474.81</b>	<b>39,118,755.83</b>	<b>39,198,149.50</b>	<b>486,081.14</b>

## 22. Taxes payable

Item	31/12/2015	31/12/2014
Value added tax	38,446,286.82	39,838,385.65
Business tax	585,194.96	795,720.42
Corporate income tax	27,163,568.79	34,315,435.06
Individual income tax	1,102,201.03	745,837.07
City maintenance & construction tax	612,201.25	465,372.23
Property tax	45,596.12	618,271.30
Educational surcharges	395,801.04	276,780.09
Stamp duty	242,297.50	252,083.51



## FIYTA Holdings Ltd.

## Notes to the Financial Statements

For the Year Ended 31 December 2015 (all amounts in RMB Yuan unless otherwise stated)

Item	31/12/2015	31/12/2014
Embankment protection fee	22,414.09	8,859.19
Others	306,171.21	286,025.54
<b>Total</b>	<b>68,921,732.81</b>	<b>77,602,770.06</b>

## 23. Interest payable

Item	31/12/2015	31/12/2014
Interest payable for long-term loan	605,563.29	597,095.78
Interest on corporate bonds	16,800,000.00	16,800,000.00
Interest payable for short-term loan	1,806,066.73	2,023,797.97
<b>Total</b>	<b>19,211,630.02</b>	<b>19,420,893.75</b>

## 24. Other payables

Item	31/12/2015	31/12/2014
Security deposit	17,427,761.30	16,573,961.57
Shareholder loans	-	150,000,000.00
Decoration expenses	4,268,223.01	4,712,095.11
Down payment	3,052,393.03	3,331,638.94
Store activity funds	8,504,697.12	6,075,167.30
Personal accounts payable	1,802,485.42	358,160.60
Housing allowance	1,760,000.00	-
Expenses for capital raising	1,146,772.99	-
Others	10,169,283.33	7,523,876.93
<b>Total</b>	<b>48,131,616.20</b>	<b>188,574,900.45</b>

Among, significant other payables aging over 1 year:

Item	Amount	Reasons for unpaid or unsettled
Shenzhen Tencent Computer System Co., Ltd.	4,693,429.16	within lease term
Oracle R&D Center (Shenzhen) Limited	811,590.00	within lease term
China Tenth Metallurgy Group Limited Corporation	690,000.00	Security deposit for project
Shenzhen Yitianxun Technology Co., Ltd	505,657.80	within lease term
Shenzhen Xiangya Food Co., Ltd.	471,760.00	within lease term
Shenzhen Avic Real Estate Co., Ltd	424,800.00	within lease term
Shenzhen Honestar Electronic Limited	375,144.00	within lease term
Shenzhen Good Family Sports-Ware Chain Limited	351,030.00	within lease term
Sun Dawei	358,160.60	Not yet been returned
China Merchants Bank Shenzhen Sci-tech Park Branch	349,692.00	within lease term
Shenzhen Uni-phone Self-service Kara-Ok Entertainment	334,880.00	within lease term

FIYTA Holdings Ltd.

Notes to the Financial Statements

For the Year Ended 31 December 2015 (all amounts in RMB Yuan unless otherwise stated)

Item	Amount	Reasons for unpaid or unsettled
Supermarket Limited		
Shenzhen Oriental Boiler Control Co., Ltd	318,491.60	within lease term
Shenzhen Hangjian Engineering Cost Consultation Co., Ltd	208,304.00	within lease term
<b>Total</b>	<b>9,892,939.16</b>	

25. Other current liabilities

Item	31/12/2015	31/12/2014
Accrued expenses	1,988,252.38	5,482,521.27

26. Long-term loan

Item	31/12/2015	Range of interest rate	31/12/2014	Range of interest rate
Pledge loans	5,877,036.33	3.00-4.25%	6,255,497.65	3.00-4.25%
Guaranteed loan	194,031,928.00	2.94-6.06%	133,696,928.00	3.00-5.69%
<b>Subtotal</b>	<b>199,908,964.33</b>		<b>139,952,425.65</b>	
Less: Long-term loan due within one year	108,914,000.00		-	
<b>Total</b>	<b>90,994,964.33</b>		<b>139,952,425.65</b>	

Note:

① There is no unpaid long-term loans that fall due.

② As described in Note V.11, the loan is pledged by property and houses with original cost of RMB25,183,927.61 and book value of RMB20,007,240.87.

③ Refer to Note X. 5(3) for guarantee between related parties.

27. Bonds payable

Item	31/12/2015	31/12/2014
12 FIYTA Debt	399,823,760.28	398,767,929.40

(1) Movement of bonds payable

Bond Name	Par value	Issue date	Bond period	Issue amount
12 FIYTA Debt	400,000,000.00	27/2/2013	3+2 years	400,000,000.00
<b>Subtotal</b>	<b>400,000,000.00</b>			<b>400,000,000.00</b>

Bonds payable (continued)

Bond Name	31/12/2014	Issued	Interest accrued on par value	Amortization of premium or discount	Repayment	31/12/2015
12 FIYTA Debt	398,767,929.40	-	20,160,000.00	1,055,830.88	20,160,000.00	399,823,760.28
<b>Subtotal</b>	<b>398,767,929.40</b>	<b>-</b>	<b>20,160,000.00</b>	<b>1,055,830.88</b>	<b>20,160,000.00</b>	<b>399,823,760.28</b>

## FIYTA Holdings Ltd.

## Notes to the Financial Statements

For the Year Ended 31 December 2015 (all amounts in RMB Yuan unless otherwise stated)

Less:

Long-term loan  
due within one  
year

- - - - -

<b>Total</b>	<b>398,767,929.40</b>	<b>-</b>	<b>20,160,000.00</b>	<b>1,055,830.88</b>	<b>20,160,000.00</b>	<b>399,823,760.28</b>
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## 28. Deferred income

Item	31/12/2014	Increase	Decrease	31/12/2015	Forming reasons
Government grant	4,200,000.00	2,800,000.00	2,700,000.00	4,300,000.00	

Note:

Incl. :Deferred income—governmental grant

Subsidy project	31/12/2014	Increase	Amount recognized in Non-operating Income	Other Changes	31/12/2015	Related to assets/income
Technical study for civil aviation airborne cockpit clock (note ①)	1,200,000.00	-	1,200,000.00	-	-	Income related
Special fund for Shenzhen industrial design industry development (Note ②)	3,000,000.00	-	1,500,000.00	-	1,500,000.00	Asset related
Funding project for construction of National Enterprise Technology Center(Note ③)	-	2,000,000.00	-	-	2,000,000.00	Asset related
Researching project for gordian technique of standard timing system of DF101(Note ④)	-	800,000.00	-	-	800,000.00	Income related
<b>Total</b>	<b>4,200,000.00</b>	<b>2,800,000.00</b>	<b>2,700,000.00</b>	<b>-</b>	<b>4,300,000.00</b>	

Note:

Note ① :Special fund was obtained from the First Special Fund for Technology Innovation Scheming Technological Development Project (Advanced Equipment Manufacturing) of 2013 Municipal Technology Research and Development Fund by Technological Innovation Commission of Shenzhen Municipality and Finance Commission of Shenzhen Municipality according to Administrative Measures for Shenzhen Technology Research and Development and Administrative Measures for Shenzhen Technology Scheming Project on 28 June 2013.

Note ②: Special fund for Shenzhen industrial design industry development was obtained according to the Shen Jingmao Xinxi Jishu Zi (2013) No. 227 - Operating Specification for Affirmation and Fund Plan of Shenzhen Industrial Design Center (Trial) which is jointly issued by Economy, Trade and Information Commission of Shenzhen Municipality and Finance Commission of Shenzhen Municipality on 10 Oct 2014.

Note ③: Funding project for construction of Shenzhen Enterprise Technology Center was obtained according to the Notice for the 1st Supportive Project in 2015 of Funding Project for Construction of Shenzhen Enterprise Technology Center which was issued by Shenzhen Development and Reform Commission (Shen Jing Mao Xin Xi Yu[2015] No. 129) on 28 Oct 2015.

Note ④: Special fund for university-industry cooperation in 2013 was obtained according to Yue Ke Gong Shi [2014] No. 13 – Publicity about Projects which would be Supported by Special Fund of Comprehensive Strategic Cooperation between Province and College and Special Fund of Province-Ministry University-Industry Cooperation in 2013, issued by Guangdong Science and Technology Department on 9 Dec 2015.

## 29. Share capital (Unit: 0,000 shares)

Item	31/12/2014	Additions or reduction (+, -)					31/12/2015
		Issuance of new share	Bonus shares	Capitalization of capital reserves	Others	Subtotal	
<b>Total shares</b>	<b>39,276.7870</b>	<b>4,597.7011</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,597.7011</b>	<b>43,874.4881</b>

Note:

The above share capital has been verified with the capital verification report – Zhitong Yan Zi (2015) No. 441ZC0652, which is issued by Grant Thornton.

30. Capital reserve

Item	31/12/2014	Increase	Decrease	31/12/2015
Share premium	511,015,832.95	536,947,362.62	-	1,047,963,195.57
Other capital reserves	14,492,448.65	-	-	14,492,448.65
<b>Total</b>	<b>525,508,281.60</b>	<b>536,947,362.62</b>	<b>-</b>	<b>1,062,455,644.22</b>

As described in note 1, the increase is the premium of non-public offering of ordinary share (A share).

31. Other comprehensive income

Item	As at 31/12/2014(1)	Movement					As at 31/12/2015 (3)=(1)+(2)
		Amount incurred before income tax in current period	Less: recorded in other comprehensive income in prior period and transferred to profit or loss in current period	Less: Income tax expenses	Attribute to parent company after tax(2)	Attribute to minority shareholders after tax	
I. Other comprehensive income items which will not be reclassified subsequently to profit or loss	-	-	-	-	-	-	-
II. Other comprehensive income items which will be reclassified subsequently to profit or loss							
1. Translation difference of foreign currency financial statements	-17,609,265.22	658,770.06	-	-	464,075.51	194,694.55	-17,145,189.71
<b>Total other comprehensive income</b>	<b>-17,609,265.22</b>	<b>658,770.06</b>	<b>-</b>	<b>-</b>	<b>464,075.51</b>	<b>194,694.55</b>	<b>-17,145,189.71</b>

Note: Net after-tax other comprehensive income incurred in current period is RMB658,770.06. Amongst, the amount attribute to parent company shareholders is RMB464,075.51 and the amount attribute to minority shareholders is RMB194,694.55.

32. Surplus reserve

## FIYTA Holdings Ltd.

## Notes to the Financial Statements

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Item	31/12/2014	Increase	Decrease	31/12/2015
Statutory surplus reserve	103,930,572.89	13,827,610.26	-	117,758,183.15
Discretionary surplus reserve	61,984,894.00	-	-	61,984,894.00
<b>Total</b>	<b>165,915,466.89</b>	<b>13,827,610.26</b>	<b>-</b>	<b>179,743,077.15</b>

Note: according to the Company Law and Articles of Association, the Company draws statutory surplus reserve at 10% of net profit. If the statutory surplus reserve is over 50% of the Company's registered capital, drawing of statutory surplus reserve can be stopped.

## 33. Undistributed profit

Item	31/12/2015	31/12/2014	Appropriation proportion
Undistributed profit at the end of prior year before adjustments	566,819,577.37	469,706,600.67	--
Adjustments to undistributed profit at the beginning of year	-	-	--
Undistributed profit at the beginning of a year after adjustment	566,819,577.37	469,706,600.67	--
Plus: Net profit attributable to the owner of the parent company for the year	121,702,057.44	145,591,136.39	--
Less: statutory surplus reserve drawn	13,827,610.26	9,201,372.69	10%
Dividends payable to ordinary shares	39,276,787.00	39,276,787.00	--
Undistributed profit at the end of the year	635,417,237.55	566,819,577.37	--
Incl.: Surplus reserve drawn by subsidiaries that attributable to parent company	2,279,410.31	3,063,794.53	--

Note:

## (1) Description on distribution of dividend

Pursuant to the "Resolution of Equity Distribution for Year 2014" approved at the 2014 Annual General Meeting held on 17 June 2015, the Company distributed to all shareholders cash dividend of RMB1.00 (tax inclusive) for every 10 shares held based on total shares of 392,767,870 as at 31 December 2014. Total cash dividend distributed was RMB39,276,787.00.

## (2) Information on subsidiary's surplus reserve in the reporting period

In 2015, HARMONY Company, a subsidiary of the Company, drew surplus reserve of RMB1,613,488.44, of which RMB1,613,488.44 is attributable to the parent company. In 2015, Technology Company, a subsidiary of the Company, drew surplus reserve of RMB665,921.87, of which RMB 665,921.87 is attributable to the parent company.

## 34. Operating revenue and operating cost

Item	2015		2014	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Revenue from main business	3,127,774,670.18	1,920,619,137.50	3,245,370,291.15	2,043,109,870.34
Revenue from other business	34,421,542.72	8,894,528.54	32,772,494.72	11,605,087.11
<b>Total</b>	<b>3,162,196,212.90</b>	<b>1,929,513,666.04</b>	<b>3,278,142,785.87</b>	<b>2,054,714,957.45</b>

Note:

## (1) Primary operating income and operating cost by industry

Industry sector	2015	2014
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	Operating revenue	Operating cost	Operating revenue	Operating cost
Watches	3,032,902,719.41	1,906,085,186.72	3,154,917,328.23	2,030,149,894.46
Property leasing	94,871,950.77	14,533,950.78	90,452,962.92	12,959,975.88
<b>Total</b>	<b>3,127,774,670.18</b>	<b>1,920,619,137.50</b>	<b>3,245,370,291.15</b>	<b>2,043,109,870.34</b>

## (2) Primary operating income and operating cost by products

Product	2015		2014	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Branded watches	2,147,608,465.85	1,623,918,119.34	2,298,438,269.08	1,753,276,107.39
FIYTA watch	885,294,253.56	282,167,067.38	856,479,059.15	276,873,787.07
Property leasing	94,871,950.77	14,533,950.78	90,452,962.92	12,959,975.88
<b>Total</b>	<b>3,127,774,670.18</b>	<b>1,920,619,137.50</b>	<b>3,245,370,291.15</b>	<b>2,043,109,870.34</b>

## (3) Primary operating income and operating cost by regions

Region	2015		2014	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Southern China	999,754,959.45	553,758,526.17	1,033,845,169.19	612,581,751.95
Northwest China	524,570,697.36	340,488,440.23	565,700,125.97	367,811,265.82
Northern China	504,961,668.45	329,038,618.83	539,995,688.23	352,347,650.86
Eastern China	449,126,026.79	277,859,635.82	447,079,002.18	281,649,017.63
Northeast China	303,634,173.44	192,956,014.26	310,178,526.39	200,041,144.79
Southwest China	345,727,144.69	226,517,902.19	348,571,779.19	228,679,039.29
<b>Total</b>	<b>3,127,774,670.18</b>	<b>1,920,619,137.50</b>	<b>3,245,370,291.15</b>	<b>2,043,109,870.34</b>

## 35. Business tax and surcharges

Item	2015	2014
Consumption tax	-	460,361.20
Business tax	5,596,456.29	5,284,703.06
Urban maintenance and construction tax	13,940,149.40	9,904,010.65
Educational surcharge	5,962,188.92	4,958,321.12
Local educational surcharge	3,938,882.37	1,965,510.68
Others	1,236,833.20	1,328,974.59
<b>Total</b>	<b>30,674,510.18</b>	<b>23,901,881.30</b>

Note: The criteria of business taxes and surcharges accrued and paid refer to Note IV: Taxation.

## 36. Selling and distribution expenses

Item	2015	2014
Wages	263,308,344.47	226,664,366.60
Amortization of long-term deferred expense	93,564,343.23	90,323,235.31

## FIYTA Holdings Ltd.

## Notes to the Financial Statements

For the Year Ended 31 December 2015 (all amounts in RMB Yuan unless otherwise stated)

Market promotion expense	84,050,882.70	79,567,696.06
Rental	65,286,842.09	76,994,362.92
Department store expense	56,462,314.77	51,485,467.55
Advertising expense	49,861,317.33	56,732,801.49
Worker's insurance expenses	37,804,708.38	31,423,816.21
Exhibition expenses	15,789,224.96	14,873,436.45
Packing expense	15,478,171.90	11,661,907.15
Utilities	13,570,654.19	12,972,823.88
Others	84,359,716.57	70,140,042.49
<b>Total</b>	<b>779,536,520.59</b>	<b>722,839,956.11</b>

## 37. Administrative expenses

Item	2015	2014
Wages	93,399,507.02	101,919,779.73
R & D expenses	37,481,362.43	33,842,818.77
Worker's insurance expenses	11,091,233.56	10,679,457.31
Depreciation	8,122,537.00	7,786,791.73
Travel expense	6,647,853.61	8,299,343.91
Labor union expenditure	4,250,501.29	4,243,665.80
Housing fund	3,613,504.12	3,234,901.43
Office expenses	3,512,382.34	3,536,247.04
Amortization of long-term deferred expense	2,957,005.19	2,823,531.65
Rental	2,457,640.32	2,358,336.15
Others	24,544,339.88	29,727,154.06
<b>Total</b>	<b>198,077,866.76</b>	<b>208,452,027.58</b>

## 38. Financial expenses

Item	2015	2014
Interest expense	89,096,566.16	97,571,157.24
Less: Interest capitalization	2,869,675.80	516,676.58
Less: Interest income	1,997,798.65	1,750,775.15
Exchange gain or losses	-1,457,015.95	-2,544,542.58
Bank charges and others	11,575,389.03	13,060,297.89
<b>Total</b>	<b>94,347,464.79</b>	<b>105,819,460.82</b>

Note:

Amount of interest capitalization is included in construction in progress. The capitalization rate used for determining the amount of interest capitalization is 5.77%.

## 39. Impairment losses

## FIYTA Holdings Ltd.

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Item	2015	2014
(1)Bad debt loss	-108,134.50	2,275,348.40
(2)Inventory impairment loss	6,362,133.33	345,954.89
<b>Total</b>	<b>6,253,998.83</b>	<b>2,621,303.29</b>

## 40. Investment income

Item	2015	2014
Investment gain from the long-term equity investment measured by equity method	831,812.14	-848,180.21

## 41. Non-operating income

Item	2015	2014	Amount included in current year's non-recurring profit or loss
Total gain on disposal of the non-current assets	94,316.07	70,124.76	94,316.07
Including: gain on disposal of fixed assets	94,316.07	70,124.76	94,316.07
Clearing of payables that cannot be paid	23,568.41	1,209,959.00	23,568.41
Breach penalty	313,888.80	481,196.07	313,888.80
Government grant	10,889,579.23	10,344,542.00	10,889,579.23
Others	715,899.31	435,274.03	715,899.31
<b>Total</b>	<b>12,037,251.82</b>	<b>12,541,095.86</b>	<b>12,037,251.82</b>

The details of government grants are as follows:

Projects	2015	2014	Related to assets/income	Note
Special Fund for Industrial Transferring and Upgrading in 2015 of Shenzhen Economy & Trade and Information System Steering Committee	3,115,000.00		Related to Income	(1)
Special Fund for Industrial Transferring and Upgrading in 2014 of Shenzhen Economy & Trade and Information System Steering Committee	2,643,000.00		Related to Income	(2)
Special Fund for Development of Shenzhen Industrial Designing	1,500,000.00		Related to asset	(3)
Electronic Clock Technical Research Project for Civil Aviation Flight Deck	1,200,000.00		Related to Income	(4)
Government Subsidiaries for Basel Watch Fair	900,271.23	20,000.00	Related to Income	(5)
Special Fund for Development of Creative Industry of Nanshan District in 2015	469,000.00		Related to Income	(6)
Subsidiaries for Merit Rating of Shenzhen Nanshan Economy Promoting Bureau	300,000.00		Related to Income	(7)



FIYTA Holdings Ltd.

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Projects	2015	2014	Related to assets/income	Note
Subsidiaries for 8 Standardized Research Projects of Shenzhen Baoan Bureau of Finance	264,250.00		Related to Income	(8)
Fund for Performing Standardized Strategy of Shenzhen in 2015	230,000.00		Related to Income	(9)
Award for 15th National Patent Appearance Designing	100,000.00	350,000.00	Related to Income	(10)
Technical Bonus of Guangdong in 2013	50,000.00		Related to Income	(11)
Subsidiaries for Standardized Projects of Nanshan Bureau of Science and Technology	35,000.00		Related to Income	
2nd Batch of Supportive Fund for Register abroad in 2015 of Shenzhen	33,000.00		Related to Income	(12)
2nd Government Subsidiaries for Supporting Improving the Ability of International Trading in 2014	27,258.00		Related to Income	(13)
Bonus for Famous Industrial Designing in 2015	20,000.00		Related to Income	(14)
2nd Subsidiaries for Copyright in 2015 of Shenzhen Market Supervisory Authority	1,800.00		Related to Income	
Subsidiaries for Commerce Circulation of Shenzhen Economy and Trade Commission	1,000.00		Related to Income	(15)
2013 Specific subsidy fund for self-innovation industry development of Nanshan District	-	2,421,000.00	Related to Income	
2013 subsidy fund of Shenzhen enterprise technology center development	-	2,000,000.00	Related to Income	
Specific subsidy of Shenzhen brand foster	-	1,000,000.00	Related to Income	
Specific subsidy for Shenzhen strategic emerging industry development	-	800,000.00	Related to Income	
E-commerce FIYTA Mobile Internet Sales Mode Innovation Project	-	800,000.00	Related to Income	
Specific fund for cultural creative industry development	-	780,000.00	Related to Income	
2013 subsidy fund for Shenzhen industrial design and innovation results transferred into application	-	500,000.00	Related to Income	
Award of the 14th Patent Award	-	350,000.00	Related to Income	
Award of the 11th Chinese Patent Award	-	350,000.00	Related to Income	
Standardization fund	-	307,000.00	Related to Income	
2012 integration project involving production, study and research	-	300,000.00	Related to Income	
2014 subsidy fund for implementing standardization strategy	-	138,042.00	Related to Income	
2014 subsidy for high-tech enterprises	-	100,000.00	Related to Income	

Projects	2015	2014	Related to assets/income	Note
2014 subsidy for the first batch of overseas trademark registration application	-	70,000.00	Related to Income	
2014 award for Shenzhen renowned industrial design award	-	50,000.00	Related to Income	
The 15 <sup>th</sup> China Patent Award	-	5,000.00	Related to Income	
Specific subsidy fund for innovation of Taitan Watch Test Co., Ltd.	-	3,500.00	Related to Income	
<b>Total</b>	<b>10,889,579.23</b>	<b>10,344,542.00</b>		

Note:

(1) Special Fund for Industrial Transferring and Upgrading in 2015 was obtained according to Shen Jingmao Xinxu Yusuan Zi [2015] No.295-Notice about Special Fund for Industrial Transferring and Upgrading by Shenzhen Economy, Trade and Information Commission in 2015 and Shen Jingmao Xinxu Yusuan Zi [2015] No.236 – Notice about 1st Batch of Special Fund for Industrial Transferring and Upgrading by Shenzhen Economy, Trade and Information Commission in 2015.

(2) Special Fund for Industrial Transferring and Upgrading in 2014 was obtained according to Shen Jingmao Xinxu Yusuan Zi [2015] No.33-Notice about Special Fund for Industrial Transferring and Upgrading by Shenzhen Economy, Trade and Information Commission in 2014 and Shen Jingmao Xinxu Yusuan Zi [2015] No.76 – Notice about planed Special Fund for Industrial Transferring and Upgrading by Shenzhen Economy, Trade and Information Commission in 2014.

(3) Special Fund for Development of Shenzhen Industrial Designing was obtained according to Shen Jingmao Xinxu Jishu Zi [2013] No.227-Rules for Affirming and Planning of Shenzhen Industrial Centre (Trial) which was jointly issued by Shenzhen Economy, Trade and Information Commission and Shenzhen Finance Commission.

(4) Special fund for technology development project (advance equipment manufacturing) of 1st batch of technology innovation plan was obtained according to Management Method to Shenzhen Science and Technology Research and Management Method of Shenzhen Science and Technology Project.

(5) Government subsidy fund for Basel Watch Fair for 2014 and 2015 obtained from Shenzhen Association of Timepieces.

(6) Special Fund obtained according to Management Method to Special Fund for Development of Creative Industry of Nanshan District and Shen Nan Jing [2015] No.3-Notice about Disputing Special Fund for Development of Creative Industry of Nanshan District (3rd Batch).

(7) Subsidy obtained according to Shen Nan Jing [2015] No.2-Notice about Disputing Subsidiaries for Merit Rating of Shenzhen Nanshan Economy Promoting Bureau in 2015.

(8) Subsidy for Implimenting Standardizing Strategy was obtained according to Shen Bao Fu [2012] No.21-Notice about Baoan District Promoting Industrial Transferring and Upgrading and Development of Economy and Shen Bao Gui [2013] No.14-Notice about Management Method to Baoan Specific Financial Funds.

(9) Fund for Implementing Standardized Strategy of Shenzhen in 2015 was obtained according to Management Method to Performing Standardized Strategy of Shenzhen, audited by Shenzhen Market and Quality Supervision and Administration Commission and reviewed by Shenzhen Finance Commission.

(10) Award for 15th National Appearance Designing was obtained according to Yue Fu Han[2014] No.155- Notice about Encouraging Entities and Individuals Who had Win the Bonus of 15th National Patent Award issued by People's Government of Guangdong Province.

(11) Second class prize of Technical Bonus of Guangdong in 2013 was obtained according to Yue Han[2014] No.18-Notice about the 2013 annual report of the Guangdong science and Technology Award by Guangdong Government

(12) The 1st Batch of supportive fund for register of trademark abroad in 2015 of Shenzhen was obtained according to Shen Cai Gui [2014] No 18-Notice abou Management Method to Special Fund for Intellectual Property in Shenzhen

(13) The 2nd Government Subsidiaries for Supporting Improving the Ability of International Competence in 2014 was obtained according to Shen Cai Gui[2014] No.13- Details of Supporting Improving the Ability of International Trading of which the amount of import or export is below USD45,000,000.00 and Shen Jingmao Xinxu Yusuan Zi[2014] No.146-Reporting Guidelines for Supporting Improving the Ability of International Trading

## FIYTA Holdings Ltd.

## Notes to the Financial Statements

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(14) Third class prize of Concept Group of the Governor Cup was obtained according to Shen Jingmao Yusuan Zi[2015] No.163-Notice about Issuing Shenzhen Famous Industrial Designing Prize in 2015 by Shenzhen Economy & Trade and Information Commission.

(15) Subsidy for Commerce Circulation of Shenzhen Economy, Trade and Information Commission was obtained according to Shen Jingmao Xinxi Shichang Zi[2015] No.177-Notice about Issuing Subsidy for Economy and Trade Statistics and Information Reporting of Market Monitoring.

## 42. Non-operating expenses

Item	2015	2014	Amount included in non-recurring profit or loss in current year
Loss on non-current assets disposal	59,880.75	115,045.74	59,880.75
Incl. loss on fixed assets disposal	59,880.75	115,045.74	59,880.75
External donation	608,200.00	500,000.00	608,200.00
Others	462,946.58	476,449.24	462,946.58
<b>Total</b>	<b>1,131,027.33</b>	<b>1,091,494.98</b>	<b>1,131,027.33</b>

## 43. Income tax expenses

(1) Details of income taxes expenses

Item	2015	2014
Current income tax	28,719,188.67	40,801,328.57
Deferred income tax	-15,232,647.06	-16,509,941.80
<b>Total</b>	<b>13,486,541.61</b>	<b>24,291,386.77</b>

(2) Reconciliation between income tax expenses and accounting profits is as follows:

Item	2015	2014
Profit before tax	135,530,222.34	170,394,619.99
Income tax expenses calculated at legal (or applicable) tax rate (profit before tax *25%)	33,882,555.59	42,598,655.01
Impact from tax preferential rate in certain subsidiaries	-18,398,179.94	-19,295,365.00
Adjustment for income tax in prior year	500,784.84	236,881.91
Gains or losses in joint venture and associates entities in equity method	-207,953.04	212,045.05
Income not subject to tax	-	-
Expenses not deductible for tax purposes	731,684.90	2,690,102.26
Effect of tax rate change on opening deferred tax	-	22,285.47
Taxation influence by using unrecognized deductible loss and deductible temporary difference of prior periods("—")	-250,766.51	-
Taxation influence of unrecognized deductible loss and deductible temporary difference	-	-

## FIYTA Holdings Ltd.

## Notes to the Financial Statements

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Taxation influence from additional deduction of R&D expenses("—")	-2,771,584.23	-2,173,217.93
Others	-	-
Income tax expenses	<b>13,486,541.61</b>	<b>24,291,386.77</b>

## 44. Notes to cash flow statement

## (1)Cash received from other operating activities

Item	2015	2014
Product promotion fee	22,758,667.54	21,243,620.58
Government grant	10,989,579.23	10,914,542.00
Security deposit	2,440,915.22	1,923,147.28
Interest income	1,997,798.65	1,750,775.15
Petty cash	56,039.62	22,950.38
Others	3,017,213.86	3,439,061.96
<b>Total</b>	<b>41,260,214.12</b>	<b>39,294,097.35</b>

## (2)Cash paid to other operating activities

Item	2015	2014
Marketing promotion fee	78,338,971.48	77,443,856.52
Rental	63,610,470.17	73,952,825.98
Advertising fee	48,741,600.33	51,847,512.57
Departmental store expenses	39,025,574.70	33,927,340.50
Travel expenses	18,058,641.50	15,544,104.75
R & D expenses	15,655,827.82	13,908,494.97
Office expenses	12,486,686.57	10,454,837.21
Exhibition expenses	10,675,009.25	14,733,436.45
Utilities	9,200,243.52	9,604,220.48
Transportation expenses	8,976,276.33	8,020,282.83
Business entertainment	7,248,539.21	8,044,877.78
Posting and telecommunication expenses	6,574,954.85	5,185,100.10
Packing expenses	4,913,593.92	1,652,626.49
Vehicle expenses	3,052,469.63	2,636,497.78
Insurance expense	3,011,959.23	2,943,855.87
Clothing expense	2,434,924.13	1,659,064.16
Maintenance expense	2,325,196.69	2,076,535.47
Intermediary agents expense	2,186,252.23	3,607,560.46

## FIYTA Holdings Ltd.

## Notes to the Financial Statements

For the Year Ended 31 December 2015 (all amounts in RMB Yuan unless otherwise stated)

Consultation expenses	2,023,389.06	489,788.03
Others	12,983,352.01	23,821,562.70
<b>Total</b>	<b>351,523,932.63</b>	<b>361,554,381.10</b>

## (3) Cash paid to other investment activities

Item	2015	2014
Security deposit for issuing of letter of guarantee	-	1,575,000.00

## (4) Cash received from other financing activities

Item	2015	2014
Letter of credit	13,500,000.00	-
Loans from AVIC IHL	-	150,000,000.00
Loans from CATIC International Finance Limited	-	39,683,069.40
Others	-	1,328.82
<b>Total</b>	<b>13,500,000.00</b>	<b>189,684,398.22</b>

## (5) Cash paid to other financing activities

Item	2015	2014
Borrowings to Avic Intl	150,000,000.00	-
Letter of credit	13,500,000.00	-
Financing by issuing share non-public expense	1,582,574.12	-
Bank charges for issuing letter of credit	433,125.00	1,134,375.00
Repayment of loans to CATIC International Finance Limited	-	39,683,069.40
Capital injection from minority shareholders	-	1,400,000.00
Others	-	31,008.00
<b>Total</b>	<b>165,515,699.12</b>	<b>42,248,452.40</b>

## 45. Supplement to Cash Flow Statement

## (1) Supplement to Cash Flow Statement

Supplement	2015	2014
1. Reconciliation of net profit to cash flow from operating activities:		
<b>Net profit</b>	122,043,680.73	146,103,233.22
Add: Impairment for assets	6,253,998.83	2,621,303.29
Depreciation of fixed asset investment property	34,146,910.99	30,244,827.05
Amortization of intangible assets	1,400,047.31	1,473,045.26
Amortization of long-term deferred expenses	104,114,182.05	104,243,100.87
Losses on disposal of fixed assets, intangible assets, and other long-term assets (Gain as in "-")	-34,435.32	44,920.98

## FIYTA Holdings Ltd.

## Notes to the Financial Statements

For the Year Ended 31 December 2015 (all amounts in RMB Yuan unless otherwise stated)

Supplement	2015	2014
Loss on retirement of fixed assets (Gain as in "-")	-	-
Loss on changes of fair value (Gain as in "-")	-	-
Financial expenses (Gain as in "-")	86,226,890.36	97,054,480.66
Investment losses (Gain as in "-")	-831,812.14	848,180.21
Decrease in deferred tax assets (Increase as in "-")	-15,232,647.06	-16,509,941.81
Increase in deferred tax liabilities (Decrease as in "-")	-	-
Decrease in inventories (Increase as in "-")	37,457,546.34	-3,088,502.66
Decrease in operating receivables (Increase as in "-")	40,599,512.23	-24,932,633.93
Increase in operating payables (Decrease as in "-")	-19,906,881.91	-48,912,382.17
Others	-	-
<b>Net cash flows from operating activities</b>	<b>396,236,992.41</b>	<b>289,189,630.97</b>

**2. Significant investment or financing activities not involving cash:**

Debts converted to capital	1.	-	-
Convertible debts mature within one year	2.	-	-
Fixed assets acquired under finance leases	3.	-	-

**3. Net increase / (decrease) in cash and cash equivalents:**

Cash as at 31/12/2015	637,387,875.93	114,880,070.54
Less: cash as at 31/12/2014	114,880,070.54	107,663,110.74
Plus: cash equivalents as at 31/12/2015	-	-
Less: cash equivalents as at 31/12/2014	-	-
<b>Net increase in cash and cash equivalents</b>	<b>522,507,805.39</b>	<b>7,216,959.80</b>

(2) Cash and cash equivalents

Item	2015	2014
<b>4. I. Cash</b>	5. 637,387,875.93	6. 114,880,070.54
Incl. Cash on hand	7. 387,241.40	8. 338,694.81
Bank deposit available for immediate payment	9. 636,995,113.67	10. 114,319,146.38
Other monetary funds available for immediate payment	11. 5,520.86	12. 222,229.35
13. Due from the Central Bank available for payment	14. -	15. -
16. II. Cash equivalents	17. -	18. -
19. Incl. Bond investment due in three months	20. -	21. -
<b>22. III. Cash and cash equivalents as at 31/12/2015</b>	<b>23. 637,387,875.93</b>	<b>24. 114,880,070.54</b>

46. Assets of restricted ownership or use rights

Item	Amount	Restriction reason
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FIYTA Holdings Ltd.

Notes to the Financial Statements

For the Year Ended 31 December 2015 (all amounts in RMB Yuan unless otherwise stated)

Currency funds	1,575,000.00	Security deposit
Fixed assets	20,007,240.87	Guarantee
<b>Total</b>	<b>21,582,240.87</b>	

47. Item in Foreign currency

(1) Item in Foreign currency

Items	Balance denominated in foreign currency as at 31/12/2015	Translation rate	Balance translated in RMB as at 31/12/2015
Currency fund			
Incl.: USD	165,865.86	6.4936	1,077,066.98
HKD	7,464,174.76	0.8378	6,253,481.37
EUR	24.45	7.0952	173.48
CHF	124,477.41	6.4018	796,879.49
Accounts receivable			
Incl.:HKD	7,702,398.08	0.8378	6,453,069.11
Prepayment			
Incl.:HKD	14,028,308.80	0.8378	11,752,917.11
CHF	2,906,588.08	6.4018	18,607,395.57
Other receivables			
Incl.: USD			
HKD	246,494.00	0.8378	206,512.67
EUR	193.52	7.0952	1,373.06
CHF	3,583.42	6.4018	22,940.34
Accounts payable			
Incl.:HKD	19,424,929.18	0.8378	16,274,205.67
CHF	251,707.44	6.4018	1,611,380.69
Advances from customer			
Incl.:HKD	7,693.92	0.8378	6,445.97
Other payables			
Incl.:HKD	2,701,499.80	0.8378	2,263,316.53
CHF	51,308.75	6.4018	328,468.36
Short-term bank loan			
Incl.:HKD	79,000,000.00	0.8378	66,186,200.00
Non-current liability due in one year			
Incl.:HKD	130,000,000.00	0.8378	108,914,000.00

FIYTA Holdings Ltd.  
Notes to the Financial Statements  
For the Year Ended 31 December 2015 (all amounts in RMB Yuan unless otherwise stated)

Long-term bank loan			
Incl.:HKD	20,519,821.35	0.8378	17,191,506.33
CHF	850,000.00	6.4018	5,441,530.00

(2)Overseas operational entity

For main business location and recording currency of important overseas operational entity, refer to Note III. 4.

## VI. Changes of consolidation scope

ProTop Limited was deregistered in 2015, therefore, it was excluded out of the scope of consolidation at the year end.

## VII. Equity in other entities

### 1. Equity in subsidiaries

(1)Structure of enterprise group

Name of subsidiary	Main business location	Place of registration	Nature of business	Shareholding ratio%		Ways acquired
				Direct	Indirect	
HARMONY Company	Shenzhen	Shenzhen	Commerce	100.00	-	Establishment or investment
Manufacturing Company	Shenzhen	Shenzhen	Manufacture	90.00	10.00	Establishment or investment
FIYTA Hong Kong	Hong Kong	Hong Kong	Commerce	100.00	-	Establishment or investment
Station 68	Hong Kong	Hong Kong	Commerce	-	60.00	Establishment or investment
Harbin Company	Harbin	Harbin	Commerce	25.00	75.00	Establishment or investment
Henglianda Company	Beijing	Beijing	Commerce	-	100.00	Establishment or investment
Technology Company	Shenzhen	Shenzhen	Manufacture	100.00	-	Establishment or investment
Trading Company	Shenzhen	Shenzhen	Commerce	100.00	-	Establishment or investment
Culture Company	Shenzhen	Shenzhen	Commerce	-	100.00	Establishment or investment
Emile Choureit Shenzhen Company	Shenzhen	Shenzhen	Commerce	-	100.00	Establishment or investment
World Watches International	Hong Kong	Hong Kong	Commerce	-	100.00	Establishment or investment
Sales Company	Shenzhen	Shenzhen	Commerce	100.00	-	Establishment or investment
Hengdarui Company	Shenyang	Shenyang	Commerce	-	100.00	Business combination under common control
Lishan Department Store	Kunming	Kunming	Commerce	-	100.00	Business combination not under common control
Swiss Company	Switzerland	Switzerland	Commerce	-	100.00	Business combination not under common control



## FIYTA Holdings Ltd.

## Notes to the Financial Statements

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Nature Art Limited	Hong Kong	Hong Kong	Commerce	-	-	①
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Note:

①According to the equity trust agreement signed by and between Station 68, a subsidiary of FIYTA Hong Kong, and the trustee of ProTop Limited on 10 December 2009, Station 68, as the trustor, owns shares, stock rights and related rights of Nature Art Limited and ProTop Limited, and both parties agree that trustee may transfer its right anytime according to the instructions of trustor. Therefore, Station 68 owns the control right of Nature Art Limited and ProTop Limited, and include them into its scope of consolidation. ProTop Limited was deregistered in 2015 and excluded out of the scope of consolidation at the end of the period.

## 2. Equity in joint arrangement or associated

(1) Significant joint venture or associate

Name	Principal place of business	Registration place	Business nature	Shareholding ratio(%)		Accounting treatment for joint ventures or associates
				Direct	Indirect	
① Associate company						
Shanghai Watch	Shanghai	Shanghai	Manufacture	25.00	-	Equity method

(2) Principal financial information of significant associate company:

Item	Shanghai Watch	
	31/12/2015	31/12/2014
Current assets	85,404,253.13	88,551,483.42
Non-current assets	20,902,422.63	22,504,083.78
<b>Total assets</b>	<b>106,306,675.76</b>	<b>111,055,567.20</b>
Current liabilities	9,638,478.88	18,718,641.86
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>9,638,478.88</b>	<b>18,718,641.86</b>
<b>Net assets</b>	<b>96,668,196.88</b>	<b>92,336,925.34</b>
Incl.: Minority shareholders' interests	-	-
Owners' equity attributable to parent company	-	-
Share of net assets calculated as shareholding percentage%	24,167,049.22	22,622,546.71
Adjustment matters	-	-
Incl.: goodwill	-	-
Unrealized profit or losses from internal transaction	-	-
Impairment provision	-	-
Others	-	-
<b>Book value of investment to associate</b>	<b>43,221,572.05</b>	<b>42,389,759.91</b>
Fair value of equity investment with existing public quotation	-	-

Continued:

Item	Shanghai Watch	
	31/12/2015	31/12/2014
Operating income	91,465,902.16	105,335,016.70
Net profit	3,327,248.55	10,080,270.97
Other comprehensive income	-	-
Total comprehensive income	3,327,248.55	10,080,270.97

## VIII. Financial instruments and risk management

Main financial instruments of the group include monetary fund, account receivable, notes receivable, other receivables, other current assets, available-for-sale financial assets, account payable, interest payable, dividend payables, other payables, short-term loan, non-current liabilities in one year, long-term loan, bond payable. The Group has disclosed details of financial instruments in related notes. Risks related to those financial instruments and risk management policies adopted to reduce those risks are described as below. The Group management layer manages and supervises the risk exposure to ensure risks are controlled within limited range.

### 1. Risk management goals and policies

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

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

#### (1)Credit risk

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

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

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

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

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

For a mount of accounts receivable, the total accounts receivable of top 5 accounts with amount in arrear account for 7.98% of total accounts receivable of the Group (2014 : 9.02%); in other accounts receivable, the total accounts receivable of top 5 accounts with amount in arrear account for 17.79% of total accounts receivable of the Group (2014: 17.22%).

#### (2)Liquidity risk

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

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

The Group finances working capital through capital and bank and other borrowings incurred in business operation. As at 31

## FIYTA Holdings Ltd.

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December 2015, bank borrowing facility that the Group has not yet used is RMB886,288,400. (31 December 2014: RMB539,100,000)

Maturity analysis of financial assets, financial liabilities and off-balance-sheet guarantee items by undiscounted remaining contract cash flow at the end of the period (Unit: RMB 0,000):

Item	31/12/2015				
	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Financial assets:					
Cash and bank balance	63,896.29	-	-	-	63,896.29
Notes receivable	719.78	-	-	-	719.78
Accounts receivable	31,258.19	-	-	-	31,258.19
Other receivables	4,261.98	-	-	-	4,261.98
Other current assets	1,579.68	-	-	-	1,579.68
Other non-current assets	511.88	-	-	-	511.88
<b>Total financial assets</b>	<b>102,227.80</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>102,227.80</b>
Financial liabilities:					
Short-term loans	98,818.62	-	-	-	98,818.62
Accounts payable	15,593.97	-	-	-	15,593.97
Payable interest	1,921.16	-	-	-	1,921.16
Other payables	4,813.16	-	-	-	4,813.16
Other current liabilities(excluding deferred income)	198.83	-	-	-	198.83
Non-current liabilities due in one year	10,891.40	-	-	-	10,891.40
Long-term loan	-	2,255.35	2,000.00	4,844.15	9,099.50
Bonds payable	40,000.00	-	-	-	40,000.00
Financial guarantee	-	-	39,710.02	1,675.60	41,385.62
<b>Total of financial liability and contingent liability</b>	<b>172,237.14</b>	<b>2,255.35</b>	<b>41,710.02</b>	<b>6,519.75</b>	<b>222,722.26</b>

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

Item	31/12/2014				
	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Financial assets:					
Cash and bank balance	11,645.51	-	-	-	11,645.51
Notes receivable	616.28	-	-	-	616.28
Accounts receivable	35,994.06	-	-	-	35,994.06
Other receivables	4,444.94	-	-	-	4,444.94
Other current assets	1,442.15	-	-	-	1,442.15

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## Notes to the Financial Statements

For the Year Ended 31 December 2015 (all amounts in RMB Yuan unless otherwise stated)

Other non-current assets	3,150.00	-	-	-	3,150.00
<b>Total financial assets</b>	<b>57,292.94</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57,292.94</b>
Financial liabilities:					
Short-term loans	98,944.50	-	-	-	98,944.50
Accounts payable	14,711.91	-	-	-	14,711.91
Payable interest	1,942.09	-	-	-	1,942.09
Other payables	18,857.49	-	-	-	18,857.49
Other current liabilities(excluding deferred income)	548.25	-	-	-	548.25
Long-term loan	-	7,925.19	4,444.50	1,625.55	13,995.24
Bonds payable	-	40,000.00	-	-	40,000.00
Financial guarantee	3,944.50	7,889.00	30,644.50	-	42,478.00
<b>Total of financial liability and contingent liability</b>	<b>138,948.74</b>	<b>55,814.19</b>	<b>35,089.00</b>	<b>1,625.55</b>	<b>231,477.48</b>

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

## (3)Market risk

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

## Interest risk

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

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

As at 31 December 2015, if borrowing rate measured at floating rate rises or drops 50 base points, and other factors keep unchanged, net profit and shareholders' equity of the Group will decrease or increase about RMB1,311,100(at 31 December 2014: RMB700,000).

## Exchange rate risk

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

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

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

## 2. Capital management

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

FIYTA Holdings Ltd.

Notes to the Financial Statements

For the Year Ended 31 December 2015 (all amounts in RMB Yuan unless otherwise stated)

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

The Group monitors capital structure based on asset liability ratio (total liabilities divided by total assets). As at 31 December 2015, the asset-liability ratio of the Group is 45.77% (31 December 2014: 55.26%).

## IX. Fair value

Fair value level can be classified according to the input value of the lowest level that is significant to whole measurement of fair value:

First level: quote of same assets or liabilities in an active market (unadjusted).

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

Third level: use any input value not based on observable market data in assets or liabilities (unobservable input value).

(1) Items and amounts measured at fair value

As at 31 December 2015, there are no assets and liabilities measured at fair value.

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

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

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

## X. Related party relationship and transactions

### 1. Details of the parent company of the Company

Name	Registration place	Type of business	Registered capital	Shareholding ratio of parent company to the Company %	Ratio of vote right of parent company to the Company%
China National Aviation Group	Shenzhen	investment in industries, domestic trade, material supply and distribution	1,166,161,996.00	37.15	37.15

The ultimate control party of the Company is:

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

### 2. Subsidiaries

Details of subsidiaries refer to Note VII.1.

### 3. Joint venture and association

Details of joint ventures and associates refer to Note VII.2.

### 4. Other related parties

Name	Relationship with the Group
Shenzhen CATIC Property Management Limited (CATIC Property Management)	Controlled by the same party
Shenzhen CATIC Building Equipment Co., Ltd. (CATIC Building Company)	Controlled by the same party

FIYTA Holdings Ltd.

Notes to the Financial Statements

For the Year Ended 31 December 2015 (all amounts in RMB Yuan unless otherwise stated)

Name	Relationship with the Group
Rainbow Department Store Co., Ltd. (Rainbow Department Store )	Controlled by the same party
Shennan Circuits Co., Ltd. ( Shennan Circuits )	Controlled by the same party
CATIC Real Estate Company	Controlled by the same party
AVIC Securities Co., Ltd. ( AVIC Securities Company)	Controlled by the same party
Xi'an Skytel Hotel Co., Ltd. (Skytel Hotel)	Controlled by the same party
Shenzhen AVIC Nanguang Elevator Co., Ltd. ( AVIC Nanguang Company)	Controlled by the same party
Shenzhen CATIC City Real Estate Development Co., Ltd. ( CATIC City Real Estate Company)	Controlled by the same party
Shenzhen CATIC City Development Co., Ltd. ( CATIC City Development Company)	Controlled by the same party
CATIC Guanlan Property Development Co., Ltd. (CATIC Mission Hills Property)	Controlled by the same party
CATIC Changtai Investment Development Co., Ltd. (CATIC Changtai Company )	Controlled by the same party
Shenzhen CATIC Jiufang Asset Management Limited (CATIC Jiufang Asset Mgmt Company)	Controlled by the same party
Ganzhou CATIC Real Estate Development Co., Ltd.(Ganzhou CATIC Real Estate Company)	Controlled by the same party
Shenzhen CATIC City Investment Co., Ltd (CATIC City Investment)	Controlled by the same party
Chengdu CATIC Property Development Co., Ltd (Chengdu CATIC Property Company)	Controlled by the same party
Zhonghang Electronic Measuring Instruments Co., Ltd (Zhonghang Electronic Company)	Controlled by the same party
Shenzhen CATIC Theme Real-estate Co., Ltd (CATIC Theme Company)	Controlled by the same party
Shenzhen AVIC Training Center (AVIC Training Center)	Controlled by the same party
Ganzhou CATIC 9 Square Trading Co, Ltd(Ganzhou 9 Square Company)	Controlled by the same party
Jiujiang CATIC City Estate Co, Ltd (Jiujiang CATIC Estate Company)	Controlled by the same party
CATIC City Estate (Kunshan) Co, Ltd (Kunshan Company)	Controlled by the same party
Shenzhen CATIC Huacheng Real Estate Development Co, Ltd (CATIC Huacheng Company)	Controlled by the same party
Shenzhen CATIC Curtain Co, Ltd (CATIC Curtain Company)	Controlled by the same party
CATIC Technical International Development Co, Ltd (CATIC Tech. Development Company)	Controlled by the same party
AVIC Finance Co., Ltd. (AVIC Finance Company)	Controlled by the same party
Diao Weicheng	Key management member
Xu Dongsheng	Key management member
Wang Mingchuan	Key management member
Liu Aiyi	Key management member
Zhong Sijun	Key management member
Cao Zhen	Key management member
Huang Yongfeng	Key management member
Zhang Hongguang	Key management member
Zhang Shunwen	Key management member
Wang Yan	Key management member
Sui Yong	Key management member

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Name	Relationship with the Group
Tang Boxue	Key management member
Chen Zhuo	Key management member
Chen Libin	Key management member
Lu Bingqiang	Key management member
Du Xi	Key management member
Lu Wanjun	Key management member
Hu Xinglong	Key management member

5. Transactions with related parties

(1)Details of related party purchase and sale

①Purchasing goods and receiving services

Related party	Type of transaction	2015	2014
Rainbow Department Store	Department store expenses	4,457,644.68	3,549,567.71
CATIC Property Management	Property management	3,236,163.68	1,356,088.67
AVIC Training center	Training	107,296.20	146,420.76
CATIC curtain wall engineering co., Ltd.	Engineering	198,113.16	-
CATIC Building co., Ltd.	Engineering	281,621.61	-
CATIC Technical Development co., Ltd.	Engineering	100,000.00	-
CATIC Nanguang co., Ltd.	Engineering	163,913.80	-
Shanghai Watch	Material purchase	132,051.28	2,554,285.26
AVIC Securities Company	Securities underwriting fee	7,250,000.00	-
Zhonghang Electronic Company	Processing Charges	-	15,068.38

②Selling products and providing services

Related party	Type of transaction	2015	2014
Rainbow Department Store	Product sales and services	81,677,865.75	81,841,738.79
AVIC	Product sales	485,755.56	1,075,012.82
Shennan Circuits	Material sales	11,668,906.38	24,363,526.18

(2) Lease

①The Group as leaser

Lessee	Type of leased assets	Recognized rental income in current period	Recognized rental income in prior period
CATIC Real Estate Company	Property	1,569,802.84	1,508,832.00
CATIC Property Management	Property	6,516,962.97	7,282,960.71
AVIC Securities Company	Property	1,139,550.00	1,088,430.00

## FIYTA Holdings Ltd.

## Notes to the Financial Statements

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CATIC City Development Company	Property	23,221.94	22,320.00
CATIC Huacheng Company	Property	277,419.12	-
CATIC City Real Estate Company	Property	376,300.82	22,320.00
CATIC Guanlan Property	Property	92,887.74	89,280.00
CATIC Changtai Company	Property	480,384.00	1,285,632.00
Skytel Hotel	Property	4,700,000.00	4,499,900.00
Rainbow Department Store	Property	465,520.04	452,800.04
CATIC Jiufang Asset Mgmt Company	Property	363,636.00	363,636.00
CATIC City Investment	Property	950,861.29	90,024.00
CATIC Theme Company	Property	353,338.00	945,624.00
CATIC Technology Shenzhen Company	Property	-	210,270.00

## ② The Group as lessee

Lesser	Type of leased assets	Rental expenses charged in current period	Rental expenses charged in prior period
Ganzhou CATIC Real Estate Company	Property	1,029,856.96	995,408.16
CATIC Changtai Company	Property	208,433.59	-
Jiujiang CATIC Estate Company	Property	321,880.50	-
Kunshan Company	Property	33,272.96	-
Chengdu CATIC Property Company	Property	1,206.09	816,017.05

## (3) Guarantees provided

## ①The Group as guarantor

Guarantee	Amount	Effective date	Expiring date	Guarantee obligation expired (Yes/No)
HARMONY Company	2,000,000.00	2015-1-13	2018-1-12	No
HARMONY Company	50,000,000.00	2015-11-20	2018-11-19	No
HARMONY Company	60,000,000.00	2015-12-2	2018-12-1	No
HARMONY Company	100,000,000.00	2015-12-2	2018-8-12	No
Manufacturing Company	10,000,000.00	2015-8-7	2018-8-7	No
FIYTA Hong Kong	4,189,000.00	2015-3-12	2018-3-14	No
FIYTA Hong Kong	5,026,800.00	2015-4-2	2018-4-1	No
FIYTA Hong Kong	5,864,600.00	2015-7-9	2018-7-8	No
FIYTA Hong Kong	8,378,000.00	2015-8-4	2018-8-3	No
FIYTA Hong Kong	13,404,800.00	2015-9-14	2018-9-13	No
FIYTA Hong Kong	10,053,600.00	2015-9-15	2018-9-14	No
FIYTA Hong Kong	19,269,400.00	2015-9-16	2018-9-15	No



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Notes to the Financial Statements

For the Year Ended 31 December 2015 (all amounts in RMB Yuan unless otherwise stated)

Guarantee	Amount	Effective date	Expiring date	Guarantee obligation expired (Yes/No)
FIYTA Hong Kong	41,890,000.00	2013-7-11	2018-7-11	No
FIYTA Hong Kong	41,890,000.00	2013-8-5	2018-8-5	No
FIYTA Hong Kong	16,756,000.00	2014-1-6	2018-7-11	No
FIYTA Hong Kong	8,378,000.00	2014-1-27	2018-7-11	No
FIYTA Hong Kong	16,756,000.00	2014-3-3	2019-1-11	No

②The Group as guarantee

Guarantee	Amount	Effective date	Expiring date	Guarantee obligation expired (Yes/No)
China National Aviation Group	361,928.00	2013-12-24	2018-12-24	No
China National Aviation Group	5,000,000.00	2014-1-15	2019-6-24	No
China National Aviation Group	10,000,000.00	2014-9-5	2020-6-24	No
China National Aviation Group	10,000,000.00	2015-1-8	2020-6-24	No
China National Aviation Group	20,000,000.00	2015-1-26	2021-6-24	No
China National Aviation Group	6,000,000.00	2015-5-27	2021-6-24	No
China National Aviation Group	10,000,000.00	2015-10-28	2021-6-24	No
China National Aviation Group	7,000,000.00	2015-12-1	2021-12-24	No
CATIC Technology Shenzhen Company	400,000,000.00	2013-2-27	2018-8-26	No
HARMONY Company	50,000,000.00	2015-10-23	2018-10-23	No

(4)Related party borrowing

The Group repaid loan of RMB150,000,000 to China National Aviation Group in current year.

(5) Others

The year-end balance of the Group's cash is RMB1,002,871.65, which is deposited with AVIC Finance Company. The interests received from the deposit are RMB2,871.65.

(6)Remuneration for key management members

There are 18 key management members in the reporting period and 14 key management members in prior reporting period. See the following table for detailed remuneration:

Item	2015	2014
Remuneration for key management members	11,462,400.00	13,818,900.00

## 6. Receivables from and payables to related parties

(1)Receivables

## FIYTA Holdings Ltd.

## Notes to the Financial Statements

For the Year Ended 31 December 2015 (all amounts in RMB Yuan unless otherwise stated)

Item	Related party	31/12/2015		31/12/2014	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Accounts receivable	Rainbow Department Store	8,012,826.57	400,641.33	2,134,424.46	106,721.22
	Shennan Circuits	1,474,023.97	73,701.20	1,477,311.21	73,865.56
	Ganzhou 9 Square Company	289,621.00	14,481.05	-	-
	AVIC	13,500.00	675.00	524,313.00	68,144.58
	Chengdu CATIC Property Company	-	-	7,875.00	393.75
Notes receivable	Shennan Circuits	5,697,788.08	-	6,162,768.29	-
Other receivable	Rainbow Department Store	563,140.00	28,157.00	308,001.60	15,400.08
	CATIC Property Management	225,853.69	11,292.68	-	-
	Ganzhou 9 Square Company	122,665.60	6,133.28	-	-
	Chengdu CATIC Property Company	115,616.40	5,780.82	115,616.40	5,780.82
	CATIC Changtai Company	50,000.00	2,500.00	50,000.00	2,500.00
	Jiujiang CATIC Estate Company	50,000.00	2,500.00	-	-
	Kunshan Company	37,120.00	1,856.00	-	-
	Ganzhou CATIC Real Estate Company	-	-	172,665.60	14,766.56

## (2) Payables

Item	Related party	31/12/2015	31/12/2014
Accounts payable	Shanghai Watch	-	647,691.97
Advances from customer	CATIC Real Estate Company	133,848.00	-
Other payables	CATIC Property Management	472,032.00	-
	CATIC Real Estate Company	424,800.00	424,800.00
	CATIC City Investment Company	244,068.00	37,700.00
	AVIC Securities Company	187,440.00	187,440.00
	CATIC City Real Estate Company	97,912.32	-
	CATIC Huacheng Company	73,819.68	-
	CATIC Jiufang Asset Mgmt Company	60,606.00	60,606.00
	Rainbow Department Store	60,000.00	60,000.00
	Chengdu CATIC Sunshine Real Estate Company	16,492.75	114,648.52
	CATIC Building Company	9,630.00	-
	CATIC City Development Company	3,960.00	-
	AVIC IHL	-	150,000,000.00
	CATIC Changtai Company	-	221,712.00

## XI. Commitments and contingencies

FIYTA Holdings Ltd.  
Notes to the Financial Statements  
For the Year Ended 31 December 2015 (all amounts in RMB Yuan unless otherwise stated)

1. Significant commitments

(1) Capital commitment

<b>Contract already signed but not yet recognized in the financial statements</b>	<b>31/12/2015</b>	<b>31/12/2014</b>
Long-term assets construction commitment	112,495,477.39	187,127,768.52

(2) Operating lease commitment

As of the balance sheet date, the irrevocable operating lease contracts signed by the Company are as follows:

<b>The minimum lease payment for irrevocable operating lease:</b>	<b>31/12/2015</b>	<b>31/12/2014</b>
The 1 <sup>st</sup> year after the balance sheet day	19,070,208.30	28,940,871.89
The 2 <sup>nd</sup> year after the balance sheet day	12,683,143.50	18,388,748.63
The 3 <sup>rd</sup> year after the balance sheet day	6,603,532.25	8,702,855.74
After 3 years	4,116,940.51	3,008,648.97
<b>Total</b>	<b>42,473,824.56</b>	<b>59,041,125.23</b>

(3) Other commitments

As at 31 December, 2015, the Group has no commitment that shall be disclosed.

2. Contingencies

(1) Contingent liabilities and financial influence formed by providing liability guarantee to other units

Refer to Note X. 5(3) for details of external guarantees entered by companies in the scope of consolidation, and guarantee between parent company and subsidiaries.

(2) As at 31 December 2015, there are no pending actions, external guarantees and other contingencies that shall be disclosed.

(3) As at 31 December 2015, there is no other contingency that shall be disclosed.

**XII. Post balance sheet date events**

1. Profit distribution after balance sheet date

Proposed profit distribution or dividend	43,874,488.10
Profit distribution or dividend that was approved and declared	43,874,488.10

The resolution of 2015 profit distribution proposal has been passed on the 6th Board Meeting of the 8th Board of Directors on 8 March 2016. It proposed to distribute cash dividend of RMB1.00 (tax inclusive) for every 10 shares held by shareholders based on the total 438,744,881 shares as at 31 December 2015. Cash dividend that proposed to be distributed amounts to RMB43,874,488.10. The proposal is subject to approval from Annual General Shareholders' Meeting.

2. Other events after balance sheet date

(1) The redemption and de-listing of "12 FIYTA Debt" was finished by the Company on 29 February 2016. According to related articles in "Prospectus of Public Offering of Debenture by FIYTA Holdings Ltd in 2012", the Company can decide whether to exercise the option of increase coupon rate, callable option or prepayment option. According to the authorization given by the first extraordinary general meeting in 2012, the Board of Directors decided to abandon the option of increase coupon rate and callable option and choose to exercise prepayment option to redeem all "12 FIYTA Debt" that was registered on book on the redemption registration date. The counterparts are all the holders of "12 FIYTA Debt" that was on the register of China Securities Depository and Clearing Co., Ltd Shenzhen Branch after close of business on 26 February 2016. The redemption price was RMB105.04 per debenture (including interests for current period and tax on interests).

(2) Pursuant to the resolution passed on the 6th Board Meeting of the 8th Board of Directors on 8 March 2016, the Company plans to apply credit facility of no more than RMB 1,800,000,000.00 from banks in form of guaranteed loan, mortgage loan etc... in 2016. The proposal of credit facility application is subject to approval from Annual General Shareholders' Meeting.

(3) Pursuant to the resolution passed on the 6th Board Meeting of the 8th Board of Directors on 8 March 2016, the Company plans to provide guarantee to the Company's wholly-owned subsidiaries for their application of credit facility of no more than RMB1,000,000,000.00 in 2016. This credit facility is included in the total credit facility of RMB1,800,000,000.00 to be applied in 2016 mentioned above. The proposal of credit facility application is subject to approval from Annual General Shareholders' Meeting.

(4) Pursuant to the resolution passed on the 6th Board Meeting of the 8th Board of Directors on 8 March 2016, the Company proposed to increase the registered capital of Sales Company by RMB400,000,000.00. After the increase, the registered capital of Sales Company will reach RMB450,000,000.00.

### XIII. Other significant events

ProTop Limited performed deregistration in Hong Kong on 4 December 2015.

### XIV. Notes to the parent company's financial statements

#### 1. Accounts receivable

(1)Accounts receivable by categories:

Category	31/12/2015				
	Amount	Percentage%	Provision for bad debts	Provision rate %	Net amount
Receivables that are individually significant in amount and provided for bad debt separately	-	-	-	-	-
Receivables provided for bad debt by portfolio	-	-	-	-	-
Incl.: Portfolio of aging	-	-	-	-	-
Portfolio of specific accounts	-	-	-	-	-
Subtotal of portfolios	-	-	-	-	-
Receivables that are individually insignificant in amount but provided for bad debt separately	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

Accounts receivables disclosed by categories (continued)

Category	31/12/2014				
	Amount	Percentage%	Provision for bad debts	Provision rate %	Net amount
Receivables that are individually significant in amount and provided for bad debt separately	-	-	-	-	-
Receivables provided for bad debt by portfolio					
Incl.: Portfolio of aging	11,338,842.00	92.17	566,942.10	5.00	10,771,899.90
Portfolio of specific accounts	963,888.00	7.83	-	-	963,888.00
Subtotal of portfolios	12,302,730.00	100.00	566,942.10	4.61	11,735,787.90

FIYTA Holdings Ltd.

Notes to the Financial Statements

For the Year Ended 31 December 2015 (all amounts in RMB Yuan unless otherwise stated)

Category	31/12/2014				
	Amount	Percentage%	Provision for bad debts	Provision rate %	Net amount
Receivables that are individually insignificant in amount but provided for bad debt separately	-	-	-	-	-
<b>Total</b>	<b>12,302,730.00</b>	<b>100.00</b>	<b>566,942.10</b>	<b>4.61</b>	<b>11,735,787.90</b>

Note:

① Accounts receivable that are provided for bad debt based on aging analysis in aging portfolio:

Aging	31/12/2015				
	Amount	Percentage%	Provision for bad debts	Provision rate %	Net amount
Within 1 year	-	-	-	-	-
1 to 2 years	-	-	-	-	-
2 to 3 years	-	-	-	-	-
Over 3 years	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(Continued)

Aging	31/12/2014				
	Amount	Percentage%	Provision for bad debts	Provision rate %	Net amount
Within 1 year	11,338,842.00	100.00	566,942.10	5.00	10,771,899.90

② among the portfolio, accounts receivable that are provided for bad debt using other methods

Name of portfolio	Carrying amount	Bad debt provision	Accrual rate%
Portfolio of specific accounts	-	-	-

(2) Bad debt provisions accrued, received or reversed in the current period

The amount of Bad debt provision reversed is RMB566,942.10 in current period. There was no received bad debt provision in current period.

## 2. Other receivables

(1) Other receivables disclosed by categories:

Category	31/12/2015				
	Amount	Percentage %	Provision for bad	Provision rate %	Net amount
Other receivables that are individually significant in amount and provided for bad debt separately	-	-	-	-	-
Other receivables provided for bad debt by portfolio					
Incl.: Portfolio of aging	551,048.26	0.04	27,552.41	5.00	523,495.85

## FIYTA Holdings Ltd.

## Notes to the Financial Statements

For the Year Ended 31 December 2015 (all amounts in RMB Yuan unless otherwise stated)

Portfolio of specific accounts	1,527,233,321.33	99.96	-	-	1,527,233,321.33
Subtotal of portfolios	1,527,784,369.59	100.00	27,552.41	0.00	1,527,756,817.18
Other receivables that are individually insignificant in amount but provided for bad debt separately	-	-	-	-	-
<b>Total</b>	<b>1,527,784,369.59</b>	<b>100.00</b>	<b>27,552.41</b>	<b>0.00</b>	<b>1,527,756,817.18</b>

Other receivables disclosed by categories(continued)

Category	31/12/2014				
	Amount	Percentage%	Provision for bad	Provision rate %	Net amount
Other receivables that are individually significant in amount and provided for bad debt separately	-	-	-	-	-
Other receivables provided for bad debt by portfolio					
Incl.: Portfolio of aging	283,905.40	0.02	27,484.97	9.68	256,420.43
Portfolio of specific accounts	1,524,256,691.23	99.98	-	-	1,524,256,691.23
Subtotal of portfolios	1,524,540,596.63	100.00	27,484.97	0.00	1,524,513,111.66
Other receivables that are individually insignificant in amount but provided for bad debt separately	-	-	-	-	-
<b>Total</b>	<b>1,524,540,596.63</b>	<b>100.00</b>	<b>27,484.97</b>	<b>0.00</b>	<b>1,524,513,111.66</b>

Note:

- ① Among the portfolio, other receivables that are provided for bad debt based on aging analysis:

Aging	31/12/2015				
	Amount	Percentage%	Provision for bad debts	Provision rate %	Net amount
Within 1 year	551,048.26	100%	27,552.41	5.00	523,495.85

(Continued)

Aging	31/12/2014				
	Amount	Percentage%	Provision for bad debts	Provision rate %	Net amount
Within 1 year	254,050.00	89.48	12,702.50	5.00	241,347.50
1 to 2 years	363.07	0.13	36.30	10.00	326.77
2 to 3 years	-	-	-	-	-
Over 3 years	29,492.33	10.39	14,746.17	50.00	14,746.16
<b>Total</b>	<b>283,905.40</b>	<b>100.00</b>	<b>27,484.97</b>	<b>9.68</b>	<b>256,420.43</b>

- ② Other receivables that are provided for bad debt using other method

Name of portfolio	Carrying amount	Bad debt provision	Accrual rate%
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## FIYTA Holdings Ltd.

## Notes to the Financial Statements

For the Year Ended 31 December 2015 (all amounts in RMB Yuan unless otherwise stated)

Portfolio of special accounts	1,527,233,321.33	-	-
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(2) Bad debt provision accrued, received or reversed in the current period

The amount of Bad debt provision accrued is RMB67.44 in current period. There was no received bad debt provision in current period.

(3) Other receivables by nature

Item	31/12/2015	31/12/2014
Related party balances within consolidated scope	1,527,077,899.87	1,523,785,927.87
Petty cash	155,421.46	620,763.36
Security deposit	64,050.00	64,050.00
Others	486,998.26	69,855.40
<b>Total</b>	<b>1,527,784,369.59</b>	<b>1,524,540,596.63</b>

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

Company name	Nature	Balance	Aging	Percentage in total closing balance of other receivables (%)	Provision for bad and doubtful
HARMONY Company	Transaction	888,239,075.70	Within 1 year	58.14	-
Sales Company	Transaction	538,795,392.91	Within 1 year 323,127,262.68; 1-2 years 215,668,130.23	35.27	-
Emile Choureit Shenzhen Company	Transaction	63,376,616.95	Within 1 year	4.15	-
Trading Company	Transaction	24,391,573.36	Within 1 year 3,600; 1-2 years 1,560,450.39; 2-3 years 22,827,522.97	1.60	-
Technology Company	Transaction	11,127,769.95	Within 1 year 11,058,069.95; 1-2 years 69,700	0.73	-
<b>Total</b>		<b>1,525,930,428.87</b>		<b>99.88</b>	<b>-</b>

## 3. Long-term equity investments

Item	31/12/2015			31/12/2014		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
Investment in subsidiaries	770,899,720.00	-	770,899,720.00	730,799,720.00	-	730,799,720.00
Investment to associated companies	43,221,572.05	-	43,221,572.05	42,389,759.91	-	42,389,759.91
<b>Total</b>	<b>814,121,292.05</b>	<b>-</b>	<b>814,121,292.05</b>	<b>773,189,479.91</b>	<b>-</b>	<b>773,189,479.91</b>

FIYTA Holdings Ltd.

Notes to the Financial Statements

For the Year Ended 31 December 2015 (all amounts in RMB Yuan unless otherwise stated)

(1) Investment in subsidiaries

Invested units	31/12/2014	Increase	Decrease	31/12/2015	Impairment provision	Closing balance for impairment
HARMONY Company	601,307,200.00	-	-	601,307,200.00	-	-
Harbin Company	125,000.00	-	-	125,000.00	-	-
Manufacturing Company	9,000,000.00	-	-	9,000,000.00	-	-
Technology Company	10,000,000.00	-	-	10,000,000.00	-	-
FIYTA Hong Kong	55,367,520.00	40,100,000.00	-	95,467,520.00	-	-
Trade Company	5,000,000.00	-	-	5,000,000.00	-	-
FIYTA Sales Company	50,000,000.00	-	-	50,000,000.00	-	-
<b>Total</b>	<b>730,799,720.00</b>	<b>40,100,000.00</b>	<b>-</b>	<b>770,899,720.00</b>	<b>-</b>	<b>-</b>



FIYTA Holdings Ltd.

Notes to the Financial Statements

For the Year Ended 31 December 2015 (all amounts in RMB Yuan unless otherwise stated)

(2) Investment to joint venture and association

Invested enterprises	Balance as at 31/12/2014	Increase and decrease during the period								Balance as at 31/12/2015	Balance of provision for impairment as at 31/12/2015	
		Addition	Reduction	Investment income/loss recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash dividend or profit announced to be issued	Provision for impairment	Other			
①Associates												
Shanghai Watch	42,389,759.91	-	-	831,812.14	-	-	-	-	-	43,221,572.05	-	
Total	42,389,759.91	-	-	831,812.14	-	-	-	-	-	43,221,572.05	-	

## 4. Operating revenue and operating cost

Item	2015		2014	
	Revenue	Cost	Revenue	Cost
Main businesses	95,422,259.18	14,944,207.19	108,183,860.45	30,576,403.18
Other businesses	12,923.08	8,613.00	-	-
<b>Total</b>	<b>95,435,182.26</b>	<b>14,952,820.19</b>	<b>108,183,860.45</b>	<b>30,576,403.18</b>

## 5. Investment income

Item	2015	2014
Investment income from long-term equity investment measured by	131,388,140.58	88,741,300.42
Investment income from long-term equity investment measured by	831,812.14	-848,180.21
<b>Total</b>	<b>132,219,952.72</b>	<b>87,893,120.21</b>

## XV. Supplementary information

## 1. Details of non-recurring gain or loss for the year

Item	Year ended 31/12/2015	Note
Disposal gain or loss of non-current assets	34,435.32	
Overridden approval, or without official approval document, or incidental tax return or exemption	-	
Government grants included in current profit or loss (except for the fixed or quantitative government grants, enjoyed in a consecutive way, which closely related to the enterprise businesses and according to certain state policies and or on a nation-wide unified standard)	10,889,579.23	
Charges for the possessions of funds collected from non-monetary enterprises	-	
Investment cost of subsidiaries, joint venture and cooperative enterprises less than the profit incurred in identifiable net asset fair value of invested unit when investment	-	
Profit and loss of non-monetary assets exchange	-	
Profit and loss from entrusting others to invest or manage assets	-	
Asset impairment provision accrued due to force majeure such as natural disasters	-	
Profit and loss of debt restructuring	-	
Enterprise restructuring expenses, such as expenses for arranging employees, integrating cost	-	
Profit and loss over fair value part accrued in transactions of unreasonable transaction price	-	
Current net profit and loss of subsidiaries from business combination under common control from the opening period to combination date	-	
Profit and loss incurred contingent matters unrelated to normal operating business	-	

Item	Year ended 31/12/2015	Note
Except for effective hedging business related to normal operating business, profit and loss of fair value incurred in financial assets and financial liabilities measured at fair value through current profit and loss	-	
Investment profit obtained by disposing financial assets, financial liabilities and available-for-sale financial assets measured at fair value through current profit and loss	-	
Impairment provision reversal of accounts receivable under separate impairment test	-	
Profit and loss obtained in external entrusting loans	-	
Profit and loss incurred in fair value change of investment real asset subsequently measured in fair value mode	-	
Influence on current profit and loss caused by one-off adjustment according to requirements of laws and regulations about taxation and accounting	-	
Income from trustee fee obtained by trusting operation	-	
Other non-operating income and expenses other than the above items	-17,790.06	
Profit and loss items pursuant to the definition of non-recurring profit and loss	-	
Total non-recurring profit or loss	10,906,224.49	
Less: effect of income tax of non-recurring profit or loss	2,645,882.96	
Net non-recurring profit or losses	8,260,341.53	
Less: effect of non-recurring profit or losses attributable to minority shareholders (after tax)	-	
Non-recurring profit or losses attributable to ordinary shareholders of the Company	8,260,341.53	

## 2. Return on Equity (ROE) and Earnings per share (EPS)

Profit of the reporting period	Weighted average	EPS	
	ROE %	Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	7.24	0.310	-
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit	6.75	0.289	-

## **Chapter 11 Documents Available for Inspection**

- I. Accounting Statements signed by and under the seal of the legal representative, the chief accountant and the treasurer.
- II. Original of the Auditors' Report under the seal of the accounting firm and signed by and under the seals of certified public accountants.
- III. Originals of all documents and manuscripts of announcements of the Company disclosed in Securities Times and Hong Kong Commercial Daily as designated by China Securities Regulatory Commission.