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Auditors' Report

FIYTA Holdings Ltd.

For the Year Ended 31 December 2014

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(English Translation for Reference Only)

Auditor's Report

GTCSZ（2015） No.441ZA1806

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 2014, 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

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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 2014, 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 12 March 2015

Consolidated and company balance sheets

As at 31 December 2014

Prepared by: FIYTA Holdings Ltd. Monetary unit: RMB Yuan

Item	Notes	As at 31/12/2014		As at 31/12/2013	
		Consolidated	Company	Consolidated	Company
Current assets:					
Currency funds	V. 1	116,455,070.54	37,060,566.79	107,663,110.74	27,929,968.24
Financial assets measured at fair value through profit or loss for the current period		-	-	-	-
Notes receivable	V. 2	6,162,768.29	-	7,100,000.00	-
Accounts receivable	V. 3	351,276,905.53	11,735,787.90	324,457,339.19	239,193,039.81
Prepayments	V. 4	43,054,642.06	-	43,487,613.07	-
Interest receivable		-	-	-	-
Dividends receivable		-	-	-	-
Other receivables	V. 5	41,525,719.27	1,524,513,111.66	40,436,640.10	1,337,631,334.01
Inventories	V. 6	2,133,791,024.32	-	2,123,342,820.93	-
Non-current assets due within one year		-	-	-	-
Other current assets	V. 7	14,421,516.43	503,071.74	30,811,991.07	308,119.88
Total current assets		2,706,687,646.44	1,573,812,538.09	2,677,299,515.10	1,605,062,461.94
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	42,389,759.91	773,189,479.91	43,237,940.12	775,437,660.12
Investment property	V. 10	226,091,938.89	226,091,938.89	235,235,684.76	235,235,684.76
Fixed assets	V. 11	323,732,870.58	117,256,223.80	306,888,964.31	108,094,045.84
Construction in progress	V. 12	51,389,263.53	51,389,263.53	6,608,187.55	6,608,187.55
Construction materials		-	-	-	-
Disposal of fixed assets		-	-	-	-
Productive biological assets		-	-	-	-
Oil and gas assets		-	-	-	-
Intangible assets	V. 13	35,502,525.72	29,165,984.08	36,168,611.72	29,820,750.12
Development expenditures		-	-	-	-
Goodwill	V. 14	-	-	-	-
Long-term deferred expenses	V. 15	149,733,566.03	4,813,767.34	146,542,685.58	5,679,969.47
Deferred tax assets	V. 16	90,669,076.10	1,198,606.77	74,159,134.29	775,806.46
Other non-current assets	V. 17	31,500,000.00	-	32,476,867.85	10,976,867.85
Total non-current assets		951,094,000.76	1,203,190,264.32	881,403,076.18	1,172,713,972.17
Total assets		3,657,781,647.20	2,777,002,802.41	3,558,702,591.28	2,777,776,434.11

Consolidated and company balance sheets (continued)

As at 31 December 2014

Prepared by: FIYTA Holdings Ltd. Monetary unit: RMB Yuan

Item	Notes	As at 31/12/2014		As at 31/12/2013	
		Consolidated	Company	Consolidated	Company
Current liabilities					
Short-term loans	V. 18	989,445,000.00	683,000,000.00	1,023,000,000.00	823,000,000.00
Financial liabilities measured at fair value through profit or loss for the current period		-	-	-	-
Notes payable		-	-	-	-
Accounts payable	V. 19	147,119,118.81	211,339.76	222,347,620.47	1,273,442.81
Advances from customer	V. 20	12,087,368.17	3,484,435.98	9,667,278.30	1,368,593.44
Employee benefits payable	V. 21	38,648,432.41	10,307,200.18	31,173,812.15	5,700,000.00
Taxes payable	V. 22	77,602,770.06	3,505,501.05	57,628,175.26	2,909,411.40
Interest payable	V. 23	19,420,893.75	18,139,997.63	19,422,859.82	18,444,077.78
Dividends payable		-	-	-	-
Other payables	V. 24	188,574,900.45	165,507,426.74	38,454,934.30	15,261,230.72
Non-current liabilities due within one year		-	-	39,310,000.00	-
Other current liabilities	V. 25	5,482,521.27	-	4,924,394.22	-
Total current liabilities		1,478,381,004.92	884,155,901.34	1,445,929,074.52	867,956,756.15
Non-current liabilities:					
Long-term loan	V. 26	139,952,425.65	15,361,928.00	173,274,950.01	87,361,928.00
Bonds payable	V. 27	398,767,929.40	398,767,929.40	397,728,975.00	397,728,975.00
Long-term payables		-	-	-	-
Long-term employee benefits payable		-	-	-	-
Specific payables		-	-	-	-
Contingent liabilities		-	-	-	-
Deferred income	V. 28	4,200,000.00	4,200,000.00	2,950,000.00	2,950,000.00
Deferred tax liabilities		-	-	-	-
Other non-current liabilities		-	-	-	-
Total non-current liabilities		542,920,355.05	418,329,857.40	573,953,925.01	488,040,903.00
Total liabilities		2,021,301,359.97	1,302,485,758.74	2,019,882,999.53	1,355,997,659.15
Share capital	V. 29	392,767,870.00	392,767,870.00	392,767,870.00	392,767,870.00
Capital reserve	V. 30	525,508,281.60	531,163,822.70	525,506,952.78	531,162,493.88
Less: treasury stock		-	-	-	-
Other comprehensive income	V. 31	-17,609,265.22	-	-8,260,833.09	-
Special reserves		-	-	-	-
Surplus reserve	V. 32	165,915,466.89	165,915,466.89	156,714,094.20	156,714,094.20
Undistributed profit	V. 33	566,819,577.37	384,669,884.08	469,706,600.67	341,134,316.88
Total shareholders' equity attributable to the parent		1,633,401,930.64	1,474,517,043.67	1,536,434,684.56	1,421,778,774.96
Minority interests		3,078,356.59	-	2,384,907.19	-
Total shareholders' equity		1,636,480,287.23	1,474,517,043.67	1,538,819,591.75	1,421,778,774.96
Total liabilities and shareholders' equity		3,657,781,647.20	2,777,002,802.41	3,558,702,591.28	2,777,776,434.11

Legal representative:Xu Dongsheng **Principal in charge of accounting:Hu Xinglong** **Head of accountingdepartment.:Hu Xinglong**

Consolidated and company income statements

For the year ended 31 December 2014

Prepared by: FIYTA Holdings Ltd. Monetary unit: RMB Yuan

Item	Notes	Year ended 31/12/2014		Year ended 31/12/2013	
		Consolidated	Company	Consolidated	Company
I. Operating revenue	V. 34	3,278,142,785.87	108,183,860.45	3,103,496,962.22	95,787,415.95
Less: Operating cost	V. 34	2,054,714,957.45	30,576,403.18	1,990,125,145.74	21,182,291.58
Business tax and surcharges	V. 35	23,901,881.30	5,072,072.03	22,745,047.53	5,473,152.56
Selling and distribution expenses	V. 36	722,839,956.11	-	649,297,842.92	7,679,098.14
G&A expenses	V. 37	208,452,027.58	53,365,686.49	186,296,159.43	48,128,405.06
Financial expenses	V. 38	105,819,460.82	22,482,320.07	100,268,241.55	10,501,425.01
Impairment loss	V. 39	2,621,303.29	441,201.26	8,722,671.08	490,176.65
Add: Gains / (losses) from changes in fair value(Loss as in "-")		-	-	-	-
Investment gain (“-“ for losses)	V. 40	-848,180.21	87,893,120.21	1,589,198.33	76,560,676.47
Including: Income from investment in associates and jointlycontrolled enterprise		-848,180.21	-848,180.21	1,589,198.33	1,589,198.33
II. Operating profit (“-“ for losses)		158,945,019.11	84,139,297.63	147,631,052.30	78,893,543.42
Plus: non-operating income	V. 41	12,541,095.86	8,530,541.14	4,854,127.40	3,367,443.23
Including:Gains or losses from disposal of noncurrent assets		70,124.76	57,532.85	465,627.90	465,627.90
Less: non-operating expenses	V. 42	1,091,494.98	212,482.77	1,008,482.22	828,606.79
Including: Losses from disposal of non-current assets		115,045.74	32,482.77	76,660.91	-
III. Profit before income tax(Loss as in "-"))		170,394,619.99	92,457,356.00	151,476,697.48	81,432,379.86
Less: income tax expenses	V. 43	24,291,386.77	443,629.11	21,351,677.67	168,244.00
IV. Net profit for the year (“-“ for losses)		146,103,233.22	92,013,726.89	130,125,019.81	81,264,135.86
Attributable to: Shareholders of the parent company		145,591,136.39	-	130,125,124.48	-
Minority interests		512,096.83	-	-104.67	-
V. After tax other comprehensive income		-9,354,879.56	-	-1,113,864.13	-
Attributable to: Shareholders of the parent company		-9,348,432.13	-	-1,091,278.05	-
A.Not reclassified subsequently to profit or loss		-	-	-	-
B. Reclassified subsequently to profit or loss		-9,348,432.13	-	-1,091,278.05	-
a.Translation differences arising on translation of foreign currency financial statements		-9,348,432.13	-	-1,091,278.05	-
Minority interests		-6,447.43	-	-22,586.08	-
VI.Total comprehensive income for the year		136,748,353.66	92,013,726.89	129,011,155.68	81,264,135.86
Attributable to: Shareholders of the parent company		136,242,704.26		129,033,846.43	
Minority interests		505,649.40		-22,690.75	
VII.Earnings per share:					
1. Basic earnings per share		0.371		0.331	
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 2014

Prepared by: FIYTA Holdings Ltd. Monetary unit: RMB Yuan

Item	Notes	Year ended 31/12/2014		Year ended 31/12/2013	
		Consolidated	Company	Consolidated	Company
1. Cash flows from operating activities:					
Cash received from sales of goods and rendering of services		3,753,155,046.51	342,112,116.63	3,469,499,424.20	90,204,327.75
Refund of taxes and surcharges		-	-	-	-
Cash received relating to other operating activities	V. 44	39,294,097.35	12,452,134.93	32,329,681.39	7,092,745.39
Subtotal of cash inflows from operating activities		3,792,449,143.86	354,564,251.56	3,501,829,105.59	97,297,073.14
Cash paid for goods and services		2,491,056,383.84	21,692,373.05	2,510,572,073.55	5,318,017.56
Cash paid to and on behalf of employees		450,944,736.29	42,583,354.07	397,723,297.50	39,146,743.47
Payments of taxes and levies		199,704,011.66	8,053,948.98	169,245,745.69	14,202,747.08
Cash paid relating to other operating activities	V. 44	361,554,381.10	137,085,829.65	345,240,497.93	407,582,031.08
Subtotal of cash outflows for operating activities		3,503,259,512.89	209,415,505.75	3,422,781,614.67	466,249,539.19
Net cash flows from operating activities		**289,189,630.97**	**145,148,745.81**	**79,047,490.92**	**-368,952,466.05**
2. Cash flows from investing activities					
Cash received from disposal of investments		-	1,400,000.00	-	-
Cash received from returns on investments		-	88,741,300.42	-	90,931,618.19
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		51,919.04	41,000.00	681,892.51	672,000.00
Cash received from disposal of subsidiaries and other business units		-	-	-	-
Net cash received from acquisition of subsidiaries		-	-	-	-
Subtotal of cash inflows from investing activities		51,919.04	90,182,300.42	681,892.51	91,603,618.19
Cash paid to acquire fixed assets, intangible assets and other long-term assets		185,725,953.70	47,533,744.89	118,964,925.94	10,293,325.95
Cash paid to acquire investments		-	-	-	-
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	-	-
Subtotal of cash outflows for investing activities		187,300,953.70	49,108,744.89	118,964,925.94	10,293,325.95
Net cash flows from investing activities		**-187,249,034.66**	**41,073,555.53**	**-118,283,033.43**	**81,310,292.24**
III. Cash flows from financing activities:					
Cash received from capital contributions		-	-	-	-
Including: Cash received from capital contributions by minority shareholders of subsidiaries		-	-	-	-
Cash received from loans		1,383,754,987.79	838,000,000.00	1,791,109,369.63	1,447,261,928.00
Cash received from bonds		-	-	-	-
Cash received relating to other financing activities	V. 44	189,684,398.22	150,001,328.82	-	-
Sub-total of cash inflows		1,573,439,386.01	988,001,328.82	1,791,109,369.63	1,447,261,928.00
Cash repayments of borrowings		1,489,909,721.41	1,050,000,000.00	1,669,312,002.72	1,089,800,000.00
Cash payments for interest expenses and distribution of dividends or profits		135,784,422.03	115,502,648.61	113,063,856.58	91,559,577.97
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		-	-	-	-
Cash payments relating to other financing activities	V. 44	42,248,452.40	1,165,383.00	1,702,986.00	1,702,986.00
Including: Cash payments to minority shareholders of subsidiaries for capital reduction		-	-	-	-
Sub-total of cash outflows		1,667,942,595.84	1,166,668,031.61	1,784,078,845.30	1,183,062,563.97
Net cash flows from financing activities		**-94,503,209.83**	**-178,666,702.79**	**7,030,524.33**	**264,199,364.03**
IV.Effect of foreign exchange rate changes on cash and cash equivalents		**-220,426.68**	**-**	**-552,865.79**	**-**
V.Net increase in cash and cash equivalents	V. 45	7,216,959.80	7,555,598.55	-32,757,883.97	-23,442,809.78
Add: Cash and cash equivalents as at 31/12/2013		**107,663,110.74**	**27,929,968.24**	**140,420,994.71**	**51,372,778.02**
VI.Cash and cash equivalent as at 31/12/2014	V. 45	114,880,070.54	35,485,566.79	107,663,110.74	27,929,968.24

Legal representative:Xu Dongsheng **Principal in charge of accounting:Hu Xinglong** **Head of accountingdepartment.:Hu Xinglong**

Consolidated statements of changes in shareholders' equity

for the Year Ended 31 December 2014

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 reserves	Minus:treasury stocks	Other comprehensive income	Special reserves	Surplus Reserves	General risk reserve	Undistributed profit		
I.Balance at 31/12/2013	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
Plus：Changes in accounting policies	——	——	——	——	——	——	——	——	——	——
Correction of errors	——	——	——	——	——	——	——	——	——	——
Others	-	-	-	-	-	-	-	-	-	-
II.Balance at 01/01/2014	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
III.Changes in equity for the year("- "means less)	-	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	-	-	-	-	-	-	-	-	-	-
IV.Balance at 31/12/2014	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 dept.:Hu Xinglong**

Consolidated statements of changes in shareholders' equity (continued)

for the Year Ended 31 December 2014

Prepared by: FIYTA Holdings Ltd. | Monetary Unit: RMB Yuan

Item	Year ended 31/12/2013									
	Attributable to shareholders' equity of the parent company								Minority interest	Total shareholders'equity Share capital
	Share capital	Capital reserves	Minus:treasury stocks	Other comprehensive income	Special reserves	Surplus Reserves	General risk reserve	Undistributed profit		
I.Balance at 31/12/2012	392,767,870.00	525,506,952.78	-	-7,169,555.04	-	148,587,680.61	-	386,984,676.78	2,407,597.94	1,449,085,223.07
Plus：Changes in accounting policies	——	——	——	——	——	——	——	——	——	——
Correction of errors	——	——	——	——	——	——	——	——	——	——
Others	-	-	-	-	-	-	-	-	-	-
II.Balance at 01/01/2013	392,767,870.00	525,506,952.78	-	-7,169,555.04	-	148,587,680.61	-	386,984,676.78	2,407,597.94	1,449,085,223.07
III.Changes in equity for the year("- "means less)	-	-	-	-1,091,278.05	-	8,126,413.59	-	82,721,923.89	-22,690.75	89,734,368.68
(I)Total comprehensive income for the year	-	-	-	-1,091,278.05	-	-	-	130,125,124.48	-22,690.75	129,011,155.68
(II)Shareholders' contributions and decrease of capital	-	-	-	-	-	-	-	-	-	-
1.Common shares by the shareholders	-	-	-	-	-	-	-	-	-	-
2. Increase in shareholders' equity resulted from share-based payments	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-
(III) Appropriation of profits	-	-	-	-	-	8,126,413.59	-	-47,403,200.59	-	-39,276,787.00
1. Transfer to surplus reserves	-	-	-	-	-	8,126,413.59	-	-8,126,413.59	-	-
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	-	-	-	-	-	-	-	-	-	-
IV.Balance at 31/12/2013	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

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 2014

Prepared by: FIYTA Holdings Ltd. Monetary Unit: RMB Yuan

Item	Year ended 31/12/2014							
	Share capital	Capital reserves	Minus:treasury stocks	Other comprehensive incom	Special reserves	Surplus Reserves	Undistributed profits	Total shareholders'equity
I.Balance at 31/12/2013	392,767,870.00	531,162,493.88	-	-	-	156,714,094.20	341,134,316.88	1,421,778,774.96
Plus：Changes in accounting policies	——	——	——	——	——	——	——	——
Correction of errors	——	——	——	——	——	——	——	——
Others	-	-	-	-	-	-	-	-
II.Balance at 01/01/2014	392,767,870.00	531,162,493.88	-	-	-	156,714,094.20	341,134,316.88	1,421,778,774.96
III.Changes in equity for the year("- "means less)	-	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	-	-	-	-	-	-	-	-
IV.Balance at 31/12/2014	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**

Company statements of changes in shareholders' equity (continued)

for the Year Ended 31 December 2014

Prepared by: FIYTA Holdings Ltd. Monetary Unit: RMB Yuan

Item	Year ended 31/12/2013							
	Share capital	Capital reserve	Minus:treasury stocks	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
I.Balance at 31/12/2012	392,767,870.00	531,162,493.88	-	-	-	148,587,680.61	307,273,381.61	1,379,791,426.10
Plus：Changes in accounting policies	——	——	——	——	——	——	——	——
Correction of errors	——	——	——	——	——	——	——	——
Others	-	-	-	-	-	-	-	-
II.Balance at 01/01/2013	392,767,870.00	531,162,493.88	-	-	-	148,587,680.61	307,273,381.61	1,379,791,426.10
III.Changes in equity for the year("- "means less)	-	-	-	-	-	8,126,413.59	33,860,935.27	41,987,348.86
(I)Total comprehensive income for the year	-	-	-	-	-	-	81,264,135.86	81,264,135.86
(II)Shareholders' contributions and decrease of capital	-	-	-	-	-	-	-	-
1.Common shares by the shareholders	-	-	-	-	-	-	-	-
2. Increase in shareholders' equity resulted from share-based payments	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-
(III) Appropriation of profits	-	-	-	-	-	8,126,413.59	-47,403,200.59	-39,276,787.00
1. Transfer to surplus reserves	-	-	-	-	-	8,126,413.59	-8,126,413.59	-
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	-	-	-	-	-	-	-	-
IV.Balance at 31/12/2013	392,767,870.00	531,162,493.88	-	-	-	156,714,094.20	341,134,316.88	1,421,778,774.96

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 transferred 4 shares by per 10 shares from capital reserves. Total shares of the Company were increased to 392,767,870 shares after then on.

Up to 31 December 2014, the Company has accumulatively issued 392,767,870 shares in total (refer to Notes 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 stucture that are established by the Company include general meeting of shareholders, board of directors, board of supervisors, audit committee, strategy committee and nomination, remuneration and evaluation committee. 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 t the 17th meeting of the 7th Board of Directors of the Company on 10 March 2015.

2. Scope of consolidated financial statements

Within the reporting period, Shenzhen World Watch Center Co., Ltd, 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 in accordance with the requirements of the Accounting Standards for Business Enterprises, which have truly and completely presented the financial position of the consolidated and company as of 31 December 2014 and their operating results and cash flows and other relevant information for the year ended 31 December 2014

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 MontresChouriet 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 primiary 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 and ProTop Limited, which are special purpose vehicles controlled by Station 68, use Hong Kong Dollar (HKD) as the functional currency and their financial statements are translated into RMB when preparing the financial statements.

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

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

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

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

(2) Business combination involving entities not under common control

For business combinations involving entities not under common control, the consideration for each combination is measured at the aggregate of the fair values, at the acquisition date, of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. At the acquisition date, the acquired assets, liabilities and contingent liabilities of the acquiree are 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 shall be accounted fot on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities.The owners' equity recognized as the changes of the investee's other owners' equity except for net profit or loss, other comprehensive income and profit distribution shall be transferred to profit or loss for the current period when disposing the investment. For the previously-held equity investment which was accounted for in accordance with "Accounting Standard for Business Enterprises No.22 – Financial Instruments:Recognition and Measurement", the accumulated changes in fair value included in other comprehensive income shall be transferred to profit or loss for the current period upon commencement of the cost method.

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

(3) Transaction costs for business combination

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

6. Preparation of consolidated financial statements

(1) The scope of consolidated financial statements

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

(2) Preparation of consolidated financial statements

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

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

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

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

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

(3) Losing control over the investee

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

Other comprehensive income and the movement of other owners' equity related to the original subsidiary's equity investment shall be 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 investee's re-measurement defined benefit plan.

(4) Disposing equity investment until losing control step by step

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

For multiple transactions by disposing equity investment until losing control step by step, the carrying amount of long-term equity investments related to each disposal of equity is transferred in the separate financial statements, the difference between the consideration and the carrying amount of disposed long-term equity investments shall be recognized as investment income.

In the consolidated financial statements, for disposing equity investment 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 and the share of the subsidary's equity related to disposing investment before losing control:

①Belong to "a bundled 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 bundled transaction", is recognized as equity transactions and capital reserve and isn't allowed to be transferred to profit or loss for the current period when losing control.

7. Joint arrangement

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

(1) Joint operations

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

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

A、its solely-held assets, and its share of any liabilities incurred jointly;

B、its soly-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 soly-incurred expenses, and its share of any expenses incurred jointly.

(2)Joint ventures

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

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

8. Cash and cash equivalents

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

9. Foreign currency transactions and translation of foreign currency statement

(1) Foreign currency transactions

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

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

（2）Translation of foreign currency statement

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

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

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

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

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

10. Financial instruments

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

(1)Recognition and derecognition of financial instruments

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

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

①The right of the contract to receive the cash flows of financial assets terminates;

②The financial asset has been transferred, and is in accordance with the following conditions for derecognition.

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

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

(2) Classification and measurement of financial assets

Financial assets are, upon initial recognition, classified into the following four categories: financial assets at fair value through profit or loss ("FVTPL" financial assets), held-to-maturity investments, loans and receivables, 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 recognized amount.

Financial liabilities at FVTPL

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

Other financial liabilities

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

(4)Derivative financial instruments and embedded derivative instruments

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

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

(5) Fair value of financial instruments

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

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

① The issuer or debtor has severe financial difficulties;

② The debtor has violated terms of the contract, such as the payment of the interest or principal is default or overdue;

③ Considering economic or legal factors, the Company made concessions to a debtor in financial difficulties;

④ The debtor has probably bankruptcy or other financial reorganization;

⑤ The issuer has so sever financial difficulties that financial assets can't continue to be traded in an active market;

⑥The cash flow of some asset in a group of financial assets can not be identified to be reduced, but after evaluating it as a whole according to the public data, the expected future cash flow of the group of financial assets since its initial recognition has definitely been reduced and measurable, including:

- The group of financial assets of the debtor 's ability to pay gradually deteriorates;

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

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

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

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

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

Financial asset measured at amortized cost.

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

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

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

Available-for-sale financial assets

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

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

Financial assets measured at cost

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

(7) Transfer of financial assets

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

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

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

(8) Offset between financial assets and financial liabilities

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

11. 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; in the absence of a principal market, in the most advantageous market for the assets or liabilities.

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, maximising the use of relevant observable inputs and if the observable inputs aren't available or impractical, using unobservable inputs.

Assets and liabilities measured or disclosed at fair value in the financial statements are determined which level of fair value according to the significant lowest level input to the entire 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; Level 3 inputs are unobservable inputs for the asset or liability.

At the balance sheet date the Group revalues assets and liabilities continuing to be measured at fair value in the financial statements to determine whether to convert among the levels of fair value measurement.

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 and other receivables of over RMB500,000.00 are recognized as individually significant receivable.

Measurement of individually recognized bad and doubtful debts provision of individually significant receivables: Receivables that are individually significant are subject to separate impairment assessment, if there is objective evidence that the impairment occurred, recognize the provision for bad and doubtful debts according to the difference between the present value of future cash flows, which is lower, and the carrying amount.

If impairment of financial asset tested individually is not established, recognize the provision of bad and doubtful debts in combination.

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

Reasons for provision individually	Litigation funds, 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 according to the difference between the present value of future cash flows, which is lower, 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, recognize the provision for bad and doubtful debts 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	I receivables such asemployee pretty 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 ageing (and XX group), 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 determined at the actual cost when acquired. Costs of raw materials, work in progress, finished goods are calculated in weighted average costing (for finished goods of watches with FIYTA brand name), specific identification method (for finished goods of branded watches), and first-in-first-out method (for raw material for FIYTA watches)when issued.

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

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

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

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

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

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

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

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

（4）Inventory system

The Group adopts perpetual inventory system

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

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

14. Long-term equity investments

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

(1)Recognization of investment cost

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

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

(2)Subsequent measurement and recognition of profit or loss

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(4)Method of impairment testing and impairment provision

For investment of subsidiaries, associates and joint ventures, refer to Note 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 or both, comprising a land use right that is leased out, a land use right held and ready to transfer after appreciation, a building that is leased out.

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

Refer to Note 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 amount 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 shall be recognized only when it is probable that economic benefits associated with the asset will flow into the enterprise and the cost of the asset can be measured reliably.

A fixed asset shall be initially measured at actual cost.

（2）Depreciation methods

The Group uses the straight line method for depreciation. Fixed assets begin to be depreciated from the state of intended use, and stop 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 these, fixed assets which have been impaired should deduct the cumulative amount of impairment provision to determine the depreciation rate.

（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 at least at each end of the accounting year.

Adjust the useful lives of fixed assets if their expected useful lives are different with the original estimates; adjust the estimated net residual values if they are different from the original estimates.

（5）Overhaul costs

The overhaul costs occurred in regular inspection of fixed assets are recognized in the cost of fixed assets if there is undoubted evidence to confirm that this part meets the recognition criteria of fixed assets, otherwise, the overhaul costs are recognized in profit or loss for the current period. Fixed assets are depreciated at the intervals of the regular overhaul.

17. Construction in progress

The cost of construction in progress is determined according to the actual expenditure incurred for the construction, including all necessary construction expenditures incurred during the construction period, borrowing costs that shall be capitalized before the construction reaches the condition for intended use and other relevant expenses.

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

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

18. Borrowing cost

（1）Recognition principle of borrowing cost capitalization

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

①Expenditures 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;

②Borrowing costs are being incurred; and

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

(2) Capitalization period of borrowing costs

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

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and when the interruption is for a continuous period of more than 3 months; the borrowing costs in the normally interrupted period continue to capitalize.

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

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

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

19. Intangible assets

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

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

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

Category	**Useful life**	**amortization**	**Note**

		method	
Land use right	45-50 years	straight-line method	-
Software system	5 years	straight-line method	-
trademark rights	5-10 years	straight-line method	-

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

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

Refer to Note 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: the technical feasibility of completing the intangible asset so that it will be available for use or sale; its intention to complete the intangible asset is to use or sell it; how the intangible asset will generate economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; its ability to measure reliably the expenditure attributable to the intangible asset during its development phase. Otherwise, it is charged to profit or loss.

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

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

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

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

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

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

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

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

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

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

22. Long-term deferred expenses

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

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, dependants, 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 shall be measured at the discounted value.

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

Defined contribution plans

Defined contribution plans include primary endowment insurance and unemployment insurance.

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

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

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

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

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

Item①and item② above should berecognized in profit or loss for the current period unless another Accounting Standard requires or permits the inclusion of the employee benefit costs in the cost of assets.Item ③ shall be recognized in other comprehensive income and shall not reclassified to profit or loss in a subsequent period.However, the Group may transfer those amounts recognized in other comprehensive income within equity.

(4) Termination benefits

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

For retirement plans within the Group and economic compensation before the formal retirement date attributable to termination benefits, the salaries to pay retirement within the Group and social securities is recognized one-off in profit or loss for the current period between the employees' stop rendering service and formal retirement. Economic compensation after formal retirement date (such as formal endowment insurance) shall be accounted for as post-employment benefits.

(5) Other long-term employee benefits

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

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

25. Revenue

（1）General

①Sale of goods

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

②Providing of services

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

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

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

A. The amount of revenue can be measured reliably;

B. The associated economic benefits are likely to flow into the enterprise;

C. The stage of completion of the transaction can be measured reliably;

D. The costs incurred and to be incurred in the transaction can be measured reliably.

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

③Transfer of the right to use assets

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

④Interest income

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

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 we act as agent Regarding to sales modes, a small portion of the sales of self-manufactured FIYTA watches is sold through direct sales to customer and consignment sales while most self-manufactured FIYTA watches and brand watches under agent are under two sales modes, namely exclusive shop and shop-in-shop. Detailed method of revenue recognition as follows:

A. Direct sales to the customers

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

B. Exclusive shop

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

C. Shop-in-shop

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

D. Consignment sales

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

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 can be measured in accordance with the receivable amount; otherwise, they shall be 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 forming the long-term assets by other ways. Otherwise, the government grant is treated as a government grant related to income.

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

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.

For repayment of a government grant already recognized, if there is related deferred income, the repayment is offset against the carrying amount of the deferred income, and any excess is recognized in profit or loss for the period. If there is no related deferred income, the repayment is recognized immediately in profit or loss for the period.

27. Deferred tax assets and deferred tax liabilities

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

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

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

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

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

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

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

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

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

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

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.

Lease 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.

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

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

（2）Iinventory provision for branded watches

For the brand watches through distribution channel with stock aging of over 3 years, the Group's management believes it is with an up going trend for its price and the sales of branded watches is promising in the future. The Group's management checked the branded watches for its NRV at the end of the accounting period, and believed that the full amount of value of branded watches can be recovered even in the case that the stock aging of the branded watches increase. If there is any evidence indicated that the NRV is lower than its carrying amount, adjustments will be made in the period when such indicators appear. Impairment to branded watches requires the management to make judgements and estimation on the basis of obtaining reliable evidences and taking consideration of the intention of holding the branded watches and events after the balance sheet date. The difference between actual outcome and the previous estimation will affect the carrying amount of the inventory and recognizing or reversal of inventory impairment provision.

The Group's management believes the method of recognizing and reviewing impairment provision for branded watches is appropriate.

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

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

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

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

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

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

(4) Depreciation and amortization

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

(5) Deferred income tax asset

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

(6) 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.

(7) 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 important accounting policies

During January 2014 and July 2014 Ministry of Finance announced Accounting Standard for Business Enterprises No.39 – Fair Value Measurement (hereinafter referred to as “ASBE No.39”), Accounting Standard for Business Enterprises No.40 – Joint Arrangement (hereinafter referred to as “ASBE No.40”), Accounting Standard for Business Enterprises No.41 – Disclosure of Interest in Other Entities(hereinafter referred to as “ASBE No.41”), Accounting Standard for Business Enterprises No.2– Long-term Equity Investments (hereinafter referred to as “ASBE No.2”), Accounting Standard for Business Enterprises No.9 – Employee Benefits (hereinafter referred to as “ASBE No.9”), Accounting Standard for Business Enterprises No.30 – Presentation of Financial Statements (hereinafter referred to as “ASBE No.30”), Accounting Standard for Business Enterprises No.33 – Consolidated Financial Statements (hereinafter referred to as “ASBE No.33”) and Accounting Standard for Business Enterprises No.37 – Presentation of Financial Instrument (hereinafter referred to as “ASBE No.37”). Except that ASBE No.37 is used in the year 2014 and subsequent financial years, the above standards become effective as from July 1, 2014.

Except the following events, other events have insignificant effects due to changes in accounting policies.

Content and reason of change of accounting policies	Approval procedure	Line item affected	Amount influenced in 2013	Amount influenced in 2014
In accordance with the requirements of ASBE No.2 : A、When the Group isn’ t capable of exercising control, joint control or significant influence and has equity investment of no quoted price in active markets and its fair value isn’t measured reliably , it shall be accounted for in accordance with ASBE No.22- Financial Instruments: Recognisation and Measurement.	Approved by the board of directors	Available-for-sale financial assets	85,000.00	85,000.00
		Long-term equity investment	-85,000.00	-85,000.00

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

（1）Corporate income tax

Name of taxpayer	Income tax rate%
The Company（Note①②）	25
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
Protop Limited（Note⑤）	16.5
World Watches International（Note⑤）	16.5
Shenzhen FIYTA Technology Development Co., Ltd (Technology Company)（Note② ④）	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: According to "Notice of Tax Affair", Shen Di Shui Nan BeiZi (2013) No. 203 issued by Shenzhen Nanshan Local Taxation Bureau, the company applied for "Reduction and Exemption in Corporate Income Tax Rate for High and New Technology Enterprises that Require Key Support from the State". The reduction and exemption period is from January 1, 2012 to December 31, 2014.

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

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

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

Note ⑦: The tax rate of 30% is applicable for 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 and bank balances

Item	31/12/2014			31/12/2013		
	Foreign currency amount	Exchange rate	RMB equivalent	Foreign currency amount	Exchange rate	RMB equivalent
Cash on hand:	--	--	338,694.81	--	--	487,926.67
RMB	--	--	323,007.58	--	--	422,048.31
USD	698.00	6.1190	4,271.06	598.00	6.0969	3,645.95
HKD	11,252.83	0.7889	8,877.36	4,697.33	0.7862	3,693.04
EUR	24.45	7.4556	182.29	5,587.20	8.4189	47,038.08
CHF	375.75	6.2715	2,356.52	1,683.05	6.8336	11,501.29
Bank deposit::	--	--	114,319,146.38	--	--	107,168,563.21
RMB	--	--	96,108,985.12	--	--	95,824,234.81
USD	196,091.57	6.1190	1,199,885.01	213,460.48	6.0969	1,301,410.16
HKD	13,272,713.21	0.7889	10,470,753.04	9,135,662.45	0.7862	7,182,542.68
CHF	1,042,736.70	6.2715	6,539,523.21	418,575.21	6.8336	2,860,375.56
Other monetary fund:	--	--	1,797,229.35	--	--	6,620.86
RMB	--	--	1,797,229.35	--	--	6,620.86
Total			**116,455,070.54**			**107,663,110.74**

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

Types	31/12/2014	31/12/2013
Bank acceptance bills	5,162,768.29	100,000.00
Trade acceptance bills	1,000,000.00	7,000,000.00
Total	**6,162,768.29**	**7,100,000.00**

（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 transferred to receivables due to issuer's default at the end of the period.

3. Accounts receivable

（1）Accounts receivables disclosed by types:

Types	31/12/2014				
	Amount	**%**	**Provision for bad and doubtful debts**	**Provision Percentage %**	**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 aging 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	-	-	-	-	-
Total	**359,940,550.20**	**100.00**	**8,663,644.67**	**2.41**	**351,276,905.53**

（Continued）

Types	31/12/2013				
	Amount	**%**	**Provision for bad and doubtful debts**	**Provision Percentage %**	**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 aging of receivables	143,086,026.61	43.09	7,193,141.49	5.03	135,892,885.12
Specific receivables	188,564,454.07	56.79	-	-	188,564,454.07
Subtotal	331,650,480.68	99.88	7,193,141.49	2.17	324,457,339.19
Receivables that are individually insignificant in amount but provided for bad debt separately	401,267.10	0.12	401,267.10	100.00	-
Total	**332,051,747.78**	**100.00**	**7,594,408.59**	**2.29**	**324,457,339.19**

Note:

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

Aging	31/12/2014				
	Amount	**%**	**Provision for bad and doubtful debts**	**Provisionrate%**	**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	-	-	-	-	-
Total	**165,747,769.87**	**100.00**	**8,663,644.67**	**5.23**	**157,084,125.20**

Continued:

Aging	31/12/2013				
	Amount	%	Provision for bad and doubtful debts	Provision rate %	Net amount
Within 1 year	140,672,904.40	98.31	6,951,829.27	5.00	133,721,075.13
1 to 2 years	2,413,122.21	1.69	241,312.22	10.00	2,171,809.99
2 to 3 years	-	-	-	-	-
Over 3 years	-	-	-	-	-
Total	**143,086,026.61**	**100.00**	**7,193,141.49**	**5.03**	**135,892,885.12**

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

Name of portfolio	Carrying amount	Bad debt provision	Provision Percentage %
Portfolio of specific accounts	194,192,780.33	-	-

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

Bad debt provision accrued is RMB1,375,436.79 in current period. There was no received or reversed bad debt provision in current period.

（3）Accounts receivable actually written off in current period

Item	Written-off amounts
Accounts receivable actually written off	306,839.09

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

Total accounts receivable due from the top five debtors of the Group as at 31/12/2014 is RMB32,471,220.99, accounting for 9.02% of the total accounts receivable as at 31/12/2014 and the total provision for bad and doubtful debts made as at 31/12/2014 is RMB1,623,561.05.

4. Prepayments

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

Aging	31/12/2014		31/12/2013	
	Amount	%	Amount	%
within 1 year	42,177,990.15	97.97	39,385,528.82	90.57
1 to 2 years	225,856.85	0.52	3,501,516.25	8.05
2 to 3 years	103,427.06	0.24	143,958.00	0.33
over 3 years	547,368.00	1.27	456,610.00	1.05
Total	**43,054,642.06**	**100.00**	**43,487,613.07**	**100.00**

（2）The top five prepayments are as follows:

Total prepayments due from the top five debtors of the Group as at 31/12/2014 is 24,044,169.94 RMBand accounts for 55.85% of the total prepayments as at 31/12/2014.

5. Other receivables

（1）Other receivables disclosed by categories

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

（Continued）

Category	As at 31/12/2013				
	Amount	**%**	**Provision for bad and doubtful debts**	**Provision Percentage %**	**Net amount**
Other receivables that individually significant in amount and provided for bad debt separately	-	-	-	-	-
Other receivables provided for bad debt by portfolio					
Including: Portfolio of aging	29,759,918.66	70.09	2,023,735.67	6.80	27,736,182.99
Portfolio of specific accounts	12,700,457.11	29.91	-	-	12,700,457.11
Subtotal of portfolio	42,460,375.77	100.00	2,023,735.67	4.77	40,436,640.10
Other receivables that individually insignificant in amount but provided for bad debt separately	-	-	-	-	-
Total	42,460,375.77	100.00	2,023,735.67	4.77	40,436,640.10

Note:

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

Aging	**31/12/2014**

	Amount	%	Provision for bad and doubtful debts	Provision rate %	Net amount
Within 1 year	27,670,158.67	82.68	1,383,509.74	5	26,286,648.93
1 to 2 years	3,271,785.31	9.78	327,178.52	10	2,944,606.79
2 to 3 years	846,782.30	2.53	254,034.69	30	592,747.61
Over 3 years	1,677,848.65	5.01	838,924.33	50	838,924.32
Total	**33,466,574.93**	**100.00**	**2,803,647.28**	**8.38**	**30,662,927.65**

Continued:

Aging	**31/12/2013**				
	Amount	**%**	**Provision for bad and doubtful debts**	**Provision rate %**	**Net amount**
Within 1 year	26,494,988.82	89.03	1,335,820.98	5	25,159,167.84
1 to 2 years	1,445,878.69	4.86	144,587.87	10	1,301,290.82
2 to 3 years	1,725,872.82	5.80	517,762.65	30	1,208,110.17
Over 3 years	93,178.33	0.31	25,564.17	50	67,614.16
Total	**29,759,918.66**	**100.00**	**2,023,735.67**	**6.80**	**27,736,182.99**

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

Name of portfolio	Carrying amount	Bad debt provision	Accrual percentage%
Portfolio of specific accounts	**10,862,791.62**	-	-

（2）Bad debt provisions accrual, recovered or reversed

The amount of bad debt provisions accrual is RMB899,911.61 in current period. There is no bad debt provisions recovered or reversed in current period.

（3）Other receivables by nature

Item	31/12/2014	31/12/2013
Petty cash	8,613,005.35	7,667,948.82
Security deposit	5,710,249.11	4,115,131.62
Guarantee deposit	21,201,491.16	21,398,593.20
Goods promotion fee	5,021,765.71	4,604,283.18
Others	3,902,855.22	4,674,418.95
Total	**44,449,366.55**	**42,460,375.77**

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

Company name	31/12/2014

	Nature	Balance	Aging	% of the balance of other receivables	Provision for bad and doubtful debts
China Resources (Shenzhen) Co., Ltd	Guarantee deposit	3,135,144.00	1－2 years	7.05	313,514.40
China Resources Sun Hung Kai Properties（Hangzhou）Limited	Guarantee deposit	1,090,523.00	1－2 years	2.45	109,052.30
Shenzhen Yitian Holiday World Property Development Co., Ltd	Guarantee deposit	1,716,228.00	1－2 years	3.86	171,622.80
SMH International Trading (Shanghai) Co. Ltd.	Goods promotion fee	914,167.91	within one year	2.06	91,416.79
China Resources (Chongqing) Industrial Co., Ltd	Guarantee deposit	800,000.00	1－2 years	1.80	80,000.00
Total		**7,656,062.91**		**17.22**	**765,606.29**

6. Inventory

（1）Inventories by categories

Category	31/12/2014			31/12/2013		
	Book balance	Provision for diminution in value	Carrying amount	Book balance	Provision for diminution in value	Carrying amount
Raw materials	129,886,207.63	7,759,807.87	122,126,399.76	122,362,922.04	4,886,794.86	117,476,127.18
Work-in-process	29,054,964.10	-	29,054,964.10	19,607,611.43	-	19,607,611.43
Goods in stock	1,998,359,374.96	15,749,714.50	1,982,609,660.46	2,012,241,510.56	25,982,428.24	1,986,259,082.32
Total	**2,157,300,546.69**	**23,509,522.37**	**2,133,791,024.32**	**2,154,212,044.03**	**30,869,223.10**	**2,123,342,820.93**

Note: at the year end, the balance of the Group's inventory of branded watches with aging over 3 years is RMB 240,521,136.99, accounts for 16.67% 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 RMB148,409,033.32, about 8.82% of the opening balance of the branded watches.

（2）Provision for diminution in value of inventories

Category	31/12/2013	Increase		Decrease		31/12/2014
		Accrual	Other	Reversed	Written-off	
Raw materials	4,886,794.86	2,873,013.01	-	-	-	7,759,807.87
Goods in stock	25,982,428.24	-	-	2,527,058.12	7,705,655.62	15,749,714.50
Total	**30,869,223.10**	**2,873,013.01**	**-**	**2,527,058.12**	**7,705,655.62**	**23,509,522.37**

（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	-

Goods in stock	realizable value is determined according to the estimated sale price of goods in stock less sales and distribution expenses and related taxes	①

Note:

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

7. Other current assets

Item	**31/12/2014**	**31/12/2013**
Deductible input VAT tax	8,356,400.02	23,781,515.54
Housing rental	4,270,819.57	3,759,382.17
Others	1,794,296.84	3,271,093.36
Total	**14,421,516.43**	**30,811,991.07**

8. Available-for-sale financial assets

（1）Available-for-sale financial assets

Item	**31/12/2014**			**31/12/2013**		
	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
Total	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	**Investment percentage**	**31/12/2014**			**31/12/2013**		
		Book balance	**Provision for impairment**	**Carrying amount**	**Book balance**	**Provision for impairment**	**Impairment provision**
Shenzhen Zhonghang Culture Co. Ltd	15%	300,000.00	300,000.00	-	300,000.00	300,000.00	-
Xi'an Tangcheng Limited Company	0.1%	85,000.00	-	85,000.00	85,000.00	-	85,000.00
Total		**385,000.00**	**300,000.00**	**85,000.00**	**385,000.00**	**300,000.00**	**85,000.00**

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

Category	**Available-for-sale equity instrument**
Impairment as at 31/12/2013	300,000.00
Accrued in current year	-
Decrease in current year	-
Impairment as at 31/12/2014	300,000.00

9. Long-term equity investments

Invested units	Balance as at 31/12/2013	Movement								Balance as at 31/12/2014	Balance of provision for impairment as at 31/12/2014
		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	Provison for impairment	Others		
① Associated company Shanghai Watch Industry Co., Ltd（Shanghai Watch Industry）	43,237,940.12	-	-	-848,180.21	-	-	-	-	-	42,389,759.91	-
Total	43,237,940.12	-	-	-848,180.21	-	-	-	-	-	42,389,759.91	-

10. Investment property

Item	Property and buildings	Total
I.Original cost		
1.Balance as at 31/12/2013	340,029,020.44	340,029,020.44
2.Additions	-	-
（1）Purchase	-	-
（2）Inventory/fixed asset/construction in progess transfer	-	-
（3）Business combination	-	-
3.Disposals	-	-
（1）Disposals	-	-
（2）Other	-	-
4.Balance as at 31/12/2014	340,029,020.44	340,029,020.44
II. Accumulated depreciation or amortization		
1.Balance as at 31/12/2013	104,793,335.68	104,793,335.68
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 31/12/2014	113,937,081.55	113,937,081.55
III. Provision of impairment		
1.Balance as at 31/12/2013	-	-
2. Additions	-	-
（1）Accrued	-	-
（2）Other increases	-	-
3. Disposals	-	-
（1）Disposal	-	-
（2）Others	-	-
4.Balance as at 31/12/2014	-	-
IV. Carrying amount		
1.As at 31/12/2014	226,091,938.89	226,091,938.89

2.As at 31/12/2013	235,235,684.76	235,235,684.76

Note: The depreciation and amortization recognized in 2014 is RMB 9,143,745.87.

11. Fixed assets

（1）Details of fixed assets

Item	Property and buildings	Machinery	Transportation vehicles	Electronic devices	Other equipments	Total
I. Original cost						
1.Balance as at 31/12/2013	307,261,172.99	44,810,836.22	14,308,808.47	27,684,446.02	36,761,683.71	430,826,947.41
2. Increased amount	13,819,850.26	18,966,129.16	2,355,556.06	3,500,735.89	1,719,526.63	40,361,798.00
（1）Purchasing	13,819,850.26	18,966,129.16	2,355,556.06	3,500,735.89	1,719,526.63	40,361,798.00
（2）Transfer from construction in progress	-	-	-	-	-	-
（3）Increase due to business combination	-	-	-	-	-	-
3. Decreased amount	2,238,421.08	266,662.30	642,646.00	1,354,832.49	130,888.67	4,633,450.54
（1）Disposal or retire	-	266,662.30	642,646.00	1,354,832.49	130,888.67	2,395,029.46
（2）Other decrease	2,238,421.08	-	-	-	-	2,238,421.08
4.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
II. Accumulated depreciation						
1.Balance as at 31/12/2013	43,730,217.50	21,028,668.56	9,533,984.29	19,430,839.23	30,214,273.52	123,937,983.10
2. Increased amount	9,820,449.80	4,766,694.24	1,745,516.10	2,945,970.82	1,822,450.22	21,101,081.18
（1）Accrual	9,820,449.80	4,766,694.24	1,745,516.10	2,945,970.82	1,822,450.22	21,101,081.18
（2）Other increase	-	-	-	-	-	-
3. Decreased amount	-	223,589.57	610,513.70	1,278,659.98	103,876.74	2,216,639.99
（1）Disposal or retire	-	223,589.57	610,513.70	1,278,659.98	103,876.74	2,216,639.99
（2）Other decrease	-	-	-	-	-	-
4. 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
III. Impairment provision	-	-	-	-	-	-
1.Balance as at 31/12/2013	-	-	-	-	-	-
2. Increase	-	-	-	-	-	-
（1）Accrual	-	-	-	-	-	-
（2）Other increase	-	-	-	-	-	-
3. Decreased amount	-	-	-	-	-	-
（1）Disposal or retire	-	-	-	-	-	-
（2）Other decrease	-	-	-	-	-	-
4.Balance as at 31/12/2014	-	-	-	-	-	-
IV. Net book value						

1.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
2.As at 31/12/2013	263,530,955.49	23,782,167.66	4,774,824.18	8,253,606.79	6,547,410.19	306,888,964.31

Note:

① Fixed assets that are pledged or guaranteed

As at 31 December 2014, the property with original cost of RMB26,441,545.26, net book value of RMB20,638,152.20 was pledged for long-term loan of RMB6,255,497.65.

（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	335,660.64	Defective in property right

（3）Cost of the Group's assets that are fully depreciated but still in use amounts to RMB 53,243,264.12 at the end of year 2014.

12. Construction in progress

（1）Details of construction in progress

Item	**31/12/2014**			**31/12/2013**		
	Book balance	**Impairment**	**Net carrying amount**	**Book balance**	**Impairment**	**Net carrying amount**
Clock & Watch base in Guangming New District	51,283,233.53	-	51,283,233.53	6,608,187.55	-	6,608,187.55
FIYTA Tech. Building Canopy project	17,279.00	-	17,279.00	-	-	-
FIYTA Tech. Building basement renovation project	88,751.00	-	88,751.00	-	-	-
Total	**51,389,263.53**	**-**	**51,389,263.53**	**6,608,187.55**	**-**	**6,608,187.55**

（2）Change of important construction in progress projects

Project name	**31/12/2013**	**Increase**	**Transferred fixed assets**	**Other decrease**	**Accumulated amount of interests capitalization**	**Incl.: Amount of interests capitalized in current period**	**Interests capitalization rate in current period**	**31/12/2014**
Watch & clock base project of Guangming new district	6,608,187.55	44,675,045.98	-	-	516,676.58	516,676.58	6.06	51,283,233.53

(Continued）:

Project name	**Budget**	**Percentage of accumulated investment to budget %**	**Project progress**	**Capital resource**

Watch & clock base project of Guangmin new district	300,000,000.00	17.13	30%	Self-financing and loans from financial institutions

13. Intangible asset

（1）Intangible asset

Item	Land-use right	Software system	Right to use trademarks	Total
I. Original cost				
1.Balance as at 31/12/2013	34,854,239.40	4,397,962.64	10,364,821.52	49,617,023.56
2.Increased in current period	-	806,959.26	-	806,959.26
（1）Purchasing	-	806,959.26	-	806,959.26
（2）Internal R&D	-	-	-	-
（3）Increase due to business combination	-	-	-	-
（4）Other increases	-	-	-	-
3.Decreased amount of the current period	-	573,760.82	817,507.66	1,391,268.48
（1）Disposal	-	-	-	-
（2）Other decreases	-	573,760.82	817,507.66	1,391,268.48
4.Balance as at 31/12/2014	34,854,239.40	4,631,161.08	9,547,313.86	49,032,714.34
II. Accumulated amortization				
1.Balance as at 31/12/2013	6,945,081.20	2,498,020.91	4,005,309.73	13,448,411.84
2.Increased in current period	747,061.42	703,013.69	22,970.15	1,473,045.26
（1）Accrual	747,061.42	703,013.69	22,970.15	1,473,045.26
（2）Other increases	-	-	-	-
3.Decreased in current period	-	573,760.82	817,507.66	1,391,268.48
（1）Disposal	-	-	-	-
（2）Other decreases	-	573,760.82	817,507.66	1,391,268.48
4.Balance as at 31/12/2014	7,692,142.62	2,627,273.78	3,210,772.22	13,530,188.62
III. Impairment provision				
1.Balance as at 31/12/2013	-	-	-	-
2.Increased in current period	-	-	-	-
（1）Accrual	-	-	-	-
（2）Other increases	-	-	-	-
3.Decreased in current period	-	-	-	-
（1）Disposal	-	-	-	-
（2）Other decreases	-	-	-	-
4.Balance as at 31/12/2014	-	-	-	-
IV. Book value				
1.Balance as at 31/12/2014	27,162,096.78	2,003,887.30	6,336,541.64	35,502,525.72
2.Balance as at	27,909,158.20	1,899,941.73	6,359,511.79	36,168,611.72

31/12/2013

Note: Amortization recognized in 2014 is RMB1,473,045.26.

14. Goodwill

（1）Original cost of goodwill

Name of investee or events constituting goodwill	31/12/2013	Increase	Decrease	31/12/2014
Lishan Department Store	1,735,756.48	-	-	1,735,756.48

（2）Goodwill impairment provision

Name of investee or events constituting goodwill	Balance as at 31/12/2013	Increase		Decrease		Balance as at 31/12/2014
		Provision	Other	Disposal	Other	
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	31/12/2013	Increase	Decrease		31/12/2014
			Amortization	Other decrease	
Counter fabrication expenses	46,739,539.07	61,527,010.56	48,284,028.31	-	59,982,521.32
Renovation expenses	82,497,957.56	45,003,038.61	47,602,378.40	-	79,898,617.77
Fee for representation	15,295,637.91	2,000,000.00	7,790,676.14	-	9,504,961.77
Others	2,009,551.04	-	566,018.02	1,096,067.85	347,465.17
Total	**146,542,685.58**	**108,530,049.17**	**104,243,100.87**	**1,096,067.85**	**149,733,566.03**

16. Deferred income tax assets and deferred income tax liabilities

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

Item	31/12/2014		31/12/2013	
	Deductible/Taxable temporary difference	Deferred income tax assets	Deductible/Taxable temporary difference	Deferred income tax assets
Deferred income tax assets:				
Asset impairment provision	35,096,814.32	7,934,522.40	40,487,367.36	9,618,849.12
Offset internal unrealized profit	321,704,912.25	79,169,123.81	246,128,085.69	60,608,908.97
Deferred income	4,200,000.00	1,050,000.00	2,950,000.00	737,500.00

Deductible loss	10,815,273.17	2,515,429.89	14,143,969.77	3,193,876.20
Subtotal	**371,816,999.74**	**90,669,076.10**	**303,709,422.82**	**74,159,134.29**

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

Item	31/12/2014	31/12/2013
Deductible temporary difference	2,035,756.48	2,035,756.48

17. Other non-current assets

Item	31/12/2014	31/12/2013
Prepaid property building fund	31,500,000.00	21,500,000.00
Prepaid project decoration fund	-	10,976,867.85
Total	**31,500,000.00**	**32,476,867.85**

18. Short-term loans

（1）Classification of short-term loans

Item	31/12/2014	31/12/2013
Guaranteed loan	436,445,000.00	710,000,000.00
Credit Loan	553,000,000.00	313,000,000.00
Total	**989,445,000.00**	**1,023,000,000.00**

Note:

① There is 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	31/12/2014	31/12/2013
Trade payables	136,579,035.50	210,748,187.96
Payables for material purchased	10,328,743.55	11,388,092.75
Payables for project warranty	211,339.76	211,339.76
Total	**147,119,118.81**	**222,347,620.47**

Including: payables in significant amount with aging over 1 year

Item	31/12/2014	Reasons for unpaid or unsettled
FoshanShundeDaliangWeiye Watch Co., Ltd.	519,571.54	Invoice not received

20. Advances from customer

Item	31/12/2014	31/12/2013
Trade advances received	12,087,368.17	9,667,278.30

21. Employee remuneration payable

Item	31/12/2013	Increase	Decrease	31/12/2014
Short-term remuneration	31,173,812.15	423,599,155.73	416,690,010.28	38,082,957.60
Post-employment welfare-defined contribution plans	-	33,889,802.97	33,324,328.16	565,474.81
Dismissal welfare	-	930,397.85	930,397.85	-
Total	**31,173,812.15**	**458,419,356.55**	**450,944,736.29**	**38,648,432.41**

（1）Short-term remuneration

Item	31/12/2013	Increase	Decrease	31/12/2014
Wages, bonuses and allowances	30,902,945.51	376,765,796.35	370,012,641.19	37,656,100.67
Employee Welfare	-	7,999,484.15	7,999,484.15	-
Social insurance	-	13,632,856.94	13,632,856.94	-
Incl.: 1. medical insurance	-	11,756,010.63	11,756,010.63	-
2. work-related injury insurance	-	787,687.01	787,687.01	-
3. maternity insurance	-	1,089,159.30	1,089,159.30	-
Housing funds	-	13,905,722.60	13,905,722.60	-
Expenditure for labor union and employee training	270,866.64	10,181,312.43	10,025,322.14	426,856.93
Others	-	1,113,983.26	1,113,983.26	-
Total	**31,173,812.15**	**423,599,155.73**	**416,690,010.28**	**38,082,957.60**

（2）Defined contribution plans

Item	31/12/2013	Increase	Decrease	31/12/2014
Post-employment welfare				
Incl.: 1. endowment insurance	-	30,511,750.50	30,511,750.50	-
2. unemployment insurance	-	2,133,667.36	2,133,667.36	-
3. Enterprise annuity payment	-	1,244,385.11	678,910.30	565,474.81
4. Others	-	-	-	-
Total	-	**33,889,802.97**	**33,324,328.16**	**565,474.81**

22. Taxes payable

Item	31/12/2014	31/12/2013
Value added tax	39,838,385.65	23,538,538.96
Consumption tax	-	161,657.78
Business tax	795,720.42	701,932.65
Corporate income tax	34,315,435.06	30,923,761.70

Individual income tax	745,837.07	698,803.51
City maintenance & construction tax	465,372.23	389,481.45
Property tax	618,271.30	257,112.75
Educational surcharges	276,780.09	207,011.67
Stamp duty	252,083.51	293,628.46
Embankment protection fee	8,859.19	34,037.50
Others	286,025.54	422,208.83
Total	**77,602,770.06**	**57,628,175.26**

23. Interest payable

Item	**31/12/2014**	**31/12/2013**
Interest for bank loan	2,620,893.75	2,622,859.82
Interest for bond	16,800,000.00	16,800,000.00
Total	**19,420,893.75**	**19,422,859.82**

24. Other payables

Item	**31/12/2014**	**31/12/2013**
Security deposit	16,573,961.57	15,979,227.33
Shareholder loans	150,000,000.00	-
Decoration expenses	4,712,095.11	7,219,523.10
Down payment	3,331,638.94	3,518,826.15
Store activity funds	6,075,167.30	4,792,456.06
Personal accounts payable	358,160.60	2,279,334.80
Others	7,523,876.93	4,665,566.86
Total	**188,574,900.45**	**38,454,934.30**

Including: other payables in significant amount and with aging over 1 year

Item	**Amount**	**Reasons for unpaid or unsettled**
Shenzhen Tencent Computer System Co., Ltd.	5,142,001.36	within lease term
Oracle R&D Center (Shenzhen) Limited	811,590.00	within lease term
Shenzhen Yitianxun Technology Co., Ltd	505,657.80	within lease term
Shenzhen Avic Real Estate Co., Ltd	424,800.00	within lease term
Shenzhen Good Family Sports-Ware Chain Limited	414,630.00	within lease term
Shenzhen Honestar Electronic Limited	375,144.00	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 Supermarket Limited	334,880.00	within lease term

Shenzhen Oriental Boiler Control Co., Ltd	318,491.60	within lease term
Shenzhen Yongantang Chain Pharmacy Limited	301,644.00	within lease term
Shenzhen AvicChangtai Investment Development. Co., Ltd	221,712.00	within lease term
Shenzhen Hangjian Engineering Cost Consultation Co., Ltd	208,304.00	within lease term
Total	**9,766,707.36**	

25. Other current liabilities

Item	31/12/2014	31/12/2013
Accrued expenses	5,482,521.27	4,924,394.22

26. Long-term loan

Item	31/12/2014	Interests rates	31/12/2013	Interests rates
Credit loan	-	-	87,000,000.00	6.4000%
Mortgage loan	6,255,497.65	3.00-4.25%	7,293,022.01	3.00-4.25%
Guaranteed loan	133,696,928.00	3.00-5.69%	118,291,928.00	3.00%
Subtotal	**139,952,425.65**		**212,584,950.01**	
Less: Long-term loan that is due within one year	-		39,310,000.00	
Total	**139,952,425.65**		**173,274,950.01**	

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 RMB26,441,545.26 and book value of RMB20,638,152.20.

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

27. Bonds payable

Item	31/12/2014	31/12/2013
12 FIYTA Debt	398,767,929.40	397,728,975.00

（1）Change in bonds payable

Name of bond	Par value	Date of issue	Maturity	Issue amount
12 FIYTA Debt	400,000,000.00	2013-2-27	3+2 年	400,000,000.00
Subtotal	**400,000,000.00**			**400,000,000.00**

（Continued）

Name of bond	31/12/2013	Issued amount in current period	Interest accrued on par value	Amortization of premium or discount	Repayment	31/12/2014
12 FIYTA Debt	397,728,975.00	-	20,160,000.00	1,038,954.40	20,160,000.00	398,767,929.40
Subtotal	**397,728,975.00**	**-**	**20,160,000.00**	**1,038,954.40**	**20,160,000.00**	**398,767,929.40**

Less: Long-term loan that is due within one year	-	-	-	-	-	-
Total	**397,728,975.00**	**-**	**20,160,000.00**	**1,038,954.40**	**20,160,000.00**	**398,767,929.40**

28. Deferred income

Item	31/12/2013	Increase	Decrease	31/12/2014	Forming reasons
Government grant	2,950,000.00	1,250,000.00	-	4,200,000.00	

Note:

Incl. :Deferred income—governmental grant

Subsidy project	31/12/2013	Addition in current period	Amount recognized in Non-operating Income in current period	Other Changes	31/12/2014	Asset or income related in nature
Special fund for Shenzhen strategic and new industry development	320,000.00	-	320,000.00	-	-	Income related
The 14th Bonus for Patent Award	350,000.00	-	350,000.00	-	-	Income related
Special fund for cultural and creative industries development	780,000.00	-	780,000.00	-	-	Income related
2012 integration project of production, teaching and research	300,000.00	-	300,000.00	-	-	Income related
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	-	-	3,000,000.00	Income related
Total	**2,950,000.00**	**3, 000,000.00**	**1,750,000.00**	**-**	**4,200,000.00**	

Note:

For the foresaid subsidy projects, relevant documents did not explicitly stipulate subsidy objects. Those projects won't form long-term assets in future periods, so the Group recognizes it as income related government grant.

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*.

Note ②: Special fund for Shenzhen industrial design industry development was obtained according to the *Operating Specification for Affirmation and Fund Plan of Shenzhen Industrial Design Center*(2013) No.227 which is jointly issued by Development and Reform Commission of Shenzhen Municipality, Economy, Trade and Information Commission of Shenzhen Municipality, Technological Innovation Commission of Shenzhen Municipality and Finance Commission of Shenzhen Municipality,

29. Share capital

Item	31/12/2013	Increase or decrease in current period（+, -）	31/12/2014

		New shares issued	Bonus shares	Shares increased by reserves capitalization	Others	Subtotal	
Total shares	**39,276.7870**	**-**	**-**	**-**	**-**	**-**	**39,276.7870**

Note:

The above share capital has been verified with the capital verification report – ZhongruiYuehua Yan Zi (2011) No. 093, which is issued by RSM China CPAs.

30. **Capital reserve**

Item	31/12/2013	Increase	Decrease	31/12/2014
Share premium	511,014,504.13	1,328.82	-	511,015,832.95
Other capital reserves	14,492,448.65	-	-	14,492,448.65
Total	**525,506,952.78**	**1,328.82**	**-**	**525,508,281.60**

31. Other comprehensive income

Item	As at 31/12/2013 (1)	2014					As at 31/12/2014 (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 profit that cannot be reclassified into profit and loss later	-	-	-	-	-	-	-
II. Other comprehensive profit that can be reclassified into profit and loss later	-8,260,833.09	-9,354,879.56	-	-	-9,348,432.13	-6,447.43	-17,609,265.22
1. Translation difference of foreign currency financial statements	-8,260,833.09	-9,354,879.56	-	-	-9,348,432.13	-6,447.43	-17,609,265.22
Total other comprehensive income	**-8,260,833.09**	**-9,354,879.56**	**-**	**-**	**-9,348,432.13**	**-6,447.43**	**-17,609,265.22**

Note: Net after-tax other comprehensive income incurred in current period is RMB-9,354,879.56. Amongst, the amount attribute to parent company shareholders is RMB-9,348,432.13, and amount attribute to minority shareholders is RMB-6,447.43.

32. Surplus reserve

Item	31/12/2013	Increase	Decrease	31/12/2014
Statutory surplus	94,729,200.20	9,201,372.69	-	103,930,572.89
Discretionary surplus reserve	61,984,894.00	-	-	61,984,894.00
Total	**156,714,094.20**	**9,201,372.69**	**-**	**165,915,466.89**

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	**2014**	**2013**	**Percentage of drawing or distributio**
Undistributed profit at the end of prior year before adjustments	469,706,600.67	386,984,676.78	--
Adjustments to undistributed profit at the beginning of year	-	-	--
Undistributed profit at the beginning of a year after adjustment	469,706,600.67	386,984,676.78	--
Plus: Net profit attributable to the owner of the parent company for the year	145,591,136.39	130,125,124.48	--
Less: statutory surplus reserve drawn	9,201,372.69	8,126,413.59	10%
Dividends payable to ordinary shares	39,276,787.00	39,276,787.00	--
Undistributed profit at the end of the year	566,819,577.37	469,706,600.67	--
Incl.: Surplus reserve drawn by subsidiaries that attributable to parent company	3,063,794.53	3,589,754.33	

Note:

（1）Description on distribution of dividend

Pursuant to the “Resolution of Equity Distribution for Year 2013” approved at the 2013 Annual General Meeting held on 10 June 2014, 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 2013. Total cash dividend distributed was RMB39,276,787.00

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

In 2014, HARMONY Company, a subsidiary of the Company, drew surplus reserve of RMB1,313,979.52, of which RMB1,313,979.52 is attributable to the parent company. In 2014, Technology Company, a subsidiary of the Company, drew surplus reserve of RMB1,749,815.01, of which RMB 1,749,815.01 is attributable to the parent company.

34. Operating revenue and operating cost

Item	**2014**		**2013**	
	Operating revenue	**Operating cost**	**Operating revenue**	**Operating cost**
Revenue from main business	3,245,370,291.15	2,043,109,870.34	3,065,746,163.46	1,971,723,379.05
Revenue from other business	32,772,494.72	11,605,087.11	37,750,798.76	18,401,766.69
Total	3,278,142,785.87	2,054,714,957.45	3,103,496,962.22	1,990,125,145.74

Note:

（1）Main businesses presented by industry sectors

Industry sector	**2014**		**2013**	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Watches	3,154,917,328.23	2,030,149,894.46	2,984,547,987.19	1,957,755,888.80
Leasing	90,452,962.92	12,959,975.88	81,198,176.27	13,967,490.25

Total	**3,245,370,291.15**	**2,043,109,870.34**	**3,065,746,163.46**	**1,971,723,379.05**

（2）Main businesses presented by product

Product	2014		2013	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Branded watches	2,298,438,269.08	1,753,276,107.39	2,301,861,216.97	1,733,324,366.47
FIYTA watch	856,479,059.15	276,873,787.07	682,686,770.22	224,431,522.33
Property leasing	90,452,962.92	12,959,975.88	81,198,176.27	13,967,490.25
Total	**3,245,370,291.15**	**2,043,109,870.34**	**3,065,746,163.46**	**1,971,723,379.05**

（3）Main businesses presented by region

Region	2014		2013	
	Operating revenue	**Operating cost**	**Operating revenue**	**Operating cost**
Southern China	1,033,845,169.19	612,581,751.95	976,738,481.63	607,835,407.97
Northwest China	565,700,125.97	367,811,265.82	558,311,345.16	363,009,177.34
Northern China	539,995,688.23	352,347,650.86	493,280,745.22	322,405,824.15
Eastern China	447,079,002.18	281,649,017.63	432,760,214.07	281,143,805.58
Northeast China	310,178,526.39	200,041,144.79	282,672,877.95	184,819,369.04
Southwest China	348,571,779.19	228,679,039.29	321,982,499.43	212,509,794.97
Total	**3,245,370,291.15**	**2,043,109,870.34**	**3,065,746,163.46**	**1,971,723,379.05**

35. Business tax and surcharges

Item	**2014**	**2013**
Consumption tax	460,361.20	2,074,363.64
Business tax	5,284,703.06	5,226,316.17
Urban maintenance and construction tax	9,904,010.65	8,328,827.60
Educational surcharge	4,958,321.12	3,279,324.36
Local educational surcharge	1,965,510.68	1,698,249.94
Others	1,328,974.59	2,137,965.82
Total	**23,901,881.30**	**22,745,047.53**

Note: please refer to Note IV. Taxes for different tax rates.

36. Selling and distribution expenses

Item	**2014**	**2013**
Wages	226,664,366.60	198,561,735.42
Amortization of long-term deferred expense	90,323,235.31	83,050,098.35

Market promotion expense	79,567,696.06	74,637,103.44
Rental	76,994,362.92	73,519,504.95
Advertising expense	56,732,801.49	48,099,428.53
Department store expense	51,485,467.55	44,324,424.71
Endowment insurance	31,423,816.21	30,506,204.96
Exhibition expenses	14,873,436.45	10,981,402.90
Utilities	12,972,823.88	12,240,139.39
Packing expense	11,661,907.15	12,230,148.26
Others	70,140,042.49	61,147,652.01
Total	**722,839,956.11**	**649,297,842.92**

37. Administrative expenses

Item	2014	2013
Wages	101,919,779.73	93,537,918.74
R & D expenses	33,842,818.77	28,586,506.35
Worker's insurance expenses	10,679,457.31	9,171,484.22
Depreciation	7,786,791.73	7,611,997.08
Travel expense	8,299,343.91	7,087,469.93
Office expenses	3,536,247.04	4,039,583.59
Labor union expenditure	4,243,665.80	3,978,802.49
Entertainment	3,076,771.19	3,511,587.34
Employee benefits	2,535,414.13	3,040,177.19
Conference expense	3,337,571.75	2,844,205.05
Training expense	3,655,926.54	1,067,751.88
Housing fund	3,234,901.43	2,632,149.98
Others	22,303,338.25	19,186,525.59
Total	**208,452,027.58**	**186,296,159.43**

38. Financial expenses

Item	2014	2013
Interest expense	97,571,157.24	88,455,766.03
Less: Interest capitalization	516,676.58	-
Less: Interest income	1,750,775.15	1,292,200.79
Exchange gain or losses	-2,544,542.58	-997,317.84
Bank charges and others	13,060,297.89	14,101,994.15

Total	**105,819,460.82**	**100,268,241.55**

Note:

Amount of interest capitalization is included in construction in progress. The capitalization rate used for determining the amount of interest capitalization is 6.06%.

39. Asset impairment loss

Item	2014	2013
(1)Bad debt loss	2,275,348.40	2,257,019.16
(2)Inventory impairment loss	345,954.89	6,465,651.92
Total	**2,621,303.29**	**8,722,671.08**

40. Investment gain

Item	2014	2013
Investment gain from the long-term equity investment measured by equity method	-848,180.21	1,589,198.33

41. Non-operating income

Item	2014	2013	Amount included in current year's non-recurring profit or loss
Total gain on disposal of the non-current assets	70,124.76	465,627.90	70,124.76
Including: gain on disposal of fixed assets	70,124.76	465,627.90	70,124.76
Clearing of payables that cannot be paid	1,209,959.00	169,783.51	1,209,959.00
Breach penalty	481,196.07	286,572.72	481,196.07
Government grant	10,344,542.00	3,610,593.36	10,344,542.00
Others	435,274.03	321,549.91	435,274.03
Total	**12,541,095.86**	**4,854,127.40**	**12,541,095.86**

Details of government grant:

Projects	2014	2013	Asset or income related	Note
2013 Specific subsidy fund for self-innovation industry development of Nanshan District	2,421,000.00	—	Related to Income	（1）
2013 subsidy fund of Shenzhen enterprise technology center development	2,000,000.00	—	Related to Income	（2）
Specific subsidy of Shenzhen brand foster	1,000,000.00	—	Related to Income	（3）
Specific subsidy for Shenzhen strategic emerging industry development	800,000.00	—	Related to Income	（4）
E-commerce FIYTA Mobile Internet Sales Mode Innovation Project	800,000.00	—	Related to Income	（5）

Specific fund for cultural creative industry development	780,000.00	—	Related to Income	(6)
2013 subsidy fund for Shenzhen industrial design and innovation results transferred into application	500,000.00	—	Related to Income	(7)
Award of the 14th Patent Award	350,000.00	—	Related to Income	(8)
Award of the 15th Patent Award	350,000.00	—	Related to Income	(9)
Award of the 11th Chinese Patent Award	350,000.00	—	Related to Income	
Standardization fund	307,000.00	—	Related to Income	(10)
2012 integration project involving production, study and research	300,000.00	—	Related to Income	(11)
2014 subsidy fund for implementing standardization strategy	138,042.00	—	Related to Income	(12)
2014 subsidy for high-tech enterprises	100,000.00	—	Related to Income	(13)
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	
Government subsidy fund for Basel Watch Show	20,000.00	—	Related to Income	
Award of the 15th Chinese 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	
2011-2013 Government Subsidy for FIYTA Brand Development Project	—	990,000.00	Related to Income	
Fund to finance establishment of technical center	—	600,000.00	Related to Income	
Government subsidy from Shenzhen watch and clock Association for 2011 Basel Exhibition	—	435,204.83	Related to Income	
Shenzhen municipal award fund for backbone enterprise	—	370,000.00	Related to Income	
Award of the 13th Patent Award	—	350,000.00	Related to Income	
2012 Shenzhen Municipal Prize for Progress in Science and Technology (Standard Prize) by Market Supervision and Administration Bureau of Shenzhen Municipality	—	300,000.00	Related to Income	
Special funds of provincial cooperation by production, study and research	—	236,000.00	Related to Income	
2012 Prize for Progress in Science and Technology by Technology Innovation Commission of Shenzhen Municipality	—	200,000.00	Related to Income	
Government subsidy for standardization project	—	112,500.00	Related to Income	
Subsidy for Exhibition Expenditures	—	16,888.53	Related to Income	
Total	10,344,542.00	3,610,593.36		

Note:

（1）Amount up to RMB2,000,000.00 is the award obtained according to *Specific Fund for Self-Innovation Industry Development of Nanshan District—Application Guidance for Yiyuan Business Building Award Project of Speeding Up Industry Transformation and Upgrade Award*, and RMB 421,000.00 is the second-batch subsidy fund of 2013 economic development fund of Nanshan Bureau of Finance according to *Administrative Method (Trail) for Specific Fund of Self-Innovation Industry Development of Nanshan District*.

（2）the development subsidy obtained according to ShenJingmaoXinxiJiCaiZi（2013）No. 204 *Notice of Shenzhen Committee of Trade and Economic Information on 2013 Development Subsidy Plan of Shenzhen Industry Technology Progress Fund Enterprise Technology Center;*

（3）the specific subsidy obtained by HARMONY Company the subsidiary of the Company according to ShenJingmaoXinxi Yu SuanZi No. 201412 *About Issuing 2013 Shenzhen Brand Training Specific Fund* issued by Shenzhen Committee of Economy, Trade and Information;

（4）Special fund for Shenzhen strategic and new industry development was obtained according to the *Notice to Circulate the Plan of the 4th Batch of Shenzhen Specific Fund for Strategic and New Industry Development*ShenFaGai (2012) No.1241 which is jointly issued by Development and Reform Commission of Shenzhen Municipality, Economy, Trade and Information Commission of Shenzhen Municipality, Technological Innovation Commission of Shenzhen Municipality and Finance Commission of Shenzhen Municipality,

（5）Specific fund obtained by FIYTA Sale Company the subsidiary of the Company according to the *Notice to Circulate the Plan of the 4th Batch of Shenzhen Specific Fund for Strategic and New Industry Development* ShenFaGai (2014) No. 939 which is jointly issued by Development and Reform Commission of Shenzhen Municipality, Economy, Trade and Information Commission of Shenzhen Municipality, Technological Innovation Commission of Shenzhen Municipality and Finance Commission of Shenzhen Municipality,

（6）Special Fund for FIYTA Cameraman Series Wristwatch project of the company was obtained from Shenzhen Municipal Bureau of Culture Sport and Tourism according to *Administrative Measures for Shenzhen Municipal Cultural Innovation Industry Development Special fund.*

（7）Special project fund according to the *Notice of Economy, Trade and Information Commission of Shenzhen Municipality on 2013 Planned Funding Projects of Shenzhen Industrial Design Innovation Results Transferred to Applications*ShenJingmaoXinxiShengchanZi（2014）No. 147

（8）Special fund was obtained according to *Notice about Payment of Bonus for the 13th Chinese Patent Award*YueZhiGui (2013) No.165 issued by Intellectual Property Right Bureau of Guangdong Province.

（9)Patent award obtained according to *Notification of Guangdong Provincial Government on Awarding Units and Individuals Winning the Award of the 15th Chinese Patent Award in Guangdong Province*Yue Fu Han (2014) No. 155

（10）RMB207,000.00 is 2014 specific scientific fund obtained by undertaking the work of watch materials of National Committee of Watch Standardization Technology and the Secretariat of the Committee of Appearance Parts Technology; RMB100,000.00 is 2014 specific science fund obtained by undertaking the work of team of SAC/TC160/SC3/WG1 *Shell and Parts Wear Resistance, Scratch Resistance and Impact Test*.

（11）Special Fund for Nickel less Stainless Steel Technology and Its Application of Production in Contact with Human Skin of 2012 Guidance Integration Project Fund by Production, Study and Research was obtained according to YueCai Jiao (2012) No.393 Special funds of provincial cooperation by production, study and research.

（12）RMB84,500.00 is subsidy fund for standard strategy obtained according to *Notice to Circulate 2014 Funding Plan to Implement Standard Strategy Fund of Shenzhen Municipality* SSJL（2014）No. 12 jointly issued by the Market Administration of Shenzhen Municipality, the Commission of Finance of Shenzhen Municipality; RMB 53,542.00 is the specific fund for 2014 implementation of standard strategy obtained by the Manufacturing Company, a subsidiary of the Company.

（13）Subsidy for national high-tech enterprises identification obtained by the Technology Company, a subsidiary of the Company.

42. Non-operating expenses

Item	**2014**	**2013**	Amount included in non-recurring profit or loss in current year

Loss on non-current assets disposal	115,045.74	76,660.91	115,045.74
Incl. loss on fixed assets disposal	115,045.74	76,660.91	115,045.74
External donation	500,000.00	680,000.00	500,000.00
Others	476,449.24	251,821.31	476,449.24
Total	**1,091,494.98**	**1,008,482.22**	**1,091,494.98**

43. Income tax expenses

（1）Details of income taxes expenses

Item	2014	2013
Current income tax	40,801,328.57	34,171,124.35
Deferred income tax	-16,509,941.80	-12,819,446.68
Total	**24,291,386.77**	**21,351,677.67**

（2）Reconciliation between income tax expenses and accounting profits is as follows:

Item	2014	2013
Profit before tax	170,394,619.99	151,476,697.48
Income tax expenses calculated at legal (or applicable) tax rate (profit before tax *25%)	42,598,655.01	37,869,174.38
Influence of different tax rate applicable to subsidiaries	-19,295,365.00	-12,131,479.62
Adjustment of income tax to prior periods	236,881.91	-282,218.55
Profit and loss of joint venture and associated entities accounted using equity method	212,045.05	-397,299.58
Income exempt from taxation（“-”）	-	-
Nondeductible cost, expense and loss	2,690,102.26	3,854,990.19
Influence of tax rate change to opening balance of deferred income tax	22,285.47	-
Taxation influence by using unrecognized deductible loss and deductible temporary difference of prior periods（“-”）	-	-
Taxation influence of unrecognized deductible loss and deductible temporary difference	-	-
Taxation influence from additional deduction of R&D expenses（“-”）	-2,173,217.93	-2,789,001.25
Others	-	-4,772,487.90
Income tax expenses	**24,291,386.77**	**21,351,677.67**

44. Notes to cash flow statement

（1）Cash received from other operating activities

Item	2014	2013

Product promotion fee	21,243,620.58	20,237,279.49
Government grant	10,914,542.00	5,304,593.36
Security deposit	1,923,147.28	3,116,164.07
Interest income	1,750,775.15	1,292,200.79
Petty cash	22,950.38	19,612.78
Others	3,439,061.96	2,359,830.90
Total	**39,294,097.35**	**32,329,681.39**

（2）Cash paid to other operating activities

Item	2014	2013
Marketing promotion fee	77,443,856.52	72,337,103.48
Rental	73,952,825.98	68,825,385.00
Advertising fee	51,847,512.57	63,543,116.36
Departmental store expenses	33,927,340.50	28,831,716.21
Travel expenses	15,544,104.75	13,105,233.11
Exhibition expenses	14,733,436.45	10,981,402.89
R & D expenses	13,908,494.97	11,828,678.97
Office expenses	10,454,837.21	10,597,505.13
Utilities	9,604,220.48	5,791,708.37
Business entertainment	8,044,877.78	7,757,673.11
Transportation expenses	8,020,282.83	7,385,888.70
Posting and telecommunication expenses	5,185,100.10	3,816,213.36
Fees for agent services	3,607,560.46	2,507,014.01
Insurance expense	2,943,855.87	3,185,695.46
Vehicle expenses	2,636,497.78	2,341,293.91
Maintenance expenses	2,076,535.47	1,541,915.02
Packing expenses	1,652,626.49	2,290,982.21
Training expenses	1,651,356.02	1,630,544.86
Consultation expenses	489,788.03	268,443.80
Others	23,829,270.84	26,672,983.97
Total	**361,554,381.10**	**345,240,497.93**

（3）Cash paid to other investment activities

Item	2014	2013
Security deposit for issuing of letter of guarantee	1,575,000.00	-

（4）Cash received from other financing activities

Item	2014	2013
Loans from AVIC IHL	150,000,000.00	-
Loans from CATIC International Finance Limited	39,683,069.40	
Others	1,328.82	-
Total	**189,684,398.22**	**-**

（5）Cash paid to other financing activities

Item	2014	2013
Repayment of loans to CATIC International Finance Limited	39,683,069.40	
Capital injection as minority shareholders	1,400,000.00	-
Bank financing charges	1,134,375.00	-
Guarantee fee	-	1,200,000.00
Fee for bond issuing	-	502,986.00
Others	31,008.00	-
Total	**42,248,452.40**	**1,702,986.00-**

45. **Supplement to Cash Flow Statement**

（1）**Supplement to Cash Flow Statement:**

Supplement	2014	2013
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	146,103,233.22	130,125,019.81
Add: Impairment for assets	2,621,303.29	7,950,136.01
Depreciation of fixed asset investment property	30,244,827.05	29,893,607.39
Amortization of intangible assets	1,473,045.26	1,416,772.60
Amortization of long-term deferred expenses	104,243,100.87	98,355,902.48
Losses on disposal of fixed assets, intangible assets,and other long-term assets (“－” for gain)	44,920.98	-388,966.99
Loss on retirement of fixed assets (“－” for gain)	-	-
Loss on changes of fair value (“－” for gain)	-	-
Financial charges (“－” for income)	97,054,480.66	90,158,752.03
Investment losses (“－” for gain)	848,180.21	-1,589,198.33
Decrease in deferred tax assets (“－” for increase)	-16,509,941.81	-12,819,446.68
Increase in deferred tax liabilities（“－” for decrease）	-	-
Decrease in inventories (“－” for increase)	-3,088,502.66	-246,543,224.09

Decrease in operating receivables ("－" for increase)	-24,932,633.93	-26,941,577.23
Increase in operating payables（"－" for decrease）	-48,912,382.17	9,429,713.92
Others	-	-
Net cash flows from operating activities	289,189,630.97	79,047,490.92
2. Significant investment and financing activities not involving cash:		
Debts converted to capital	-	-
Convertible debts mature within one year	-	-
Fixed assets acquired under finance leases	-	-
3. Net changes in cash and cash equivalents:		
Cash as at 31/12/2014	114,880,070.54	107,663,110.74
Less: cash as at 31/12/2013	107,663,110.74	140,420,994.71
Plus: cash equivalents as at 31/12/2014	-	-
Less: cash equivalents as at 31/12/2013	-	-
Net increase in cash and cash equivalents	7,216,959.80	-32,757,883.97

（2）Cash and cash equivalents

Item	31/12/2014	31/12/2013
I. Cash	114,880,070.54	107,663,110.74
Incl. Cash on hand	338,694.81	487,926.67
Bank deposit available for immediate payment	114,319,146.38	107,168,563.21
Other monetary funds available for immediate payment	222,229.35	6,620.86
Due from the Central Bank available for payment	-	-
II. Cash equivalents	-	-
Incl. Bond investment due in three months	-	-
III. **Cash and cash equivalents as at 31/12/2014**	114,880,070.54	107,663,110.74

46. Assets of restricted ownership or use rights

Item	Amount	Restriction reason
Currency funds	1,575,000.00	Guarantee deposit
Fixed assets	20,638,152.20	Charged for loan
Total	**22,213,152.20**	

47. Item in Foreign currency

（1）Item in Foreign currency

Items	Balance in foreign currency as at 31/12/2014	Translation rate	Balance translated in RMB as at 31/12/2014
Currency fund			

Incl.: USD	196,789.57	6.1190	1,204,156.07
HKD	13,283,966.04	0.7889	10,479,630.40
EURO	24.45	7.4556	182.29
SF	1,043,112.45	6.2715	6,541,879.73
Accounts receivable			
Incl.: HKD	12,077,059.12	0.7889	9,527,591.94
SF	240,451.00	6.2715	1,507,988.45
Prepayment			
Incl.: HKD	10,775,587.06	0.7889	8,500,860.63
SF	1,963,166.89	6.2715	12,312,001.15
Other receivables			
Incl.: USD	201,186.60	6.1190	1,231,060.81
HKD	303,373.14	0.7889	239,331.07
EURO	22,366.80	7.4556	166,757.91
SF	502,707.54	6.2715	3,152,730.34
Accounts payable			
Incl.: HKD	2,307,389.31	0.7889	1,820,299.43
SF	82,628.95	6.2715	518,207.46
Other payables			
Incl.: USD	22,108.68	6.1190	135,283.01
HKD	1,858,296.28	0.7889	1,466,009.94
Short-term loans			
Incl.: HKD	50,000,000.00	0.7889	39,445,000.00
Long-term loans			
Incl.: HKD	150,774,683.29	0.7889	118,946,147.65
SF	900,000.00	6.2715	5,644,350.00

（2）Overseas operational entity

For main business location and recording currency of important overseas operational entity, refer to Note III. 4.

VI. Change of scope of consolidation

Harmony World Watch Center was closed down due to the demolition of business location in 2008. It is deregistered by the Company in the reporting period and excluded out of the scope of consolidation at the end of the period.

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
Nature Art Limited	Hong Kong	Hong Kong	Commerce	-	-	①
Protop Limited	Hong Kong	Hong Kong	Commerce	-	-	①

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.

2. Equity under joint operating arrangement or associated enterprise

（1）Important associated enterprises

Name of joint venture or association	Main business location	Place of registration	Nature of business	Shareholding ratio(%)		Accounting treatment of investment in joint venture or association
				Direct	Indirect	
① Association						
Shanghai Watch	Shanghai	Shanghai	Manufacture	25.00	-	Equity method

（2）Major financial information of important association:

Item	Shanghai Watch

	31/12/2014	31/12/2013
Current assets	88,551,483.42	73,134,933.57
Non-current assets	22,504,083.78	23,041,765.77
Total assets	**111,055,567.20**	**96,176,699.34**
Current liabilities	18,718,641.86	14,710,516.78
Non-current liabilities	-	-
Total liabilities	**18,718,641.86**	**14,710,516.78**
Net assets	92,336,925.34	81,466,182.56
Incl.: Minority shareholders' interests	-	-
Owners' equity attributable to parent company	-	-
Shares of net asset measured by shareholding ratio	22,622,546.71	19,959,214.73
Adjustment matters	-	-
Incl.: goodwill	-	-
Unrealizable profit or losses from internal transaction	-	-
Impairment provision	-	-
Others	-	-
Book value of investment to associations	42,389,759.91	43,237,940.12
Fair value of equity investment with existing public quotation	-	-

Continued:

Item	Shanghai Watch	
	2014	2013
Operating income	105,335,016.70	72,493,931.14
Net profit	10,080,270.97	6,356,793.32
Other comprehensive income	-	-
Total comprehensive income	10,080,270.97	6,356,793.32

VIII. Financial instruments and risk management

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.

Amount accounts receivable, the total accounts receivable of top 5 accounts with amount in arrear account for 9.02% of total accounts receivable of the Group （2013：9.43%）; in other accounts receivable, the total accounts receivable of top 5 accounts with amount in arrear account for 17.22% of total accounts receivable of the Group （2013：20.25%）.

（2）Liquidity risk

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

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

The Group finance operation funds through capital and bank and other borrowings incurred in operating business. As at 31 December 2014, bank borrowing facility that the Group has not yet used is RMB539,100,000 （31 December 2013: RMB464,415,000）

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

	31/12/2014				
Item	**Within 1 year**	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
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	43,644.50	7,889.00	3,944.50	–	55,478.00
Sum of financial liability and contingent liability	**178,648.74**	**55,814.19**	**8,389.00**	**1,625.55**	**244,477.48**

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

	31/12/2013				
Item	**Within 1 year**	**1 to 2 years**	**2 to 3 years**	**Over 5 years**	**Total**
Financial liabilities:					
Short-term loans	102,300.00	–	–	–	102,300.00
Accounts payable	22,234.76	–	–	–	22,234.76
Payable interest	1,942.29	–	–	–	1,942.29
Other payables	3,845.49	–	–	–	3,845.49
Non-current liabilities due within 1 year	3,931.00	–	–	–	3,931.00
Other current liabilities（excluding deferred income）	492.44	–	–	–	492.44
Long-term loan	–	–	7,862.00	9,465.50	17,327.50
Bonds payable	–	–	40,000.00	–	40,000.00
Financial guarantee	45,931.00	–	7,862.00	–	53,793.00
Sum of financial liability and contingent liability	**180,676.98**	**–**	**55,724.00**	**9,465.50**	**245,866.48**

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

（3）Market risk

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

Interest risk

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

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

As at 31 December 2014, 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 RMB700,000(at 31 December 2013: RMB870,000).

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.

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

The Group supervises capital structure based on asset liability ratio (total liabilities divided by total assets). As at 31 December 2014, the asset-liability ratio of the Group is 55.26% (31 December 2013: 56.76%).

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

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

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

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 of parent company	**Place of registration**	**Nature of business**	**Registered capital**	**Shareholding ratio of parent company to the Company %**	**Ratio of vote right of parent company to the Company%**
China National Aviation Group	Shenzhen	investment in industries, domestic trade, material supply and distribution	1,110,631,996.00	41.49	41.49

Ultimate controlling party of the Company:

CATIC Shenzhen Company holds 35.63% 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 of the Company

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

3. Joint venture and association of the Group

Refer to Note VII.2 for details of important joint venture and association

4. Other related parties of the Group

Name of related parties	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

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
Shenzhen Maiwei Cable TV Equipment Limited (Maiwei 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
CATIC International Finance Limited（CATIC Finance Company）	Controlled by the same party
XuDongsheng	Key management member
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. Related party transactions

（1）Details of related party purchase and sale

①Purchasing goods and receiving services

Related party	Type of transaction	2014	2013
Zhonghang Electronic Company	Processing Charges	15,068.38	38,931.11
CATIC Property Management	Property management	1,356,088.67	1,781,754.76

AVIC Training center	Training	146,420.76	281,013.20
Rainbow Department Store	Department store expenses	3,549,567.71	2,393,915.69
Shanghai Watch	Material purchase	2,554,285.26	695,854.70

② Selling products and providing services

Related party	Type of transaction	2014	2013
Rainbow Department Store	product sales and services	81,841,738.79	80,900,993.83
AVIC	product sales	1,075,012.82	1,906,205.98
Shennan Circuits	Material sales	24,363,526.18	24,274,127.74
Zhonghang Electronic Company	Material sales	-	168,714.53

（2）Related party leasing

①Company as a lessor

Lessee	Type of leased assets	Recognized rental income in current period	Recognized rental income in prior period
CATIC Real Estate Company	property	1,508,832.00	1,508,832.00
Maiwei Company	property	-	233,285.00
CATIC Property Management	property	7,282,960.71	2,660,544.00
AVIC Securities Company	property	1,088,430.00	1,037,310.00
CATIC City Real Estate Company	property	22,320.00	22,320.00
CATIC City Development Company	property	22,320.00	22,320.00
CATIC Guanlan Property	property	89,280.00	89,280.00
CATIC Changtai Company	property	1,285,632.00	1,285,632.00
Skytel Hotel	property	4,499,900.00	3,500,000.00
Rainbow Department Store	property	452,800.04	667,105.82
CATIC Jiufang Asset Mgmt Company	property	363,636.00	378,066.00
CATIC City Investment	property	90,024.00	90,024.00
CATIC Theme Company	Property	945,624.00	945,624.00
CATIC Technology Shenzhen Company	Property	210,270.00	-

③ Company as a lessee

Name of lessor	Type of leased assets	Rental expenses charged in current period	Rental expenses charged in prior period
Ganzhou CATIC Real Estate Company	Property	995,408.16	949,918.91
Chengdu CATIC Property Company	Property	816,017.05	546,919.23

（3）Related party guarantees

①The Group as guarantor

Guarantee	Amount guaranteed	Effective date	Expiring date	If the guarantee finished? (Yes/No)
HARMONY Company	60,000,000.00	2014-2-25	2015-2-24	No
HARMONY Company	50,000,000.00	2014-12-8	2015-12-7	No
HARMONY Company	30,000,000.00	2014-5-9	2015-5-8	No
HARMONY Company	27,000,000.00	2014-5-27	2015-5-26	No
HARMONY Company	100,000,000.00	2014-10-29	2015-10-28	No
FIYTA Hong Kong	39,445,000.00	2014-10-6	2015-10-6	No
FIYTA Hong Kong	39,445,000.00	2013-7-11	2016-7-10	No
FIYTA Hong Kong	39,445,000.00	2013-8-5	2016-8-4	No
FIYTA Hong Kong	15,778,000.00	2014-1-6	2017-1-6	No
FIYTA Hong Kong	7,889,000.00	2014-1-27	2017-1-27	No
FIYTA Hong Kong	15,778,000.00	2014-3-3	2017-3-3	No

② The Group as guarantee

Guarantor	Amount guaranteed	Effective date	Expiring date	If the guarantee finished? (Yes/No)
China National Aviation Group	10,000,000.00	2014-9-5	2018-6-24	No
China National Aviation Group	5,000,000.00	2014-1-15	2017-6-24	No
China National Aviation Group	361,928.00	2013-12-24	2016-12-24	No
HARMONY Company	40,000,000.00	2014-2-12	2015-2-11	No
HARMONY Company	90,000,000.00	2014-2-19	2015-2-18	No

（4）Related party borrowing

Related party	Amount borrowed	Start date	Expire date	Note
Borrow from				
China National Aviation Group	150,000,000.00	2014-5-26	2015-5-25	①
CATIC Finance Company	39,773,500.00	2014-9-22	2014-10-21	②

① Interest of loans from China National Aviation Group in the reporting period is RMB5,500,000.00.

②Interest of loans from CATIC Finance Company in the reporting period is RMB139,207.25.

（5）Remuneration for key management members

There are 14 key management members in the reporting period and 11 key management members in prior reporting period. See the following table for detailed remuneration:

Item	2014	2013
Remuneration for key management members	13,818,900.00	11,050,000.00

6. Receivables from and payables to related party

（1）Receivables from related party

Item	Related party	31/12/2014		31/12/2013	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Accounts receivable	Rainbow Department	2,134,424.46	106,721.22	2,154,095.08	107,704.75
	AVIC	524,313.00	68,144.58	644,059.00	32,202.95
	Shennan Circuits	1,477,311.21	73,865.56	10,884,289.63	544,214.48
	Zhonghang Electronic Company	-	-	197,396.00	197,396.00
	Chengdu CATIC Property Company	7,875.00	393.75	-	-
Notes receivable	Shennan Circuits	6,162,768.29	-	7,000,000.00	-
	Zhonghang Electronic Company	-	-	100,000.00	-
Other receivables	CATIC Property Management	-	-	6,700.00	335.00
	Xi'an Skytel Hotel	-	-	1,750,000.00	87,500.00
	Ganzhou CATIC Real Estate Company	172,665.60	14,766.56	122,665.60	6,133.28
	Rainbow Department Store	308,001.60	15,400.08	167,856.60	8,392.83
	CATIC Changtai Company	50,000.00	2,500.00	-	-
	AVIC Training Center	-	-	11,424.70	571.24
	Chengdu CATIC Property Company	115,616.40	11,561.64	115,616.40	5,780.82

（2）Payables to related party

Item	Related party	31/12/2014	31/12/2013
Accounts payable	Zhonghang Electronic Company	-	45,549.40
	Shanghai Watch	647,691.97	131,230.72
Prepayments	AVIC	-	15,469.00
Other payables	CATIC Building Company	-	8,227.10
	AVIC Nanguang Company	-	3,354.90
	CATIC City Investment Company	37,700.00	37,700.00
	AVIC Securities Company	187,440.00	178,920.00
	AVIC IHL	150,000,000.00	-
	CATIC Real Estate Company	424,800.00	424,800.00
	CATIC Changtai Company	221,712.00	221,712.00
	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	114,648.52	4,364.60

XI. Commitments and contingencies

1. Significant commitments

（1）Capital commitment

Contract already signed but not yet recognized in the financial statements	31/12/2014	31/12/2013
Long-term assets construction commitment	187,127,768.52	7,117,817.60

（2）Operating lease commitment

As of the balance sheet date, the irrevocable operating lease contracts signed by the Company are as follows:

The minimum lease payment for irrevocable operating lease:	31/12/2014	31/12/2013
The 1st year after the balance sheet day	28,940,871.89	39,333,248.01
The 2nd year after the balance sheet day	18,388,748.63	25,091,639.54
The 3rd year after the balance sheet day	8,702,855.74	10,776,187.77
Years afterwards	3,008,648.97	6,241,600.00
Total	59,041,125.23	81,442,675.32

（3）Other commitments

As at 31 December, 2014, there is 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 2014, there is no pending actions, external guarantees and other contingencies that shall be disclosed.

（3）As at 31 December 2014, there is no other contingencies that shall be disclosed.

XII. Post balance sheet events

1. Profit distribution after balance sheet date

The resolution of 2014 profit distribution proposal has been passed on the 17th Board Meeting of the 7th Board of Directors on 10 March 2015. It proposed to distribute cash dividend of RMB1.00 (tax inclusive) for every 10 shares held by shareholders based on the total 392,767,870 shares as at 31 December 2014. Cash dividend that proposed to be distributed amounts to RMB39,276,787.00. The proposal is subject to approval from Annual General Shareholders' Meeting.

2. Other events after balance sheet date

Pursuant to the resolution passed in the 17th Board Meeting of the 7th Board of Directors on 10 March 2015, the Company plans to apply credit facility of no more than RMB 2,200,000,000.00 from banks in form of guaranteed loan, mortgage loan etc… in 2015. The proposal of credit facility application is subject to approval from Annual General Shareholders' Meeting.

Pursuant to the resolution passed in the 17th Board Meeting of the 7th Board of Directors on 10 March 2015, the Company plans to provide guarantee to HAMONY Company, Sales Company, Manufacturing Company, Technology Company, FIYTA Hong Kong and Trading Company for their application of credit facility of no more than RMB1,000,000,000.00 in 2015. This credit facility is included in the total credit facility of RMB2,200,000,000.00 to be applied in 2015 mentioned above. The proposal of credit facility application is subject to approval from Annual General Shareholders' Meeting.

XIII. Other significant events

On 5 May 2014, Shenzhen HARMONY World Watch Center Co., Ltd filed for deregistration to Market Supervision Administration of Shenzhen Municipality.

XIV. Notes to the parent company's financial statements

1. Accounts receivable

（1）Accounts receivable by categories:

Category	31/12/2014				
	Amount	**Percentage%**	**Provision for bad and doubtful 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
Receivables that are individually insignificant in amount but provided for bad debt separately	-	-	-	-	-
Total	**12,302,730.00**	**100.00**	**566,942.10**	**4.61**	**11,735,787.90**

（Continued）

Category	31/12/2013				
	Amount	**Percentage%**	**Provision for bad and doubtful 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	239,193,039.81	100.00	-	-	239,193,039.81
Subtotal of portfolios	239,193,039.81	100.00	-	-	239,193,039.81
Receivables that are individually insignificant in amount but provided for bad debt separately	-	-	-	-	-
Total	**239,193,039.81**	**100.00**	**-**	**-**	**239,193,039.81**

Note:

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

Aging	31/12/2014				
	Amount	**Percentage%**	**Provision for bad and doubtful debts**	**Provision rate %**	**Net amount**
Within 1 year	11,338,842.00	100.00	566,942.10	5.00	10,771,899.90

1 to 2 years	-	-	-	-	-
2 to 3 years	-	-	-	-	-
Over 3 years	-	-	-	-	-
Total	**11,338,842.00**	**100.00**	**566,942.10**	**5.00**	**10,771,899.90**

Continued:

Aging	31/12/2013				
	Amount	Percentage%	Provision for bad and doubtful debts	Provision rate %	Net amount
Within 1 year	-	-	-	-	-
1 to 2 years	-	-	-	-	-
2 to 3 years	-	-	-	-	-
Over 3 years	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**

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	**963,888.00**	**-**	**-**

（2）Bad debt provisions accrued, received or reversed in the current period

The amount of bad debt provisions accrued in current period is RMB566,942.10 and there is no bad debt provisions received or reversed in the current period.

（3）Accounts receivable due from the top five debtors of the Company are as follows:

The sum of top 5 accounts receivable is RMB8,836,242.00, accounting for 71.82% of total accounts receivable, and the total amount of associated bad debt provisions is RMB441,812.10.

2. Other receivables

(1)Other receivables disclosed by categories:

Category	31/12/2014				
	Amount	Percentage%	Provision for bad and doubtful 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	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	0.01	1,524,513,111.66

Receivables that are individually insignificant in amount but provided for bad debt separately	-	-	-	-	-
Total	**1,524,540,596.63**	**100.00**	**27,484.97**	**0.01**	**1,524,513,111.66**

（Continued）

Category	31/12/2013				
	Amount	Percentage%	Provision for bad and doubtful	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	2,511,372.60	0.19	153,225.81	6.10	2,358,146.79
Portfolio of specific accounts	1,335,273,187.22	99.81	-	-	1,335,273,187.22
Subtotal of portfolios	1,337,784,559.82	100.00	153,225.81	0.01	1,337,631,334.01
Receivables that are individually insignificant in amount but provided for bad debt separately	-	-	-	-	-
Total	**1,337,784,559.82**	**100.00**	**153,225.81**	**0.01**	**1,337,631,334.01**

Note:

① Other receivables that are provided for bad debt based on aging analysis in aging portfolio:

Aging	31/12/2014				
	Amount	Percentage%	Bad debt provision	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
Total	**283,905.40**	**100.00**	**27,484.97**	**9.68**	**256,420.43**

Continued:

Aging	31/12/2013				
	Amount	Percentage%	Bad debt provision	Provision rate %	Net amount
Within 1 year	2,296,287.70	91.44	116,816.88	5.09	2,179,470.82
1 to 2 years	110,000.07	4.38	11,000.01	10.00	99,000.06
2 to 3 years	35,542.50	1.41	10,662.75	30.00	24,879.75
Over 3 years	69,542.33	2.77	14,746.17	21.20	54,796.16

Total	**2,511,372.60**	**100.00**	**153,225.81**	**6.10**	**2,358,146.79**

② Other receivables that are provided for bad debt using other method

Name of portfolio	Carrying amount	Bad debt provision	Accrual rate%
Portfolio of special accounts	1,524,256,691.23	-	-

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

The amount of bad debt provision reversed in the current period is RMB125,740.84.

（4）Other receivables presented by nature of account

Item	31/12/2014	31/12/2013
Related party balances within consolidated scope	1,523,785,927.87	1,334,829,991.32
Petty cash	620,763.36	827,108.10
Security deposit	64,050.00	1,814,050.00
Others	69,855.40	233,410.40
Total	**1,524,540,596.63**	**1,337,704,559.82**

（5）Accounts receivable due from the top five debtors of the Company are as follows:

Company name	Nature	Balance	Aging	Percentage in total closing balance of other receivables (%)	Provision for bad and doubtful debts
HARMONY Company	Transaction	949,235,308.79	Within 1 year	62.26	-
Sales Company	Transaction	457,373,068.49	Within 1 year	30.00	-
Emile Choureit Shenzhen Company	Transaction	88,416,677.51	Within 1 year	5.80	-
Trading Company	Transaction	27,483,121.61	Within 1 year	1.80	-
FIYTA Hong Kong	Transaction	1,147,471.00	Within 1 year	0.08	-
Total	**--**	**1,523,655,647.40**	**--**	**99.94**	**-**

3. Long-term equity investments

Item	31/12/2014			31/12/2013		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
Investment in subsidiaries	730,799,720.00	-	730,799,720.00	732,199,720.00	-	732,199,720.00
Investment to associated companies	42,389,759.91	-	42,389,759.91	43,237,940.12	-	43,237,940.12
Total	**773,189,479.91**	**-**	**773,189,479.91**	**775,437,660.12**	**-**	**775,437,660.12**

（1）Investment to subsidiaries

Invested units	31/12/2013	Increase	Decrease	31/12/2014	Impairment provision	Closing balance for impairment provision

HARMONY Company	601,307,200.00	-	-	601,307,200.00	-	-
World Watch Center	1,400,000.00	-	1,400,000.00	-	-	-
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	-	-	55,367,520.00	-	-
Trade Company	5,000,000.00	-	-	5,000,000.00	-	-
FIYTA Sales Company	50,000,000.00	-	-	50,000,000.00	-	-
Total	**732,199,720.00**	**-**	**1,400,000.00**	**730,799,720.00**	**-**	**-**

（2）Investment to joint venture and association

Invested enterprises	31/12/2013	Increase and decrease during the period								31/12/2014	Closing balance of impairment provision
		Additional investment	withdrawn investment	Investment profit and loss under equity method	Adjustment of other comprehensive income	Other equity change	Cash dividend declared or profit distribution	Impairment provision	Other		
① Association											
Shanghai Watch	43,237,940.12	-	-	-848,180.21	-	-	-	-	-	42,389,759.91	-
Total	**43,237,940.12**	**-**	**-**	**-848,180.21**	**-**	**-**	**-**	**-**	**-**	**42,389,759.91**	**-**

For the Year Ended 31 December 2014 (expressed in RMB Yuan unless otherwise indicated)

4. Operating revenue and operating cost

Item	2014		2013	
	Revenue	Cost	Revenue	Cost
Main businesses	108,183,860.45	30,576,403.18	95,787,415.95	21,182,291.58
Other businesses	-	-	-	-
Total	108,183,860.45	30,576,403.18	95,787,415.95	21,182,291.58

5. Investment income

Item	2014	2013
Investment income from long-term equity investment measured by cost method	88,741,300.42	74,971,478.14
Investment income from long-term equity investment measured by equity method	-848,180.21	1,589,198.33
Total	**87,893,120.21**	**76,560,676.47**

XV. Supplementary information

1. Details of non-recurring gain or loss for the year

Item	Year ended 31/12/2014	Note
Disposal gain or loss of non-current assets	-44,920.98	
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)	10,344,542.00	
Tax 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	-
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	1,149,979.86
Profit and loss items pursuant to the definition of non-recurring profit and loss	-
Total non-recurring profit or loss	11,449,600.88
Less: effect of income tax of non-recurring profit or loss	2,657,581.21
Net non-recurring profit or losses	8,792,019.67
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	8,792,019.67

2. Return on Equity (ROE) and Earnings per share (EPS)

Profit of the reporting period	Weighted average	EPS (Yuan per Share)	
	ROE %	Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	8.62	0.371	
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit	8.10	0.348	

3. Supplementary information of changes of accounting policies

According to Accounting Standards for Business Enterprises No. 2----Long-Term Equity Investment, and other eight accounting standards issued in 2014, related accounting policies are changed and comparative figures are restated. Restated balance sheet as at 1 January 2013, 31 December 2013, and balance sheet as at 31 December 2014 are as follows:

For the Year Ended 31 December 2014 (expressed in RMB Yuan unless otherwise indicated)

Item	1 January 2013	31 December 2013	31 December 2014
Current assets:			
Currency funds	140,420,994.71	107,663,110.74	116,455,070.54
Financial assets measured at fair value through profit or loss for the current period	-	-	-
Notes receivable	2,000,000.00	7,100,000.00	6,162,768.29
Accounts receivable	309,117,274.31	324,457,339.19	351,276,905.53
Prepayments	75,418,566.40	43,487,613.07	43,054,642.06
Interest receivable	-	-	-
Dividend receivable	-	-	-
Other receivables	33,353,606.26	40,436,640.10	41,525,719.27
Inventories	1,883,265,248.76	2,123,342,820.93	2,133,791,024.32
Assets classified as held-for-sale assets	-	-	-
Non-current asset due within one year	-	-	-
Other current assets	51,043,401.97	30,811,991.07	14,421,516.43
Total current assets	2,494,619,092.41	2,677,299,515.10	2,706,687,646.44
Non- current assets:			
Available-for-sale financial assets	85,000.00	85,000.00	85,000.00
Held-to-maturity investment	-	-	-
Long-term receivables	-	-	-
Long-term equity investment	41,648,741.79	43,237,940.12	42,389,759.91
Investment property	244,379,430.63	235,235,684.76	226,091,938.89
Fixed assets	317,801,267.87	306,888,964.31	323,732,870.58
Construction in progress	3,866,365.79	6,608,187.55	51,389,263.53
Construction materials	-	-	-
Disposal of fixed assets	-	-	-
Productive biological asset	-	-	-
Oil and gas assets	-	-	-
Intangible assets	36,749,627.18	36,168,611.72	35,502,525.72
Development expenditure	-	-	-

Item	1 January 2013	31 December 2013	31 December 2014
Goodwill	-	-	-
Long-term deferred expenses	126,274,611.58	146,542,685.58	149,733,566.03
Deferred tax assets	61,339,687.61	74,159,134.29	90,669,076.10
Other non- current assets	-	32,476,867.85	31,500,000.00
Total non- current assets	832,144,732.45	881,403,076.18	951,094,000.76
Total assets	3,326,763,824.86	3,558,702,591.28	3,657,781,647.20

Continued:

Item	1 January 2013	31 December 2013	31 December 2014
Current liabilities:			
Short-term loans	1,409,800,000.00	1,023,000,000.00	989,445,000.00
Financial liabilities measured at fair value through profit or loss for the current period	-	-	-
Notes payable	-	-	-
Accounts payable	211,297,566.43	222,347,620.47	147,119,118.81
Advances from customers	12,131,032.89	9,667,278.30	12,087,368.17
Employee remuneration payable	28,090,979.22	31,173,812.15	38,648,432.41
Taxes payable	55,705,075.23	57,628,175.26	77,602,770.06
Interest payable	7,376,397.56	19,422,859.82	19,420,893.75
Dividend payable	-	-	-
Other payables	37,453,414.11	38,454,934.30	188,574,900.45
Liabilities classified as held-for-sale liabilities	-	-	-
Non-current liabilities due within one year	55,846,683.00	39,310,000.00	-
Other current liabilities	10,088,432.90	4,924,394.22	5,482,521.27
Total current liabilities	1,827,789,581.34	1,445,929,074.52	1,478,381,004.92
Non-current liabilities:			
Long-term loans	48,383,020.45	173,274,950.01	139,952,425.65
Bonds payable	-	397,728,975.00	398,767,929.40
Long-term payable	-	-	-
Long-term payroll payable	-	-	-
Specific payable	-	-	-
Contingent liabilities	-	-	-

For the Year Ended 31 December 2014 (expressed in RMB Yuan unless otherwise indicated)

Item	1 January 2013	31 December 2013	31 December 2014
Deferred income	1,506,000.00	2,950,000.00	4,200,000.00
Deferred tax liabilities	-	-	-
Other non-current liabilities	-	-	-
Total non-current liabilities	49,889,020.45	573,953,925.01	542,920,355.05
Total liabilities	1,877,678,601.79	2,019,882,999.53	2,021,301,359.97
Share Capital	392,767,870.00	392,767,870.00	392,767,870.00
Capital reserve	525,506,952.78	525,506,952.78	525,508,281.60
Less： treasury share	-	-	-
Other comprehensive income	-7,169,555.04	-8,260,833.09	-17,609,265.22
Special reserve	-	-	-
Surplus reserve	148,587,680.61	156,714,094.20	165,915,466.89
Undistributed profit	386,984,676.78	469,706,600.67	566,819,577.37
Total shareholders' equity attributable to the parent	1,446,677,625.13	1,536,434,684.56	1,633,401,930.64
Minority interests	2,407,597.94	2,384,907.19	3,078,356.59
Total shareholders' equity	1,449,085,223.07	1,538,819,591.75	1,636,480,287.23
Total liabilities and shareholders' equity	3,326,763,824.86	3,558,702,591.28	3,657,781,647.20

FIYTA Holdings Ltd.

12 March 2015