

FIYTA HOLDINGS LTD.

2016 Annual Report

March, 2017

Section 1 Important Notice, Table of Contents and Definition

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

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

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

Names of the directors failed in attending the meeting personally	Posts of the directors failed in attending the meeting personally	Cause of failure in attending the meeting personally	Names of the attorneys
Zhong Sijun	Director	Business trip	Wang Mingchuan

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

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

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

Table of Contents

Section 1 Important Notice, Table of Contents and Definitions

Section 2 Company Profile and Financial Highlights

Section 3 Business Summary

Section 4 Discussion and Analysis of the Management

Section 5 Significant Events

Section 6 Changes in Shares and Particulars about the Shareholders

Section 7 About the Preferred Shares

Section 8 Directors, Supervisors, Officers and Employees

Section 9 Corporate Governance

Section 10 Bond Related Information

Section 11 Financial Report

Section 12 List of Documents Available for Inspection

Definition

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

Section 2 Company Profile and Financial Highlights

I. Company Profile

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

II. Liaison Persons and Communication Information

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

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

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

IV. Changes in Registration

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

V. Other Relevant Information

CPAs appointed

Name of the CPAs	Ruihua Certified Public Accountants (Special General Partnership)
------------------	---

Inapplicable

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

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

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

Inapplicable

VI. Summary of Accounting/Financial Data

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

No

	2016	2015	Year-on-year increase/decrease	2014
Turnover in CNY	2,993,864,561.43	3,162,196,212.90	-5.32%	3,278,142,785.87
Net profit attributable to the Company's shareholders, in CNY	110,662,681.59	121,702,057.44	-9.07%	145,591,136.39
Net profit attributable to the Company's shareholders less the non-recurring items, in CNY	97,200,540.64	113,441,715.91	-14.32%	136,799,116.72
Net cash flows arising from operating activities, in CNY	455,759,094.15	396,236,992.41	15.02%	289,189,630.97
Basic earning per share (CNY/share)	0.2522	0.3099	-18.62%	0.3710
Diluted earning per share (CNY/share)	0.2522	0.3099	-18.62%	0.3710
Return on equity, weighted average (%)	4.74%	7.24%	-2.50%	8.62%
	End of 2016	End of 2015	Increase/decrease at the end of the year over the end of the previous year	End of 2014
Total assets, in CNY	4,004,897,562.72	4,246,670,045.02	-5.69%	3,657,781,647.20
Net assets attributable to the Company's shareholders (owner's equity attributable to the Company's shareholders, in CNY)	2,371,370,535.17	2,299,215,650.21	3.14%	1,633,401,930.64

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

(I) Differences in the net profit disclosed in the financial report & the net assets attributable to the Company's shareholders respectively according to the IAS and the CAS.

Inapplicable

(II) Differences in the net profit disclosed in the financial report & the net assets attributable to the Company's shareholders according to both the IAS and the CAS

Inapplicable

VIII. Financial Data Summary based on Quarters

In CNY

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Operating revenue	732,961,459.52	746,566,323.66	754,607,535.18	759,729,243.07
Net profit attributable to the Company's shareholders	27,251,347.69	33,261,671.75	47,808,248.72	2,341,413.43
Net profit attributable to the Company's shareholders less the non-recurring profit and loss	27,249,320.31	32,543,089.53	47,563,700.79	-10,155,569.99
Net cash flows arising from operating activities	97,495,185.15	120,114,547.39	73,431,299.53	164,718,062.08

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

No

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

in CNY

Items	Amount in 2016	Amount in 2015	Amount in 2014	Note
Gain/loss from disposal of non-current assets, including the part offset from the provision for impairment of assets.	-660,129.92	34,435.32	-44,920.98	
Government subsidy credited to the current gain and loss (except the government subsidies closely related with the Company's business and enjoyable according to the unified standard quota or fixed amount specified by the central government).	17,234,482.25	10,889,579.23	10,344,542.00	
Operating income and expenses other than the aforesaid items	935,294.98	-17,790.06	0.00	
Less: Amount affected by the income tax			1,149,979.86	
Amount affected by minority equity (after tax)	4,047,506.36	2,645,882.96	2,657,581.21	
Total	13,462,140.95	8,260,341.53	8,792,019.67	--

For the Company's non-recurring gain/loss items as defined in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering their Securities to the Public – Non-recurring Gains and Losses and its non-recurring

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

Inapplicable

Section 3 Business Summary

I. Principal Businesses in the Reporting Period

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

No

FIYTA has been concentrating itself in watch industry under the strategy of brand building, carrying forward integration and upgrading of the key value chain, successfully constructed watch retail network with all standing of HARMONY and the Sales Company (including BRAND GALLERY), e-commerce platform, etc. so as to provide extremely considerable excellent services to vast consumers; improved the watch research & development, design, manufacture platform, and formed an own brand cluster with the high-end brands, FIYTA watch and fashion brands with the principal components and the brands and products have been continuously improved.

II. Significant Changes in the Prime Assets

1. Significant Changes in the Prime Assets

Prime Assets	Notes to Significant Changes
Equity Assets	On November 11, 2015 China Securities Regulatory Commission issued the Official Reply to FIYTA Holdings Ltd. on Approval for Non-public Issuing (ZHENG JIAN XU KE [2015] No. 2588 which authorized the Company to issue no more than 46,911,649 new shares in non-public way. Ended December 22, 2015, the Company completed the work of non-public issuing of 45,977,011 A-shares to the designated investors. After deducting the issuing costs, the net raised capital amounted to CNY 582,924,373.62. Upon the foregoing transaction, the Company increased the registered capital by CNY 45,977,011 with the total registered capital turning to be CNY 438,744,881, and increased the capital reserve by CNY 536,947,362.62. The A shares involved in the non-public issuing were registered for listing on January 15, 2016 and the sales restriction was released on January 16, 2017.
Construction-in-progress	In the reporting year, Guangming New Zone Watch Industry Base successfully passed the completion inspection and was transferred into fixed assets with total amount of CNY 298,884,061.22.

2. Summary of Overseas Assets

Inapplicable

III. Analysis on Core Competitiveness

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

No

FIYTA's core competitiveness is a collection consisting of a set of techniques and technology which enables the Company to provide customers with particular values, is the competitive power on which our products or services rely in achieving the leading position. It consists of the ability of brand building, ability of offering top quality services, ability of product innovation, ability of knowledge management and ability of management of strategic human resources. So far, the Company has established an industrial design center at national level and a technology center at national level. All our manufacture enterprises are national hi-tech enterprises. In addition, the Company has participated in preparation or revision of a number of national industrial standards.

In addition to continuous consolidation of the aforesaid core competences, during the reporting period, the Company achieved great success in construction of science and technology platform and scientific and technological innovation. The Company's technology platform has been recognized as a key laboratory of high industry in China and has been awarded as a model science and technology collective of the "12th Five-Year Plan" of China light industry. In 2016, the Company was awarded two third prizes for scientific and technological advancement of China light industry, one "First Prize for Industry Design at the First Erdos International Creative Design Competition", "the Gold Award of the 8th Provincial Governor Cup Industrial Design Competition", "the Bronze Award of the 8th Provincial Governor Cup Industrial Design Competition", "the Honorable Mention at Shenzhen Competition Area of the 8th Provincial Governor Cup Industrial Design Competition", "China Red Star Design Award 2016" and "Honorable Mention of the 18th China design patents". In the year, the Company applied for 3 patents for invention, 11 utility model patents and 26 design patents. In the very year, the Company took lead or participated in preparation or revision of 5 national industrial standards.

Section 4 Discussion and Analysis of the Management

I. General

In 2016, in the face of the external environment of economic slowdown and uncertainty, the Company withstood the enormous operation pressure up and down, still insisted on the enterprise philosophy, with the enterprise values of "customer orientation, good faith, cooperation, learning and innovation, and speed", based on the annual subject terms of "deep ploughing, integration, innovation and efficiency improvement", concentrated itself in doing the best in the "Chinese Market", kept a close watch on "the Chinese people's market", with study on customers as the origin, carefully studied the industrial development trend and customers' demands, kept laying solid management foundation, tried hard in building excellent own brand ethnic group and high efficiency famous brand watch comprehensive service system. Thanks to the joint efforts of all the colleagues of the Company, the Company realized sales revenue amounting to CNY 2,993,864,561.43 in the reporting year, a year-on-year drop by 5.32%; the realized net profit attributable to the Company's shareholders amounted to CNY 110,662,681.59, a year-on-year drop by 9.07% and the net cash flow generated from operation activities amounted to CNY 455,759,094.15.

During the reporting period, the Company achieved new progress in optimizing the business model of "products+channel" and improving the whole value chain arrangement; continuously carried forward the brand development strategy with FIYTA, high-end brands, Jonas & Verus and JEEP as the subjective with coverage of high, medium and fashion brands. The exclusive operation of Beijing Brand watches has been granted by means of authorization which has enriched its own brand ethnic group. and became a new member of the brand ethnic group. The Company's innovative design center

was elected "an industrial design center at national level", the driving units project was substantially carried forward; the Company's core ability in the professional supporting platform for research, design, productions was further improved; the channel system with multi-dimensional comprehensive coverage of high, medium, fashion, e-commerce, domestic and overseas jointly constructed by HARMONY, FIYTA Sales Co., Ltd., FIYTA Hong Kong and 68zhan.com got further developed and favorably raised the market share of the Company's retail business and supported the sustainable development of the Company's product brand.

During the reporting period, with the joint collaboration of the research, design, production and sales departments of FIYTA brand, the brand construction based on 4P+C brand has been improved and the brand reputation has been continuously raised, and the brand competitiveness has been gradually manifested and the market share has been continuously expanded. So far, FIYTA Brand has entered and been stationed in 30 countries/regions and the number of overseas channels has broken through 100 and the number of domestic channels has broken through 3000 and brand competitive edge has been steadily improved. Meanwhile, based on sustainable development and enriching series products and with combination of application of the intellectual technology, the Company created FIYTA Impress.Series Light Smart Wrist Watch together with ALIBABA Group which have brought about brand new experience to the users. During the reporting period, the operation efficiency and customer satisfaction of FIYTA Brand have been continuously improved. The Company realized a operation revenue amounting to CNY 897,301,500.23, a year-on-year growth of 1.36%. Meanwhile, the Company has enthusiastically carried forward the development strategy of the Company's high-end brands, fashion brands and Beijing brand.

During the reporting period, HARMONY Channel Brands have established a business model transition from "a famous brand watch retail service provider" towards "a famous brand watch comprehensive service providers". In the face of complicated and changeable high-end consumption environment, HARMONY closely centered on the annual work theme of "values, customers, deep ploughing, innovation and profit", focused on the four tasks of "study on customers, deep ploughing in operation, innovative development and striving to achieve great success", put forth effort on developing "three high" team, positively coped with changes of the market environment, continuously developed customer research work so as to affine customers and improve the customers' consumption experience; with "deep ploughing" as the orientation, continuously carried out the per-unit-yield improvement work, adjusted the business structure, cut short the redundant investment, replaced the low efficiency assets and improved the assets operation efficiency; with profit as the objective, conduct dynamic monitoring of the operation of physical stores, and adjusted and optimized the store structure in a timely way. In the reporting period, under the very difficult circumstances of the market, a preliminary result was achieved in business model transition of HARMONY famous brand watches, the gross profit rate of sales was raised and the profit on operation was significantly improved. The Company realized operation revenue amounting to CNY 1,973,725,639.76 with a year-on-year drop of 8.10%. Meanwhile, the Company's Grand Gallery got steady growth in channel development and sales income, and the efficiency of operation was continuously improved, the e-commerce channel was boosted steadily and the repairing service developed quickly and the Company's channel business income was raised enthusiastically and the construction of the channel system was enriched.

During the reporting period, the designing, R & D competence and the superiority in competitiveness of the Company's innovative design center and the technology center were further enhanced; the supply chain management ability and agile manufacturing ability of the manufacture platform were continuously improved, the production efficiency and product quality were constantly improved and the products were further well sold and enjoyed positive comments from the consumers. The spaceflight watches continuously developed and produced by the Company completed various tasks of Shenzhou-11 Airship; the Company implemented the informatization strategy on comprehensive way and entirely got online SAP information management system which has greatly improved the Company's organization operation efficiency.

The construction of the ability of these platforms has better supported the sustainable development of the Company's "products+channel" business model.

In the reporting period, the principal part of the Company's FIYTA Watch R & D and Manufacture Center has been put into application progressively and the Company's revenue from the properties kept steady growth continuously and the operation revenue realized reached RMB 99,036,108.21, with a year-on-year growth of 4.39%.

Movements of the Key Financial Items in 2016 are summarized as follows:

Statement Items	2016	2015	Increase/ Decrease (%)	Cause of the Movements
Operating revenue	2,993,864,561.43	3,162,196,212.90	-5.32%	
Operating costs	1,772,811,718.01	1,929,513,666.04	-8.12%	
Sales expenses	760,530,356.03	779,536,520.59	-2.44%	
Administrative expenses	201,274,142.02	198,077,866.76	1.61%	
Financial expenses	68,887,564.91	94,347,464.79	-26.99%	
Net cash flow arising from operating activities	455,759,094.15	396,236,992.41	15.02%	
Net cash flow arising from investment activities	-185,209,981.10	-230,011,696.17	-19.48%	
Net cash flow arising from investment activities	-482,612,797.72	354,689,968.60		It was mainly due to that the non-public issuing as of year 2015 of A shares was completed and the bank borrowings were reduced in the reporting year.

II. Analysis on Principal Businesses

1. General

Refer to "I. General" of "Discussion and Analysis of the Management"

2. Revenue and Costs

(1) Operating Revenue Composition

In CNY

	2016		2015		Year-on-year increase/decrease
	Amount	Proportion in the operating revenue	Amount	Proportion in the operating revenue	
Total operating revenue	2,993,864,561.43	100%	3,162,196,212.90	100%	-5.32%
Classified based on sectors					
Watches	2,871,027,139.9	95.90%	3,032,902,719.4	95.91%	-5.34%

	9		1		
Lease	99,036,108.21	3.30%	94,871,950.77	3.00%	4.39%
Others	23,801,313.23	0.80%	34,421,542.72	1.09%	-30.85%
Classified based on products					
Watches	1,973,725,639.76	65.94%	2,147,608,465.85	67.91%	-8.10%
FIYTA watches	897,301,500.23	29.96%	885,294,253.56	28.00%	1.36%
Lease	99,036,108.21	3.30%	94,871,950.77	3.00%	4.39%
Others	23,801,313.23	0.80%	34,421,542.72	1.09%	-30.85%
Classified based on regions					
South China	996,436,356.08	33.28%	1,034,176,502.17	32.71%	-3.65%
Northwest China	489,661,181.56	16.35%	524,570,697.36	16.59%	-6.65%
North China	470,509,053.79	15.72%	504,961,668.45	15.97%	-6.82%
East China	424,998,042.02	14.20%	449,126,026.79	14.20%	-5.37%
Northeast China	275,092,433.66	9.19%	303,634,173.44	9.60%	-9.40%
Southwest China	996,436,356.08	33.28%	1,034,176,502.17	32.71%	-3.65%

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

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

No

In CNY

	Operating revenue	Operating costs	Gross profit rate	Year-on-year increase/decrease of operating revenue over the previous year	Year-on-year increase/decrease of operating costs over the previous year	Year-on-year increase/decrease of gross profit rate over the previous year
Sectors						
Watch	2,871,027,139.99	1,755,381,683.73	38.86%	-5.34%	-7.91%	1.71%
Lease	99,036,108.21	13,544,062.15	86.32%	4.39%	-6.81%	1.64%
Others	23,801,313.23	3,885,972.13	83.67%	-30.85%	-56.31%	9.51%
Products						
Famous brand watches	1,973,725,639.76	1,467,331,518.39	25.66%	-8.10%	-9.64%	1.27%

FIYTA watches	897,301,500.23	288,050,165.34	67.90%	1.36%	2.08%	-0.23%
Lease	99,036,108.21	13,544,062.15	86.32%	4.39%	-6.81%	1.64%
Others	23,801,313.23	3,885,972.13	83.67%	-30.85%	-56.31%	9.51%
Regions						
South China	996,436,356.08	505,052,726.99	49.31%	-3.65%	-10.24%	3.72%
Northwest China	489,661,181.56	313,757,695.26	35.92%	-6.65%	-7.85%	0.83%
North China	470,509,053.79	303,527,675.35	35.49%	-6.82%	-7.75%	0.65%
East China	424,998,042.02	258,333,324.92	39.22%	-5.37%	-7.03%	1.08%
Northeast China	275,092,433.66	172,735,780.16	37.21%	-9.40%	-10.48%	0.76%
Southwest China	337,167,494.32	219,404,515.32	34.93%	-2.48%	-3.14%	0.45%

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

Inapplicable

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

☒ yes ☐ no

Based on sector(s)	Items	Unit	2016	2015	Year-on-year increase/decrease
FIYTA watches	Sales volume	pcs	975,070	967,866	0.74%
	Output	pcs	872,116	1,185,408	-26.43%
	Stock	pcs	897,180	1,000,134	-10.29%

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

Inapplicable

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

☐ Applicable ☒ Inapplicable

(5) Composition of Operating Costs

Classified based on sectors and products

In CNY

Classified based on sectors	Items	2016		2015		Year-on-year increase/decrease
		Amount	Proportion in operating costs	Amount	Proportion in operating costs	

Watches	Merchandise procurement cost	1,467,331.51 8.39	82.77%	1,623,918,119 .34	84.16%	-9.64%
Watches	Raw materials	255,161,011.8 3	14.39%	243,872,473. 79	12.64%	4.63%
Watches	Labor cost	23,587,107.9 8	1.33%	26,043,601.6 5	1.35%	-9.43%
Watches	Depreciation cost	2,084,515.81	0.12%	2,186,010.90	0.11%	-4.64%
Watches	Utilities	1,462,288.72	0.08%	2,566,336.12	0.13%	-43.02%
Watches	Rental fee	2,408,563.43	0.14%	2,211,474.27	0.11%	8.91%
Watches	Others	3,346,677.57	0.19%	5,287,170.65	0.27%	-36.70%
Lease	Depreciation cost	9,144,044.91	0.52%	9,144,144.60	0.47%	0.00%
Lease	Labor cost	1,540,446.00	0.09%	480,178.00	0.02%	220.81%
Lease	Others	2,859,571.24	0.16%	4,909,628.18	0.25%	-41.76%
Others	Procurement cost	3,885,972.13	0.22%	8,894,528.54	0.46%	-56.31%

In CNY

Classified based on products	Items	2016		2015		Year-on-year increase/decrease
		Amount	Proportion in operating costs	Amount	Proportion in operating costs	
Brand watches	Merchandise procurement cost	1,467,331.51 8.39	82.77%	1,623,918,119 .34	84.16%	-9.64%
FIYTA watches	Raw materials	255,161,011.8 3	14.39%	243,872,473. 79	12.64%	4.63%
FIYTA watches	Labor cost	23,587,107.9 8	1.33%	26,043,601.6 5	1.35%	-9.43%
FIYTA watches	Depreciation fee	2,084,515.81	0.12%	2,186,010.90	0.11%	-4.64%
FIYTA watches	Utilities	1,462,288.72	0.08%	2,566,336.12	0.13%	-43.02%
FIYTA	Rental fee	2,408,563.43	0.14%	2,211,474.27	0.11%	8.91%

watches						
FIYTA watches	Others	3,346,677.57	0.19%	5,287,170.65	0.27%	-36.70%
Lease	Depreciation fee	9,144,044.91	0.52%	9,144,144.60	0.47%	0.00%
Lease	Labor cost	1,540,446.00	0.09%	480,178.00	0.02%	220.81%
Lease	Others	2,859,571.24	0.16%	4,909,628.18	0.25%	-41.76%
Others	Procurement cost	3,885,972.13	0.22%	8,894,528.54	0.46%	-56.31%

Note:

Inapplicable

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

Kunming Lishan Company, one of HARMONY's subsidiaries was cancelled on December 28, 2016 and the Company did not put it in the consolidation at the end of the reporting period.

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

Inapplicable

(8) Major trade debtors and major suppliers

Information about the major trade debtors

Total sales to the top five customers, in CNY	326,013,262.41
Proportion of the total sales to the top five customers in the total sales of the year,	10.90%
Proportion of the sales volume to the top five customers in the total sales to the related parties in the year	2.42%

Information of the top 5 customers

No.	Customers	Sales (in CNY)	Proportion in the total sales of the year
1	VIP.COM	88,821,776.04	2.97%
2	Rainbow Supermarket	72,415,842.70	2.42%
3	Yongan Department Store Co., Ltd.	57,448,055.42	1.92%
4	Pinghe Tong (China) Ltd.	54,098,217.88	1.81%
5	Kaiyuan Shopping Mall Co., Ltd.	53,229,370.37	1.78%

Total	--	326,013,262.41	10.90%
-------	----	----------------	--------

Other Information about the major customers

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

Top 5 suppliers

Total amount of purchase from top five suppliers, in CNY	985,337,510.19
Proportion of the purchase amount from the top five suppliers in the Company's total purchase amount	55.58%
Proportion of purchase amount from the top 5 suppliers in the total purchase amount from the related parties in the year	0.00%

Information about the top 5 suppliers

No.	Suppliers	Purchase amount, in CNY	Proportion in the total purchases of the year (%)
1	SMH Swiss Watch Trading (Shanghai) Co., Ltd.	549,811,610.16	31.01%
2	Ningbo Shangheng Watches Co., Ltd.	198,705,712.37	11.21%
3	Rolex (Guangzhou) Ltd.,	110,943,641.88	6.26%
4	Shenzhen C.S.J. Watch Promotion Ltd.	65,369,222.20	3.69%
5	Lifeng Commerce Co., Ltd.	60,507,323.58	3.41%
Total	--	985,337,510.19	55.58%

Other information about the major suppliers

Inapplicable

3. Expenses

In CNY

	2016	2015	Year-on-year increase/decrease	Note to significant changes
Sales expenses	760,530,356.03	779,536,520.59	-2.44%	
Administrative expenses	201,274,142.02	198,077,866.76	1.61%	
Financial expenses	68,887,564.91	94,347,464.79	-26.99%	

4. Investment in R & D

The Company has always attached importance on technology innovation work all the time, enhances its core competitiveness through innovation of the technology with own intellectual property, consolidate its leading position of self-innovation in China's clock and watch brands so as to realize its vision of becoming an international brand and improve its international competitiveness in the industry. In year 2016, the Company's total investment in R & D amounted to CNY 41,757,819.70, a 11.41% growth over the previous year, taking 1.76% of the net assets as audited in the most recent period and taking 1.39% of the operation revenue as audited in the most recent period. The growth of the R & D budget in 2016 was mainly for consolidating the Company's leading position in self-dependent innovation in China's watch brands. The Company increased investment in such key technology fields as space watches, industrial design, timekeeping technology, research on application of new materials, etc., greatly increased personnel, equipment, research budget, etc., and achieved a number of scientific research achievements. In 2016, the Company applied for 40 patents for invention and utility models. By virtue of the accumulation in innovation mechanism, innovation ability, innovative talents and innovation products, etc., the Company has been granted the title of "National Certified Enterprise Technology Center" in addition to the existing titles of "Hi-tech Enterprise at National Level", "Industrial Design Center at National Level" and "National Technology Innovation Demonstration Enterprise", and has been elected "a pilot enterprise for implementing the standards for industrialization and informatization integration management system" and "Model Collective in Scientific and Technological Innovation of Light Industry in the 12th Five-Year Plan".

Information of Investment in R & D

	2016	2015	Variable proportion
Number of R & D staff (persons)	43	39	10.26%
Proportion of R & D staff in total employees	0.81%	0.70%	0.11%
Amount of investment in R & D, in CNY	41,757,819.70	37,481,362.43	11.41%
Proportion of investment in R & D in operating revenue	1.39%	1.19%	0.20%
Amount of capitalized investment in R & D (in CNY)	0.00	0.00	0.00%
Proportion of capitalized investment in R & D in the total investment in R & D	0.00%	0.00%	0.00%

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

Inapplicable

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

Inapplicable

5. Cash flow

In CNY

Items	2016	2015	Year-on-year increase/decrease
Sub-total of cash flow received from operation activities	3,450,624,235.76	3,696,332,927.45	-6.65%
Subtotal of cash flow paid for operating activities	2,994,865,141.61	3,300,095,935.04	-9.25%
Net cash flow arising from operating activities	455,759,094.15	396,236,992.41	15.02%
Sub-total of cash flow-in received from investing activities	4,534,113.94	340,367.11	1,232.12%
Sub-total of cash flow paid for investment activities	189,744,095.04	230,352,063.28	-17.63%
Net cash flow arising from investment activities	-185,209,981.10	-230,011,696.17	-19.48%
Sub-total cash flow received from financing activities	1,405,213,268.91	2,937,413,848.66	-52.16%
Sub-total cash flow paid for financing activities	1,887,826,066.63	2,582,723,880.06	-26.91%
Net cash flow arising from financing activities	-482,612,797.72	354,689,968.60	-236.07%
Net increase in cash and cash equivalents	-210,160,120.12	522,507,805.39	-140.22%

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

Net cash flow-in arising from investment activities:

During the reporting period, growth of cash flow-in from investment activities by 1,232.12% on year-on-year basis was mainly due to increase of flow-in from disposal of fixed assets of Montres Chouriet SA.

Cash flow-in arising from financing activities:

During the reporting period, a drop of cash flow-in from financing activities by 52.16% was mainly due to that the Company completed the work of raising proceeds by non-public issuing of A shares in 2015 and the bank loans were reduced in the reporting year accordingly.

Net cash-flow arising from financing activities:

During the reporting period, that the cash flow arising from financing activities decreased by 236.07% over the same

period of the previous year was mainly due to that Company completed the work of raising proceeds by non-public issuing of A shares in 2015 and the bank loans were reduced in the reporting year accordingly.

Net increase of cash and cash equivalent:

In the reporting period, that net increase of cash and cash equivalent dropt by 140.22% was mainly due to that the Company successfully completed non-public issuing of A-shares.

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

Inapplicable

III. Analysis on Non-Principal Businesses

Inapplicable

IV. Assets and Liabilities

1. Significant Changes in Assets Composition

In CNY

	End of 2016		End of 2015		Proportion increased/d decreased	Note to significant changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary capital	428,802,75 5.81	10.71%	638,962,87 5.93	15.05%	-4.34%	
Accounts receivable	306,671,02 1.69	7.66%	304,725,67 6.29	7.18%	0.48%	
Inventories	1,997,097, 192.38	49.87%	2,092,691,0 19.29	49.28%	0.59%	
Investment based real estate	244,202,63 5.09	6.10%	216,948,19 3.02	5.11%	0.99%	
Long term equity investment	43,423,624 .87	1.08%	43,221,572. 05	1.02%	0.06%	
Fixed assets	611,204,16 9.03	15.26%	361,979,82 8.01	8.52%	6.74%	
Construction-in-process	0.00	0.00%	173,189,27 4.57	4.08%	-4.08%	
Short term	1,098,438,	27.43%	988,186,20	23.27%	4.16%	

loan	070.00		0.00			
Long term loan	115,301,048.00	2.88%	90,994,964.33	2.14%	0.74%	

2. Assets and liabilities measured based on fair value

Inapplicable

3. Restriction on rights in the assets ended the reporting period

A property located in Hong Kong owned by Station 68 Ltd. with the net value of CNY 3,054,864.89 has been used as collateral for the overseas long term loans amounting to CNY 227,187.52; a property owned by Montres Chouriet SA with net value of CNY16,958,617.77has been used as collateral for the overseas long term loans amounting to CNY 5,439,120.00. The total book amount of the aforesaid properties was CNY20,013,482.66.

V. Investment

1. General

Inapplicable

2. Significant equity investment acquired in the reporting period

Inapplicable

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

Inapplicable

4. Financial assets investment

(1) Portfolio investment

Inapplicable

(2) Investment in derivatives

Inapplicable

5. Application of raised capital

(1) General application of the raised capital

In CNY 10,000

Year of raising	Way of raising	Total capital raised	Total amount of raised capital used in the reporting period	Total accumulative amount of raised capital used accumulated	Total raised capital whose application purpose has been changed in the reporting period	Total accumulative raised capital whose application purpose has been changed	Proportion of the total accumulative raised capital whose application purpose has been changed	Total raised capital not yet used	Application and status of the raised capital unused	Amount of the raised capital idled for more than 2 years
2012	Issuing company bonds	40,000	0	40,000	0	0	0.00%	0	Inapplicable	0
2015	Non-public issuing of A-shares	60,000.00	31,492.27	47,850.68	0	0	0.00%	10,721.75	Inapplicable	0
Total	--	100,000.00	31,492.27	87,850.68	0	0	0.00%	10,721.75	--	0

Note to General Application of the Raised Capital

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

capital. By February 29, 2016, the Company had redeemed all the company bonds and the company bonds have been delisted.

The Company held the 18th session of the Seventh Board of Directors and 2014 Annual General Meeting respectively on April 16, 2015 and June 17, 2015. The meetings reviewed and approved the Proposal on the Plan for Non-public Issuing of A-shares to the Specified Investors, etc., according to which the Company planned to issue in a non-public way A-shares to no more than 10 (with 10 inclusive) specified investors with the total raised capital not exceeding CNY 600 million, which would be applied for four projects, including the project of launching new FIYTA watches and supplement the working capital. The application for non-public issuing of A-shares was reviewed and approved by CSRC Securities Issuance Examination Committee (CSIEC) on October 30, 2015. On November 17, 2015, the Company received Official Reply to FIYTA Holdings Ltd. on Approval for Non-public Issuing (ZHENG JIAN XU KE [2015] No. 2588 which authorized the Company to issue no more than 46,911,649 new shares in non-public way. The actual number of A-shares actually issued in the non-public issuing activity was 45,977,011 shares and the raised capital amounted to CNY 599 million. After deduction of the underwriting fee, the raised capital amounted to RMB 585 million, designated by the Company on December 18, 2015. Grant Thornton Certified Public Accountants (Special General Partnership) issued the Capital Verification Reports ZHI TONG YAN ZI (2015) No. 441ZC0653, ZHI TONG YAN ZI (2015) No. 441ZC0652 respectively for the raised capital. Up to now, the capital raised from non-public issuing of A-shares is going to be applied for the originally designated application purpose and there exists no such a case that the application purpose has been changed. The concerned follow-up commitments have been completed in implementation.

(2) Promised Projects with Raised Capital

In CNY 10,000

Promised investment projects and investment with the over-raised capital	Has the project been changed (including partial change)	Total promised investment with raised capital	Total investment after adjustment (1)	Amount invested in the report period	Amount accumulatedly invested up to the end of the report period (2)	Investment progress by the end of the report period (%) (3) = (2)/(1)	Date when the project has reached the predicted applicable status	Result realized in the reporting period	Has the predicted operation result been reached ?	Has significant change taken place in the feasibility of the project?
Investment projects as promised										
Repayment of bank loan	No	30,000	30,000	0	30,000	100.00 %		0	Yes	No
Replenishing the working capital.	No	10,000	10,000	0	10,000	100.00 %		0	Yes	No
Project of Launching New FIYTA Watches	No	18,000.00	18,000.00	17,981.66	18,000.00	100.00 %		3,845.13	Yes	No

FIYTA E-commerce project	No	12,000.00	12,000.00	5,804.02	7,017.76	58.48%		2,114.21	Yes	No
FIYTA Brand Marketing Promotion Project	No	10,000.00	10,000.00	3,350.52	8,051.17	80.51%		-	Yes	No
Technical Service Website Construction Project	No	5,000.00	5,000.00	887.97	1,313.63	26.27%		207.00	Yes	No
Replenishing working capital	No	15,000.00	15,000.00	3,468.10	13,468.12	89.79%		-	Yes	No
Subtotal of investment projects as committed	--	100,000	100,000	31,492.27	87,850.68	--	--	6,166.34	--	--
Intended investment with the over-raised capital										
Inapplicable										
Subtotal of the intended investment with the over-raised capital	--	0	0	0	0	--	--	0	--	--
Total	--	100,000	100,000	31,492.27	87,850.68	--	--	6,166.34	--	--
Case of failure to satisfy the plan progress or predicted revenue and the cause (based on specific project)	Inapplicable									
Note to the significant change in the feasibility of a project	Inapplicable									
Amount, application and application progress of the over-raised capital	Inapplicable									
Change of the site for implementation of the project invested with the raised capital	Inapplicable									
Adjustment of the way of implementation of the project invested with the raised capital	Inapplicable									

Earlier investment in and replacement of the project invested with the raised capital	Applicable
	The Company raised proceeds from non-public issuing of A-shares amounting to CNY 599 million. After deduction of the underwriting fee, the proceeds amounted to CNY 585 million. According to the Proposal for Replacing the Self-raised Fund Earlier Invested in the Project(s) to be Invested with Raised Capital with the Raised Capital reviewed and approved at the 5 th session of the Eighth Board of Directors, the Company decided to replace the self-raised capital invested earlier with the raised capital amounting to CNY 63.5839 million. Ended December 31, 2016, the replacement with the proceeds was completed. The said replacement with the raised capital does not contradict the implementation plan of the projects to be invested with the raised capital from the non-public issuing and shall not affect the normal process of the projects to be invested with the raised capital. There exists no such situation that the investment plan for the raised capital has been changed in disguised form or that it has harmed the shareholders' interest. The time distance from replacement of the raised capital to the entry of the raised capital into the bank account should not be less than 6 months.
The idled raised capital used to replenish working capital for time being	Inapplicable
Amount of the balance of the raised capital incurred in project implementation and the cause	Inapplicable
Application of the raised capital not yet used and the whereabouts	Inapplicable
Application of the raised capital and the existing problems not disclosed or other situation	Inapplicable

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

Inapplicable

VI. Sales of Significant Assets and Equity

1. Sales of Significant Assets

Inapplicable

2. Sales of Significant Equity

Inapplicable

VII. Analysis on Principal Subsidiaries and Mutual Shareholding Companies

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

In CNY

Company Names	Company type	Principal business	Registered capital	Total assets, in CNY	Net assets (CNY)	Turnover in CNY	Operating profit (in CNY)	Net profit (in CNY)
Shenzhen Harmony World Watches Center Co., Ltd.	Subsidiary	Wholesale, retail and repairing services of watches and components. Import & export (based on SHEN MAO JIN ZHUN ZI NO. [2001] No. 2204; sales of general merchandise, jewelry, diamond ornaments, leatherwares, pens, ties, tie clips, electronic products, communication equipment; domestic trading; property management; advertising business.	600,000,000	1,890,581,526.89	744,730,288.24	1,947,345,369.13	36,104,562.85	27,661,334.73

FIYTA Sales Co., Ltd.	Subsidiary	Design, R & D and sales of watches, timing instruments, and spare and accessory parts; sales of jewelry and ornaments; import & export of watches and repairing services.	450,000,000	723,981,732.88	411,494,634.03	963,197,362.05	-9,640,280.83	690,181.13
Shenzhen FIYTA Sophisticated Timepieces Manufacture Co., Ltd.	Subsidiary	R & D, design and sales of various watches and driving units, watchcases, watchbands, and other spare and accessory parts; sales of sophisticated timepieces and their parts and accessory parts; wholesale of K gold ornaments and watches, super hard materials (hard alloy, sophisticated ceramics) spare and accessory	10,000,000	129,164,663.45	57,795,713.17	323,019,394.20	44,985,371.40	41,841,338.70

		parts; and development of technology for the aforesaid products and supporting business; import & export. Production of various watches and driving units, watchcases, watchbands and other spare and accessory parts; production of sophisticated timepieces and their sophisticated spare and accessory parts; processing of K gold ornamental watches, superhard material (hard alloy, sophisticated ceramics) spare and accessory parts; and repairing of the aforesaid products.						
Shenzhen	Subsidiary	R&D,	10,000,000	72,588,537.	58,715,06	128,952,53	4,190,321.2	4,009,291.8

FIYTA Technology Developme nt Co., Ltd.		production sales of watches (excluding the products in the catalogue of measuring instruments under control according to the law); production & machining and sales of sophisticated parts and technology development; investment and initiation of industrial entities (application shall be submitted for a specific project); domestic commerce, materials supply and sales.		46	5.04	8.58	9	4
FIYTA (Hong Kong) Limited	Subsidiary	Trading of watches and accessories and investment.	137,737,520	462,147,658 .83	202,650,6 23.42	119,041,43 9.40	-7,931,545. 80	-9,001,023. 20
Shiyuehui Boutique (Shenzhen) Co., Ltd.	Subsidiary	Design, R & D, sales of timing instruments and spare and accessory parts; brand	5,000,000	9,956,890.2 7	2,972,009 .11	6,280,563. 61	660,405.22	508,194.66

		<p>planning, design, R&D, sales and wholesale of general merchandise, jewelry, ornaments and gifts (with the restricted items exclusive); brand planning; advertising business; import & export. production of timing instruments and spare and accessory parts; production of general merchandise, jewelry, ornaments, gifts.</p>						
Shanghai Watch Industry Co., Ltd.	Mutual shareholding company	<p>Production (outward processing) and sales of watches, watch driving units, watch parts, sophisticated instruments and accessories; goods import & export and</p>	15,350,000	105,456,418.40	97,909,695.16	86,054,541.55	3,124,281.70	2,343,211.28

		technology import & export.						
--	--	-----------------------------------	--	--	--	--	--	--

Subsidiaries acquired and disposed in the reporting period

Inapplicable

Particulars about the principal holding and mutual shareholding companies

Inapplicable

VIII. Structurized Entities Controlled by the Company

Inapplicable

IX. Development Prospect

(I) Development Trend of the Industry

In 2017, the brand watch market shall gradually recover its rationality. With continuous upgrading of consumption quality of medium- and high-income group in China, the demand on watches for self-use shall maintain steady growth; the consumption market share of high quality brand watches is expected to expand continuously. We maintain optimistic judgment for long term development potential of the brand watch market.

(II) Development Strategy

The Company shall continuously develop the business model of "products + channel", establish most outstanding watch brand group and brand watch comprehensive service body in the domestic watch industry, carry forward integration and improvement of the key value chain, improve the operation quality and operation efficiency, keep a foothold on the domestic market, unceasingly extend international cooperation and promote internationalization development of watch business.

(III) Summary of Operation Plan in 2017

1. To create a customer-focus organization. The Company shall continue to carry out whole-staff based study on customers, approach to and make deeper understanding of the customers; adjust the organization structure based on the customer value improvement process system and carry forward business innovation, construct a new customer relationship operation and linkage mechanism;
2. To systematically improve the brand image. The Company shall insist on the brand development strategy, apply "4P+C" brand building model, systematically improve own watch brand image and expand the brand market share.
3. To improve the per unit yield performance on overall basis. The Company shall deeply cultivate the principal business of watches, with customers' demand as the orientation, make innovative products and services, optimize the structure of channel, brands and products, and practically elevate growth of per unit yield benefit.
4. To develop repairing and technical service business. The Company shall continue to expand the investment construction of technical service businesses of HARMONY, TRUSTWORTHY, etc. promote innovation of the business model and operation management, speed up overall arrangement, optimize the network and improve the earning power.

5. To develop internationalization business. The Company shall enhance the understanding of the international market, study on overseas consumption market and differences of different customer groups, integrate and develop overseas business, and devote greater effort to develop international business space.
6. To speed up transition and upgrading of business model. The Company shall take the customers' demand as the orientation, enhance innovative management, increase investment in and enhance development of innovative businesses, further strengthen the proprietary brands and cooperative value of channels and accelerate transition and upgrading of the business model.
7. To set up data analysis ability. The Company shall integrate customer information resources by using the Internet and big data, get through the channel of internal information resources, constantly improve the informatization system and realize high efficiency datamation competition decision making analysis so as to understand customers' consumption habit, and improve the product and service supporting efficiency.
8. To improve service platform construction. The Company shall continuously improve the ability of the platforms of design, R & D, manufacture, etc. to offer the comprehensive service and support to proprietary brands.
9. To enhance organization ability construction. The Company shall take the Company's values as the driving force, apply FIYTA operation innovation system in a comprehensive and in-depth way, optimize talents incentive measures, constantly carry forward core speciality construction.

(IV) Capital Necessary for Future Development

According to the Company's business development plan and financial budget planning in 2017, for the purpose of satisfying the capital demand for investment and operation and at the same time timely seizing the development opportunity which is to be brought about from change of the market, the Company is going to apply for bank credit line not exceeding CNY 1.8 billion in various ways, including credit, secured loan, loans through subsidiaries, mortgage, etc.

(V) Risks Possibly to be Confronted with

1. As there exists uncertainty in the market environment, it becomes more and more difficult to make advance judgment on the watch retail business and market environment. With the change of consumers' and customers' preferences and business transformation, our self-renewal and improvement ability still needs to be improved.
2. Investment in and construction of the brand key value chain are still in process. It is still necessary to constantly insist on investment for the purpose of mastering the core technology of the driving units and key spares and accessories, etc.
3. The principal business model of retail and repairing of watches still belongs to traditional industry which relies on endophytism and continuous outstanding development with the varieties and patterns to be slightly unitary.
4. Lateral communication and resources synergistic interaction still need to be improved; comprehensive application of external resources still needs to be enhanced; it is still necessary to enhance innovation in terms of management thought and operation pattern.

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

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

Reception time	Way of reception	Types of visitors received	Index of basic information of survey
October 10, 2016	Field survey	Institution	http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000026
October 13, 2016	Field survey	Institution	http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000026
November 15, 2016	Field survey	Institution	http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000026
November 24, 2016	Field survey	Institution	http://irm.cninfo.com.cn/ircs/ssgs/companyIrmForSzse.do?stockcode=000026
Number of reception			4
Number of institutions received			19
Number of persons received			23
Number of other visitors received			0
Is there any important information disclosed, revealed or leaked to the public?			No

Chapter 5 Significant Events

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

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

The Company's 2015 Annual Profit Distribution Plan was reviewed and approved at the 6th session of the Eighth Board of Directors held on March 8, 2016 and 2015 General Meeting held on May 20, 2016. It was resolved that with the total share capital of 438,744,881 shares as at January 15, 2015 as the base, the Company distributed to the whole shareholders cash dividend at CNY 1.00 for every 10 shares (with tax inclusive), 0 bonus share for every 10 shares; converted no reserve into share capital. The implementation of the profit distribution plan was finished on June 28, 2016. For the detail, refer to the Announcement on Implementation of the Profit Distribution for Year 2015 (2016-026).

Special Note to Cash Dividend Distribution Policy	
Does it comply with the Articles of Association or the resolution of the General Meeting?	Yes
Are the profit distribution criteria and proportions definite and clear?	Yes
Are the relevant decision-making process and mechanism complete?	Yes
Do independent directors do their best in performing their duties and bring their duties into due play?	Yes
Do minority shareholders have opportunity to make full expression of their opinions and appeal? Have their lawful rights and interests been fully protected?	Yes
In case of adjustment or variation of the cash dividend distribution policy, do the conditions and procedures comply with the regulations and transparent?	Inapplicable

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

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

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

Profit Distribution Plan in 2015: With the total share capital of 438,744,881 shares as at January 15, 2016 as the base, the Company is going to distribute to the whole shareholders cash dividend at CNY 1.00 for every 10 shares (with tax

inclusive), 0 bonus share for every 10 shares; converted no reserve into share capital.

Profit Distribution Plan in 2016: With the total share capital of 438,744,881 shares as at Decenver 31, 2016 as the base, the Company is going to distribute to the whole shareholders cash dividend at CNY 1.00 for every 10 shares (with tax inclusive), 0 bonus share for every 10 shares; converted no reserve into share capital.

The accumulative amount of cash dividend distributed in the past three years took 100.83% of the annual average net profit in the past three years, which complies with the rules and regulations.

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

In CNY

Year of Dividend Distribution	Amount of Cash Dividend (including tax)	Net profit attributable to the Company's shareholders in the consolidated statements of the year of dividend distribution	Ratio of the net profit attributable to the Company's shareholders taken in the consolidated statements	Amount of cash dividend distributed in other way(s)	Proportion of the cash dividend distributed in other way(s)
2016	43,874,488.10	110,662,681.59	39.65%	0.00	0.00%
2015	43,874,488.10	121,702,057.44	36.05%	0.00	0.00%
2014	39,276,787.00	145,591,136.39	26.98%	0.00	0.00%

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

Inapplicable

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

Bonus shares distributed at the rate of ____ (share) for every 10 shares	0
Dividend distributed at the rate of CNY ____ for every 10 shares (with tax inclusive)	1.00
Number of shares converted for every 10 shares (shares)	0
Share capital base for the dividend distribution preplan (shares)	438,744,881
Total cash dividend distributed (with tax inclusive)	43,874,488.10
Profit available for distribution (CNY)	553,934,710.97
Proportion of the cash dividend in the total profit available for distribution (%)	100.00%
Cash Dividend Distribution this Time	
Others	

Detailed information for profit distribution or conversion of capital reserve into share capital preplan

The Company's profit distribution plan for 2016 was reviewed and approved at the 6th session of the Eighth Board of Directors held on March 8, 2017 and is going to be submitted to 2016 Annual General Meeting for review. According to the plan, the Company is going to distribute cash dividend at the rate of CNY 1.00 for every 10 shares (with tax inclusive) and 0 bonus share to the whole shareholders with the total share capital as at January 15, 2015 totaling 438,744,881 shares as the base; and no public reserve is going to be converted into share capital. The profit distribution plan is subject to review and approval of the General Meeting before implementation.

III. Implementation of Commitments

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

Commitments	Promiser	Commitment type	Description	Commitment time	Commitment deadline	Implementation status
Commitment for Equity Separation Reform						
Commitments in the acquisition report or the written report on change of equity						
Commitment made at the time of asset reorganization						

Commitment made at IPO or re-financing	Caitong Fund Management Co., Ltd.; MANULIFE TEDA Fund Management Co, Ltd.; Xizang Investment Co., Ltd.; Golden Eagle Asset Management Co., Ltd.; Sws Mu Fund Management Co., Ltd	Commitment on restricted sales of shares	The expected subscribers of the said non-public issuing including Caitong Fund Management Co., Ltd.; MANULIFE TEDA Fund Management Co, Ltd.; Xizang Investment Co., Ltd.; Golden Eagle Asset Management Co.,Ltd d.; Sws Mu Fund Management Co., Ltd. committed that the shares subscribed from the said non-public issuing must not be transferred within 12 months commencing from the listing of the shares.	January 15, 2016	1 year	Completed in implementation
Other commitments to the minority shareholders						

Have the commitments been implemented in a timely way	Yes
If the commitment has not been implemented at the end of the reporting period, it is necessary to explain the specific reason of failure in implementation and the future work plan.	Inapplicable

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

Inapplicable

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

Inapplicable

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

Inapplicable

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

Inapplicable

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

Inapplicable

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

Kunming Lishan Company, one of HARMONY's subsidiaries was cancelled on December 28, 2016 and the Company did not put it in the consolidation at the end of the reporting period.

IX. Engagement/Disengagement of CPAs

CPAs currently engaged

Name of the domestic CPAs	Ruihua Certified Public Accountants (Special General Partnership)
Remuneration to the domestic CPAs (in CNY10,000)	95
Successive years of the domestic CPAs offering auditing services	1
Name of the certified public accountants from the domestic CPAs	Ruihua Certified Public Accountants (Special General Partnership)

Has the CPAs been changed in the current period?

Yes

Was the CPAs changed during the auditing period

No

Is the procedure for examination and approval implemented in changing the CPAs?

Yes

Detailed description of replacing or changing the CPAs:

The Company held the 11th session of the Eighth Board of Directors and 2016 1st Extraordinary General Meeting respectively on October 25, 2016 and November 11, 2016. The meetings reviewed and approved the Proposal for Appointing New CPAs and approved the appointment of Ruihua Certified Public Accountants (Special General Partnership) as the Company's independent auditor and internal control auditing agent for year 2016 to take charge of auditing the Company's financial report and internal control system for year 2016 with the employment term of one year. For the detail, refer to the Announcement of the Resolution of the 11th Session of the Eighth Board of Directors No. 2016-036 and the Announcement of the Resolution of 2016 1st Extraordinary General Meeting No. 2016-042.

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

Inapplicable

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

Inapplicable

XI. Matters concerning Bankruptcy Reorganization

Inapplicable

XII. Significant Lawsuits and Arbitrations

Inapplicable

XIII. Penalty and Rectification

Inapplicable

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

Inapplicable

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

Inapplicable

XVI. Significant Related Transactions

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

Related Parties	Relationship	Type of related parties	Description of Related Transactions	Principle of pricing of the related transactions	Price of related transactions	Amount of the related transaction (in CNY 10,000)	Proportion in the amount of the similar transactions (%)	Transaction quota as approved (in CNY10,000)	Has the approved quota been exceeded?	Way of settlement for the related transaction	Market price	Disclosure date	Disclosure index
Rainbow Supermarket	Common controller	Income from principal businesses	Sales of goods	Market price	Inapplicable	7,241.58	2.42%	7,241.58	No	Bank account transfer	Inapplicable	March 10, 2016	www.cninfo.com.cn
China National Aviation Industry Group Co.	Eventual controller	Income from principal businesses	Sales of goods	Market price	Inapplicable	26.69	0.01%	26.69	No	Bank account transfer	Inapplicable	March 10, 2016	www.cninfo.com.cn
Shennan Circuit Co., Ltd.	Common controller	Income from principal businesses	Sales of goods	Market price	Inapplicable	502.12	12.85%	502.12	No	Bank account transfer	Inapplicable	March 10, 2016	www.cninfo.com.cn

		s											
CATIC PROPER TY	Commo n controll er	Income from principa l busines s	Propert y lease	Market price	Inapplic able	681.38	6.88%	681.38	No	Bank account transfer ence	Inapplic able	March 10, 2016	www.c ninfo.c om.cn
Xi'an Tianyue Hotel Co., Ltd.	Commo n controll er	Income from principa l busines s	Propert y lease	Market price	Inapplic able	439.52	4.44%	439.52	No	Bank account transfer ence	Inapplic able	March 10, 2016	www.c ninfo.c om.cn
CATIC Real Estate	Commo n controll er	Income from principa l busines s	Propert y lease	Market price	Inapplic able	160.31	1.62%	160.31	No	Bank account transfer ence	Inapplic able	March 10, 2016	www.c ninfo.c om.cn
Shenzhe n CATIC City Develop ment Co., Ltd.	Commo n controll er	Income from principa l busines s	Propert y lease	Market price	Inapplic able	146.16	1.48%	146.16	No	Bank account transfer ence	Inapplic able	March 10, 2016	www.c ninfo.c om.cn
CATIC Securities , Co., Ltd.	Commo n controll er	Income from principa l busines s	Propert y lease	Market price	Inapplic able	115.26	1.16%	115.26	No	Bank account transfer ence	Inapplic able	March 10, 2016	www.c ninfo.c om.cn
Shenzhe n CATIC City Property Develop ment Co., Ltd.	Commo n controll er	Income from principa l busines s	Propert y lease	Market price	Inapplic able	58.65	0.59%	58.65	No	Bank account transfer ence	Inapplic able	March 10, 2016	www.c ninfo.c om.cn
Rainbow Supermar ket	Commo n controll er	Income from principa l	Propert y lease	Market price	Inapplic able	50.13	0.51%	50.13	No	Bank account transfer ence	Inapplic able	March 10, 2016	www.c ninfo.c om.cn

		business											
Shenzhen CATIC Huachen Property Development Co., Ltd.	Common controller	Income from principal businesses	Property lease	Market price	Inapplicable	44.21	0.45%	44.21	No	Bank account transference	Inapplicable	March 10, 2016	www.cninfo.com.cn
Shenzhen CATIC Jiufang Assets Management Co., Ltd.	Common controller	Income from principal businesses	Property lease	Market price	Inapplicable	36.94	0.37%	36.94	No	Bank account transference	Inapplicable	March 10, 2016	www.cninfo.com.cn
CATIC Public Security Co., Ltd.	Common controller	Income from principal businesses	Property lease	Market price	Inapplicable	18.01	0.18%	18.01	No	Bank account transference	Inapplicable	March 10, 2016	www.cninfo.com.cn
Shenzhen CATIC Guanlan Real Estate Development Co., Ltd.	Common controller	Income from principal businesses	Property lease	Market price	Inapplicable	9.49	0.10%	9.49	No	Bank account transference	Inapplicable	March 10, 2016	www.cninfo.com.cn
CATIC Property & Assets Management Co., Ltd.	Common controller	Income from principal businesses	Property lease	Market price	Inapplicable	8.45	0.09%	8.45	No	Bank account transference	Inapplicable	March 10, 2016	www.cninfo.com.cn
Shenzhen CATIC City Development Co., Ltd.	Common controller	Income from principal businesses	Property lease	Market price	Inapplicable	2.37	0.02%	2.37	No	Bank account transference	Inapplicable	March 10, 2016	www.cninfo.com.cn

Ltd.		s											
Ganzhou CATIC Real Estate Develop ment Co., Ltd.	Commo n controll er	Sales expens es	Propert y lease	Market price	Inapplic able	104.2	1.59%	104.2	No	Bank account transfer ence	Inapplic able	March 10, 2016	www.c ninfo.c om.cn
Shenzhe n CATIC Changtai Investme nt Develop ment Co., Ltd.	Commo n controll er	Sales expens es	Propert y lease	Market price	Inapplic able	31.17	0.48%	31.17	No	Bank account transfer ence	Inapplic able	March 10, 2016	www.c ninfo.c om.cn
Jiujiang CATIC Real Estate Develop ment Co., Ltd.	Commo n controll er	Sales expens es	Propert y lease	Market price	Inapplic able	28.74	0.44%	28.74	No	Bank account transfer ence	Inapplic able	March 10, 2016	www.c ninfo.c om.cn
CATIC City Property (Kunshan) Co., Ltd.	Commo n controll er	Sales expens es	Propert y lease	Market price	Inapplic able	19.25	0.29%	19.25	No	Bank account transfer ence	Inapplic able	March 10, 2016	www.c ninfo.c om.cn
Jiujiang Commerc ial Managem ent Company	Commo n controll er	Sales expens es	Propert y lease	Market price	Inapplic able	1.7	0.03%	1.7	No	Bank account transfer ence	Inapplic able	March 10, 2016	www.c ninfo.c om.cn
Chengdu CATIC Real Estate Develop ment Co., Ltd.	Commo n controll er	Sales expens es	Propert y lease	Market price	Inapplic able	0.04	0.00%	0.04	No	Bank account transfer ence	Inapplic able	March 10, 2016	www.c ninfo.c om.cn
CATIC	Commo	Admini	Propert	Market	Inapplic	527.54	100.00	527.54	Yes	Bank	Inapplic	March	www.c

PROPER TY	n controll er	strative expens es	y manage ment fee	price	able		%			account transfer ence	able	10, 2016	ninfo.c om.cn
Rainbow Supermar ket	Commo n controll er	Sales expens es	Shoppin g mall costs	Market price	Inapplic able	470.83	8.27%	470.83	No	Bank account transfer ence	Inapplic able	March 10, 2016	www.c ninfo.c om.cn
Shenzhe n CATIC Real Building Technolo gy Co., Ltd.	Commo n controll er	Long term expens es to be apporti oned	Enginee ring paymen ts	Market price	Inapplic able	184.22	1.47%	184.22	Yes	Bank account transfer ence	Inapplic able	March 10, 2016	www.c ninfo.c om.cn
AVIC Internatio nal Economic and Trade Develop ment Co., Ltd.	Commo n controll er	Constru ction in progres s	Enginee ring paymen ts	Market price	Inapplic able	16.98	0.14%	16.98	Yes	Bank account transfer ence	Inapplic able	March 10, 2016	www.c ninfo.c om.cn
Shenzhe n CATIC Nanguan g Elevator Engineeri ng Co., Ltd.	Commo n controll er	Long term expens es to be apporti oned	Enginee ring paymen ts	Market price	Inapplic able	15.61	0.12%	15.61	Yes	Bank account transfer ence	Inapplic able	March 10, 2016	www.c ninfo.c om.cn
Shenzhe n CATIC Group Enterpris e Training Center	Commo n controll er	Admini strative expens es	Training fee	Market price	Inapplic able	12.94	0.83%	12.94	Yes	Bank account transfer ence	Inapplic able	March 10, 2016	www.c ninfo.c om.cn
Total				--	--	10,95 4.49	--	23,22 0	--	--	--	--	--
Details of the rejection of the goods already sold in big amount				Inapplicable									
In case the total amount of the regular related transaction incurred in the				The 6 th session of the Eighth Board of Directors and 2015 Annual General Meeting reviewed and approved the Proposal on Implementation of the Regular Related Transactions in 2014 and									

reporting period has been predicted based on categories, state the actual implementation of the in the reporting period (if any)	Prediction of the Regular Related Transactions in 2016. It is predicted that the total amount of the related transactions between the Company and the Related Parties would not exceed CNY 232.20 million in Year 2016 while the amount of the related transactions actually incurred in the reporting year was CNY 109.5449 million, which has not exceeded the predicted amount. Where the advances paid to CATIC Property by the Company for the property management fee did not exceed CNY 3 million while the amount of the related transactions actually incurred was CNY 5.2754 million of which the exceeded part has not reached the approved amount. The amount of related transactions between the Company and Shenzhen CATIC Real Building Technology Co., Ltd., AVIC International Economic and Trade Development Co., Ltd., Shenzhen CATIC Nanguang Elevator Engineering Co., Ltd. and Shenzhen CATIC Group Enterprise Training Center has not reached the approved amount either.
Cause of the big difference between the transaction price and the market reference price. (if applicable)	Inapplicable

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

Inapplicable

3. Related transactions concerning joint investment in foreign countries

Inapplicable

4. Current Associated Rights of Credit and Liabilities

Due from related parties

Related parties	Relationship	Causes of formation	Does there exist non-operation capital occupancy?	Opening balance (in CNY10,000)	Newly increased amount in the reporting period (in CNY10,000)	Amount recovered in the reporting period (in CNY10,000)	Interest rate	Interest in the reporting period (in CNY10,000)	Ending balance (in CNY10,000)
Rainbow Supermarket	Common controller	Payment for goods	No	801.28	8,472.65	8,340.7			933.23
Shennan Circuit Co., Ltd.	Common controller	Payment for goods	No	717.19	587.48	1,163.69			140.98
Ganzhou CATIC Jiufang	Common controller	Payment for goods	No	28.96	0	28.96			0

Commerce Co., Ltd.									
China National Aviation Industry Group Co.	Eventual controller	Payment for goods	No	1.35	31.23	32.58			0
Rainbow Supermarket	Common controller	Shopping mall deposit	No	56.31	12.44				68.75
CATIC PROPERTY	Common controller	Rent	No	22.59	0	22.59			0
Ganzhou CATIC Jiufang Commerce Co., Ltd.	Common controller	Rental deposit	No	12.27	0	0			12.27
Chengdu CATIC Real Estate Development Co., Ltd.	Common controller	Rental deposit	No	11.56	0	11.56			0
Shenzhen CATIC Changtai Investment Development Co., Ltd.	Common controller	Rental deposit	No	5	0	0			5
Jiujiang CATIC Real Estate Development Co., Ltd.	Common controller	Rental deposit	No	5	0	0			5
CATIC City Property (Kunshan) Co., Ltd.	Common controller	Rental deposit	No	3.71	0.5	0			4.21
Grand Sky Light Hotel Shenzhen	Common controller	Rental deposit	No	0	3.2	0			3.2
Influence of the related rights		Inapplicable							

of credit and liabilities upon the Company's operation results and financial position.	
--	--

Due to related parties

Related Parties	Relationship	Causes of formation	Opening balance (in CNY10,000)	Amount newly increased in the reporting period(in CNY10,000)	Amount repaid in the reporting period(in CNY10,000)	Interest rate	Interest in the reporting period(in CNY10,000)	Ending balance (in CNY10,000)
CATIC Real Estate	Common controller	Rent received in advance	13.38	0	0			13.38
Guanlan Real Estate Co., Ltd.	Common controller	Rental deposit	0	0.79	0			0.79
Shenzhen CATIC City Development Co., Ltd.	Common controller	Rental deposit	0	0.2	0			0.2
CATIC PROPERTY	Common controller	Rental deposit	47.2	152.18	0			199.38
CATIC Real Estate	Common controller	Rental deposit	42.48	0	0			42.48
Shenzhen CATIC City Development Co., Ltd.	Common controller	Rental deposit	24.41	0	0			24.41
CATIC Securities, Co., Ltd.	Common controller	Rental deposit	18.74	0	0			18.74
Shenzhen CATIC Real Building Technology Co., Ltd.	Common controller	Rental deposit	0.96	9.38	0			10.34
Shenzhen CATIC City Property Development	Common controller	Rental deposit	9.79	0	0			9.79

Co., Ltd.								
Shenzhen CATIC Huacheng Property Development Co., Ltd.	Common controller	Rental deposit	7.38	0	0			7.38
Shenzhen CATIC Jiufang Assets Management Co., Ltd.	Common controller	Rental deposit	6.06	0.61	0			6.67
Rainbow Supermarket	Common controller	Rental deposit	6	0	0			6
Shenzhen CATIC City Development Co., Ltd.	Common controller	Rental deposit	0.4	0	0			0.4
Chengdu CATIC Real Estate Development Co., Ltd.	Common controller	Rental deposit	1.65	0	1.65			0
Influence of the related rights of credit and liabilities upon the Company's operation results and financial position.		Inapplicable						

5. Other Major Related Transactions

Inapplicable

XVII. Important Contracts and Implementation

1. Custody, Contacting and Leases

(1) Custody

Inapplicable

(2) Contracting

Inapplicable

(3) Leases

Inapplicable

2. Significant Guarantees

(1) Guarantees

In CNY 10,000

Outward guarantees Offered by the Company and its Subsidiaries (excluding guarantee to the subsidiaries)								
Names of Gurantees	Date of the announce ment on the guarantee line	Guarante e line	Date of occurrence (date of agreement execution)	Actual amount of guarantee	Type of guarantee	Guarantee period	Implem entation status	Guarant ee to related party?
Inapplicable								
Total amount of outward guarantee approved in the report period (A1)		0		Total amount of outward guarantee actually incurred in the report period (A2)		0		
Total amount of outward guarantee already approved at the end of the report period (A3)		0		Total ending balance of outward guarantee at the end of the report period (A4)		0		
Guarantees between the Company and its Subsidiaries								
Names of Guarantees	Date of the announce ment on the guarantee line	Guarantee line	Date of occurrence (date of agreement execution)	Actual amount of guarantee	Type of guarantee	Guarantee period	Impleme ntation status	Guarant ee to related party?
FIYTA (Hong Kong) Limited	March 10, 2016	7,156.08	October 14, 2016	402.53	Guarantee with joint responsibility	1 year	No	No
FIYTA (Hong Kong)	March 10,	7,156.08	November 24,	402.53	Guarantee	1 year	No	No

Limited	2016		2016		with joint responsibilit y			
FIYTA (Hong Kong) Limited	March 10, 2016	7,156.08	September 7, 2016	2,057.37	Guarantee with joint responsibilit y	1 year	No	No
FIYTA (Hong Kong) Limited	February 28, 2014	12,567	March 3, 2014	1,789.02	Guarantee with joint responsibilit y	3 years	No	No
FIYTA (Hong Kong) Limited	March 10, 2016	13,417.65	August 3, 2016	4,472.55	Guarantee with joint responsibilit y	1 year	No	No
FIYTA (Hong Kong) Limited	March 10, 2016	13,417.65	July 4, 2016	6,708.83	Guarantee with joint responsibilit y	1 year	No	No
FIYTA Holdings Ltd.	March 10, 2016	40,000	October 24, 2016	5,000	Guarantee with joint responsibilit y	1 year	No	No
FIYTA Holdings Ltd.	March 10, 2016	7,000	April 11, 2016	7,000	Guarantee with joint responsibilit y	1 year	No	No
Shenzhen Harmony World Watches Center Co., Ltd.	March 10, 2016	40,000	December 30, 2016	8,500	Guarantee with joint responsibilit y	1 year	No	No
Total guarantee quota to the subsidiaries approved in the reporting period (B1)		67,573.73		Total amount of guarantee to the subsidiaries actually incurred in the reporting period (B2)		34,543.81		
Total guarantee quota to the subsidiaries approved at the end of the reporting period (B3)		80,140.73		Total balance of actual guarantee to the subsidiaries at the end of the reporting period (B4)		36,332.83		
Guarantees between Subsidiaries								
Names of Guarantees	Date of	Guarante	Date of	Actual	Type of	Guarantee	Implem	Guarant

	the announce ment on the guarantee line	e line	occurrence (date of agreement execution)	amount of guarantee	guarantee	period	entation status	ee to related party?
Inapplicable								
Total guarantee quota to the subsidiaries approved in the reporting period (C1)			0	Total amount of guarantee to the subsidiaries actually incurred in the reporting period (C2)				0
Total guarantee quota to the subsidiaries approved at the end of the reporting period (C3)			0	Total balance of actual guarantee to the subsidiaries at the end of the reporting period (C4)				0
The Company's total guarantee (i.e. total of the first three main items)								
Total guarantee quota approved in the reporting period (A1+B1+C1)			67,573.73	Total amount of guarantee actually incurred in the reporting period (A2+B2+C2)				34,543.81
Total guarantee quota already approved at the end of the reporting period (A3+B3+C3)			80,140.73	Total balance of the actual guarantee at the end of the reporting period (A4+B4+C4)				36,332.83
Proportion of the actual guarantees in the Company's net assets (namely A4+B4 + C4)								15.32%
Including:								
Amount of guarantees offered to the shareholders, actual controller and its related parties (D)								0
Amount of guarantee for liabilities directly or indirectly offered to the guarantees with the asset-liability ratio exceeding 70% (E)								0
Guarantee with total amount exceeding 50% of the net assets (F)								0
Total amount of the aforesaid three guarantees (D+E+F)								0
For the guarantee not yet due, guarantee responsibility incurred in the reporting period or description of the possible related discharge duty (if any)				Inapplicable				
Note to the outward guarantee against the established procedures (if any)				Inapplicable				

Description of the guarantee with complex method

Inapplicable

Description of the guarantee with complex method

Inapplicable

(2) Outward guarantee against regulations

Inapplicable

3. Entrusting other Person to Manage the Cash Assets

(1) Finance Management on Commission

Inapplicable

(2) Entrusted Loan

Inapplicable

4. Other Major Contracts

Inapplicable

XVIII Social Responsibilities

1. Implementation of the social responsibility of precise poverty relief

Inapplicable

2. Implementation of other social responsibilities

"The Social Responsibility Report " was published on www.cninfo.com.cn on March 10, 2017.

Do the Company and its subsidiaries belong to a key pollutant discharging unit published by the environmental protection authority?

No

Has the Social Responsibility Report been published?

Yes

Enterprise's Social Responsibility Report					
Enterprise property	Does it contain information concerning environment	Does it contain information concerning the society	Does it contain information concerning corporate	Report disclosure standards	
				Domestic standards	International standards

			governance		
State-owned enterprise	Inapplicable	Yes	Yes	Yes	Others

Notes to specific circumstances

1. Has the Company been certified for the Environment Management System Certification (ISO14001)	Yes
2. Amount of investment in the environmental protection in the reporting year, in CNY 10,000	0
3. Performances of the emission reduction of "waste gas, waste water and waste residue"	Inapplicable
4. Investment for improving employees' personal knowledge and techniques so as to upgrade employees' career development ability, in CNY10,000	353
5. Social charitable donations (fund, goods and materials and free professional services), in CNY 10,000	30

XIX. Notes to Other Significant Events

1. About Non-public Issuing of A-shares

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

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

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

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

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

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

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

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

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

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

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

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

2. Amendment of Articles of Association

The 5th session of the Eighth Board of Directors held on January 19, 2016 and 2015 Annual General Meeting held on May 20, 2016 reviewed and approved the Proposal on Amendment of the Articles of Association. For the detail, refer to the Announcement on the Resolutions of the 5th session of the Eighth Board of Directors No. 2016-005, the Announcement on the Resolutions of 2015 Annual General Meeting No. 2016-025 and the Bill of Amendment of the Articles of Association disclosed on Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn.

3. Redemption of Bonds

The Company held the 4th session of the Eighth Board of Directors on January 8, 2016 which reviewed and approved the

Proposal on Exercising the Option of Redeeming "12 YADA BOND" as the Bond Issuer, and the indicative announcement was published respectively on January 13, 2016, January 22, 2016, February 2, 2016 and February 23, 2016. For the detail, refer to the Announcement on Waiving the Option of Adjusting up the Nominal Interest Rate of the Company Bond Titling "12 YADA BOND" and the Investor's Option of Repurchase & Exercising the Option of Redemption as the Bond Issuer 2016-001, the First Indicative Announcement of Redemption and Delisting of "12 Yada Bond" 2016-002, the Second Indicative Announcement of Redemption and Delisting of "12 Yada Bond" 2016-010, the Third Indicative Announcement of Redemption and Delisting of "12 Yada Bond" 2016-012 and the Fourth Indicative Announcement of Redemption and Delisting of "12 Yada Bond" 2016-012. The redemption of the bonds was finished on February 29, 2016.

4. Carrying out the Special Work of Protection of Investors Titled "Blue Sky Action"

For the purpose of implementing the Circular on Carrying out the Special Work of Protection of Investors Titled "Blue Sky Action" promulgated by China Securities Regulatory Commission Shenzhen Office, further enhancing the work of protecting investors, establishing and improving the administrative mechanism of offering return to the investors, helping investors in establishing an idea of rational investment and long term investment, improving consciousness of risks and self-protection ability, and promoting the shareholder value maximization, the Company formulated the Plan for Carrying out the Special Work of Protection of Investors Titled "Blue Sky Action". During the reporting period, the said special work was implemented strictly according to the plan and carried forward steadily.

5. About Termination of the "Joint Venture Cooperation Framework Agreement between Beijing Watch Plant Co., Ltd. and the Company and Carrying out "BEIJING" Brand Exclusive Licencing Business Cooperation

The Company held the 9th Session of the Eighth Board of Directors on September 19, 2016. The meeting reviewed and approved the Proposal on the Termination of the "Joint Venture Cooperation Framework Agreement between Beijing Watch Plant Co., Ltd. and the Company and Carrying out "BEIJING" Brand Exclusive Licencing Business Cooperation. Due to unfavorable cooperation conditions for the joint venture such as the market environment, through mutual consultation based on the principle of equality, mutual trust and friendship, both parties reached agreement. The management authorized by the Board of Directors terminated the Framework Agreement on Joint Venture Cooperation with Beijing Watch Plant Co., Ltd. and concluded the Agreement on BEIJING Brand Exclusive Authorization Business Cooperation with Beijing Watch Plant Co., Ltd. instead so as to carry out better cooperation at the level of specific business. For the detail, refer to the Announcement on the Resolution of the 9th Session of the Eighth Board of Directors 2016-29 and the Announcement on the Termination of the "Joint Venture Cooperation Framework Agreement between Beijing Watch Plant Co., Ltd. and the Company and Carrying out "BEIJING" Brand Exclusive Licencing Business Cooperation 2016-031.

XX. Significant Events of the Company's Subsidiaries

Inapplicable

Chapter 6 Change of Shares and Particulars about Shareholders

I. Change of Shares

1. Change of Shares

In shares

	Before the change		Increase / Decrease (+/-)					After the change	
	Quantity	Proportion (%)	New issuing	Bonus shares	Shares converted from reserve	Others	Sub-total	Quantity	Proportion (%)
I. Restricted shares	49,733	0.01%	45,977,011				45,977,011	46,026,744	10.49%
1. Shares held by the state	0	0.00%						0	0.00%
2. State corporate shares	0	0.00%						0	0.00%
3. Other domestic shares	49,733	0.01%	45,977,011				45,977,011	46,026,744	10.49%
Including: Domestic corporate shares	0	0.00%	45,977,011				45,977,011	45,977,011	10.48%
Shares held by domestic natural persons	49,733	0.01%						49,733	0.01%
4. Foreign invested shares	0	0.00%							0.00%
Including: Foreign corporate shares	0	0.00%							0.00%
Shares held by foreign natural persons	0	0.00%							0.00%
II. Unrestricted shares	392,718,137	99.99%						392,718,137	89.51%
1. CNY ordinary shares	311,070,137	79.20%						311,070,137	70.90%
2. Foreign invested shares listed in Mainland China	81,648,000	20.79%						81,648,000	18.61%
3. Foreign invested shares listed abroad	0	0.00%							0.00%
4. Others	0	0.00%							0.00%

III. Total shares	392,767,870	100.00%	45,977,011	0	0	0	45,977,011	438,744,881	100.00%
-------------------	-------------	---------	------------	---	---	---	------------	-------------	---------

Causes of Change of Shares

In 2015, the Company issued 45,977,011 shares by non-public issuing which got listed with Shenzhen Stock Exchange on January 15, 2016. The new shares were not allowed to be listed for trading or assigned within 12 months from the first day of listing. On January 16, 2017, the restriction on sales of the shares involved in the said non-public issuing was released. Ended the day of disclosing this report, the sum of the Company's shares was 438,744,881 shares, including 49,733 shares with restriction on sales and 438,695,148 shares without restriction on sales.

Approval of Change of the Shares

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

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

Transfer in Change of Shares

Inapplicable

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

Weighted average		EPS			
ROE (%)		Basic EPS (CNY/share)		Diluted EPS (CNY/share)	
2016	2015	2016	2015	2016	2015
4.74%	7.24%	0.2522	0.3099	0.2522	0.3099

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

Inapplicable

2. Change of Restricted Shares

In shares

Shareholders	Number of restricted shares at the beginning of the reporting period	Number of shares released from trading restrictions	Number of restricted shares increased in the reporting period	Number of restricted shares at the end of the reporting period	Causes of restriction	Date of releasing of trading restriction
Golden Eagle	0	0	4,674,329	4,674,329	Raised capital	January 16,

Asset Management Co., Ltd					from non-public issuing of A-shares	2017
Caitong Fund Management Co., Ltd.	0	0	12,590,027	12,590,027	Raised capital from non-public issuing of A-shares	January 16, 2017
Sws Mu Fund Management Co., Ltd	0	0	8,429,118	8,429,118	Raised capital from non-public issuing of A-shares	January 16, 2017
Xizang Investment Co., Ltd.	0	0	4,976,551	4,976,551	Raised capital from non-public issuing of A-shares	January 16, 2017
MANULIFE TEDA Fund Management Co., Ltd.	0	0	15,306,986	15,306,986	Raised capital from non-public issuing of A-shares	January 16, 2017
Lu Bingqiang	49,733	0	0	49,733	Restricted shares for senior executives	Mr. Lu is holding totally 66,311 shares 75% of which are restricted shares with total number of 49,733 shares.
Total	49,733	0	45,977,011	46,026,744	--	--

II. Issuing and Listing

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

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

non-public way						
Convertible company bonds, convertible company bonds for separated trading, debentures						
Other derivatives						

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

The Company held the 18th meeting of the Seventh Board of Directors and 2014 Annual General Meeting respectively on April 16, 2015 and June 17, 2015. The meetings reviewed and approved the Proposal on the Plan for Non-public Issuing of A-shares to the Specified Investors, etc., according to which the Company planned to issue in a non-public way A-shares to no more than 10 (with 10 inclusive) specified investors with the total raised capital not exceeding CNY 600 million, which would be applied for four projects, including the project of launching new FIYTA watches and supplement the working capital. The application for non-public issuing of A-shares was reviewed and approved by CSRC Securities Issuance Examination Committee (CSIEC) on October 30, 2015. On November 17, 2015, the Company received Official Reply to FIYTA Holdings Ltd. on Approval for Non-public Issuing (ZHENG JIAN XU KE [2015] No. 2588 which authorized the Company to issue no more than 46,911,649 new shares in non-public way. The actual number of A-shares actually issued in the non-public issuing activity was 45,977,011 shares and the raised capital amounted to CNY 599 million. After deduction of the issuing costs, the net raised capital amounting to CNY583 million was remitted to the bank account designated by the Company on December 18, 2015. Grant Thornton Certified Public Accountants (Special General Partnership) issued the Capital Verification Reports ZHI TONG YAN ZI (2015) No. 441ZC0653, ZHI TONG YAN ZI (2015) No. 441ZC0652 respectively for the raised capital. The A-shares issued in a non-public way were registered for listing on January 15, 2016 and the restriction on trading has been released since January 16, 2017.

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

Ended December 22, 2015, the Company completed the work of non-public issuing of 45,977,011 A-shares to the designated investors. Upon completion of the issuing, the Company increased the registered capital by CNY 45,977,011 with the total registered capital turning to be CNY 438,744,881, and increased the capital reserve by CNY 536,947,362.62. The proportion of the shares held by the controlling shareholder decreased from 41.49% to 37.15%. The Company's asset-liability ratio before the non-public issuing was 55.27% and that after the non-public issuing was 45.77%. The new shares got listed with Shenzhen Stock Exchange on January 15, 2016 and the restriction on trading has been released since January 16, 2017.

3. About the existing employees' shares

Inapplicable

III. Shareholders and Actual Controlling Shareholder

1. Number of Shareholders and Shareholding

In shares

Total common shareholders	33,751	Total common shareholders at	38,017	Total preference shareholders with	0	Total preference shareholders	0
---------------------------	--------	------------------------------	--------	------------------------------------	---	-------------------------------	---

in the reporting period		the end of the month before the date of disclosing the annual report		the voting power recovered at the end of the reporting period (if any) (Refer to Note 8)		with the voting power not recovered at the end of the month before the day of disclosing the annual report (if any) (Refer to Note 8)		
Shares held by the shareholders holding over 5% shares or the top ten shareholders								
Shareholder names	Shares held by the top ten shareholders	Shares held by the top ten shareholders (%)	Quantity at the end of the reporting period	Increase/decrease in the reporting period	Number of the restricted shares held	Number of the non-restricted shares held	Pledging or freezing	
							Status of the shares	Quantity
CATIC Shenzhen Holdings Limited	State-owned corporate	37.15%	162,977,327	0	0	162,977,327		
MANULIFE TEDA Fund— Minsheng Bank— MANULIFE TEDA Value Growth Oriented Additional Issue No. 351 Assets Management Program	Domestic non-state-owned corporate	2.07%	9,093,259	0	9,093,259	0		
SWS MU Assets - CMBC -China Resources SZITIC Trust- Ruihua Oriented Additional Issue Hedge Fund No. 2 Assembled Funds Trust Program	Domestic non-state-owned corporate	1.92%	8,429,118	0	8,429,118	0		
Xizang Investment Co., Ltd.	State-owned corporate	1.13%	4,976,551	0	4,976,551	0		

Golden Eagle Fund- Minsheng Bank-Golden Eagle Wenshi Junye Flexible Disposition No. 3 Assets Management Program	Domestic non-state-owned corporate	1.07%	4,674,329	-4,456,903	4,674,329	0		
MANULIFE TEDA Fund-ICBC- MANULIFE TEDA GUOMAO DONGFANG DINGZENGBAO No.1 Assets Management Program	Domestic non-state-owned corporate	1.04%	4,546,630	0	4,546,630	0		
Zhonghai Trust Co., Ltd. - Zhonghai Jufa- New Share Appointed Subscription No. 3 Fund Trust	Domestic non-state-owned corporate	0.59%	2,600,000	2,600,000	0	2,600,000		
Dai Wen	Domestic natural person	0.47%	2,066,621	57,300	0	2,066,621		
Xu Guoliang	Domestic natural person	0.47%	2,050,095	2,050,095	0	2,050,095		
Essence International Securities (Hong Kong) Limited	Overseas corporate	0.46%	2,000,000	0	0	2,000,000		
About the fact that a strategic investor or ordinary corporate became one of the top ten shareholders due to placement of new shares (if any) (Refer to Note 3)		Of the top 10 shareholders, MANULIFE TEDA Fund - Minsheng Bank—MANULIFE TEDA Value Growth Oriented Additional Issue No. 351 Assets Management Program, SWS MU Assets-CMBC -China Resources SZITIC Trust- Ruihua Oriented Additional Issue Hedge Fund No. 2 Assembled Funds Trust Program, Xizang Investment Co., Ltd., Golden Eagle Fund- Minsheng Bank-Golden Eagle Wenshi Junye Flexible Disposition No. 3 Assets Management Program and MANULIFE TEDA Fund-ICBC- MANULIFE TEDA GUOMAO DONGFANG DINGZENGBAO No.1 Assets Management Program are all the shareholders that have participated in the Company's non-public issuing; the new shares subscribed by them got listed with Shenzhen Stock Exchange on January 15, 2016; of them, the restricted shares were not allowed to be listed for trading or assigned within						

	12 months commencing from the first of listing. The aforesaid restriction on sales has been released since January 16, 2017.		
Explanation on associated relationship or consistent action of the above shareholders	Of the top 10 shareholders, both MANULIFE TEDA Fund— Minsheng Bank—MANULIFE TEDA Value Growth Oriented Additional Issue No. 351 Assets Management Program and MANULIFE TEDA Fund-ICBC- MANULIFE TEDA GUOMAO DONGFANG DINGZENGBAO No.1 Assets Management Program are subsidiaries of MANULIFE TEDA Fund Management Co., Ltd. The total 13,639,889 shares in the Company held by these two shareholders were all the restricted shares involved in the Company's non-public issuing. The restriction on sales of these shares have been released since January 16, 2017.		
Shareholding of top 10 shareholders of unrestricted shares			
Shareholder's Name	Quantity of unrestricted shares held at the end of the reporting period	Share type	
		Share type	Quantity
CATIC Shenzhen Holdings Limited	162,977,327	A-shares	162,977,327
Zhonghai Trust Co., Ltd. - Zhonghai Jufa - New Share Appointed Subscription - New Shares Appointed Subscription No. 3 Funds Trust	2,600,000	A-shares	2,600,000
Dai Wen	2,066,621	A-shares	2,066,621
Xu Guoliang	2,050,095	A-shares	2,050,095
Essence International Securities (Hong Kong) Limited	2,000,000	B-shares	2,000,000
Industrial and Commercial Bank of China Co., Ltd. - Sino-Europe Mingrui New Starting Point Hybrid Securities Investment Funds	1,799,458	A-shares	1,799,458
Yang Zugui	1,528,400	A-shares	1,528,400
China Merchants Securities (HK) Limited	1,214,829	B-shares	1,214,829
Zhonghai Trust Co., Ltd. - Zhonghai - Pujiang Star No. 130 Assembled Fund Trust	1,196,158	A-shares	1,196,158
Vanguard Investment Australia Ltd - Vanguard Emerging Market Stock Index Fund (Exchange)	1,190,485	A-shares	1,190,485
Explanation to the associated relationship or consistent action among the top 10 shareholders of non-restricted negotiable shares and that between the top 10 shareholders of	Zhonghai Trust Co., Ltd. - Zhonghai Jufa - New Share Appointed Subscription - New Shares Appointed Subscription No. 3 Funds Trust and Zhonghai Trust Co., Ltd. - Zhonghai - Pujiang Star No. 130 Assembled Fund Trust are all subsidiaries of Zhonghai Trust Co., Ltd. The totally 3,796,158 shares held by them are all outstanding Renminbi common shares.		

non-restricted negotiable shares and top 10 shareholders.	
Note to the top 10 shareholders involved in margin financing & securities lending (if any) (Refer to Note 4)	Inapplicable

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

No

2. Controlling Shareholder

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

Type of the controlling shareholder: corporate

Name of the Controlling Shareholder	Legal Representative /Leader	Date of incorporation	Organization code	Principal business activities
CATIC Shenzhen Holdings Limited	Wu Guangquan	June 20, 1997	91440300279351229A	Investing and initiating entities (separate application is to be submitted for a specific project); domestic commerce, supply and sales of goods and materials (excluding the goods for exclusive sale, under special control and monopolized goods); import and export (excluding the goods forbidden by law, administrative rules and regulations, decision of the State Council; the restrictive goods is not allowed for operation until permit is granted).
Equity in other domestic and foreign listed companies held by the controlling shareholder by means of control and mutual shareholding in the reporting period	CATIC Shenzhen Holdings Limited is holding 37.15% equity in FIYTA Holdings Ltd. (FIYTAA 000026 and FIYTA B 200026) , 22.35% equity in CATIC Real Estate Co., Ltd. (CATIC Real Estate 000043), 20.81% equity in Tianma Micro-electronics Co., Ltd. (SHEN TIANMA A 000050) and 73.87% equity in AVIC International Maritime Holdings Limited (a Singapore listed company, O2I).			

Change of the controlling shareholder in the reporting period

Inapplicable

3. Actual Controller

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

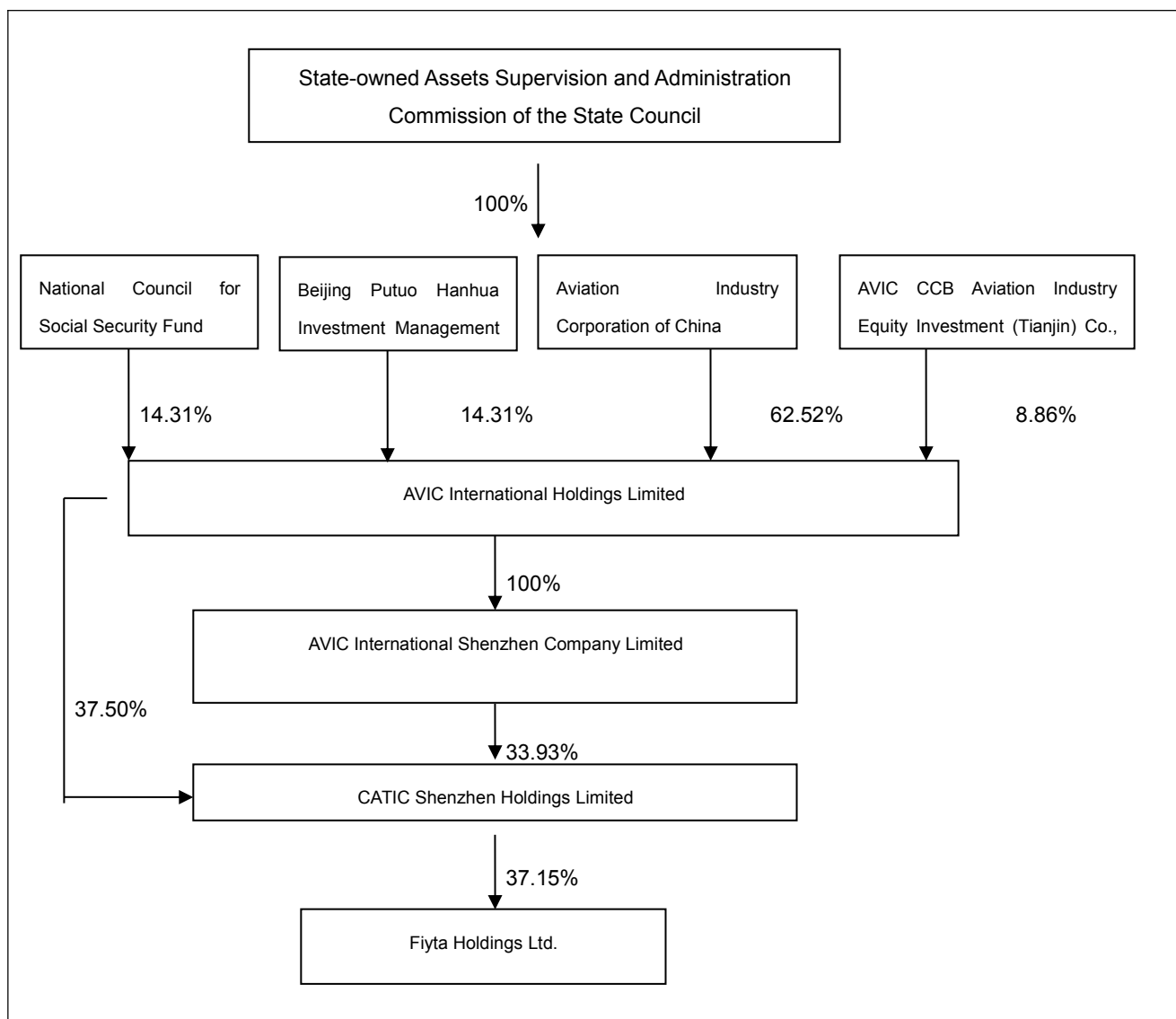
Type of the actual controller: corporate

Name of the Actual Controller	Legal Representative /Leader	Date of incorporation	Organization code	Principal business activities
AVIC International Holdings Limited	Liu Hongde	April 12, 1983	911100001000009992	International aviation, trading and logistic, retail and high-end consumption goods, real estate and hotel, electronics and hi-tech, resource development, etc.
Equity in other domestic and foreign listed companies held by the actual controller by means of control and mutual shareholding in the reporting period	AVIC International Holdings Limited is holding 37.50% equity in CATIC Shenzhen Holdings Limited (HK.0161) and 5.56% equity in Tianma Micro-electronics Co., Ltd. (SHEN TIANMAA 000050).			

Change of the actual controller in the reporting period

Inapplicable

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



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

Inapplicable

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

Inapplicable

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

Inapplicable

Chapter 7 About the Preferred Shares

Inapplicable

Chapter 8 Directors, Supervisors, Senior Executives and Staff

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

Names	Positions	Office Status	Gender	Age	Starting date of tenure	Expiry date of tenure	Number of shares acquired at end of the reporting period(s hares)	Volume of shares acquired during the reporting period(s hares)	Volume of shares sold during the reporting period(s hares)	Other increase /decrease (shares)	Number of shares held at end of the reporting period (shares)
Xu Dongsheng	Chairman	In office	Male	51	March 8, 2017	August 31, 2018					
Wang Mingchuan	Director	In office	Male	51	August 31, 2015	August 31, 2018					
Fu Debin	Director	In office	Male	40	December 9, 2016	August 31, 2018					
Zhong Sijun	Director	In office	Male	41	August 31, 2015	August 31, 2018					
Cao Zhen	Director	In office	Female	46	August 31, 2015	August 31, 2018					
Zhang Hongguang	Independent director	In office	Male	61	August 31, 2015	August 31, 2018					
Zhang Shunwen	Independent director	In office	Male	51	August 31, 2015	August 31, 2018					
Wang Yan	Independent	In office	Male	60	August 31, 2015	August 31, 2018					

	director										
Sui Yong	Chairman of the Supervisory Committee	In office	Male	59	August 31, 2015	August 31, 2018					
Sheng Qing	Supervisor	In office	Female	41	May 14, 2016	August 31, 2018					
Wang Jingqi	Supervisor	In office	Male	37	October 14, 2016	August 31, 2018					
Chen Libin	GM	In office	Male	53	March 8, 2017	August 31, 2018					
Lu Bingqiang	Deputy GM	In office	Male	56	September 28, 2015	August 31, 2018	66,311	0	0	0	66,311
Lu Wanjun	Deputy GM and Board secretary	In office	Male	50	September 28, 2015	August 31, 2018					
Liu Xiaoming	Deputy GM	In office	Male	46	October 17, 2016	August 31, 2018					
Pan Bo	Deputy GM	In office	Male	41	October 17, 2016	August 31, 2018					
Li Ming	Deputy GM	In office	Male	44	October 17, 2016	August 31, 2018					
Chen Zhuo	Chief accountant	In office	Male	41	October 14, 2016	August 31, 2018					
Diao Weicheng	Chairman	Retired	Male	54	September 28, 2015	March 8, 2017					
Xu Dongsheng	Managing Director	Retired	Male	51	September 28, 2015	March 8, 2017					
Liu Aiyi	Director	Retired	Male	45	August 31, 2015	November 18, 2016					
Chen Zhuo	Supervisor	Retired	Male	41	August 31, 2015	October 17, 2016					
Tang	Supervisor	Retired	Male	56	August	May 14,					

Boxue	sor				31, 2015	2016					
Chen Libin	Deputy GM	Retired	Male	53	September 28, 2015	March 8, 2017					
Du Xi	Deputy GM	Retired	Male	42	September 28, 2015	April 29, 2016					
Hu Xinglong	Chief accountant	Retired	Male	53	September 28, 2015	October 14, 2016					
Total	--	--	--	--	--	--	66,311	0	0	0	66,311

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

Names	Office Taken	Type	Date	Cause
Xu Dongsheng	Chairman	Appointment & removal	March 8, 2017	Elected Chairman of the Eighth Board of Directors at the 13th Session of the Eighth Board of Directors
Fu Debin	Director	Appointment & removal	December 9, 2016	Elected director of the Eighth Board of Directors at the 12th Session of the Eighth Board of Directors and 2016 2nd Extraordinary General Meeting
Sheng Qing	Supervisor	Appointment & removal	May 14, 2016	Elected supervisor of the Company at the congress of workers and staff
Wang Jingqi	Supervisor	Appointment & removal	October 14, 2016	Elected supervisor of the Company at the congress of workers and staff
Chen Libin	GM	Appointment & removal	March 8, 2017	Appointed as the GM at the 13th Session of the Eighth Board of Directors
Liu Xiaoming	Deputy GM	Appointment & removal	October 17, 2016	Appointed as the deputy GM at the 10th Session of the Eighth Board of Directors
Pan Bo	Deputy GM	Appointment & removal	October 17, 2016	Appointed as the deputy GM at the 10th Session of the Eighth Board of Directors
Li Ming	Deputy GM	Appointment & removal	October 17, 2016	Appointed as the deputy GM at the 10th Session of the Eighth Board of Directors
Chen Zhuo	Chief accountant	Appointment & removal	October 17, 2016	Appointed as the chief accountant at the 10th Session of the Eighth Board of Directors
Diao Weicheng	Chairman	Dismissal	March 8, 2017	Proposed resignation of the titles of director and the Chairman, and director member of the strategy committee of the Eighth Board of Directors due to job reassignment and would no longer take any office in the Company upon resignation.
Xu Dongsheng	Managing Director	Dismissal	March 8, 2017	Resigned the title of the Managing Director of the Company due to job transfer.

Liu Aiyi	Director	Dismissal	November 18, 2016	Proposed resignation of the titles of director and member of the nomination, remuneration and assessment committee of the Eighth Board of Directors due to job reassignment and would no longer take any office in the Company upon resignation.
Chen Zhuo	Supervisor	Dismissal	October 17, 2016	Resigned the title of supervisor of the Company due to job transfer.
Tang Boxue	Supervisor	Dismissal	May 14, 2016	Resigned the title of supervisor of the Company due to job transfer.
Chen Libin	Deputy GM	Dismissal	March 8, 2017	Resigned the title of Deputy GM of the Company due to job transfer.
Du Xi	Deputy GM	Dismissal	April 29, 2016	Resigned the title of deputy GM of the Company due to personal reason and would no longer take any office in the Company upon resignation.
Hu Xinglong	Chief accountant	Dismissal	October 14, 2016	Resigned the title of Chief accountant of the Company due to personal reason and would no longer take any office in the Company upon resignation.

III. Office Taking

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

Mr. Xu Dongsheng, born in April 1966 research fellow senior economist, MBA of Tongji University. and PhD of Beijing University of Aeronautics & Astronautics. He is now the Secretary of the CPC Committee and Chairman of the Company, a deputy of the 6th Session of People's Congress of Shenzhen Municipality, vice president of China Timepieces Association and chairman of Shenzhen Timepieces Association. Mr. Xu used to be the Secretary and Managing Director of the Company, Deputy Secretary of CYL Committee, manager of the supervision and auditing department and assistant to the President of CATIC Shenzhen Company Limited, GM of the Living Service Co., Ltd. of Shenzhen CATIC Enterprise Group, and the secretary of the Youth League Committee of CATIC Shenzhen Company Limited.

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

Mr. Fu Debin, born in February 1977, master of engineering and doctor of engineering of Beijing University of Aeronautics & Astronautics. He is now the head of H.R. department of AVIC International Holding Corporation. He used to be the head of the administration and management department and deputy head of the management department of AVIC International Holding Corporation, deputy director of the party policy office and deputy

secretary of the general Party branch of Power School of Beijing University of Aeronautics & Astronautics.

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

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

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

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

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

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

Ms. Sheng Qing, born in April, 1976, accountant, senior HR administrator, master of organization and HR management of the University of Hong Kong, bachelor of international accounting specialization of Jiangxi University of Finance and Economics. She is now the manager of the supervision and audit department of the Company. She used to be senior business manager of the audit department and manager of HR department of the Company.

Mr. Wang Jingqi, born in October, 1980, master of Tianjin University. Mr. Wang is deputy manager of the HR department of the Company. He used to be the assistant to the GM and manager of the basic support department of FIYTA Technology Development Co., Ltd.

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

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

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

Mr. Liu Xiaoming, born in 1971, engineer, economist, bachelor of mechanical engineering of Beijing University of Aeronautics & Astronautics, and EMBA of China Europe International Business School. He is a deputy GM of the Company, the managing director of Shenzhen Harmony World Watches Center Co., Ltd. He used to be the assistant of the GM of the Company and the assistant to a deputy GM of Shenzhen Harmony World Watches Center Co., Ltd.

Mr. Pan Bo, born in March, 1976, bachelor of electromechanical engineering of Beijing University of Aeronautics & Astronautics, and EMBA of China Europe International Business School. He is now a deputy GM of the Company, the GM of FIYTA Brand, the managing director of FIYTA Sales Co., Ltd. Mr. Pan used to be the assistant to the GM of the Company, executive deputy GM, deputy GM, the assistant to the GM, manager of the sales department, manager of the logistic department, manager of the after-sale department, etc. of FIYTA Sales Co., Ltd.

Mr. Li Ming, born in September, 1973, bachelor of marketing of Zhongnan University of Economics and Law and EMBA of China Europe International Business School. He is a deputy GM of the Company. Mr. Li used to the assistant to the GM and chief HR officer of the Company, a deputy GM, the assistant to the GM and manger of the HR department of Shenzhen Harmony World Watches Center Co., Ltd.; chief HR officer and the GM of the marketing center of China Netcom Shenzhen; manager of big customer market planning of China Telecom Shenzhen.

Mr. Chen Zhuo, born in September 1976, accountant, MBA of Wuhan University, EMBA of China Europe International Business School. He is the chief accountant of the Company. Mr. Chen used to be a supervisor, the assistant to the GM, manager of the strategy and information department, deputy manager of the strategy and

information department and securities affairs representative of the Company, deputy GM and manager of the financial information department of FIYTA Sales Co., Ltd.

Office taking in shareholder companies

Names of the persons in office	Names of the Shareholders	Titles engaged in the shareholders	Starting date of office term	Expiry date of office term	Does he/she receive remuneration or allowance from the shareholder?
Wang Mingchuan	AVIC International Holding Corporation	Deputy chief accountant	November 3, 2010		No
Wang Mingchuan	CATIC Shenzhen	Chief accountant	August 6, 2010		Yes
Fu Debin	AVIC International Holding Corporation	head of the HR department	July 1, 2016		Yes
Zhong Sijun	AVIC International Holdings Limited	Board secretary	June 1, 2015		Yes
Cao Zhen	AVIC International Holding Corporation	manager of the enterprise culture dept.	October 20, 2011		Yes
Cao Zhen	CATIC Shenzhen	Supervisor	August 20, 2014		No
Sui Yong	CATIC Shenzhen	Deputy GM	August 6, 2010		Yes
Explanation to the office taking in shareholder companies	Inapplicable				

Offices Taken in Other Organizations

Names of the persons in office	Names of Other Organizations	Titles engaged in the other organizations	Starting date of office term	Expiry date of office term	Does he/she receive remuneration or allowance from other organization?
Zhang Hongguang	China Timepieces Association	Vice chairman	January 1, 2010		Yes
Zhang Shunwen	Lixin Certified Public Accountants (Special Ordinary Partnership)	Partner	January 1, 2011		Yes

Wang Yan	Intellectual Property Academy of South China University of Technology	Full-time professor	August 1, 2010		Yes
Explanation to the office taking in other organizations	Inapplicable				

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

Inapplicable

IV. Remuneration to Directors, Supervisors and Senior Executives

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

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

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

(1) Basis for Determining Remuneration to Directors: Remuneration to the directors appointed by the controlling shareholder is determined and distributed by the controlling shareholder. Allowance to independent directors is subject to the proposal prepared by the Board of Directors and reviewed and approved by the General Meeting and disclosed in the Company's annual report. Except the aforesaid allowance, independent directors received no extra and undisclosed benefit from the Company, the Company's principal shareholders or other organization or personnel with stakeholding.

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

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

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

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

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

In CNY10,000

Names	Positions	Gender	Age	Office Status	Total remuneration received from the Company	Remuneration actually received at the end of the reporting period
Xu Dongsheng	Chairman	Male	51	In office	183.33	No
Wang Mingchuan	Director	Male	51	In office	0	No
Fu Debin	Director	Male	40	In office	0	No
Zhong Sijun	Director	Male	41	In office	0	No
Cao Zhen	Director	Female	46	In office	0	No
Zhang Hongguang	Independent director	Male	61	In office	9	No
Zhang Shunwen	Independent director	Male	51	In office	9	No
Wang Yan	Independent director	Male	60	In office	9	No
Sui Yong	Chairman of the Supervisory Committee	Male	59	In office	0	No
Sheng Qing	Supervisor	Female	41	In office	92.54	No
Wang Jingqi	Supervisor	Male	37	In office	41.34	No
Chen Libin	GM	Male	53	In office	145.40	No
Lu Bingqiang	Deputy GM	Male	56	In office	142.25	No
Lu Wanjun	Deputy GM & Board Secretary	Male	50	In office	140.83	No
Liu Xiaoming	Deputy GM	Male	46	In office	150.37	No
Pan Bo	Deputy GM	Male	41	In office	164.68	No
Li Ming	Deputy GM	Male	44	In office	131.28	No

Chen Zhuo	Chief accountant	Male	41	In office	128.85	No
Diao Weicheng	Chairman	Male	54	Retired	0	No
Xu Dongsheng	Managing Director	Male	51	Retired	0	No
Liu Aiyi	Director	Male	45	Retired	0	No
Chen Zhuo	Supervisor	Male	41	Retired	0	No
Tang Boxue	Supervisor	Male	56	Retired	97.08	No
Chen Libin	Deputy GM	Male	53	Retired	0	No
Du Xi	Deputy GM	Male	42	Retired	32.27	No
Hu Xinglong	Chief accountant	Male	53	Retired	78.62	No
Total	--	--	--	--	1,555.84	--

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

Inapplicable

V. Employees

1. Number, Job Composition and Education Background of Employees

Number of employees working for the parent company	131
Number of employees working for the major subsidiaries	5,160
Total employees on active duty	5,291
Total employees receiving remuneration in the reporting period	5,291
Number of the retired employees for whom the parent company and the major subsidiaries need to share the pension	0
Job Composition	
Job Composition Categories	Number of persons involved in the job composition
Production	276
Sales	3,935
Technical	437
Financial	132
Administrative	511
Total	5,291
Education background	
Education levels	Number of persons
Master's degree or higher	58

Undergraduate	893
Junior college	1,328
Below junior college	3,012
Total	5,291

2. Remuneration Policy for Staff

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

3. Training Program

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

4. Labor outsourcing

Inapplicable

Chapter 9 Corporate Governance

I. General

In year 2016, the Company kept improving the Company's corporate governance structure strictly according to the PRC Company Law, the PRC Securities Law and the regulations of China Securities Regulatory Commission concerning governance of listed companies, and tried to enhance construction of modern enterprise system, upgraded the level of regulatory operation of the Company. As a result, there was no discrepancy between the situation of the Company's corporate governance and the regulatory documents of China Securities Regulatory Commission concerning governance of listed companies.

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

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

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

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

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

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

No

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

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

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

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

Assets: The assets of the Company and its controlling shareholder are highly distinct. The Company enjoys the corporate ownership over its assets and the assets are completely independent from its controlling shareholder. In addition, the Company enjoys sole ownership of such trademarks as FIYTA, HARMONY, etc.

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

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

III. Horizontal Competitions

Inapplicable

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

1. General Meetings in the Reporting Period

Sessions	Meeting Types	Proportion of investors in total participants	Meeting date	Disclosure date	Disclosure index
2015 Annual General Meeting	Annual General Meeting	0.03%	May 20, 2016	May 21, 2016	www.cninfo.com.cn
2016 1st Extraordinary	Extraordinary General Meeting	0.03%	November 11, 2016	November 12, 2016	www.cninfo.com.cn

General Meeting					
2016 2nd Extraordinary General Meeting	Extraordinary General Meeting	0.03%	December 9, 2016	December 10, 2016	www.cninfo.com.cn

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

V. Duty Performance of Independent Directors in the Reporting Period

1. Attendance of Board Meetings and General Meetings

Independent Directors' Attendance at Board Meetings						
Independent directors	Number of Board meetings necessary to be attended in the reporting period	Number of Spot Attendances	Number of Meetings Attended by Communication	Number of attendances by representative	Number of Absence	Failure to personally attend board meetings successively twice (Yes/No)
Zhang Hongguang	9	1	7	1	0	否
Zhang Shunwen	9	2	7	0	0	否
Wang Yan	9	1	7	1	0	否
Number of general meetings attended by independent directors as non-voting delegates		3				

Notes to Failure to Personally Attend Board Meetings Successively Twice
Inapplicable

2. Objection of independent directors on some relevant issues

Did any of independent directors put forth any objection on some relevant issues
No

3. Other Note to Duty Performance of Independent Directors

Inapplicable

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

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

During the reporting period, the Strategy Committee performed its duties strictly according to the law and

regulations, the Articles of Association and the Rules for Implementation of the Strategy Committee of the Board of Directors, continued to do research work on the strategic planning for the Company's long term development and supervised the Company in implementation of various strategies. The Strategy Committee held its first meeting of year 2016 on March 8, 2016. The meeting reviewed and approved the Work Report of the Board of Directors in Year 2015 and the Profit Distribution for Year 2015, the Proceedings on Increasing Investment in FIYTA Sales Co., Ltd. The second meeting of the Strategy Committee of year 2016 was held on September 19, 2016. The meeting reviewed and approved the Proposal on Termination of the Joint Venture Cooperation Framework Agreement between Beijing Watch Plant Co., Ltd. and the Company and Carrying out "BEIJING" Brand Exclusive Licencing Business Cooperation and the Proposal on Change of the Name of Shenzhen Symphony Trading Co., Ltd., one of the Company's solely owned subsidiaries.

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

In accordance with China Securities Regulatory Commission, Contents and Formats for Information Disclosure by Companies that Offer Securities to the Public Guideline (No. 2): Contents and Format of Annual Reports (Revision 2016), Shenzhen Stock Exchange: Basic Regulations on Enterprise Internal Control, Memorandum of Information Disclosure No. 21 – Information to be Disclosed in the Annual Report and the Company's Enforcement Regulations of the Special Committees of the Board of Directors, the Audit Committee of the Board of Directors carried out comprehensive examination of the Company's financial report and internal control audit work for year 2016. The following is the summary of the performances of the Audit Committee and the work of Ruihua Certified Public Accountants (Special General Partnership) (hereinafter referred to as the "CPAs"):

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

On January 12, 2017, the Audit Committee heard the management's overall report on the production and operation and progress of significant events during the reporting period and reviewed 2016 Financial and Accounting Statements prepared by the Company and heard the progress of implementation of the Company's internal control. In its opinion, the data in the financial and accounting statements prepared by the Company basically reflected the financial position and operation results of the Company as ended at December 31, 2016, and approved to carry out the audit work for the year 2015 with the financial statements as the base. The internal control implementation work carried out by the Company has been duly carried forward according to the Company Law, the Securities Law, Basic Standards for Enterprise Internal Control and other relevant laws and regulations. It has basically reflected the Company's internal control construction work ended December 31, 2016 and approved to prepare the Self-Assessment Report on the Internal Control on this basis and carry out the internal control audit work in 2016.

2. Decision on Overall Audit Plan

Before the CPAs started auditing, the audit committee, after consultation with the CPAs, decided the time schedule of the audit work in 2016.

3. Supervision of the Audit Work

On January 13, 2017, the CPAs formally started the audit work. During the auditing, the Audit Committee frequently urged the CPAs to complete the audit work according to the time schedule of audit so as to ensure timely disclosure of the Company's annual report and relevant documents.

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

On March 3, 2017, the CPAs issued a preliminary auditor's opinions on the financial and accounting statements and internal control assessment, and the Audit Committee once again reviewed the Company's financial and accounting statements and internal control assessment report as preliminarily audited by the CPAs. In the opinion of the Audit Committee, these financial statements truly, accurately and completely reflected the financial position and operation result of the Company ended December 31, 2016 and approved 2016 Annual Report and Summary

prepared on the basis of these statements. The said internal control assessment report has truly, accurately and entirely reflected the Company's achievement in internal control construction ended December 31, 2016 and approved to complete the internal control assessment report and internal control audit report based on said report. Meanwhile, the audit committee demanded the CPAs to complete the audit work according to the plan as soon as possible so as to ensure the Company to disclose 2016 Annual Report as scheduled.

5. Summary Work after the Formal Report

On March 8, 2017, the CPAs completed the auditing procedures as scheduled and issued a standard unqualified auditor's report and other relevant documents to the Audit Committee. The Audit Committee held 2016 1st Session of the Audit Committee on the very day and concluded a resolution and submitted it to the Board of Directors for review; and at the same time submitted the Summary Report on the Performances of the Audit Committee and the Audit Work of the Certified Public Accountants in 2016. In the opinion of the Audit Committee, Ruihua Certified Public Accountants (Special General Partnership), the domestic and international auditor engaged by the Company faithfully performed the duties in process of offering audit performances according to the professional principle of independence, objectiveness and fairness and did a good job in auditing 2016 Annual Accounting Statements and the internal control auditing.

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

(1) Independence

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

(2) Professional Competence

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

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

In the reporting period, the Committees of Nomination, Remuneration and Assessment of the Board of Directors performed its functions strictly according to the law and regulations, the Articles of Association and the Rules for Implementation of the Committees of Nomination, Remuneration and Assessment of the Board of Directors. 2016 1st session of the Committees of Nomination, Remuneration and Assessment held on March 8, 2016 reviewed and approved the emoluments to the senior executives in the year 2015; 2016 2nd session of the Committees of Nomination, Remuneration and Assessment held on October 17, 2016 reviewed and approved the proposal on election for the new senior executives; 2016 3rd session of the Committees of Nomination, Remuneration and Assessment held on November 23, 2016 reviewed and approved the proposal for nominating Mr. Fu Debin as director candidate.

VII. Work Summary of the Supervisory Committee

Did the Supervisory Committee find any risk existing in performing the supervision activities in the reporting period
No

VIII. Assessment and Incentive Mechanism for Senior Executives

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

IX. Internal Control

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

No

2. Self-assessment Report of the Internal Control

Date of disclosing the full text of the internal control assessment report	March 10, 2017
Index of disclosure of the full text of the internal control assessment report	www.cninfo.com.cn
Proportion of the total assets of the organizations involved in the assessment in the total assets of the Company's consolidated financial statements	99.00%
Proportion of the operation revenue of the entitled involved in the assessment in the total operation revenue of the Company's consolidated financial statements	99.00%
Criteria for affirming the defects	

Categories	Financial Report	Non-financial Report
Qualitative criteria	(1) Material defects: Misstatement \geq 5% of the pre-tax profit; (2) Important defects: 1% of profit before tax \leq Misstatement $<$ 5% of profit before tax; (3) Common defects: Misstatement $<$ 1% of profit before tax.	(1) Material defects: 5% of misstatement \geq Profit before tax; (2) Important defects: 1% of profit before tax \leq Misstatement $<$ 5% of profit before tax; (3) Common defects: Misstatement $<$ 1% if Profit before tax.
Quantitative criterion	(1) This defect involves malpractices of the directors, supervisors and senior executives; (2) correction of the financial statements already published; (3) material misstatement involved in the current financial statements found by the CPAs while such misstatement has not been found in process of cooperation of the internal control; (4) the Company's audit committee and the internal audit service have conducted ineffective supervision over the internal control.	(1) Seriously breaching the law, administrative regulations and normative documents of the state; (2) "decision on major issues, important officer appointment and/or removal and arrangement of important projects as well as application of big sum of fund have not undergone collective decision-making procedures; (3) serious running off of officers and technicians of the key positions; (4) there is no system control available for the Company's production and operation practice or the system no longer works; (5) the internal control for information disclosure no longer works, having caused the Company censured publicly by the regulatory authority; (6) the results of the internal control assessments, especially the material defects or important defects have not been rectified.
Number of material defects in the financial statements	0	
Number of material defects in the non-financial statements	0	
Number of important defects in the financial report	0	
Number of important defects in the non-financial report	0	

X. Internal Control Audit Report

Deliberation Opinions in the Internal Control Audit Report
In our opinion, FIYTA Holdings Limited maintained effective internal control on the financial report in all material aspect

according to the Basic Regulations for Enterprise Internal Control and the relevant provisions ended December 31, 2016.	
Disclosure of the internal control audit report	Disclosed
Date of disclosing the full text of the internal control audit report	March 10, 2017
Index of disclosing the full text of the internal control audit report	www.cninfo.com.cn
Type of the opinions in the internal control audit report	Standard unqualified auditor's report
Are there any material defects in the non-financial report	No

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

No

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

Yes

Section 10 Bond Related Information

Were there any bonds which have been publically issued and listed with the stock exchange but have not yet been due or have not been entirely cashed despite that they have been due by the day when this annual report is approved for issuing?

No

Section 11 Financial Report

AUDITORS' REPORT

Rui Hua Shen Zi (2017) No.48460003

To the shareholders of FIYTA Holdings Ltd.:

We have audited the accompanying financial statements of FIYTA Holdings Ltd. (the "Company") and its subsidiaries, which comprise the consolidated and the Company's balance sheet as at 31 December 2016, the consolidated and the Company's income statement, the consolidated and the Company's cash flow statement for the year then ended and consolidated and the Company's statement of change in shareholders' equity, and notes to the financial statements.

I. Management's Responsibility for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing and fairly presenting financial statements in accordance with Accounting Standards for Business Enterprises; (2) designing, implementing and maintaining necessary internal control in order that financial statements 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the

financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 financial statements give a true and fair view of the consolidated financial position of FIYTA Holdings Ltd. and its subsidiaries as at 31 December 2016, and of their consolidated financial performance and their consolidated cash flows for the year then ended and, of the financial position of FIYTA Holdings Ltd. as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in all material aspects in accordance with Accounting Standards for Business Enterprises.

Ruihua Certified Public Accountants

Chinese Certified Public Accountant:Xing xiangzong

Beijing, China

Chinese Certified Public Accountant:Yan yusong

8 March 2017

Consolidated Balance Sheet

as at 31 December 2016

Prepared by: FIYTA Holdings Ltd.

Monetary Unit: RMB Yuan

Item	Note	31 Dec 2016	31 Dec 2015
Current assets			
Cash and bank balances	VI. 1	428,802,755.81	638,962,875.93
Fair value through profit or loss financial asset		-	-
Derivative financial asset		-	-
Notes receivable	VI. 2	7,662,556.28	7,197,788.08
Accounts receivable	VI. 3	306,671,021.69	304,725,676.29
Prepayments	VI. 4	33,709,656.73	48,869,563.60
Interest receivable		-	-
Dividends receivable		-	-
Other receivables	VI. 5	33,393,017.28	39,847,732.76
Inventories	VI. 6	1,997,097,192.38	2,092,691,019.29
Asset held for sale		-	-
Non-current assets due within one year		-	-
Other current assets	VI. 7	20,344,532.09	15,796,773.56
Total current assets		2,827,680,732.26	3,148,091,429.51
Non-current assets:			
Available-for-sale financial assets	VI. 8	85,000.00	85,000.00
Held-to-maturity investments		-	-
Long-term receivables		-	-
Long-term equity investment	VI. 9	43,423,624.87	43,221,572.05
Investment property	VI. 10	244,202,635.09	216,948,193.02
Fixed assets	VI. 11	611,204,169.03	361,979,828.01
Construction in progress	VI. 12	-	173,189,274.57
Construction materials		-	-
Disposal of fixed assets		-	-
Intangible assets	VI. 13	38,751,903.42	36,429,626.66
Development expenditures		-	-
Goodwill	VI. 14	-	-
Long-term deferred expenses	VI. 15	133,688,403.88	155,704,564.39
Deferred tax assets	VI. 16	95,179,575.26	105,901,723.16
Other non-current assets	VI. 17	10,681,518.91	5,118,833.65
Total non-current assets		1,177,216,830.46	1,098,578,615.51
Total assets		4,004,897,562.72	4,246,670,045.02

Consolidated Balance Sheet (continued)

as at 31 December 2016

Prepared by: FIYTA Holdings Ltd.

Monetary Unit: RMB Yuan

Item	Note	31 Dec 2016	31 Dec 2015
Current liabilities			
Short-term loans	VI. 18	1,098,438,070.00	988,186,200.00
Fair value through profit or loss financial liabilities		-	-
Notes payable		-	-
Accounts payable	VI. 19	215,422,089.74	155,939,686.54
Advances from customer	VI. 20	13,902,703.90	18,031,129.87
Employee benefits payable	VI. 21	45,254,585.69	39,396,747.95
Taxes payable	VI. 22	50,945,289.31	68,921,732.81
Interest payable	VI. 23	2,475,969.65	19,211,630.02
Dividends payable		-	-
Other payables	VI. 24	53,733,080.99	48,131,616.20
Held for sale liabilities		-	-
Non-current liabilities due within one year	VI. 25	26,117,387.52	108,914,000.00
Other current liabilities	VI. 26	2,379,148.19	1,988,252.38
Total current liabilities		1,508,668,324.99	1,448,720,995.77
Non-current liabilities:			
Long-term loan	VI. 27	115,301,048.00	90,994,964.33
Bonds payable	VI. 28	-	399,823,760.28
Deferred income	VI. 29	5,980,000.00	4,300,000.00
Deferred tax liabilities		-	-
Other non-current liabilities		-	-
Total non-current liabilities		121,281,048.00	495,118,724.61
Total liabilities		1,629,949,372.99	1,943,839,720.38
Shareholders' equity			
Share capital	VI. 30	438,744,881.00	438,744,881.00
Capital reserve	VI. 31	1,062,455,644.22	1,062,455,644.22
Less: treasury stock		-	-
Other comprehensive income	VI. 32	-11,778,498.24	-17,145,189.71
Special reserves		-	-
Surplus reserve	VI. 33	193,961,700.45	179,743,077.15
Undistributed profit	VI. 34	687,986,807.74	635,417,237.55
Total shareholders' equity attributable to shareholders of the parent company		2,371,370,535.17	2,299,215,650.21
Minority shareholders' interests		3,577,654.56	3,614,674.43
Total shareholders' equity		2,374,948,189.73	2,302,830,324.64
Total liabilities and shareholders' equity		4,004,897,562.72	4,246,670,045.02

The accompanying notes from page 15 to 107 form an integral part of these financial statements.

The financial statements from page 3 to page 14 shall be signed by the following personnel.

Legal Representative: Xu dongsheng

Principal in charge of accounting: Chen zhao

Head of accounting department:Tianhui

Consolidated Income Statement

for the Year Ended 31 December 2016

Prepared by: FIYTA Holdings Ltd.

Monetary Unit: RMB Yuan

Item	Notes	2016	2015
1. Total Revenue		2,993,864,561.43	3,162,196,212.90
Incl. Operating income	VI. 35	2,993,864,561.43	3,162,196,212.90
2. Total Cost		2,866,928,721.59	3,038,404,027.19
Incl. Operating cost	VI. 35	1,772,811,718.01	1,929,513,666.04
Tax and surcharges	VI. 36	34,047,056.22	30,674,510.18
Distribution expenses	VI. 37	760,530,356.03	779,536,520.59
Administrative expenses	VI. 38	201,274,142.02	198,077,866.76
Financial expenses	VI. 39	68,887,564.91	94,347,464.79
Asset impairment loss	VI. 40	29,377,884.40	6,253,998.83
Plus: gain or loss from changes in fair value		-	-
Investment gain	VI. 41	446,593.23	831,812.14
Incl. gain from investment in associates and jointly controlled enterprises		585,802.82	831,812.14
3. Operating profit (loss)		127,382,433.07	124,623,997.85
Plus: Non-operating income	VI. 42	18,580,518.04	12,037,251.82
Incl. gain from disposal of non-current assets		5,779.00	94,316.07
Less: Non-operating expenses	VI. 43	931,661.14	1,131,027.33
Incl. losses from disposal of non-current assets		526,699.33	59,880.75
4. Profit before income tax		145,031,289.97	135,530,222.34
Less: Income tax	VI. 44	34,656,442.67	13,486,541.61
5. Net profit		110,374,847.30	122,043,680.73
Net profit attributable to shareholders of the parent company		110,662,681.59	121,702,057.44
Profit attributable to minority shareholders		-287,834.29	341,623.29
6. After-tax other comprehensive income	VI. 32	5,617,505.89	658,770.06
After-tax other comprehensive income attributable to shareholders of parent company		5,366,691.47	464,075.51
After-tax other comprehensive income attributable to minority shareholders	VI. 32	250,814.42	194,694.55
7. Total other comprehensive income		115,992,353.19	122,702,450.79
Total comprehensive income attributable to shareholders of the parent company		116,029,373.06	122,166,132.95
Total comprehensive income attributable to minority shareholders		-37,019.87	536,317.84
8. Earnings per share			
(1) Basic EPS		0.2522	0.3099
(2) Diluted EPS		0.2522	0.3099

The accompanying notes from page 15 to 107 form an integral part of these financial statements.

The financial statements from page 3 to page 14 shall be signed by the following personnel.

Legal Representative: Xu dongsheng
Head of accounting department: Tianhui

Principal in charge of accounting: Chen zhao

Consolidated Cash Flow Statement

for the Year Ended 31 December 2016

Prepared by: FIYTA Holdings Ltd.

Monetary Unit: RMB Yuan

Item	Notes	2016	2015
1. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		3,399,049,587.48	3,655,072,713.33
Cash received from refund of taxes		6,421.29	-
Other cash received relating to operating activities	VI. 45	51,568,226.99	41,260,214.12
Subtotal of cash inflows from operating activities		3,450,624,235.76	3,696,332,927.45
Cash paid for purchasing goods and services		1,875,799,503.14	2,182,822,674.35
Cash paid to and for employees		493,983,490.08	498,411,775.82
Cash paid for taxes and surcharges		279,007,317.31	267,337,552.24
Other cash paid relating to operating activities	VI. 45	346,074,831.08	351,523,932.63
Subtotal of cash outflows in operating activities		2,994,865,141.61	3,300,095,935.04
Net cash flows from operating activities		455,759,094.15	396,236,992.41
2. Cash flows from investing activities			
Cash received from returns on investments		-	-
Cash received from returns on investments		383,750.00	-
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		4,150,363.94	340,367.11
Cash received from disposal of subsidiaries and other business units		-	-
Net cash received relating to other investing activities		-	-
Subtotal of cash inflows from investing activities		4,534,113.94	340,367.11
Cash paid to acquire fixed assets, intangible assets and other long-term assets		189,744,095.04	230,352,063.28
Cash paid to acquire investments		-	-
Net cash paid to acquire subsidiaries and other business units		-	-
Cash paid relating to other investing activities		-	-
Subtotal of cash outflows for investing activities		189,744,095.04	230,352,063.28
Net cash flows from investing activities		-185,209,981.10	-230,011,696.17
3. Cash flows from financing activities:			
Cash received from capital contributions		-	585,499,993.55
Including: Cash received from capital contributions by minority shareholders of subsidiaries		-	-
Cash received from loans		1,405,213,268.91	2,338,413,855.11
Cash received from bonds		-	-
Cash received relating to other financing activities	VI. 45	-	13,500,000.00
Sub-total of cash inflows from financing activities		1,405,213,268.91	2,937,413,848.66
Cash repayments of borrowings		1,765,309,978.60	2,289,386,353.35
Cash payments for interest expenses and distribution of dividends or profits		121,523,418.84	127,821,827.59
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		-	-
Cash payments relating to other financing activities	VI. 45	992,669.19	165,515,699.12
Sub-total of cash outflows for financing activities		1,887,826,066.63	2,582,723,880.06

Net cash flows from financing activities		-482,612,797.72	354,689,968.60
4. Effect of foreign exchange rate changes on cash and cash equivalents		1,903,564.55	1,592,540.55
5. Net increase in cash and cash equivalents	VI. 46	-210,160,120.12	522,507,805.39
Plus: cash and cash equivalents at the beginning of the year		637,387,875.93	114,880,070.54
6. Cash and cash equivalents at the end of the year	VI. 46	427,227,755.81	637,387,875.93

The accompanying notes from page 15 to 107 form an integral part of these financial statements.

The financial statements from page 3 to page 14 shall be signed by the following personnel.

Legal Representative: Xu dongsheng
Head of accounting department: Tianhui

Principal in charge of accounting: Chen zhao

Consolidated Statement of Changes in Shareholders' Equity

for the Year Ended 31 December 2016

Prepared by: FIYTA Holdings Ltd.

Monetary Unit: RMB Yuan

Item	2016									
	Total shareholders' equity attributable to shareholders of the parent company								Minority interest	Total shareholders' equity
	Share capital	Capital reserve	Less: treasury stocks	Other comprehensive income	Special reserve	Surplus Reserve	General risk reserve	Undistributed profit		
I. Balance at the end of prior year	438,744,881.00	1,062,455,644.22	-	-17,145,189.71	-	179,743,077.15	-	635,417,237.55	3,614,674.43	2,302,830,324.64
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Correction of errors	-	-	-	-	-	-	-	-	-	-
Consolidation under common control	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
II. Balance at the beginning of current year	438,744,881.00	1,062,455,644.22	-	-17,145,189.71	-	179,743,077.15	-	635,417,237.55	3,614,674.43	2,302,830,324.64
III. Changes in equity for the year ("-" for decrease)	-	-	-	5,366,691.47	-	14,218,623.30	-	52,569,570.19	-37,019.87	72,117,865.09
(I) Total comprehensive income for the year	-	-	-	5,366,691.47	-	-	-	110,662,681.59	-37,019.87	115,992,353.19
(II) Shareholders' contributions and decrease of capital	-	-	-	-	-	-	-	-	-	-
1. Common shares by the shareholders	-	-	-	-	-	-	-	-	-	-
2. Other equity holders' contribution	-	-	-	-	-	-	-	-	-	-
3. Increase in shareholders' equity resulted from share-based payments	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-
(III) Appropriation of profits	-	-	-	-	-	14,218,623.30	-	-58,093,111.40	-	-43,874,488.10
1. Make surplus reserves	-	-	-	-	-	14,218,623.30	-	-14,218,623.30	-	-
2. Make general risk reserve	-	-	-	-	-	-	-	-	-	-
3. Distributions to shareholders	-	-	-	-	-	-	-	-43,874,488.10	-	-43,874,488.10
4. 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. Accrued for the year	-	-	-	-	-	-	-	-	-	-
2. Use for the year	-	-	-	-	-	-	-	-	-	-

(VI) Others	-	-	-	-	-	-	-	-	-	-
IV. Balance at the end of current year	438,744,881.00	1,062,455,644.22	-	-11,778,498.24	-	193,961,700.45	-	687,986,807.74	3,577,654.56	2,374,948,189.73

The accompanying notes from page 15 to 107 form an integral part of these financial statements.

The financial statements from page 3 to page 14 shall be signed by the following personnel.

Legal Representative: Xu dongsheng

Principal in charge of accounting: Chen zhao

Head of accounting department: Tianhui

Consolidated Statement of Changes in Shareholders' Equity (continued)

for the Year Ended 31 December 2016

Prepared by: FIYTA Holdings Ltd.

Monetary Unit: RMB Yuan

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

2. Use for the year	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-
IV. Balance at the end of current year	438,744,881.00	1,062,455,644.22	-	-17,145,189.71	-	179,743,077.15	-	635,417,237.55	3,614,674.43	2,302,830,324.64

The accompanying notes from page 15 to 107 form an integral part of these financial statements.

The financial statements from page 3 to page 14 shall be signed by the following personnel.

Legal Representative: Xu dongsheng

Principal in charge of accounting: Chen zhao

Head of accounting department: Tianhui

Balance Sheet

as at 31 December 2016

Prepared by: FIYTA Holdings Ltd.

Monetary Unit: RMB Yuan

Item	Note	31 Dec 2016	31 Dec 2015
Current assets			
Cash and bank balances		270,947,926.47	513,869,824.81
Fair value through profit or loss financial asset		-	-
Derivative financial asset		-	-
Notes receivable		-	-
Accounts receivable	XV. 1	255,995.64	-
Prepayments		-	-
Interest receivable		-	-
Dividends receivable		-	-
Other receivables	XV. 2	1,191,947,054.57	1,527,756,817.18
Inventories		-	-
Asset held for sale		-	-
Non-current assets due within one year		-	-
Other current assets		5,805,712.39	2,089,651.83
Total current assets		1,468,956,689.07	2,043,716,293.82
Non-current assets:			
Available-for-sale financial assets		85,000.00	85,000.00
Held-to-maturity investments		-	-
Long-term receivables		-	-
Long-term equity investment	XV. 3	1,256,593,344.87	814,121,292.05
Investment property		207,804,447.15	216,948,193.02
Fixed assets		414,581,425.11	113,553,719.50
Construction in progress		-	173,189,274.57
Construction materials		-	-
Disposal of fixed assets		-	-
Productive biological assets		-	-
Oil and gas assets		-	-
Intangible assets		32,438,001.77	30,104,404.98
Development expenditures		-	-
Goodwill		-	-
Long-term deferred expenses		5,721,622.60	4,693,186.19
Deferred tax assets		1,502,555.54	1,081,888.10
Other non-current assets		10,681,518.91	5,118,833.65
Total non-current assets		1,929,407,915.95	1,358,895,792.06
Total assets		3,398,364,605.02	3,402,612,085.88

Balance Sheet (continued)

as at 31 December 2016

Prepared by: FIYTA Holdings Ltd.

Monetary Unit: RMB Yuan

Item	Note	31 Dec 2016	31 Dec 2015
Current liabilities			
Short-term loans		908,000,000.00	700,000,000.00
Fair value through profit or loss financial liability		-	-
Derivative financial liabilities		-	-
Notes payable		-	-
Accounts payable		77,826,174.63	23,711,339.76
Advances from customer		2,767,858.84	3,207,516.61
Employee benefits payable		8,020,288.56	8,188,793.56
Taxes payable		2,883,511.63	2,857,031.42
Interest payable		1,312,644.11	18,170,745.35
Dividends payable		-	-
Other payables		18,959,721.51	17,550,238.03
Held for sale liabilities		-	-
Non-current liabilities due within one year		8,000,000.00	-
Other current liabilities		-	-
Total current liabilities		1,027,770,199.28	773,685,664.73
Non-current liabilities:			
Long-term loan		109,861,928.00	68,361,928.00
Bonds payable		-	399,823,760.28
Incl: preferential share		-	-
Perpetual debt		-	-
Deferred income		5,980,000.00	4,300,000.00
Deferred tax liabilities		-	-
Other non-current liabilities		-	-
Total non-current liabilities		115,841,928.00	472,485,688.28
Total liabilities		1,143,612,127.28	1,246,171,353.01
Shareholders' equity			
Share capital		438,744,881.00	438,744,881.00
Other equity instrument		-	-
Incl: preferential share		-	-
Perpetual debt		-	-
Capital reserve		1,068,111,185.32	1,068,111,185.32
Less: treasury stock		-	-
Other comprehensive income		-	-
Special reserves		-	-
Surplus reserve		193,961,700.45	179,743,077.15
General risk reserve		-	-
Undistributed profit		553,934,710.97	469,841,589.40
Total shareholders' equity		2,254,752,477.74	2,156,440,732.87
Total liabilities and shareholders' equity		3,398,364,605.02	3,402,612,085.88

The accompanying notes from page 15 to 107 form an integral part of these financial statements.

The financial statements from page 3 to page 14 shall be signed by the following personnel.

Legal Representative: Xu dongsheng

Principal in charge of accounting: Chen zhuo

Head of accounting department: Tianhui

Income Statement

for the Year Ended 31 December 2016

Prepared by: FIYTA Holdings Ltd.

Monetary Unit: RMB Yuan

Item	Note	2016	2015
1. Revenue	XV. 4	98,387,059.04	95,435,182.26
Less: operating cost	XV. 4	13,573,121.98	14,952,820.19
Tax and surcharges		5,612,327.76	5,351,881.76
Distribution expenses		-	-
Administrative expenses		62,135,280.94	53,984,337.81
Financial expenses		14,080,570.16	18,388,066.34
Impairment loss		2,669.72	-566,874.66
Plus: gain on changes of fair value		-	-
Investment income	XV. 5	135,930,463.18	132,219,952.72
Incl. income from investment in associates and jointly controlled enterprises		585,802.82	831,812.14
2. Operating profit		138,913,551.66	135,544,903.54
Plus: Non-operating income		3,484,145.59	3,566,753.92
Incl. gains from disposal of non-current assets		4,000.00	4,000.00
Less: Non-operating expenses		364,571.59	316,767.32
Incl. losses from disposal of non-current assets		64,571.59	16,717.32
3. Profit before income tax		142,033,125.66	138,794,890.14
Less: Income tax		-153,107.31	518,787.56
4. Net profit		142,186,232.97	138,276,102.58
5. Other comprehensive income		-	-
1. Other comprehensive income that cannot be re-classified into profit or loss in future		-	-
(1) Net liability or net asset changes due to re-measurement of defined contribution plan		-	-
(2) Portion enjoyed in the investee's comprehensive income which cannot be reclassified to profit or loss under equity method in future		-	-
2. Comprehensive income that can be reclassified in profit or loss in future		-	-
(1) Portion enjoyed in the investee's comprehensive income which can be reclassified to profit or loss under equity method in future		-	-
(2) Profit or loss from changes of fair value of available for sale financial asset		-	-
(3) Profit or loss from reclassification from held-to-maturity to available for sale		-	-
(4) Profit or loss of effective part of a cash flow hedge		-	-

(5) Exchange difference of financial statement denominated in foreign currency		-	-
(6) Others		-	-
6. Total comprehensive income		142,186,232.97	138,276,102.58

The accompanying notes from page 15 to 107 form an integral part of these financial statements.

The financial statements from page 3 to page 14 shall be signed by the following personnel.

Legal Representative: Xu dongsheng

Principal in charge of accounting: Chen zhuo

Head of accounting department: Tianhui

Cash Flow Statement

for the Year Ended 31 December 2016

Prepared by: FIYTA Holdings Ltd.

Monetary Unit: RMB Yuan

Item	Note	2016	2015
1. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		101,146,875.41	106,837,676.30
Cash received from refund of taxes		-	-
Other cash received relating to operating activities		1,771,270,749.83	62,329,516.00
Subtotal of cash inflows from operating activities		1,872,417,625.24	169,167,192.30
Cash paid for purchasing goods and services		34,000.00	
Cash paid to and for employees		54,565,535.75	50,544,482.34
Cash paid for taxes and surcharges		8,610,117.24	10,408,943.54
Other cash paid relating to operating activities		1,396,061,933.91	13,607,560.44
Subtotal of cash outflows in operating activities		1,459,271,586.90	74,560,986.32
Net cash flows from operating activities		413,146,038.34	94,606,205.98
2. Cash flows from investing activities			
Cash received from returns on investments		-	-
Cash received from returns on investments		135,728,410.36	131,388,140.58
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		5,600.00	111,800.00
Net cash received relating to other investing activities		-	-
Subtotal of cash inflows from investing activities		135,734,010.36	131,499,940.58
Cash paid to acquire fixed assets, intangible assets and other long-term assets		97,544,258.42	105,530,925.54
Cash paid to acquire investments		442,270,000.00	40,100,000.00
Net cash paid to acquire subsidiaries and other business units			
Cash paid relating to other investing activities		-	-
Subtotal of cash outflows for investing activities		539,814,258.42	145,630,925.54
Net cash flows from investing activities		-404,080,248.06	-14,130,984.96
3. Cash flows from financing activities:			
Cash received from capital contributions		-	585,499,993.55
Cash received from loans		1,211,500,000.00	1,813,000,000.00
Cash received from bonds		-	-
Cash received relating to other financing activities		-	-
Sub-total of cash inflows from financing activities		1,211,500,000.00	2,398,499,993.55
Cash repayments of borrowings		1,354,000,000.00	1,743,000,000.00
Cash payments for interest expenses and distribution of dividends or profits		108,495,019.43	107,150,257.43
Cash payments relating to other financing activities		992,669.19	152,015,699.12
Sub-total of cash outflows for financing activities		1,463,487,688.62	2,002,165,956.55
Net cash flows from financing activities		-251,987,688.62	396,334,037.00
4. Effect of foreign exchange rate changes on cash and cash equivalents		-	-

5.	Net increase in cash and cash equivalents		-242,921,898.34	476,809,258.02
	Cash and cash equivalents at the beginning of the year		512,294,824.81	35,485,566.79
6.	Cash and cash equivalents at the end of the year		269,372,926.47	512,294,824.81

The accompanying notes from page 15 to 107 form an integral part of these financial statements.

The financial statements from page 3 to page 14 shall be signed by the following personnel.

Legal Representative: Xu dongsheng

Principal in charge of accounting: Chen zhao

Head of accounting department: Tianhui

Statement of Changes in Shareholders' Equity

for the Year Ended 31 December 2016

Prepared by: FIYTA Holdings Ltd.

Monetary Unit: RMB Yuan

Item	2016								
	Share capital	Capital reserve	Less: treasury stocks	Other comprehensive income	Special reserve	Surplus Reserve	General risk reserve	Undistributed profit	Total shareholders' equity
I. Balance at the end of prior year	438,744,881.00	1,068,111,185.32	-	-	-	179,743,077.15	-	469,841,589.40	2,156,440,732.87
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-
Correction of errors	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
II. Balance at the beginning of current year	438,744,881.00	1,068,111,185.32	-	-	-	179,743,077.15	-	469,841,589.40	2,156,440,732.87
III. Changes in equity for the year ("- "for decrease)	-	-	-	-	-	14,218,623.30	-	84,093,121.57	98,311,744.87
(I) Total comprehensive income for the year	-	-	-	-	-	-	-	142,186,232.97	142,186,232.97
(II) Shareholders' contributions and decrease of capital	-	-	-	-	-	-	-	-	-
1. Common shares by the shareholders	-	-	-	-	-	-	-	-	-
2. Other equity holders' contribution	-	-	-	-	-	-	-	-	-
3. Increase in shareholders' equity resulted from share-based payments	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-
(III) Appropriation of profits	-	-	-	-	-	14,218,623.30	-	-58,093,111.40	-43,874,488.10
1. Make surplus reserves	-	-	-	-	-	14,218,623.30	-	-14,218,623.30	-
2. Make general risk reserve	-	-	-	-	-	-	-	-	-

3. Distributions to shareholders	-	-	-	-	-	-	-	-43,874,488.10	-43,874,488.10
4. 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. Accrued for the year	-	-	-	-	-	-	-	-	-
2. Use for the year	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-
IV. Balance at the end of current year	438,744,881.00	1,068,111,185.32	-	-	-	193,961,700.45	-	553,934,710.97	2,254,752,477.74

The accompanying notes from page 15 to 107 form an integral part of these financial statements.

The financial statements from page 3 to page 14 shall be signed by the following personnel.

Legal Representative:Xu dongsheng

Principal in charge of accounting:Chen zhao

Head of accounting department:Tianhui

Statement of Changes in Shareholders' Equity (continued)

for the Year Ended 31 December 2016

Prepared by: FIYTA Holdings Ltd.

Monetary Unit: RMB Yuan

Item	2015								
	Share capital	Capital reserve	Less: treasury stocks	Other comprehensive income	Special reserve	Surplus Reserve	General risk reserve	Undistributed profit	Total shareholders' equity
I. Balance at the end of prior year	392,767,870.00	531,163,822.70	-	-	-	165,915,466.89	-	384,669,884.08	1,474,517,043.67
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-
Correction of errors	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
II. Balance at the beginning of current year	392,767,870.00	531,163,822.70	-	-	-	165,915,466.89	-	384,669,884.08	1,474,517,043.67
III. Changes in equity for the year ("- "for decrease)	45,977,011.00	536,947,362.62	-	-	-	13,827,610.26	-	85,171,705.32	681,923,689.20
(I) Total comprehensive income for the year	-	-	-	-	-	-	-	138,276,102.58	138,276,102.58
(II) Shareholders' contributions and decrease of capital	45,977,011.00	536,947,362.62	-	-	-	-	-	-	582,924,373.62
1. Common shares by the shareholders	45,977,011.00	536,947,362.62	-	-	-	-	-	-	582,924,373.62
2. Other equity holders' contribution	-	-	-	-	-	-	-	-	-
3. Increase in shareholders' equity resulted from share-based payments	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-
(III) Appropriation of profits	-	-	-	-	-	13,827,610.26	-	-53,104,397.26	-39,276,787.00
1. Make surplus reserves	-	-	-	-	-	13,827,610.26	-	-13,827,610.26	-
2. Make general risk reserve	-	-	-	-	-	-	-	-	-

3. Distributions to shareholders	-	-	-	-	-	-	-	-39,276,787.00	-39,276,787.00
4. 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. Accrued for the year	-	-	-	-	-	-	-	-	-
2. Use for the year	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-
IV. Balance at the end of current year	438,744,881.00	1,068,111,185.32	-	-	-	179,743,077.15	-	469,841,589.40	2,156,440,732.87

The accompanying notes from page 15 to 107 form an integral part of these financial statements.

The financial statements from page 3 to page 14 shall be signed by the following personnel.

Legal Representative:Xu dongsheng

Principal in charge of accounting:Chen zhao

Head of accounting department:Tianhui

FIYTA Holdings Ltd.
Notes to the Financial Statements
for the Year Ended 31 December 2016
(Expressed in RMB Yuan unless otherwise indicated)

I. Company status

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 Limited". The headquarters is located at FIYTA Hi-Tech Building, Gao Xin Nan Yi Dao, Nanshan District, Shenzhen, Guangdong Province.

Pursuant to the approval of Shen Ren 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 Shen Zheng Ban Fu[1993]20 issued by Shenzhen Securities Regulatory Office and Shen Zheng 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 “Reply of China Securities Regulatory Commission (CSRC) to the Approval of Private Placement of Shenzhen FIYTA Holdings Limited” (Zheng Jian Xu Ke [2010]1703) and “Reply of State-owned Assets Supervision and Administration Commission of the State Council (SASAC) on Issues in Private Placement of Shenzhen FIYTA Holdings Limited” (SASAC (2010)430) in 2010, the Company is approved to issue not more than 50,000,000 ordinary shares (A shares) by private placement. After the completion of the placement on 9 December 2010, the Company’s registered capital 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, the Company increased its share capital by 4 shares for every 10 shares by capitalizing the capital reserves on the basis of total shares of 280,548,479 as at 31 December 2010. Total shares of the Company changed to 392,767,870 shares after the increase.

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

As at 31 December 2016, the Company has accumulatively issued 438,744,881 shares in total (refer to Notes VI. 30 for details).

The business scope of the Company and its subsidiaries mainly includes: producing and selling of analogue quartz watches and its movements, components, various timing devices, processing and wholesaling karat gold jewellery 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 Zheng Zi No.2007-072).The legal representative of the Company is Xu Dongsheng.

Corporate governance institutions that were 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’s functional departments include Administration, Human Resources, Finance, Property Management, Innovative Design, Strategy and Information, General Office of Board of Directors, Audit, and R&D Department.

The financial statements have been approved and authorised for issue by the Board of Directors of the Company

on 8 March 2017.

There are 15 subsidiaries that are included in the Company's scope of consolidation for year 2016, see Note VIII "Equity in other entities" for detail. Comparing with prior year, the status of changes in scope of consolidation is: zero addition and one decrease. See Note VII "Changes in scope of consolidation" for detail.

II. Basis of preparation

The financial statements of the Group have been prepared based on going concern assumption and based on actual transactions and events occurred. It is prepared in accordance with the requirements of "Accounting Standards for Business Enterprises - Basic Standard" (promulgated under Decree No. 33 of the Ministry of Finance and revised under Decree No. 76 of the Ministry of Finance) and 41 Specific Standards issued and revised by the Ministry of Finance on and after 15 February 2006, and application guidance, illustrations to the standards and related pronouncements (collectively known as "Accounting Standards for Business Enterprises" or "CAS"). These financial statements also comply with the disclosure requirements of "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15: General Requirements for Financial Reports" (revised in 2014) issued by China Securities Regulatory Commission (CSRC).

According to Accounting Standards for Business Enterprises, accrual basis is adopted for the Company's accounting activity. Except for some financial instruments, the financial statements are measured using historical cost. In case of impairment occurred on assets, provisions for impairment are provided for in accordance with related rules.

III. Statement of compliance

The financial statements of the Company have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises. These financial statements present truly and completely the financial position as at 31 December 2016, the results of operations and the cash flows for the year then ended of the Company. In addition, the financial statements of the Company comply with, in all material respects, the disclosure requirements for financial statements and notes to the financial statements under "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15: General Requirements for Financial Reports" as revised by CSRC in 2014.

IV. Accounting policies and estimates

The Company and each subsidiaries determines specific accounting policies and estimates for revenue recognition, depreciation of fixed asset, amortization of intangible assets and R&D expenses according to the characteristics of their production and operation and based on CAS. Refer to Notes IV. 22 "Revenue", Note IV 14 "Fixed Asset", Note IV 17 (1) "Intangible Asset" and Note IV 17 (2) "R&D Expenses" for detail. For explanation of significant accounting judgement and estimate made by the management, refer to Note IV 27 "Significant accounting judgement and estimate" for detail.

1. Accounting period

The accounting period of the Company includes accounting year and interim accounting period. An interim period refers to a reporting period which is shorter than a full accounting year. The accounting year of the Company is the calendar year, i.e. from 1 January to 31 December of each year.

2. Operating cycle

Normal operating cycle refer to the period start from purchasing asset for manufacturing until realization of cash or cash equivalent. The operating cycle of the Company is 12 months, which is the basis for distinguishing liquidity of assets and liabilities.

3. Recording currency

Renminbi (RMB) is the functional currency of the main economic environment in which the Company and its domestic subsidiaries operate. The Company and its domestic subsidiaries adopt Renminbi as the recording currency.

Except for the Swiss-based subsidiary Montres Chouriet SA (the “Swiss Company”) , which is a subsidiary of FIYTA (Hong Kong) Limited (FIYTA Hong Kong), uses Swiss Franc as the recording currency according to the main economic environment where the Swiss Company operated, all other subsidiaries outside the mainland China, including HARMONY World Watches International Limited (World Watches International), a subsidiary of Shenzhen HARMONY World Watches Center Co., Ltd (HARMONY Company), FIYTA Hong Kong and its subsidiary Station 68 Limited (Station 68) as well as Nature Art Limited, which are special purpose vehicles controlled by Station 68, use Hong Kong Dollar (HKD) as the recording currency and translate to Renminbi when preparing financial statements.

The currency used in preparing the Company's financial statements is Renminbi.

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

Business combination refers to transactions or events that combine two or more separate enterprises and form one reporting entity. Business combinations are classified into business combinations involving enterprises under common control and business combinations involving enterprises not under common control.

(1) Business combination involving entities under common control

If the enterprises involved in a combination are subject to control of the same party or parties both before and after the combination, and that control is not temporary in nature, it is business combination under common control. The party who obtains control over other participating enterprises on the combination date is the combining party, and the other participating enterprises are combined parties in a business combination under common control. Combination date means the date on which the combining party actually obtains control over the combined parties.

Assets and liabilities that the combining party obtained are measured using book value of the combined party's accounts on combination date. Difference between book value of net assets the combining party obtained and book value of combination consideration paid (or the aggregate nominal amount of shares issued) is recognized in capital reserve (share premium). If the capital reserve (share premium) is insufficient to offset, retained earnings will be adjusted accordingly.

All direct expenses incurred by the acquirer in relation to the combination are included in the current profit or loss at the time such expenses incurred.

(2) Business combinations involving entities not under common control

If the enterprises involved in a combination are not subject to control of the same party or parties both before and after the combination, it is the business combination involving entities not under common control. The party who obtains control over the other participating enterprises on acquisition date is the acquirer, and the other participating enterprises are the acquiree in a business combination not under common control. The acquisition date is the date on which the acquirer actually obtains the control over the acquirees.

As for business combinations involving enterprises not under common control, combination cost includes assets paid, liabilities incurred or assumed, and the fair value of equity securities issued by the acquirer to obtain control over the acquiree on the acquisition date. Fees for auditing, legal service, evaluation and consultation, and other administrative expenses incurred for the combination are recognized in profit or loss in the period in which such expenses incurred. Transaction costs incurred by the acquirer for issuing equity securities or debt securities as combination consideration are recognized in initial recognition amount of equity securities or debt securities. Contingent consideration, if any, is included in acquisition cost at its fair value on the acquisition date. If, within 12 months, new or further evidence revealed regarding conditions that already existed on acquisition date, the contingent consideration required to be adjusted, adjusting the goodwill arising from the acquisition accordingly. For acquisition that realized step by step through multiple transfer transactions, the equity of the acquiree held by the acquirer before the acquisition date are re-measured using fair value on the acquisition date. Any difference between the fair value and its carrying amount is recognized as investment income and transfer other comprehensive income related to this part of equity to investment gain in the period where the acquisition date falls. The acquisition cost is the aggregate of fair value of acquiree's equity held by the acquirer before the acquisition date and fair value of additional equity acquired on the acquisition date.

Acquisition cost incurred by the acquirer and identifiable net assets acquired in the acquisition are measured at fair value on the acquisition date. If the acquisition cost is greater than the fair value of the part of identifiable net assets acquired on the acquisition date, the difference is recognized as goodwill. If the acquisition cost is lesser than the fair value of the part of identifiable net assets acquired on the acquisition date, review the fair value of each identifiable asset, liability and contingent liability that acquired and the calculation of acquisition cost. If, after the review, the acquisition cost is still lesser than the fair value of the part of identifiable net assets acquired, the

difference is recognized in profit or loss in corresponding period.

Deductible temporary differences that the acquirer obtained from the acquiree, which are not recognized on acquisition date due to the conditions of recognition as deferred tax assets are not fulfilled, are recognized as deferred tax assets and correspondingly deduct goodwill if new or further evidence shows, within 12 months after the acquisition date, that relevant conditions exist on the acquisition date and it is probable that the economic benefit arising from the deductible temporary differences on acquisition date can be realized. If the goodwill is insufficient to the deduction, the excess part is recognized in profit or loss in corresponding period. Deferred tax assets recognized in relation to acquisition that other than the circumstances mentioned above are recognized in profit or loss in corresponding period.

For business combination involving entities not under common control that achieved in stages that involves multiple transactions, judgement of whether a transaction belongs to “a basket transaction” requires to be carried out in accordance with the “Notice of the Ministry of Finance on Circulating the Fifth Interpretation to Accounting Standards for Business Enterprise” (Cai Kuai (2012) No. 19) and criteria of “a basket transaction” stated in clause 51 of “Accounting Standards for Business Enterprise No. 33 – Financial Statements Consolidation” (see Note IV 5 (2) for detail). If it is “a basket transaction”, the accounting treatment shall be referred to descriptions in above paragraphs and Note IV 12 “Long-term equity investment”. If it isn’t “a basket transaction”, the accounting treatment shall be differentiated for individual and consolidated financial statements.

In the individual 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 disposing an equity held prior the acquisition date that involving other comprehensive income, the other comprehensive income shall be accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities (i.e. except for the portion resulted from changes in re-measuring the acquiree’s net liability or net asset of a defined benefit plan according to equity method accounting, the rest shall be recorded in current period investment gain).

In the consolidated financial statements, the cost of equity investment of the acquiree held prior to the acquisition date is re-measured at the fair value on the acquisition date, the difference between the fair value and carrying value is recognized as investment gain for the current period.

For an equity held prior the acquisition date that involving other comprehensive income, the other comprehensive income shall be accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities (i.e. except for the portion resulted from changes in re-measuring the acquiree’s net liability or net asset of a defined benefit plan according to equity method accounting, the rest shall be recorded in current period investment gain).

5. Method of preparing consolidated financial statements

(1) Principles in determining the scope of the consolidation

The scope of consolidation is determined on the basis of control. Control refers to the right that the Company is able to make decision on financial and operational policies of the invested company, and receiving benefits from the business activities conducted by the invested company. The scope of the consolidation includes the Company and all its subsidiaries. Subsidiary means enterprise or entity that is controlled by the Company.

The Company will reevaluate the scope of consolidation once related facts and situation changes, which in turn results in changes to key factors that define control.

(2) Method of preparing consolidated financial statements

The Group begins to include a subsidiary in the scope of consolidation from the date that the Company acquires the net assets and effective control over the operation and business decisions of the subsidiary. A subsidiary is excluded out of the scope of the Group's consolidation from the date the Company loses effective control over it. For subsidiary that is disposed, the operating performance and cash flows before the disposal date are properly included in the consolidated income statement and consolidated cash flow statement. The opening balance of the consolidated balance sheet is not adjusted if the disposal occurs in the same period. The business performance and cash flows of the addition of subsidiary through combination involving entities not under common control after the acquisition date have been properly included in the consolidated income statement and consolidated cash flow statement, and no adjustments are made to the opening balance and comparative figures of the consolidated financial statements. For addition of subsidiary through combination involving entities under common control, the business performance and cash flows from the beginning of the period to the combination date are properly included in the consolidated income statement and consolidated cash flow statement, and the opening and comparative figures of the consolidated financial statements are adjusted at the same time.

If the accounting policies or accounting period adopted by the subsidiary are not in line with the Company, necessary adjustments are made to the financial statements of the subsidiary according to the Company's accounting policies and period when preparing consolidated financial statements. If the subsidiary is acquired through combinations involving entities not under common control, the adjustments are made based on the fair value of its identifiable net assets on the acquisition date.

All material intra-group current account balances, transactions and unrealized profits are offset when preparing the consolidated financial statements.

The part of subsidiary shareholders' equity and current period net profit or loss that do not attribute to the Company are presented separately under shareholders' equity and net profit in consolidated financial statements as minority shareholders' equity and minority shareholders' profit or loss respectively. Portion of subsidiaries' current net profit or loss attributable to minority shareholder's equity are presented under the title of "minority shareholders' profit or loss" under net profit in consolidated income statement. If subsidiary's losses that attributable to minority shareholders exceed the opening owners' equity attributable to minority shareholders,

minority shareholders' equity is deducted.

If the Company loses control over a subsidiary due to partial disposal of equity investment or other reasons, the remaining equity is measured at fair value on the date when the control is lost. The difference between the sum of consideration received for disposal of equity interest and the fair value of remaining equity interest less the net assets attributable to the Company calculated continuously since the purchase date based on shareholding percentage before disposal are recognized in investment gain in the period when the control is lost. Other comprehensive income related to equity investment in the subsidiary is transferred to investment gain at the time control is lost. The remaining equity interests are measured subsequently according to "CAS No. 2 – Long-term Equity Investment" or "CAS No. 22 – Recognition and measurement of Financial Instrument". See Note IV. 9 "Financial instrument" or Note IV. 12 "Long-term equity investment" for details.

If the Company loses control over a subsidiary step by step through multiple disposal transactions, judgment of whether these transactions belong to "a basket transaction". It's typically considered to account the multiple transaction as "a basket transaction" if the terms, conditions or economic effects of each of the transactions meet one or more criteria listed below:

- a. The transactions are entered into at the same time or in contemplation of each other;
- b. The transactions together can achieve a complete commercial effect;
- c. The occurrence of one transaction is dependent on the occurrence of at least one other transaction;
- d. One transaction is not economically justified, but it is economically justified when considered together with other transactions.

If the transactions do not belong to a basket transaction, each transaction shall be accounted for as a disposal transaction that resulted in loss of control. However, the difference between each consideration received for disposal and portion of net asset related to the disposal shall be accounted as other comprehensive income in consolidated financial statement and charged to profit or loss at the time control is lost and in the period of loss of control.

6. Categorizing of joint arrangement and accounting treatment for joint operation

A joint arrangement is an arrangement of which two or more parties have joint control. The Company classifies joint arrangements into joint operations and joint ventures. 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. A joint venture is a joint arrangement whereby the joint ventures have rights to the net assets of the arrangement.

The Company adopts equity method to joint venture investment and accounted for in accordance with accounting policies stated in Note IV 12 (2) ② "Long-term investment accounted for using equity method" .

As a party in a joint operation, the Company recognizes the followings: asset held independently; liability

undertaken independently; the Company's share of asset held commonly and liability undertaken commonly; revenue from selling output of the joint operation that enjoyed by the Company; revenue from selling output of the joint operation based on the Company's share; expenses incurred independently by the Company and common expenses incurred and shall be borne by the Company according to its shares.

When the Company, as a party in a joint operation, invest or sell asset (the asset does not constitute business) to the joint operation or purchase asset from the joint operation, the Company only recognize the portion of profit or loss that attribute to other parties in the joint operation arises from the transaction before the asset is sold to third party. If the asset impaired according to "CAS No. 8 – Asset impairment", the Company recognize the loss in full if the asset is invested or sold to the joint operation by the Company, or only recognize the portion attributable to the Company should be recognized if the asset is purchased by the Company from the joint operation.

7. Determination of cash and cash equivalents

The Company's cash and cash equivalents include cash on hand, deposit that can be used for immediate payment, and Company's investments that are with characteristics of short term (generally matures in three months from the date of purchase), highly liquid, readily convertible to known amount of cash, and with insignificant risks of changes in value.

8. Foreign currency transactions and financial statements translation

(1) Translation of foreign currency transactions

Initial recognition of foreign currency transactions incurred by the Company are translated to recording currency using the spot exchange rate at the trading date (usually refers to middle rate of foreign exchange rate on that day published by the People's Bank of China). For foreign currency exchange transactions and transactions related to foreign currency exchange, they are translated into recording currency using actual exchange rate.

(2) Translation of monetary items and non-monetary items denominated in foreign currencies

At the balance sheet date, monetary items denominated in foreign currencies are translated using the spot rate at the balance sheet date. Translation differences arising from the translation are recognized in current profit or loss except for capitalized exchange difference attributable to assets purchased or constructed, which can be capitalized, using foreign currency specified loan and amortized cost of available for sale monetary items denominated in foreign currency. The exchange difference arose from the two scenario mentioned above shall be treated under the principal of capitalizing of borrowing cost and charged to other comprehensive income respectively.

In preparing of the consolidated financial statements involving overseas operations, if there is any foreign-currency monetary item constituting substantially net investment in overseas operation, the exchange difference arising from exchange rate variation is recognized in other comprehensive income and will be charged to profit or loss at the period the investment is disposed.

Non-monetary items denominated in foreign currencies that are measured using historical costs are still measured using recording currency translated at the spot rate at transaction date. Non-monetary items denominated in foreign currency which are measured using fair value are translated at spot rate of the day the fair value is determined. The differences between amount of recording currency after the translation and the original amount of recording currency are treated as changes in fair value (including exchange rate change) and are recognized in current profit or loss or recognized in capital reserves as other comprehensive income.

(3) Translation of financial statements prepared in foreign currencies

In preparing of the consolidated financial statements involving overseas operations, if there is any foreign-currency monetary item constituting substantially net investment in overseas operation, the exchange difference arising from exchange rate variation is recognized as “translation difference” under owners’ equity in balance sheet. In case of disposal of overseas operation, it is charged to the profit and loss of the period.

Financial statements of foreign businesses that denominated in foreign currencies are translated to financial statements in RMB using following rules: asset and liability items in balance sheet are translated using the spot rate on balance sheet date; except for “undistributed profit”, all other items in owners’ equity are translated using the spot rate on the date the corresponding transactions occurred. Revenue and expenses items in income statement are translated using the average rate on the transaction date. The undistributed profit at the beginning of the year is the year-end balance translated at the prior year. The undistributed profit at the year-end is presented using translated items in profit distribution. Difference between the translated assets and sum of liabilities and owners’ equity is recognized in other comprehensive income as translation differences and is presented separately under owners’ equity in balance sheet. When disposing overseas operations and losing controls over the operations, relevant translation differences which are originally presented under owners’ equity are charged to profit or loss entirely or proportionately according to percentage of disposal.

Cash flows denominated in foreign currency and cash flows of subsidiaries outside Mainland China are translated using the average exchange rate on the date when cash flows occur. The amount of cash changes due to exchange rate variations are recognized as adjustment item and presented in the cash flow statement separately. The balance at the beginning of the year and amount actually incurred prior year are presented using figures in prior year’s translated financial statements.

All foreign exchange translation difference of an overseas investment recorded under equity and attributable to the shareholders of the parent company shall be charged to current period profit or loss when the Company loses control over this overseas investment due to disposal of all equity owned or partial disposal or other reasons.

If the equity holding in an overseas investment decreased but still maintain control due to partial disposal or other reasons, foreign exchange translation difference related to the part disposed shall be included as minority shareholders’ interest and should not be charged to current period profit or loss. If the partial disposal is for overseas associate or joint ventured enterprise, foreign exchange difference related to the overseas operation shall

be charged to profit or loss when the disposal occurred based on the percentage disposed.

9. Financial instruments

A financial asset or financial liability is recognized when the Company becomes one party of financial instrument contracts. Financial asset and financial liability are initially recognized at fair value. Transaction expenses for fair value through profit or loss financial asset and liability shall be charged to the profit or loss directly. Transaction expenses for financial asset and liability other than that shall be included in the initial recognition amount.

(1) Determination of fair values for financial assets and financial liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. If there is an active market for a financial instrument, the quoted price in the active market shall be used to establish the fair value of the financial instruments. Quoted prices from an active market are prices that are readily and regularly available from an exchange, broker, industry association or pricing service agency etc... and represent prices used in actual market transactions on an arm's length basis. If no active market exists for a financial instrument, the Group establishes fair values by using valuation techniques. Valuation techniques include using the prices quoted in latest market transactions between knowledgeable, willing parties for reference, referencing to the current fair value of another instrument that is substantially the same in nature, discounted cash flow method and option pricing model, etc...

(2) Classification, recognition and measurement of financial assets

Financial assets which are traded in conventional manner are recognized or derecognized on the transaction date. On initial recognition, financial assets are classified into fair value through profit or loss financial assets, held-to-maturity financial assets, loans and receivables, and available-for-sale financial assets.

① Fair value through profit or loss financial asset

Fair value through profit or loss financial asset includes financial asset held for trade and designated upon initial recognition as at fair value through profit or loss.

Financial asset meet one of the following criteria is categorized as financial asset held for trade: A. the purpose of acquiring the financial asset is for selling in short-term; B. belongs to identifiable financial instrument portfolio that is centralized managed and objective evidence proofed that the Company manages the portfolio in a manner to make profit in short-term; C. belongs to derivative instrument except for derivative instruments that are designated as effective hedging tools, financial guarantee contract or connected with equity instrument investment that do not have quotation in an active market and that the fair value cannot be measured reliably and the settlement of derivative instrument must involve delivery of this equity instrument.

Financial asset can be recognized initially as designated fair value through profit or loss financial asset if one of the following conditions is met: A. the designation can eliminate or reduce significantly the situation of inconsistency in recognition or measurement of profit or loss caused by different measurement basis; B. the

official documents of the Company's risk management or investment strategy state that the financial asset portfolio or portfolio combines financial asset and financial liability that contains the financial asset are managed, evaluated and reported to key management based on fair value.

Fair value through profit or loss financial asset is measured consequently using fair value. Profit or loss arose from changes in fair value and dividend and interest income related to the asset are recorded in current period profit or loss.

② Held-to-maturity investment

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.

Effective interest rate method refers to the method that calculates amortized cost and interest income or expenses for each period based on actual interest rate of a financial asset or financial liability (or a group of financial asset or financial liability). Effective interest rate is the rate that used to discount future cash flows of a financial asset or financial liability in its holding period or a shorter time applicable to its current book value.

When calculating effective interest, the Company estimates future cash flows (do not consider future credit loss) based on all contractual terms of the financial asset or financial liability, and taking into consideration of expenses, transaction fee and discount or premium, which consist part of the actual interest rate, that are paid to or received from different parties of the financial asset or financial liability contract.

③ Loan and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's assets fall under this category include notes receivable, accounts receivable, interest receivable, dividends receivable and other receivables etc...

Loan and 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.

④ Available-for-sale financial asset (AFS financial asset)

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.

The cost of AFS debt instrument investment at period end is determined according to amortized cost, i.e. the initial recognized amount minus principal repaid plus or minus the accumulated amortization of difference between initial recognized amount and amount at the maturity date, and minus impairment loss incurred. The cost of AFS

equity instrument at period end is the initial cost when it is acquired.

AFS financial assets are subsequently measured at fair value. Gain 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. 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 subsequently measured at cost.

Interest income and dividends related to the AFS financial assets are recognized as investment gain for the current period.

(3) 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.

The Company conducts impairment test on individually significant financial assets separately. Financial assets that are not individually significant in amount are tested for impairment separately or grouped into different asset portfolios based on similarity and correlation of the credit risk characteristics. Financial assets that are not impaired after standalone impairment tests will be tested again by including it in a portfolio of financial assets with similar credit risk characteristics. Financial assets that have been impaired in standalone test will not be tested again by including it in a portfolio of financial assets with similar credit risk characteristics.

① Impairment to held-to-maturity, loan and receivables

The carrying amount of financial assets that are measured at cost or amortized cost shall be reduced to the present value of estimated future cash flows. The amount reduced shall be recognized as impairment loss and charged to current period profit or loss. If there is objective evidence shows that the value of the financial asset recovered after impairment loss was recognized, and the recovery is connected with matters happened after the recognition of impairment loss, the loss recognized previously could be reversed. The carrying amount after the reversal shall not exceed the amortized cost at the reversal date as if there is no impairment before.

② Available-for-sale financial assets

It indicated that impairment incurred to the AFS financial asset if the fair value decrease is judged as severe and not temporary by considering all relevant factors.

If 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 can be reversed. The reversal of impairment losses of AFS equity instruments are to be included in other comprehensive income and the AFS debt instrument impairments are to be reversed through current period profit or loss.

The impairment for derivative financial asset that do not have quotation in an active market and that the fair value cannot be measured reliably and the settlement of derivative instrument must involve delivery of this equity instrument are not allowed to be reversed.

(4) Condition of recognition and measurement of transfer of financial assets

Financial asset is derecognized if one of the following conditions is satisfied: ① the contractual rights of receiving cash flows from the financial asset is terminated; ② financial asset has been transferred, and substantially all risks and reward associated with the ownership of the financial asset have been transferred to transferee; ③ the financial asset has been transferred. The enterprise neither transfers nor retains substantially all the risks and rewards associated with the ownership of the financial asset, but it has not retained control over the financial asset.

If the enterprise neither transfers nor retains substantially all the risks and rewards associated with the ownership of a financial asset, and it retains control over the financial asset, it recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizing associated liability. The extent of continuing involvement in the transferred asset is the extent to which the enterprise is exposed to risks of changes in the value of the transferred asset.

For an entire transfer of a financial asset that satisfies the de-recognition criteria, the difference between the carrying amount of the financial asset transferred and the sum of the consideration received from the transfer and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in current profit or loss.

If a part of the transferred financial asset qualifies for de-recognition, the carrying amount of the transferred financial asset in its entirety shall be allocated between the part that is derecognized and the remaining portion proportionately based on the relative fair value of each part. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss attributable to it that had been recognized in other comprehensive income is recognized in current profit or loss.

For financial asset sold with recourse or endorsed, it needs to assure that almost all risk and rewards associated with the financial asset have been transferred. If almost all risk and rewards associated with the financial asset have been transferred to the recipient, the financial asset shall be de-recognized. If the Company retains almost all risk and rewards associated with the financial asset, it shall not be de-recognized. If the Company neither

transfers nor retains almost all risk and rewards associated with the financial asset, judgment of whether the Company retains control over the asset needs to be carried out and it shall be accounted for based on principals stated in above paragraphs.

(5) Classification and measurement of financial liabilities

On initial recognition, financial liabilities are classified in financial liabilities at fair value through profit or loss and other financial liabilities. A financial liability is initially recognized at fair value. Transaction costs for financial liability at fair value through profit or loss are charged to current profit or loss. Transaction costs for other financial liabilities are included in their initial recognition amounts.

① Fair value through profit or loss financial liability

The condition of categorizing fair value through profit or loss financial liability and designated as fair value through profit or loss financial liability is the same as fair value through profit or loss financial asset and designated fair value through profit or loss asset.

Fair value through profit or loss financial liability is measured subsequently using fair value and gain or losses resulted from changes in fair value and dividend or interest payment related to the financial liability shall be charged to current period profit or loss.

② Other financial liability

Derivative financial liabilities, which connected with equity instrument without quotation in an active market and that the fair value cannot be measured reliably and the settlement of such financial liabilities require delivery of the equity instrument, are measured subsequently at cost. Other financial liabilities are measured at amortized cost using effective interest rate method. Gain or losses arising from derecognizing or amortization are charged to current profit or loss.

(6) De-recognition of financial liabilities

A financial liability or part of it can only be derecognized only when the present obligations are fully or partly discharged. If an agreement between the Company (the debtor) and creditor indicates that the present financial liability are to be replaced with a new financial liability which has substantially different terms compare with the present financial liability, the present financial liability is derecognized and the new financial liability is recognized. When a financial liability is entirely or partly derecognized, the difference between the carrying amount of the derecognized financial liability and the consideration paid (including any non-cash assets transferred or new financial liabilities undertook) is charged to current profit or loss.

(7) Derivative instrument and embedded derivative instrument

Derivative financial instruments of the Company are initially measured at the fair value of the date a derivative contract entered into and subsequently measured at their fair value. Gain or losses arising from changes in fair value of derivative instrument that designated hedging instrument and highly effective are charged to profit or loss

based on hedging accounting. Any gains or losses arising from changes in fair value which do not meet the requirements of hedge accounting are directly recognized to profit or loss for the current period.

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

(8) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities can be presented in the balance sheet using net figure after offsetting only when the Group has the legal rights to offset the financial assets and liabilities that are already recognized and plans to execute such rights, and the Group intends to settle corresponding financial assets and liabilities on net basis or to realize the financial asset and settle the financial liability simultaneously. Other than situations mentioned above, financial assets and liabilities are presented separately in balance sheet and cannot be offset.

(9) Equity Instrument

An equity instrument is a contract that evidences any residual interest in the assets of the Group after deducting all of its liabilities. The equity instrument will increase the owners' equity by deducting transaction costs from consideration received for the issuance of the equity instrument.

All kinds of distributions to the owners of equity instrument (excluding stock dividends) decrease the owners' equity. The Group does not recognize fair value changes for equity instrument.

10. Accounts receivable

Receivables include accounts receivable and other receivables.

(1) Recognition principle for bad debts provision

The Company examines, at the balance sheet date, the carrying amounts of receivables and impairment provision is recognized if following objective evidences that indicating impairment to receivables occurs: ① severe financial difficulties of the debtor; ② a breach of contract by the debtor (such as a default or breach of contract in interest or principle repayments); ③ it is probable that the debtor will be bankrupted or conduct other financial reorganization; and ④ other objective evidences indicating there is an impairment of the receivables.

(2) Method of recognizing bad debt provision

① Determination and providing bad debt provision for receivables which are individually significant in amount and provided for bad debt individually

The Company identifies single accounts receivable item that above RMB800,000.00 (inclusive) and single other

receivable item that above RMB500,000.00 (inclusive) as receivables that individually significant in amount.

The Company conducts impairment test on individually significant receivables separately. Financial assets that are not impaired after standalone impairment tests will be tested again by including it in a portfolio of financial assets with similar credit risk characteristics. Receivables that have been impaired in standalone test will not be tested again by including it in a portfolio of financial assets with similar credit risk characteristics.

② Determination of receivables that recognize bad debt provision under credit risk portfolio and bad debt provision recognition.

A. Basis of determining portfolio with similar credit risk characteristics

Receivables that are not individually significant in amount and receivables that are individually significant in amount but not impaired after individual impairment test are grouped into different asset portfolios based on similarity and correlation of the credit risk characteristics. These credit risk characteristics reflect the ability of the debtor to repay all amounts due according to terms of contracts related to the assets under test and are in connection with estimation of future cash flows expected to be generated by these assets.

Basis of portfolio determination

Item	Basis of portfolio determination
Portfolio of aging	Based on aging of receivables
Portfolio of specific accounts	Receivables from petty cash advanced to employees, from subsidiaries of the Company and sales revenue between the last settlement date with the department store and the balance sheet date

B. Recognizing bad debt provision based on credit risk portfolio

If the impairment test is carried out for a portfolio of assets, the amount of bad debt provision is recognized based on the structure of the portfolio and similar credit risk characteristics (the ability of repayment by the debtor according to contract terms) by assessing historical experience on assets impairment with similar credit risk characteristics, current economic condition, and losses that are already exist in the portfolio.

Method of recognizing bad debt provision for different portfolios

Item	Method
Portfolio of aging	Analyzing the aging of receivables
Portfolio of specific accounts	No bad debt provision is recognized as the risk of impairment does not exist according to its credit risk characteristics

a. Recognizing bad debt provision based on aging analysis method within the portfolio

Aging	Percentage of provision recognized for accounts receivable (%)	Percentage of provision recognized for other receivables (%)
Within 1 year (inclusive)	5	5
1-2 years (inclusive)	10	10
2-3 years (inclusive)	30	30
Above 3 years	50	50

b. Recognizing bad debt provision using other method within the portfolio

Name of portfolio	Percentage of provision recognized for accounts receivable (%)	Percentage of provision recognized for other receivables (%)
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 from petty cash advanced to employees, from subsidiaries of the Company and sales revenue 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.

③ Receivables that are insignificant in amount individually but recognize bad debt provision individually

The Company conducts impairment test to receivables that insignificant in amount individually but with the following characteristics: receivables that involving dispute or legal case, arbitration with the other party; obvious indicators show that it is probable that the debtor is unable to fulfil the repayment obligation. Standalone impairment test is carried out for this kind of receivables. If any objective evidence indicate that the receivables impaired, impairment losses are recognized based on the difference between the carrying amount and the present value of estimated future cash flows. Bad debt provision is recognized accordingly.

(3) Reversal of bad debt provision

If, subsequent to the recognition of an impairment loss on a receivable, there are objective evidences of a recovery in value of the receivable and the recovery is related objectively to events occurred after the impairment was recognized, the impairment loss recognized previously is reversed and recognized in profit or loss. The carrying amount after the reversal shall not exceed the amortized cost of the receivable on the reversal date as if there is no impairment previously.

Accounts receivable transferred by the Company to financial institutions without recourse, the difference between transaction amount minus the carrying amount of receivable and related transaction taxes and fees is charged to current period profit or loss.

11. Inventory

(1) Classification of inventory

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

(2) Costing method of acquiring and delivering of inventory

The inventory is valued using actual cost when it is acquired. The cost of inventory includes cost of purchase, manufacturing cost and other costs. Costing methods used for inventory usage and shipment include: weighted average costing (for stored goods of watches with FIYTA brand name), specific identification method (for stored goods of branded watches), and first-in-first-out method (for raw material and WIPs for FIYTA watches).

(3) Determination of net realizable value of the inventory and method of recognizing impairment provision

Net realizable value (NRV) equals to estimated selling price less estimated costs of completion, estimated selling costs and related taxes in the ordinary course of business. The determination of net realizable value of the inventory is based on reliable evidence and taking into consideration of the intents of holding the inventory and impacts of events after the balances sheet date. In particular: (a) 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; (b) 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.

Impairment provisions for branded watches are recognized by specific item.

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

If, after the impairment provision is recognized, the influence conditions are no longer exist and as a result, the NRV of the inventory is higher than its carrying amount, the impairment provision recognized previously can be reversed. The amount reversed is to be recognized in current profit or loss.

(4) The inventory system is perpetual inventory system

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

The low-value consumables and packaging material are amortized using one-off method at the time it is used.

12. Long-term equity investment

Long-term equity investment refers to equity investments where the Company has control, joint control or significant influence over, an investee. Equity investment where the Company cannot control, joint control or exercise significant influence over the investee, shall be accounted for as AFS financial asset or Fair value through profit or loss financial asset, of which the accounting policies are stated in Note IV 9 "Financial

instrument”.

Joint control means jointly control of a certain business activity according to the agreement of contract. It exists only when the agreement on important accounting and business policies that needs to be reached between investors who share the control rights. Significant influence means participation in decision making to a company's finance and business policies, but could not control or jointly control with other parties to the policy making.

(1) Determination of investment cost

For a long-term equity investment acquired through a business combination involving entities under common control, the investment cost of the long-term equity investment is the attributable share of the carrying amount of the shareholders' equity of the acquiree at the date of combination. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the book value of the debts borne by the acquirer shall offset against the capital reserve. If the capital reserve is insufficient to deduct, retained earnings shall be adjusted. If the consideration is paid by issuing equity securities, it shall, on the date of acquisition, regard the share of the book value of the shareholder's equity of the acquiree on the consolidated financial statement of the ultimate control party as the initial cost of the long-term equity investment. The total face value of the stocks issued shall be regarded as the capital stock, while the difference between the initial cost of the long-term equity investment and total face value of the shares issued shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. The equities of the combined party which respectively acquired through multiple transaction under the same control that ultimately form into the combination of the enterprises under the common control, should be disposed according whether belongs to a basket transaction. If it belongs to a basket transaction, each transaction shall be accounted for by the Company as a transaction of acquiring the control right. If not belongs to package deal, it shall, on the date of merger, regard the enjoyed share of the book value of the shareholder's equity of the merged enterprise on the consolidated financial statement of the ultimate control party as the initial cost of the long-term equity investment, and as for the difference between the initial investment cost of the long-term equity investment and sum of the book value of the long-term equity investment before the combination and the book value of the consideration of the new payment that further required on the combination date, should adjust the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. The equity investment held before the combination date which adopted the equity method for accounting, or the other comprehensive income confirmed for the available-for-sale financial assets, should not have any accounting disposal for the moment.

For the long-term investment required acquired from the business combination involving entities not under common control, the initial investment cost regarded as long-term equity investment on the purchasing date according to the combination cost, the combination costs shall be the sum of the fair values of the assets paid, the liabilities incurred or assumed and the equity securities issued by the Company. The equity of the acquirees which

respectively acquired through multiple transactions that ultimately form into the combination of the entities under common control, should be disposed according whether belongs to a basket transaction. If it belongs to a basket transaction, each transaction would be accounted for by the Company as a transaction of acquiring the control right. If it does not belong to a basket transaction, the sum of the book value of the original held equity investment of the acquirees and the newly added investment cost should be regarded as the initial investment cost of the long-term equity investment that changed to be accounted by cost method. If the original held equity is calculated by cost method, the other relevant comprehensive income would not have any accounting disposal for the moment. If the original held equity investment is the financial assets available for sale, its difference between the fair value and the book value as well as the accumulative changes of the fair value that include in the other comprehensive income, should transfer into the current gains and losses.

Agent fees incurred by the acquirer for the business combination such as audit, legal service, and valuation and consultation fees, and other related administration expenses are charged to current profit or loss at the time such expenses incurred.

Equity investments that other than the kind originated from business combinations are measured at cost initially. The investment cost differs based on ways of acquiring the long-term equity investment. It can be determined based on cash consideration actually paid by the Company, fair value of equity securities issued by the Company, value stimulated in investment contract or agreement reached, fair value or carrying amount of assets that is exchanged in a non-monetary asset transfer transaction, or the fair value of the long-term equity investment itself. Expenses that directly related to the acquisition of the long-term equity investment, taxes and other necessary expenditure are included in the investment cost. Cost for long-term equity investment that has significant influences over the investees because of addition of the investment or execute joint control, shall be accounted for based on the sum of the fair value of the equity investment original held according to “CAS No.22 – Recognition and Measurement of Financial Instrument” and the newly added investment cost.

(2) Subsequent measurement and recognition of gain or losses

Equity method is used for measurement of long-term equity investment if there is common control (except joint operation) with or significant influence over the invested entity. Cost method is used for measurement of long-term equity investment if there is control over the invested entity.

① Long-term equity investments that are measured using cost method

Under cost method, long-term equity investment is measured at initial investment cost. Current period investment gain or losses are recognized according to the cash dividend or profit distribution that is announced by the invested entity, except for cash dividend or profit distribution that is already announced but not distributed which is included in the consideration that actually paid.

② Long-term equity investments that are measured using equity method

If the initial investment cost of a long-term equity investment, which is measured using equity method, is greater

than the portion of fair value of the identifiable net assets of the invested entity attributable to the Company, the initial investment cost of the long-term equity investment is not adjusted. Otherwise, the difference is charged to current profit or loss, and the cost of long-term equity investment is adjusted accordingly.

When measured by adopting equity method, respectively recognize investment income and other comprehensive income according to the net gains and losses as well as the portion of other comprehensive income which should be enjoyed or be shared, and at the same time adjust the book value of the long-term equity investment; corresponding reduce the book value of the long-term equity investment according to profits which be declared to distribute by the investees or the portion of the calculation of cash dividends which should be enjoyed; for the other changes except for the net gains and losses, other comprehensive income and the owners' equity except for the profits distribution of the investees, should adjust the book value of the long-term equity investment as well as include in the capital reserve. The investing enterprise shall, on the ground of the fair value of all identifiable assets of the invested entity when it obtains the investment, recognize the attributable share of the net profits and losses of the invested entity after it adjusts the net profits of the invested entity. If the accounting policies adopted by the investees is not accord with that of the Company, should be adjusted according to the accounting policies of the Company and the financial statement of the investees during the accounting period and according which to recognize the investment income as well as other comprehensive income. For the transaction happened between the Company and associated enterprises as well as joint ventures, if the assets launched or sold not form into business, the portion of the unrealized gains and losses of the internal transaction, which belongs to the Group according to the calculation of the enjoyed proportion, should recognize the investment gains and losses on the basis. But the losses of the unrealized internal transaction happened between the Company and the investees which belongs to the impairment losses of the transferred assets, should not be neutralized. The assets launched by the Company to the associated enterprises or the joint ventures if could form into business, the long-term equity investment without control right which acquired by the investors, should regard the fair value of the launched business as the initial investment cost the newly added long-term equity investment, and for the difference between the initial investment cost and the book value of the launched business, should be included into the current gains and losses with full amount. The assets sold by the Company to the associated enterprises or the joint ventures if could form into business, the difference between the acquired consideration and the book value of the business should be included in the current gains and losses with full amount. The assets purchased by the Company to the associated enterprises or the joint ventures if could form into business, should be accounting disposed according to the CAS - No. 20 – “Business Combination”, and should be recognized gains or losses related to the transaction with full amount.

The Company shall recognize the net losses of the invested enterprise until the book value of the long-term equity investment and other long-term rights and interests which substantially form the net investment made to the invested entity are reduced to zero. However, if the Company has the obligation to undertake extra losses, it shall

be recognized as the estimated liabilities in accordance with the estimated duties and then recorded into investment losses at current period. If the invested entity realizes any net profits later, the Company shall, after the amount of its attributable share of profits offsets against its attributable share of the un-recognized losses, resume recognizing its attributable share of profits.

③ Purchasing minority equity

When preparing consolidated financial statements, the difference, resulted from addition of long-term equity investment and shares of net assets calculated continuously since acquisition date (or combination date) according to new shareholding, is adjusted to capital reserve. If the capital reserve is insufficient to offset, adjusting retained earnings.

④ Disposal of long-term equity investment

In consolidated financial statements, the parent company can dispose part of the long-term equity investment to a subsidiary given that the parent does not lose control over the subsidiary. The difference between consideration received for the disposal and the part of net assets disposed attributable to the parent is recognized in owners' equity. If the parent company loses control over a subsidiary because of long-term equity investment disposal, the accounting treatment shall refer to accounting policies stated in Note IV. 5 (2) – "Preparing consolidated financial statements".

For long-term equity investment disposal other than situations mentioned above, the difference of carrying amount of disposed equity and the consideration actually received is charged to current profit or loss.

For the long-term equity investment measured by adopting equity method, if the remained equity after disposal still adopts the equity method for measurement, the other comprehensive income originally recorded into owners' equity should adopt the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees according to the corresponding proportion. The owners' equity recognized owing to the changes of the other owners' equity except for the net gains and losses, other comprehensive income and the profits distribution of the investees, should be transferred into the current gains and losses according to the proportion.

For the long-term equity investment which adopts the cost method of measurement, if the remained equity still adopt the cost method, the other comprehensive income recognized owing to adopting the equity method for measurement or the recognition and measurement standards of financial instrument before acquiring the control of the investees, should adopt the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees and should be carried forward into the current gains and losses according to the proportion; the changes of the other owners' equity except for the net gains and losses, other comprehensive income and the profits distribution among the net assets of the investees which recognized by adopting the equity method for measurement, should be carried forward into the current gains and losses according to the proportion.

If the Company lost control over the investee by disposing part of the equity investment and the remained equity after disposal could execute joint control or significant influences over the investees, it should change to measure

by equity method when preparing the individual financial statement and should adjust the measurement of the remained equity to equity method as adopted since the time acquired. If the remaining equity after disposal could not execute joint control or significant influences on the investees, it should change the accounting disposal according to the relevant regulations of the recognition and measurement standards of financial instrument, and its difference between the fair value and book value on the date lose the control right should be included in the current gains and losses. For the other comprehensive income recognized by adopting equity method for measurement or the recognition and measurement standards of financial instrument before the Company acquired the control of the investees, should execute the accounting disposal by adopting the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees when lose the control of them, while the changes of the other owners' equity except for the net gains and losses, other comprehensive income and the profits distribution among the net assets of the investees which recognized by adopting the equity method for measurement, should be carried forward into the current gains and losses according to the proportion. Of which, for the disposed remained equity which adopted the equity method for measurement, the other comprehensive income and the other owners' equity should be carried forward according to the proportion; for the disposed remained equity which changed to execute the accounting disposal according to the recognition and measurement standards of financial instrument, the other comprehensive income and the other owners' equity should be charged to profit or loss in full.

For those the Company lost the control of the investees by disposing part of the equity investment, the disposed remained equity should change to calculate according to the recognition and measurement standards of financial instrument, and difference between the fair value and book value on the date lose the control right should be included in the current gains and losses. For the other comprehensive income recognized from the original equity investment by adopting the equity method, should execute the accounting disposal by adopting the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees when terminate the equity method for measurement, while for the owners' equity recognized owing to the changes of the other owner's equity except for the net gains and losses, other comprehensive income and the profits distribution of the investees, should be transferred into the current investment income with full amount when terminate adopting the equity method.

The Company respectively disposes the equity investment of the subsidiaries through multiple transactions until lose the control right, if the above transactions belongs to the package deal, should execute the accounting disposal by regarding each transaction as a deal of disposing the equity investment of the subsidiaries until lose the control right, while the difference between each expenses of the disposal and the book value of the long-term equity investment in accord with the disposed equity before losing the control right, should firstly be recognized as other comprehensive income then be transferred into the current gains and losses of losing the control right along until the time when lose it.

13. Investment property

Investment property is property held to earn rentals or for capital appreciation or both. It includes buildings that are already leased out.

An investment property is measured initially at cost. If it is probable that the benefit related to subsequent expenditures incurred for an investment property will flow into the Company and that the cost can be measured reliably, the expenditure is included in the cost of investment property. Other subsequent expenditures are charged to profit or loss in the period in which they are incurred.

The Company adopts cost method for subsequent measurement to investment property. Depreciation or amortization policy for investment properties are the same as the one for plants and buildings or land use rights.

Please refer to Note IV. 19 "Impairment of Long-term assets" for details of impairment test and impairment provision recognition for investment property.

If the usage of a property changed from self-use to investment or vice versa, the carrying amount before change shall be used as initial recognition amount after the change.

When the usage of the property changed from investment property to self-use property, the property is transferred from investment property to fixed asset or intangible asset on the changing date. If the usage of the property changes from self-use to earn rental or capital appreciation, the property is switched to investment property from fixed asset or intangible asset. If it switched to investment property that measured using cost method, it is recognized using the carrying amount before the switch. If it switched to investment property that measured using fair value method, it is recognized using the fair value on the switching date.

The investment property is derecognized when it is disposed or ceased usage permanently and it is estimated that no benefit can be obtained from the disposal. Disposal income arising from selling, transfer, disposing and damaging the investment property, less its carrying amount and taxes related to the disposal, is recognized in profit or loss.

14. Fixed asset

(1) Recognition principles

Fixed assets refer to tangible assets that are held for the purpose of goods production, providing services, lease, or for administrative purposes with useful life of more than one accounting year. Fixed asset is recognized only when the economic benefit associated with the fixed asset is probable to flow into the Company and the cost can be measured reliably. Fixed asset is recognized initially at cost by considering estimated disposal expenses.

(2) Depreciation method

The fixed asset is depreciated on straight-line basis over its estimated useful life from the next month after it reached estimated useful condition. The useful lives, estimated residual ratios and annual depreciation rates for each category of fixed assets are as follows:

Categories	Method of depreciation	Estimated useful lives (year)	Estimated net residual value ratios (%)	Annual depreciation rates (%)
Plants and buildings	straight-line	20-35	5.00	2.70-4.80
Machinery equipment	straight-line	10	5.00-10.00	9.00-9.50
Electronics devices	straight-line	5	5.00	19.00
Transportation vehicles	straight-line	5	5.00	19.00
Other equipment	straight-line	5	5.00	19.00

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset's useful life is passed and in the condition expected at the end of its useful life.

(3) Impairment test and impairment provision recognition for fixed asset

For impairment test and impairment provision recognition for fixed asset, please refer to Note IV. 19 "Impairment of Long-term asset".

(4) Others

Subsequent expenditure in relation to fixed asset is recognized in the cost of the fixed asset and derecognizing the carrying amount of the part replaced if it is probable that the economic benefit related to the fixed asset will flow in the entity and the cost can be measured reliably. Subsequent expenditures other than this are charged to current profit or loss.

When a fixed asset is sold, transferred, retired or damaged, the disposal proceed net of the carrying amount and related taxes is charged in profit or loss for the current period.

The Company conduct reviews to the useful life, estimated net residual rate and depreciation method at least at each end of the accounting year. Any changes will be treated as changes in accounting estimates.

15. Construction in progress

Construction in progress is measured at actual project expenditure which includes construction expenditures, capitalized borrowing costs before the project reaches estimated useful condition and other related expenses. Construction in progress is transferred to fixed asset when the asset reaches its estimated useful condition.

For impairment test and impairment provision recognition for construction in progress, please refer to Note IV. 19 "Impairment of Long-term asset".

16. Borrowing cost

Borrowing cost includes loan interest, associated expenses incurred in connection with the arrangement of

borrowings and exchange difference arising from foreign currency loans. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset can be capitalized starting from the time the necessary acquisition or production for bringing the asset to its estimated useful or sellable condition started, and given that the capital expenditure and borrowing cost have been incurred. The capitalization stops when the asset reaches its estimated useful or sellable conditions. Other borrowing costs are charged to profit or loss at the time they are incurred.

The interest expenses actually incurred current-period special borrowing less unused borrowing funds in bank interest earned or investment income on the temporary investment of those funds, the above mentioned amount shall be capitalized. The weighted average asset disbursement of general borrowing multiplies the capitalization rate to determine the amount of capitalization based on the accumulative asset disbursements of special loans. The capitalization rate is the weighted average interest rate of the general borrowing.

During the capitalization period, exchange differences on foreign currency borrowings are all capitalized; Exchange differences on foreign currency borrowings are generally included into current profit or loss.

The assets which have qualified condition of capitalization is the assets necessarily take a substantial period of time after the acquisition, construction or production activities in order to achieve their intended use or sale of fixed assets, investment property, inventories and other assets.

If the process of acquiring, constructing or producing of the assets that are capable for capitalization is interrupted abnormally and the interruption lasts more than three months, the capitalization of borrowing costs shall be suspended until the acquisition, construction or production resumes.

17. Intangible assets

(1) Intangible assets

An Intangible asset is the identifiable non-monetary asset without physical substances that is owned or controlled by the Company.

An intangible asset is initially measured at its cost. Expenditures related to the intangible asset are included in its cost if it is probable that the related economic benefit will flow into the Company and the cost can be measured reliably. Other expenditures apart from this will be charged to profit or loss in corresponding period at the time it incurred.

Land use right is generally accounted for as intangible asset. When the plants or buildings are constructed by the Group, expenditures on the land use right and on the buildings shall be recognized as the intangible asset and the fixed asset respectively. When the plants or buildings are purchased, the consideration paid shall be allocated between the land use right and the buildings. If it can be allocated reasonably, recognize entirely as fixed assets.

An intangible asset with a finite useful life shall be amortized by using the straight-line method over its estimated useful life when it is available for use. The depreciable amount of an intangible asset is its cost less estimated

residual value and impairment provision. An intangible asset with an indefinite useful life is not amortized.

Method of amortization for intangible asset with finite useful life is as follows:

Category	Useful life (year)	Method of amortization
Land use right	50	straight-line
Software	5	straight-line
Brand use right	5-10	straight-line

For an intangible asset with a finite useful life, its useful life and amortize method are reviewed at the end of each accounting period. Any changes will be treated under changes in accounting estimates. Besides, the useful life of the intangible assets with indefinite useful life will be reviewed at the end of each accounting period. If there is evidence indicating that it is foreseeable that the period during which the economic benefit associated with the asset would flow into the entity, its useful life will be estimated and the asset will be amortized in accordance to the amortization policies applicable for an intangible asset with finite useful life.

(2) Research and development expenditure

The Company's expenditure on internal research and development projects are classified into expenditure on the research phase and expenditure on the development phase.

Expenditure on the research phase is recognized in profit or loss in the period in which it is incurred.

Expenditure on the development phase is capitalized and recognized as intangible asset only when all of the following conditions are satisfied. Expenditures on the development phase, failing to meet the below conditions, are recognized in profit or loss in the period it is incurred:

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

Expenditures which cannot be divided into expenditures on research phase and expenditures on development phase are charged entirely in current profit or loss.

If the Company's R&D projects fulfil above criteria and filed for approval after technology and economic feasibility study, the projects will be in development phase.

Capitalized development expenditure are shown as Development expenditure and will be transferred into

Intangible asset at the date it reaches the estimated useful condition.

(3) Impairment test and impairment provision recognition for intangible assets

For impairment test and impairment provision recognition for intangible asset, please refer to Note IV. 19 “Impairment of Long-term asset”.

18. Long-term deferred expenses

Long-term deferred expenses refer to expenditures which are incurred but shall be expensed over the beneficiary period of more than one year. The Company’s long-term deferred expenses mainly include counter fabrication and decoration expenses. Long-term deferred expenses shall be amortized on straight-line basis over its beneficiary period.

19. Impairment of Long-term assets

The Group assesses, on balance sheet date, whether there are indicators for impairment to fixed assets, construction in process, intangible assets with finite useful life, investment property measured at cost, and long-term equity investment to subsidiaries, joint ventured companies and associated companies. If there are any indicators of impairment, recoverable amount is estimated and impairment test is conducted. Impairment tests are conducted each year to goodwill, intangible assets that with indefinite useful life and intangible assets that have not reached its useful condition despite whether there is indicators of impairment.

If the recoverable amount of an asset is less than its carrying amount in the impairment test, provision for impairment shall be made for the difference and recognized as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The fair value of an asset is determined according to the price in a sale agreement in an arm’s length transaction. If there is no sale agreement but an active market for the asset, the fair value shall be determined according to the current bid price. If there is no sale agreement or active market for the asset, the fair value shall be based on the best information available. Costs of disposal include legal costs related to the disposal of the asset, related taxes, cost of removing the asset and direct cost to bring the asset into its condition of sale. The present value of expected future cash flows of an asset shall be determined by estimating the future cash flows to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate to those future cash flows. Provision for impairment shall be made and recognized on an individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Company shall determine the recoverable amount of the asset group to which the asset belongs. An asset group is the minimum group of assets which can generate cash flows independently.

When conducting impairment test on goodwill, which is presented separately in balance sheet, the carrying amount of goodwill will be allocated to asset group or combination of asset group which are expected to enjoy benefit from the synergy effect in a business combination. If the test results indicate that the recoverable amount of the asset group or combination of asset group, which consist goodwill allocated, is lower than its carrying

amount, impairment loss is recognized accordingly. The impairment loss reduces the carrying amount of goodwill that allocated to the asset group or combination of asset group. If the goodwill is insufficient to deduct, then offsetting other assets within the asset group or combination of asset group proportionately based on the weight of the carrying amount of assets other than goodwill in the asset group or combination of group.

Once an impairment loss is recognized, it shall not be reversed in subsequent periods.

20. Employee remuneration

Employee remuneration include short-term employee remuneration, post-employment benefits and termination benefits.

Short-term remuneration mainly includes employee salary, bonus, allowance, employee welfare, maternity insurance, work injury insurance, housing fund, labor union fee, employee education fund and non-monetary welfare etc... The Company recognize short-term remuneration as liabilities through profit or loss or related cost of assets for the financial year in which the employees render the related services. Non-monetary welfare is measured at fair value.

Post-employment benefit mainly include basic endowment insurance, unemployment insurance and annuity etc...

Post-employment benefit plan includes defined contribution plans. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into an escrow fund and the amount shall be charged to cost of related asset or current period profit or loss.

When the Company terminates the employment relationship with employees before the employment contracts expire or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision shall be recognized at the date earlier of the Company cannot unilaterally withdraw from the termination plan or the redundancy offer and the Company determined the reconstruction cost related with the payment of termination benefit. Termination benefit shall be recognized as employee remuneration payable and charged to the profit or loss for the current accounting period. If the termination benefit cannot be paid within 12 month after the balance sheet date, it shall be treated as long-term employee remuneration.

The earlier retirement plan shall be accounted for in accordance with the accounting principles for compensation for termination of employment. The salaries or wages and the social contributions to be paid for the employees who retire before schedule from the date on which the employees stop rendering services to the Company to the scheduled retirement date, shall be recognized (as compensation for termination of employment) in the current profit or loss if the recognition principles for provisions are satisfied.

If other long-term employee welfare provided by the Company meets the criteria of defined contribution plan, it shall be accounted for according to defined contribution plan, otherwise, defined benefit plan accounting treatment is applicable.

21. Provisions

A provision is recognized when obligation related to contingencies satisfies following condition: (1) the obligation is a present obligation of the Company; (2) it is probable that an outflow of economic benefits will be required to settle the obligation; and (3) the amount of the obligation can be measured reliably.

At the balance sheet date, a provision shall be initially measured at the best estimate of the expenditure required to settle the related present obligation, taking the risks, uncertainties and time value of money that related to the contingencies into consideration.

When all or part of the expenditure that needed for settling a provision is expected to be reimbursed by a third party, the reimbursement shall be recognized as an asset separately only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the carrying amount of the provision.

22. Revenue

(1) General principal

① Revenue from sale of goods

Revenue from the sale of goods shall be recognized only when all of the following conditions are satisfied: (a) significant risk and rewards of ownership of the goods have been transferred to the buyer; (b) the seller retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (c) the amount of revenue can be measured reliably; (d) it is probable that the associated economic benefits will flow to the seller, and (e) the associated costs incurred or to be incurred can be measured reliably.

② Revenue from rendering of service

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction are recognized using the percentage of completion method on balance sheet date. The percentage of completion is calculated based on the proportion of services performed to date to the total volume of services to be performed.

The outcome of a transaction involving the rendering of services can be estimated reliably when all of the following conditions are satisfied: (a) the amount of revenue can be measured reliably; (b) it is probable that the associated economic benefits will flow to the entity; (c) the percentage of completion can be measured reliably; and (d) the costs incurred and to be incurred for the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognized to the extent of costs incurred and expected to be recovered. Costs of service provided are charged to the current profit or loss as service costs. If the costs incurred are not expected to be recoverable, no revenue is recognized.

③ Revenue from rendering usage rights

The revenue is recognized on accrual basis and based on related contracts or agreements.

④ Interest income

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

(2) Detailed method of revenue recognition

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

① Direct sales to the customer

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

② Exclusive shop

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

③ Shop-in-shop

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

④ Consignment sales

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

23. Government grants

Government grants are monetary assets or non-monetary assets obtained by the Company from the government free of charge. It does not include capital contributions from the government as an owner. Government grants are classified into government grants related to assets and government grants related to income.

If a government grant is in form of monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of non-monetary asset, is measured at fair value. If the fair value cannot be measured reliably, it is measured at a nominal amount and recognize directly in the current profit or loss.

A government grant related to asset is recognized as deferred income, and evenly amortized and charged to profit

or loss over its useful life. If a government grant related to income is used to compensate related expenses and losses in subsequent periods, it is recognized as deferred income. If it is used to compensate related expenses and losses that are already incurred, it is charged to current profit or loss directly.

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

24. Deferred tax asset / deferred tax liability

(1) Current period corporate income tax

At the balance sheet date, current income tax liabilities (or assets) for the current period and prior periods shall be measured at the amount expected to be paid (refunded) according to the requirement of taxation laws. The taxable income used to calculate current period income tax expenses is calculated by making corresponding adjustments to current period profit before tax in accordance with relevant taxation regulations.

(2) Deferred tax asset and deferred tax liability

Temporary differences can be recognized as deferred tax asset and deferred tax liability using balance sheet liability method. Temporary differences arise from: the difference between the carrying amount and tax base of certain assets and liabilities; the difference between the carrying amount and the tax base of an item which are not recognized as assets and liabilities but its tax base can be determined according to relevant taxation laws.

A deferred tax liability shall not be recognized for the taxable temporary differences arising from the following events: (a) the initial recognition of goodwill; (b) the initial recognition of an asset or liability in a transaction which contains both of the following characteristics: (i) the transaction is not a business combination; (ii) at the time of the transaction, it affects neither accounting profit nor taxable profit (or deductible loss). For taxable temporary differences associated with investment in subsidiaries, associates and interests in jointly controlled enterprises, a deferred tax liability shall not be recognized if both of the following conditions are satisfied: (a) the Company is able to control the timing of the reversal of the temporary differences; and (b) it is probable that the temporary difference will not reverse in the foreseeable future. Except for exceptions mentioned above, the Company recognizes all other taxable temporary difference as deferred tax liability.

A deferred tax asset shall not be recognized for the deductible temporary differences associated with the initial recognition of an asset or liability in a transaction which contains both of the following characteristics: (a) the transaction is not a business combination; (b) at the time of the transaction, it affects neither accounting profit nor taxable profit (or deductible loss). For deductible temporary differences associated with investment in subsidiaries, associates and interests in jointly controlled enterprises, a deferred tax asset shall not be recognized if one of the following conditions is satisfied: (a) it is probable that the temporary difference will not reverse in the foreseeable

future; and (b) taxable profits will not be available in the future, against which the temporary difference can be utilized. Except for exceptions mentioned above, the Company recognizes deductible temporary difference as deferred tax asset to the extent of the future taxable profit which is probably achieved by the Company.

A deferred tax asset shall be recognized for the carry forward of unused deductible losses and tax credits to the extent that it is probable that future taxable profit will be available against which the deductible losses and tax credits can be utilized.

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

At the balance sheet date, the carrying amount of a deferred tax asset shall be reviewed. The Company shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available in future periods to allow the benefit of the deferred tax asset to be utilized. Any such reduction in amount shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

(3) Corporate income tax

The corporate income tax includes current period income tax and deferred income tax.

The current income tax and deferred income tax shall be recognized in the current profit or loss except for: (a) the income tax arising from events or transactions which are recognized in the comprehensive income or owners' equity are recognized in the comprehensive income or owners' equity accordingly; and (b) the income tax arising from business combinations which are adjusted to the carrying amount of goodwill.

(4) Offsetting of income tax

When legal right to netting settlement is owned, net settlement or intent to acquire the assets and settle the liabilities happen simultaneously, the Group had net current tax assets against current tax liabilities are netting presentation after offset.

When the legal right to offset current tax assets against current tax liabilities is owned and the deferred tax assets and deferred tax liabilities relate to the same taxation authority on the same taxable income levied by or related to different taxable entities, but within the reverse period of significant amounts of deferred tax assets and liabilities in each future period, and the tax payer's intention to offset current tax assets and liabilities or both to obtain assets or repay debts, the deferred income tax and deferred tax assets and liabilities of the Group to netting presentation after offset.

25. Leasing

A finance lease is a lease that transfers substantially all the risks and rewards associated with the ownership of an asset. Title of the asset may or may not eventually be transferred. An operating lease is a lease other than a

finance lease.

(1) Accounting treatment for the Company as lessee under operating leases

Lease payments under an operating lease are recognized as cost of relevant assets or charged to profit or loss for the current period on straight-line basis over the lease term. Initial direct costs incurred are charged to profit or loss for the current period directly. Contingent rentals are charged to profit or loss in the period in which they are actually incurred.

(2) Accounting treatment for the Company as lessor under operating leases

Lease receipts under an operating lease are recognized by the in the current profit or loss on a straight-line basis over the lease term. Significant initial direct costs are capitalized when they are incurred, and are recognized in profit or loss over the lease term on the basis on which the lease income is recognized. Insignificant initial direct costs shall be charged to the current profit or loss directly. Contingent rentals are charged to profit or loss in the period in which they are actually incurred.

(3) Accounting treatment for the Company as lessee under finance leases

On the lease beginning date, the Company shall record the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entering value in an account, recognize the amount of the minimum lease payments as the entering value in an account of long-term account payable, and treat the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges. Besides, the initial direct costs directly attributable to the leased item incurred during the process of lease negotiating and signing the leasing agreement shall be recorded in the asset value of the current period. The balance through deducting unrecognized financing charges from the minimum lease payments shall be respectively stated in long-term liabilities and long-term liabilities due within 1 year.

Unrecognized financing charges shall be adopted by the effective interest rate method in the lease term, so as to calculate and recognize current financing charges. The contingent rents shall be recorded into the profits and losses of the current period in which they actually arise.

(4) Accounting treatment for the Company as lessor under finance leases

On the beginning date of the lease term, the Company shall recognize the sum of the minimum lease receipts on the lease beginning date and the initial direct costs as the entering value in an account of the financing lease values receivable, and record the unguaranteed residual value at the same time. The balance between the sum of the minimum lease receipts, the initial direct costs and the unguaranteed residual value and the sum of their present values shall be recognized as unrealized financing income. The balance through deducting unrealized financing incomes from the finance lease accounts receivable shall be respectively stated in long-term claims and long-term claims due within 1 year.

Unrecognized financing incomes shall be adopted by the effective interest rate method in the lease term, so as to

calculate and recognize current financing revenues. The contingent rents shall be recorded into the profits and losses of the current period in which they actually arise.

26. Changes in main accounting policies and estimates

(1) Change of accounting policies

There was no any change of accounting policies of the Company in the reporting period.

(2) Change of accounting estimates

There was no any change of accounting estimate of the Company in the reporting period.

27. Significant accounting judgments and estimates

When adopting the accounting policies, the Company needs to make judgments, estimates and assumptions for the carrying amount of items which are presented in financial statements and cannot be measured accurately due to internal uncertainties of business. The judgments, estimates and assumptions that are made according to historical experience of the management and with consideration of other relevant factors will have effects on the reported amounts of revenue, expenses, assets as well as liabilities and the disclosure of contingent liabilities at the balance sheet date. The uncertainties of these estimates will probably result in significant adjustments on the carrying amounts of assets or liabilities which will be affected by those judgments, estimates and assumptions in future accounting periods.

The judgments, estimates and assumptions are reviewed by the Company periodically on going concern basis. If the changes in accounting estimates affect current period only, the amounts affected are recognized in current period. If the change affects both current and future periods, the amounts affected are recognized in the current accounting period as well as subsequent accounting periods.

At the balance sheet date, significant areas that require the Company to make judgments, estimates and assumptions to the amounts of financial statements items are as follows:

(1) Bad debt provision recognition

The allowance method is adopted by the Company to account for losses on bad debts in accordance with the accounting policies 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) Provision for impairment of inventories

According to the accounting policies of inventories, it is measured at lower of cost and the net realizable value (NRV). For inventory cost that is higher than its NRV and obsolete and slow moving inventory, impairment provision shall be accrued. Evaluating the impairment of inventories needed the management level gain the valid

evidence and take full consideration of the purpose of inventories, influence of events after balance sheet date and other factors, and then made relevant judgments and estimates. The actual amount and the difference of previous estimate would affect the book value of inventories and the accrual and reversal of provision.

(3) The impairment of financial assets available for sale

Whether an available-for-sale financial asset is impaired relies largely on the judgment and assumption of the management, so as to decide whether recognized the impairment losses in the income statement. During the process of making the judgment and assumption, the Company needed to appraise the balance of the cost of the investment exceeding its fair value and the continuous period, the financial status and business forecast in a short period, including the industrial situation, technical reform, credit level, default rate and risk of counterparty.

(4) Impairment provision for long-term asset

At the balance sheet date, the Company 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 Company 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 Company 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 Company needs estimate future cash flows generated from the asset group or the combination of asset groups and choose appropriate discount rates.

(5) 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 Company 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.

(6) 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 Company 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.

(7) Corporate income tax

For some transactions in the Company'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.

(8) After-sale quality warranty

The Company estimates and accrue related provision on its after-sale quality warranty commitment to customers with respect to the goods sold, estimated onerous contract and penalty for delay in delivery based on contract terms, current knowledge and historical experience. In 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 Company, the Company recognizes provision based on the best estimates for fulfilling the related current obligation. Recognition and measurement of contingent liability is largely depend on the management's judgment. In the course of making judgement, the Company need to evaluate factors of risk, uncertainty and time value of money related to the contingent event.

The Company will make provision for after sale quality commitment for product sold, maintenance and re-fabrication of product sold. When accruing the provision, it 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.

V. Taxation

1. Main taxes and tax rates

Tax	Tax rate
-----	----------

Tax	Tax rate
Value-added tax	Output tax is calculated at 17% of taxable income and VAT is paid after offset the output tax with input tax allowed at current period
Consumption tax	Consumption tax is applicable for imported or manufactured luxury watches with unit price above 10,000 (inclusive).
Business tax (Note (3))	5% of taxable income
Urban maintenance and construction tax	7% on the turnover tax actually paid
Property tax (Note (1))	1.2% on the basis of 70% of the original cost of the property and 12% for rental income.
Corporate income tax	See Note (2) for detail.

Note (1): 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 Shui Fa (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 Company that situated in Shenzhen are taxed according to this notice. Properties situated in other cities are taxed according to local regulations.

Note (2): Corporate income tax

Name of entity subject to corporate income tax	Applicable tax rate
The Company (Note ①②)	25.00%
HARMONY Company (Note ①)	25.00%
Shenzhen FIYTA Precision Timer Manufacturing Co., Ltd. (Manufacturing Company) (Note ②③)	15.00%
FIYTA Hong Kong (Note ④)	16.50%
Station 68 (Note ④)	16.50%
Nature Art Limited (Note ④)	16.50%
World Watches International (Note ④)	16.50%
Shenzhen FIYTA Technology Development Co., Ltd (Technology Company) (Note ②③)	15.00%
TEMPORAL (Shenzhen) Co., Ltd. (TEMPORAL Company, previously known as Shenzhen Xiangji Commercial & Trade Co., Ltd) (Note ⑤)	25.00%
Beijing Henglianda Watch Center Co., Ltd (Henglianda Company) (Note ⑤)	25.00%
Kunming Lishan Department Store Co., Ltd. (Lishan Department Store) (Note ⑤)	25.00%
Harbin Harmony World Watches Distribution Co., Ltd. (Harbin Company) (Note ⑤)	25.00%

Name of entity subject to corporate income tax	Applicable tax rate
Shenzhen Harmony Culture Communication Co., Ltd (Culture Company) (Note ⑦)	10.00%
Emile Choureit Timing (Shenzhen) Ltd. (Emile Choureit Shenzhen Company) (Note ⑤)	25.00%
FIYTA Sales Co., Ltd (Sales Company) (Note ①⑤)	25.00%
Liaoning Hengdarui Commercial & Trade Co., Ltd (Hengdarui Company) (Note ⑤)	25.00%
Swiss Company (Note ⑥)	30.00%

Note ① :According to the regulations stated in Guo Shui Fa (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, and the head office of Sales 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. Branch offices mentioned above share 50% of the enterprise income tax and prepay locally; and 50% will be prepaid by the head offices mentioned above.

Note ② : According to “Notice of Ministry of Finance, State Administration of Taxation and Ministry of Science and Technology on Perfection of Pre-tax Super Deduction of Enterprise Research and Development Expense Policy”, Cai Shui (2015) No. 119, research and development expenses, which are charged to profit or loss instead of being capitalized as intangible assets, that incurred by the Company , the Manufacture Company and Technology Company for developing new technology, new product and new technique can be deducted by 50% extra on top of actual expensed charged in profit or loss.

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

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

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

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

Note ⑦ : According to Cai Shui (2015) No. 99 “Notice of Ministry of Finance and State Administration of Taxation on Further Expanding Applicable Scope of Preferential Corporate Income Tax Policy to Small and Low-profit Enterprises”, only 50% of the income of Culture Company is included in taxable income calculation and the corporate income tax is paid at 20% on taxable income.

Note (3): The Company's income from business of leasing and service promoting are taxed for business tax at 5%

previously. According to “Notice on Fully Implementing the Pilot Program of Replacing Business Tax with Value-added Tax” circulated by the Ministry of Finance and State Administration of Taxation (Cai Shui (2016) No. 36) and related regulations, house rental income from the Company and one of its subsidiary, Hengdarui Company, is levied VAT (using simplified method) at 5% since 1 May 2016. Amongst the service promotion income of HARMONY Company, advertising promotion service income is levied VAT at 6% since 1 May 2014 and service promotion income is levied VAT at 6% since 1 May 2016. Real estate management income of Hengdarui Company is levied VAT at 11% since 1 May 2016.

2. Preferential treatment and corresponding approval

- (1) According to Cai Shui (2015) No. 99 “Notice of Ministry of Finance and State Administration of Taxation on Further Expanding Applicable Scope of Preferential Corporate Income Tax Policy to Small and Low-profit Enterprises”, only 50% of the income of Culture Company is included in taxable income calculation and the corporate income tax is paid at 20% on taxable income.
- (2) According to clause 2 in Shen Dishui Fa (2003) No. 676 “Notice of Forwarding State Administration of Taxation on Policies Related to Property Tax and Urban Land Usage Tax”, for newly constructed or purchased property by tax payer, property tax is exempted for 3 years from the next month it is constructed or purchased. The property tax for FIYTA Watch Building owned by the Company located in Shenzhen Guangming New District is exempted for 3 years since the construction is completed in September 2016.

VI. Notes to main items of the consolidated financial statements

Unless otherwise indicated, the beginning of the year for items (including notes for the Company's financial statements) list below refers to 31 December 2015 and the end of the year refers to 31 December 2016. Prior year refers to year 2015 and current year refers to year 2016.

1. Cash and bank balances

Item	31 Dec 2016	31 Dec 2015
Cash on hand	478,898.11	387,241.40
Bank deposit	426,743,336.84	636,995,113.67
Other monetary funds	1,580,520.86	1,580,520.86
Total	428,802,755.81	638,962,875.93
Incl: deposit outside Mainland China	18,354,710.70	7,003,062.87

Note (1): Amount of RMB1,575,000.00 (RMB1,575,000.00 as at 31 Dec 2015) in other monetary funds is the security deposit with Bank for issuing of irrevocable letter of guarantee.

2. Notes receivable

Item	31 Dec 2016	31 Dec 2015
------	-------------	-------------

Item	31 Dec 2016	31 Dec 2015
Banker's acceptance bill	854,616.60	5,697,788.08
Commercial acceptance bill	6,807,939.68	1,500,000.00
Total	7,662,556.28	7,197,788.08

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

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

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

3. Accounts receivable

(1) Accounts receivables presented by types

Types	31 Dec 2016				
	Carrying amount		Bad debt provision		Book Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Receivables that are individually significant in amount and provided for bad debt separately	8,962,179.22	2.77	8,962,179.22	100.00	-
Receivables provided for bad debt by portfolio	314,212,795.04	97.04	7,541,773.35	2.40	306,671,021.69
Receivables that are individually insignificant in amount but provided for bad debt separately	604,140.59	0.19	604,140.59	100.00	-
Total	323,779,114.85	100.00	17,108,093.16	5.28	306,671,021.69

(continued)

Types	31 Dec 2015				Book Value
	Carrying amount		Bad debt provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Receivables that are individually significant in amount and provided for bad debt separately	-	-	-	-	-
Receivables provided for bad debt by portfolio	312,581,896.15	100.00	7,856,219.86	2.51	304,725,676.29
Receivables that are individually insignificant in amount but provided for bad debt separately	-	-	-	-	-
Total	312,581,896.15	100.00	7,856,219.86	2.51	304,725,676.29

① Year-end balance of receivables that are individually significant in amount and provided for bad debt separately

Accounts	31 Dec 2016
----------	-------------

	Accounts receivable	Bad debt provision	Percentage %	Reason
Taiyuan Guidu Department Store	3,152,376.79	3,152,376.79	100.00	Chances of recovering is remote
Ginwa Xinjiang Time Squire Shopping Center Co., Ltd	2,605,287.95	2,605,287.95	100.00	
Ginwa Xian Qujiang Shopping Center Co., Ltd.	1,702,371.94	1,702,371.94	100.00	
Ginwa Urumqi Shopping Center Co., Ltd.	1,502,142.54	1,502,142.54	100.00	
Total	8,962,179.22	8,962,179.22	—	—

② Amongst portfolio, accounts receivable that are provided for bad debt based on aging analysis

Ageing	31 Dec 2016		
	Accounts receivable	Bad debt provision	Percentage %
Within 1 year	131,218,417.39	6,560,920.87	5.00
1~2 years	1,940,912.58	194,091.26	10.00
2~3 years	722,044.06	216,613.22	30.00
over 3 years	1,140,296.00	570,148.00	50.00
Total	135,021,670.03	7,541,773.35	5.59

③ Among the portfolio, accounts receivable that are provided for bad debt using other method

Name of portfolio	31 Dec 2016		
	Carrying amount	Accrual Percentage (%)	Bad debt provision
Portfolio of specific accounts	179,191,125.01	-	-

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

(2) Status of bad debt accrual, recovery or reversed in current year

In 2016, bad debt accrual is RMB9,251,873.30. No recovery or reversal of bad debt provision.

(3) Top 5 receivable accounts

The amount of top 5 receivables based on year-end receivable balance is RMB23,707,418.00, accounts for 7.32% of total receivables as at 31 Dec 2016. Corresponding bad debt provision is RMB1,185,370.91.

4. Prepayments

(1) Prepayments presented by ageing

Account aging	31 Dec 2016		31 Dec 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
within 1 year	24,129,365.63	71.58	34,301,121.88	70.19
1~2 years	2,634,183.83	7.81	7,684,834.45	15.73
2~3 years	62,500.00	0.19	2,306,019.95	4.72
over 3 years	6,883,607.27	20.42	4,577,587.32	9.37
Total	33,709,656.73	100.00	48,869,563.60	100.00

(2) Top 5 prepayment accounts

The amount of top 5 prepayment accounts based on year-end balance is RMB23,511,570.73, accounts for 69.75% of total prepayments as at 31 Dec 2016.

5. Other receivables

(1) Other receivables presented by types

Types	31 Dec 2016				
	Carrying amount		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables that individually significant in amount and provided for bad debt separately	1,519,703.69	4.10	1,519,703.69	100.00	-
Other receivables provided for bad debt by portfolio	35,437,104.25	95.58	2,044,086.97	5.77	33,393,017.28
Other receivables that individually insignificant in amount but provided for bad debt separately	120,000.00	0.32	120,000.00	100.00	-
Total	37,076,807.94	100.00	3,683,790.66	9.94	33,393,017.28

(continued)

Types	31 Dec 2015				
	Carrying amount		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Percentage (%)	

Types	31 Dec 2015				
	Carrying amount		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables that individually significant in amount and provided for bad debt separately	800,000.00	1.88	800,000.00	100.00	-
Other receivables provided for bad debt by portfolio	41,699,818.24	97.84	1,852,085.48	4.44	39,847,732.76
Other receivables that individually insignificant in amount but provided for bad debt separately	120,000.00	0.28	120,000.00	100.00	-
Total	42,619,818.24	100.00	2,772,085.48	6.50	39,847,732.76

① Year-end balance of other receivables that are individually significant in amount and provided for bad debt separately

Accounts	31 Dec 2016			
	Other receivable	Bad debt provision	Percentage %	Reasons
China Resources (Chong Qing) Industrial Co., Ltd.	800,000.00	800,000.00	100.00	Chances of recovery is remote
Taiyuan Guidu Department Store Co., Ltd.	719,703.69	719,703.69	100.00	
Total	1,519,703.69	1,519,703.69	—	—

② among the portfolio, other receivables that are provided for bad debt based on ageing analysis

Ageing	31 Dec 2016		
	Carrying amount	Provision	Percentage (%)
Within 1 year	20,863,291.93	1,043,164.60	5.00
1 to 2 years	9,847,023.70	984,702.37	10.00
2 to 3 years	9,000.00	2,700.00	30.00
Over 3 years	27,040.00	13,520.00	50.00
Total	30,746,355.63	2,044,086.97	6.65

③ among the portfolio, other receivables that are provided for bad debt using other methods

Name of portfolio	31 Dec 2016		
	Carrying amount	Bad debt provision	Percentage (%)
Portfolio of specific accounts	4,690,748.62	-	-

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

(2) Status of bad debt accrual, recovery or reversed in current year

In 2016, bad debt accrual is RMB948,706.78. No recovery or reversal of bad debt provision.

(3) Status of other receivable that was written-off during the year

Item	Amount written-off
Other receivables actually written-off	37,001.60

(4) Other receivables presented by nature

Nature	31 Dec 2016	31 Dec 2015
Down payment and deposit	27,042,008.03	28,780,820.76
Product promotion expenses	4,351,561.26	6,617,843.27
Petty cash	4,690,748.62	4,917,828.70
Others	992,490.03	2,303,325.51
Total	37,076,807.94	42,619,818.24

(5) Top 5 other receivable accounts

Name of accounts	Nature	Amount	Aging	Percentage of total other receivables (%)	Balance of provision
China Resources (Shenzhen) Co., Ltd	Deposit	2,800,054.00	Within 1 year	7.55	140,002.70
Ernest Borel (Far East) Limited	Product promotion expenses	1,757,000.00	Within 1 year	4.74	87,850.00
China Resources Sun Hung Kai Properties (Hangzhou) Limited	Deposit	1,497,003.00	Within 1 year	4.04	74,850.15
Shenzhen Yitian Holiday World Property Development Co., Ltd	Deposit	1,090,523.00	Within 1 year	2.94	54,526.15
Swatch Enterprise Management (Shanghai) Co., Ltd.	Product promotion expenses	1,035,225.78	Within 1 year	2.79	51,761.29
Total	—	8,179,805.78	—	22.06	408,990.29

6. Inventory

(1) Inventory classification

Item	31 Dec 2016		
	Carrying amount	Provision	Book value
Raw material	179,751,190.75	6,162,480.01	173,588,710.74
Work-in-progress	15,344,697.28	-	15,344,697.28
Goods in stock	1,849,702,719.52	41,538,935.16	1,808,163,784.36
Total	2,044,798,607.55	47,701,415.17	1,997,097,192.38

(continued)

Item	31 Dec 2015		
	Carrying amount	Provision	Book value
Raw material	160,662,691.18	6,305,697.86	154,356,993.32
Work-in-progress	17,310,018.61	-	17,310,018.61
Goods in stock	1,943,230,127.88	22,206,120.52	1,921,024,007.36
Total	2,121,202,837.67	28,511,818.38	2,092,691,019.29

(2) Provision

Item	31 Dec 2015	Increase		Decrease		31 Dec 2016
		Accrual	Others	Reversed	Written-off	
Raw materials	6,305,697.86	-	-	143,217.85	-	6,162,480.01
Work-in-progress	-	-	-	-	-	-
Goods in stock	22,206,120.52	19,332,814.64	-	-	-	41,538,935.16
Total	28,511,818.38	19,332,814.64	-	143,217.85	-	47,701,415.17

(3) Reasons for accruing inventory impairment provision

Item	Basis for recognizing provision	Reason for reversal of provision this year	Reasons for written-off
Raw materials	NRV is lower than cost	NRV is higher than cost	—
Work-in-progress	NRV is lower than cost	NRV is higher than cost	—
Goods in stock	NRV is lower than cost	NRV is higher than cost	—

7. Other current assets

Item	31 Dec 2016	31 Dec 2015
Housing rental	3,088,189.21	4,065,558.45
Deductible input tax of VAT	15,379,195.44	10,185,449.99
CIT prepaid	1,400,591.12	-
Others	476,556.32	1,545,765.12
Total	20,344,532.09	15,796,773.56

8. AFS financial assets

(1) Status of AFS financial assets

Item	31 Dec 2016			31 Dec 2015		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
AFS 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

(2) AFS financial assets measured at cost

Investee	Carrying amount			Provision				% of equity held in investee	Cash dividend
	12 Dec 2015	increase	decrease	12 Dec 2016	12 Dec 2015	increase	decrease	12 Dec 2016	
Shenzhen Zhonghang Culture Co. Ltd	300,000.00	-	-	300,000.00	300,000.00	-	-	300,000.00	15.00
Xi'an Tangcheng Limited	85,000.00	-	-	85,000.00	-	-	-	-	0.10
Total	385,000.00	-	-	385,000.00	300,000.00	-	-	300,000.00	—

(3) Changes of impairment provision for AFS financial asset

Types of AFS financial asset	AFS equity instrument	Total
Balance of impairment provision at the beginning of the year	300,000.00	300,000.00
Accrual in 2016	-	-
Incl: transferred from other comprehensive income	-	-
Decrease in 2016	-	-

Incl: reversed due to fair value increases	—	—
Balance of impairment provision at the end of the year	300,000.00	300,000.00

9. Long-term equity investment

Investee	31 Dec 2015	Changes during 2016				
		Addition	Withdraw	Investment gain recognized under equity method	adjustment of other comprehensive income	Changes of other equity item
I. Associated company						
Shanghai Watch Co., Ltd. (Shanghai Watch)	43,221,572.05	-	-	585,802.82	-	-

(continued)

Investee	Changes during 2016			31 Dec 2016	Balance of impairment provision as at 31 Dec 2016
	Cash dividend declared or profit distribution	Impairment provision accrued	Others		
Associated company					
Shanghai Watch Co., Ltd. (Shanghai Watch)	383,750.00	-	-	43,423,624.87	-

10. Investment property

(1) Details of investment property measured at cost

Item	Property and buildings
I. Total original cost	
1. Balance at the beginning of the year	340,029,020.44
2. Increased during 2016	38,499,050.00
(1) purchased	-
(2) Transferred from fixed asset	38,499,050.00
(3) increased due to business combination	-
3. Decreased during 2016	-
(1) Disposal	-

Item	Property and buildings
(2) Other decrease	-
4. Balance at the end of the year	378,528,070.44
II. Total accumulated depreciation	
1. Balance at the beginning of the year	123,080,827.42
2. Increased during 2016	11,244,607.93
(1) Accrual or amortization	9,716,708.25
(2) Transferred from fixed asset	1,527,899.68
3. Decreased during 2016	-
(1) Disposal	-
(2) Other decrease	-
4. Balance at the end of the year	134,325,435.35
III. Total impairment provision	-
1. Balance at the beginning of the year	-
2. Increased during 2016	-
(1) Accrual	-
(2) Transferred from fixed asset	-
3. Decreased during 2016	-
(1) Disposal	-
(2) Other decrease	-
4. Balance at the end of the year	-
IV. Total book value	
1. Book value at the end of the year	244,202,635.09
2. Book value at the beginning of the year	216,948,193.02

(2) Changes of purpose of property

On 1 July 2016, Hengdarui Company, a subsidiary of the Company, lease out a property previously used itself. The property is transferred from fixed asset to investment property and accounted for using cost method. The book value of it was RMB36,971,150.32 at the time changed.

11. Fixed asset

(1) Detail of fixed asset

Item	Property and buildings	Machinery	Transportation vehicles	Electronic devices	Other equipment	Total
I. Total book value						
1. Balance as at 31/12/2015	359,056,823.22	79,465,117.28	16,519,643.99	33,860,418.53	40,158,846.40	529,060,849.42
2. Additions	301,886,422.70	4,855,637.55	892,010.94	7,711,226.51	2,412,995.85	317,758,293.55
(1) Purchasing	3,002,361.48	4,855,637.55	892,010.94	7,711,226.51	2,412,995.85	18,874,232.33
(2) Transfer from construction in progress	298,884,061.22	-	-	-	-	298,884,061.22
(3) Increase due to business combination	-	-	-	-	-	-
3. Disposals	38,499,050.00	5,089,352.88	280,066.00	3,816,292.48	450,649.69	48,135,411.05
(1) Disposal or retire	-	5,089,352.88	280,066.00	3,816,292.48	450,649.69	9,636,361.05
(2) transferred into investment property	38,499,050.00	-	-	-	-	38,499,050.00
4. Balance as at 31/12/2016	622,444,195.92	79,231,401.95	17,131,588.93	37,755,352.56	42,121,192.56	798,683,731.92
II. Accumulated depreciation						
1. Balance as at 31/12/2015	64,764,532.05	32,745,907.86	12,388,527.12	24,125,690.46	33,056,363.92	167,081,021.41
2. Additions	13,505,917.07	6,643,271.90	1,347,552.45	2,698,784.52	2,661,553.80	26,857,079.74
(1) Accrual	13,505,917.07	6,643,271.90	1,347,552.45	2,698,784.52	2,661,553.80	26,857,079.74
3. Decrease	1,527,899.68	785,411.35	266,016.00	3,530,951.89	348,259.34	6,458,538.26
(1) Disposal or retire	-	785,411.35	266,016.00	3,530,951.89	348,259.34	4,930,638.58
(2) transferred into investment property	1,527,899.68	-	-	-	-	1,527,899.68
4. Balance as at 31/12/2016	76,742,549.44	38,603,768.41	13,470,063.57	23,293,523.09	35,369,658.38	187,479,562.89
III. Provision for impairment	-	-	-	-	-	-
1. Balance as at	-	-	-	-	-	-

Item	Property and buildings	Machinery	Transportation vehicles	Electronic devices	Other equipment	Total
31/12/2015						
2. Additions	-	-	-	-	-	-
(1)Accrual	-	-	-	-	-	-
3. Decrease	-	-	-	-	-	-
(1)Disposal or retire	-	-	-	-	-	-
(2) transferred into investment property	-	-	-	-	-	-
4.Balance as at 31/12/2016	-	-	-	-	-	-
IV. Total book value						
1. Balance at the end of the year	545,701,646.48	40,627,633.54	3,661,525.36	14,461,829.47	6,751,534.18	611,204,169.03
2. Balance at the beginning of the year	294,292,291.17	46,719,209.42	4,131,116.87	9,734,728.07	7,102,482.48	361,979,828.01

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

Item	Book value	Reason for not having certificate for property rights
Clock & Watch base in Guangming New District	296,855,919.38	Under approval process
Office rooms for Harbin Branch	303,450.72	Defective in property right

12. Construction in progress

(1) Details of construction in progress

Item	31 Dec 2016			31 Dec 2015		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
FIYTA Watch Building	-	-	-	173,189,274.57	-	173,189,274.57

(2) Changes for material construction in progress projects

Project name	Budget	31 Dec 2015	Increase	Transferred to fixed asset in current year	Other decrease	31 Dec 2016
Clock & Watch base	300,000,000.00	173,189,274.57	125,694,786.65	298,884,061.22	-	-

Project name	Budget	31 Dec 2015	Increase	Transferred to fixed asset in current year	Other decrease	31 Dec 2016
in Guangming New District						

(continued)

Project name	Percentage of investment to budget (%)	Progress	Total capitalized interest	Incl. capitalized in current year	Rate of capitalization in current year	Source of funding
Clock & Watch base in Guangming New District	99.63	100.00	6,951,795.61	3,565,443.23	4.53	Self-raised and borrowings from finance institutions

13. Intangible assets

(1) Details of intangible assets

Item	Land-use right	Software system	Right to use trademarks	Total
I. Total original cost				
1. Balance as at 31/12/2015	34,854,239.40	6,958,309.33	9,547,313.86	51,359,862.59
2. Additions	-	4,021,588.20	-	4,021,588.20
(1) purchase	-	4,021,588.20	-	4,021,588.20
(2) Internal R&D	-	-	-	-
(3) increased due to business combination	-	-	-	-
3. Decreases	-	-	-	-
(1) disposal	-	-	-	-
4. Balance as at 31/12/2016	34,854,239.40	10,979,897.53	9,547,313.86	55,381,450.79
II. total accumulated amortization				
1. Balance as at 31/12/2015	8,423,709.66	3,284,434.09	3,222,092.18	14,930,235.93
2. Additions	731,727.29	956,264.12	11,320.03	1,699,311.44
(1) accrual	731,727.29	956,264.12	11,320.03	1,699,311.44
3. Decreases	-	-	-	-
(1) disposal	-	-	-	-

Item	Land-use right	Software system	Right to use trademarks	Total
4. Balance as at 31/12/2016	9,155,436.95	4,240,698.21	3,233,412.21	16,629,547.37
III. total impairment provision				
1. Balance as at 31/12/2015	-	-	-	-
2. Additions	-	-	-	-
(1) accrual	-	-	-	-
3. Decreases	-	-	-	-
(1) disposal	-	-	-	-
4. Balance as at 31/12/2016	-	-	-	-
IV. Total book value				
1. Balance at the end of the year	25,698,802.45	6,739,199.32	6,313,901.65	38,751,903.42
2. Balance at the beginning of the year	26,430,529.74	3,673,875.24	6,325,221.68	36,429,626.66

14. Goodwill

(1) Carrying amount of goodwill

Name of investee or events that constitutes goodwill	31 Dec 2015	Increase	Decrease	31 Dec 2016
		Business combination	Disposal	
Lishan Department Store	1,735,756.48	-	1,735,756.48	-

(2) Provision of impairment

Name of investee or events that constitutes goodwill	31 Dec 2015	Increase	Decrease	31 Dec 2016
		Accrual	Disposal	
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. Lishan Department Store was de-registered on 28 Dec 2016, as a result, goodwill and associated impairment provision were charged to profit or loss for 2016.

15. Long-term deferred expenses

Item	31 Dec 2015	Increase	Amortization	Other decrease	31 Dec 2016
Counter fabrication expenses	66,887,503.25	62,285,675.84	66,624,471.20	-	62,548,707.89
Renovation expenses	71,772,662.17	21,969,964.15	31,390,997.01	-	62,351,629.31
Fee for representation	16,373,614.53	-	8,258,235.81	-	8,115,378.72
Others	670,784.44	337,293.21	335,389.69	-	672,687.96
Total	155,704,564.39	84,592,933.20	106,609,093.71	-	133,688,403.88

16. Deferred income tax assets/Deferred income tax liabilities

(1) Detail of deferred income tax before offsetting

Item	31 Dec 2016		31 Dec 2015	
	Deductible temporary differences	Deferred income tax asset	Deductible temporary differences	Deferred income tax asset
Asset impairment provision	68,493,298.99	16,426,482.25	39,140,123.72	9,093,386.55
Unrealized profit for related party transaction	310,726,076.51	76,489,979.97	371,236,241.47	91,656,936.13
Deferred income	5,980,000.00	1,495,000.00	4,300,000.00	1,075,000.00
Deductible loss	3,253,698.63	768,113.04	16,561,138.12	4,076,400.48
Total	388,453,074.13	95,179,575.26	431,237,503.31	105,901,723.16

(2) Details of unrecognized deferred income tax asset

Item	31 Dec 2016	31 Dec 2015
Deductible loss	22,867,656.64	22,861,606.22
Deductible temporary difference	300,000.00	2,035,756.48
Total	23,167,656.64	24,897,362.70

Note: Deductible losses of Hengdarui Company and Swiss Company, which are subsidiaries of the Company, is not recognized as deferred income tax asset as it's uncertain that the two companies can get sufficient taxable income in future.

17. Other non-current asset

Item	31 Dec 2016	31 Dec 2015
Prepayment for equipment purchase	9,432,329.88	5,118,833.65

Item	31 Dec 2016	31 Dec 2015
Prepayment for software purchase	1,249,189.03	-
Total	10,681,518.91	5,118,833.65

18. Short-term loan

Item	31 Dec 2016	31 Dec 2015
Guaranteed loan	260,438,070.00	338,186,200.00
Credit Loan	838,000,000.00	650,000,000.00
Total	1,098,438,070.00	988,186,200.00

Note: (1) There are no unpaid short-term loans that fall due.

(2) Refer to Note XI. 5 (3) for details of guarantee between related-parties.

19. Accounts payable

Item	31 Dec 2016	31 Dec 2015
Trade payables	129,889,611.01	111,750,463.34
Payables for material purchased	7,706,304.10	20,477,883.44
Payables for project	77,826,174.63	23,711,339.76
Total	215,422,089.74	155,939,686.54

20. Advances received

Item	31 Dec 2016	31 Dec 2015
Advances for trade	10,691,615.06	14,823,613.26
Rental received	3,211,088.84	3,207,516.61
Total	13,902,703.90	18,031,129.87

21. Employee remuneration payable

(1) Presentation of employee remuneration payable

Item	31 Dec 2015	Increase	Decrease	31 Dec 2016
Short-term remuneration	38,910,666.81	456,586,296.61	450,470,174.04	45,026,789.38
Post-employment welfare-defined contribution plans	486,081.14	37,220,137.65	37,478,422.48	227,796.31
Dismissal welfare	-	6,034,893.56	6,034,893.56	-

Item	31 Dec 2015	Increase	Decrease	31 Dec 2016
Total	39,396,747.95	499,841,327.82	493,983,490.08	45,254,585.69

(2) Short-term employee benefits

Item	31 Dec 2015	Increase	Decrease	31 Dec 2016
Wages, bonuses and allowances	38,695,841.28	409,662,615.73	403,607,410.04	44,751,046.97
Employee Welfare	-	9,055,965.84	9,055,965.84	-
Social insurance	-	16,117,236.49	16,117,236.49	-
Incl.: 1. medical insurance	-	14,217,752.12	14,217,752.12	-
2. work-related injury insurance	-	796,662.34	796,662.34	-
3. maternity insurance	-	1,102,822.03	1,102,822.03	-
Housing fund	-	15,731,520.80	15,731,520.80	-
Expenditure for labor union and employee training	214,825.53	5,225,827.81	5,164,910.93	275,742.41
Other short-term benefits	-	793,129.94	793,129.94	-
Total	38,910,666.81	456,586,296.61	450,470,174.04	45,026,789.38

(3) Defined contribution plans

Item	31 Dec 2015	Increase	Decrease	31 Dec 2016
1. endowment insurance	837.80	34,533,481.05	34,533,424.34	894.51
2. unemployment insurance	-	1,224,535.68	1,224,535.68	-
3. Enterprise annuity payment	485,243.34	1,462,120.92	1,720,462.46	226,901.80
Total	486,081.14	37,220,137.65	37,478,422.48	227,796.31

22. Taxes payable

Item	31 Dec 2016	31 Dec 2015
Value added tax	41,019,759.02	38,446,286.82
Corporate income tax	6,184,718.37	27,163,568.79
Property tax	894,213.22	45,596.12
City maintenance & construction tax	880,194.85	612,201.25
Individual income tax	726,368.87	1,102,201.03

Item	31 Dec 2016	31 Dec 2015
Educational surcharges	591,797.48	395,801.04
Stamp duty	239,875.22	242,297.50
Embankment protection fee	3,941.39	22,414.09
Business tax	-	585,194.96
Others	404,420.89	306,171.21
Total	50,945,289.31	68,921,732.81

23. Interest payable

Item	31 Dec 2016	31 Dec 2015
Interest payable for long-term loan	174,676.15	605,563.29
Interest on corporate bonds	-	16,800,000.00
Interest payable for short-term loan	2,301,293.50	1,806,066.73
Total	2,475,969.65	19,211,630.02

24. Other payables

(1) Other payables presented by types

Item	31 Dec 2016	31 Dec 2015
Security deposit	20,066,595.17	17,427,761.30
Shop activity fund	16,725,720.47	8,504,697.12
Personal accounts payable	2,474,103.56	3,562,485.42
Decoration expenses	2,395,059.63	4,268,223.01
Down payment	1,660,730.93	3,052,393.03
Expenses for capital raising	-	1,146,772.99
Others	10,410,871.23	10,169,283.33
Total	53,733,080.99	48,131,616.20

(2) Significant other payables with ageing over 1 year:

Item	Balance as at 31 Dec 2016	Reasons for unpaid or unsettled
Shenzhen Tencent Computer System Co., Ltd.	4,693,429.16	within lease term

25. Non-current liabilities that fall due within one year

Item	31 Dec 2016	31 Dec 2015
Long-term loans due within 1 year (Note VI. 27)	26,117,387.52	108,914,000.00

26. Other current liabilities

Item	31 Dec 2016	31 Dec 2015
Accrued expenses	2,379,148.19	1,988,252.38

27. Long-term loan

Item	31 Dec 2016	31 Dec 2015
Pledge loans	5,666,307.52	5,877,036.33
Guaranteed loan	135,752,128.00	194,031,928.00
Less: Long-term loan due within one year (Note VI. 25)	26,117,387.52	108,914,000.00
Total	115,301,048.00	90,994,964.33

Note:

- (1) T
here is no unpaid long-term loans that fall due.
- (2) S
ee Note VI.47 for type and amount of pledged assets.
- (3) R
efer to Note XI.5 (3) for guarantee between related parties.
- (4) T
he interest rate for long-term loan is between 3.00%-4.53%.

28. Bond payable

(1) bond payable

Item	31 Dec 2016	31 Dec 2015
12 FIYTA Debt	-	399,823,760.28

(2) Movement of bonds payable (excluding of financial instrument of preference share, perpetual debt that are classified as financial liability)

Bond Name	Par value	Issue date	Bond period	Issue amount	Balance as at 31 Dec 2015
12 FIYTA Debt	400,000,000.00	2013-2-27	3+2 years	400,000,000.00	399,823,760.28

(continued)

Bond Name	Issued	Interest accrued on par value	Amortization of premium or discount	Repayment	31/12/2016
12 FIYTA Debt	-	-	-	399,823,760.28	-

29. Deferred income

Item	31/12/2015	Increase	Decrease	31/12/2016	Forming reasons
Government grant	4,300,000.00	2,000,000.00	320,000.00	5,980,000.00	Income to be recognized

Incl: items involving government grant

Subsidy project	31/12/2015	Increase	Amount recognized in Non-operating Income	Other Changes	31/12/2016	Related to assets/income
Special fund for Shenzhen industrial design industry development (Note①)	1,500,000.00	2,000,000.00	-	-	3,500,000.00	Income related
Funding project for construction of National Enterprise Technology Center(Note ②)	2,000,000.00	-	-	-	2,000,000.00	Asset related
Researching project for key technique of standard timing system of DF101(Note ③)	800,000.00	-	-	320,000.00	480,000.00	Income related
Total	4,300,000.00	2,000,000.00	-	320,000.00	5,980,000.00	—

Note ①: Special fund for Shenzhen industrial design industry development was obtained according to the Shen Jingmao Xinxu Jishu Zi (2013) No. 227 - Operating Specification for Affirmation and Fund Plan of Shenzhen Industrial Design Center (Trial) which is jointly issued by Economy, Trade and Information Commission of Shenzhen Municipality and Finance Commission of Shenzhen Municipality.

Note ②: Funding project for construction of Shenzhen Enterprise Technology Center was obtained according to the Notice for the 1st Supportive Project in 2015 of Funding Project for Construction of Shenzhen Enterprise Technology Center which was issued by Shenzhen Development and Reform Commission (Shen Jing Mao Xin Xi Yu[2015] No. 129).

Note ③: Special fund for university-industry cooperation in 2013 was obtained according to Yue Ke Gong Shi

[2014] No. 13 – Publicity about Projects which would be Supported by Special Fund of Comprehensive Strategic Cooperation between Province and College and Special Fund of Province-Ministry University-Industry Cooperation in 2013, issued by Guangdong Science and Technology Department.

30. Share capital

Item	31/12/2015	Additions or reduction (+, -)					31/12/2016
		Issuance of new share	Bonus shares	Capitalization of capital reserves	Others	Subtotal	
Total shares	438,744,881	-	-	-	-	-	438,744,881

31. Capital reserve

Item	31/12/2015	Increase	Decrease	31/12/2016
Share premium	1,047,963,195.57	-	-	1,047,963,195.57
Other capital reserves	14,492,448.65	-	-	14,492,448.65
Total	1,062,455,644.22	-	-	1,062,455,644.22

32. Other comprehensive income

Item	31/12/2015	Movement					31/12/2016
		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	Attribute to minority shareholders after tax	
I. Other comprehensive income items which will not be reclassified subsequently to profit or loss	-	-	-	-	-	-	-
II. Other comprehensive	-17,145,189.71	5,617,505.89	-	-	5,366,691.47	250,814.42	-11,778,498.24

Item	31/12/2015	Movement					31/12/2016
		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	Attribute to minority shareholders after tax	
income items which will be reclassified subsequently to profit or loss							
1. Translation difference of foreign currency financial statements	-17,145,189.71	5,617,505.89	-	-	5,366,691.47	250,814.42	-11,778,498.24
Total other comprehensive income	-17,145,189.71	5,617,505.89	-	-	5,366,691.47	250,814.42	-11,778,498.24

33. Surplus reserve

Item	31/12/2015	Increase	Decrease	31/12/2016
Statutory surplus reserve	117,758,183.15	14,218,623.30	-	131,976,806.45
Discretionary surplus reserve	61,984,894.00	-	-	61,984,894.00
Total	179,743,077.15	14,218,623.30	-	193,961,700.45

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.

34. Undistributed profit

Item	2016	2015
Undistributed profit at the end of prior year before adjustments	635,417,237.55	566,819,577.37

Item	2016	2015
Adjustments to undistributed profit at the beginning of year	-	-
Undistributed profit at the beginning of a year after adjustment	635,417,237.55	566,819,577.37
Plus: Net profit attributable to the owner of the parent company for the year	110,662,681.59	121,702,057.44
Less: statutory surplus reserve drawn	14,218,623.30	13,827,610.26
Dividends payable to ordinary shares	43,874,488.10	39,276,787.00
Undistributed profit at the end of the year	687,986,807.74	635,417,237.55

Note: information on distribution of dividend

Pursuant to the “Resolution of Equity Distribution for Year 2015” approved at the 2015 Annual General Meeting held on 20 May 2016, the Company distributed to all shareholders cash dividend of RMB1.00 (tax inclusive) for every 10 shares held based on total shares of 438,744,881 as at 31 December 2015. Total cash dividend distributed was RMB43,874,488.10.

35. Operating revenue and operating cost

Item	2016		2015	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Revenue from main business	2,970,063,248.20	1,768,925,745.88	3,127,774,670.18	1,920,619,137.50
Revenue from other business	23,801,313.23	3,885,972.13	34,421,542.72	8,894,528.54
Total	2,993,864,561.43	1,772,811,718.01	3,162,196,212.90	1,929,513,666.04

(1) Revenue from main business presented by industry

Item	2016		2015	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Watches	2,871,027,139.99	1,755,381,683.73	3,032,902,719.41	1,906,085,186.72
Property leasing	99,036,108.21	13,544,062.15	94,871,950.77	14,533,950.78
Total	2,970,063,248.20	1,768,925,745.88	3,127,774,670.18	1,920,619,137.50

(2) Revenue from main business presented by product

Item	2016		2015	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Branded watches	1,973,725,639.76	1,467,331,518.39	2,147,608,465.85	1,623,918,119.34

Item	2016		2015	
	Operating revenue	Operating cost	Operating revenue	Operating cost
FIYTA watch	897,301,500.23	288,050,165.34	885,294,253.56	282,167,067.38
Property leasing	99,036,108.21	13,544,062.15	94,871,950.77	14,533,950.78
Total	2,970,063,248.20	1,768,925,745.88	3,127,774,670.18	1,920,619,137.50

(3) Revenue from main business presented by region

Item	2016		2015	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Southern China	972,635,042.85	501,166,754.87	999,754,959.45	553,758,526.17
Northwest China	489,661,181.56	313,757,695.26	524,570,697.36	340,488,440.23
Northern China	470,509,053.79	303,527,675.35	504,961,668.45	329,038,618.83
Eastern China	424,998,042.02	258,333,324.92	449,126,026.79	277,859,635.82
Northeast China	275,092,433.66	172,735,780.16	303,634,173.44	192,956,014.26
Southwest China	337,167,494.32	219,404,515.32	345,727,144.69	226,517,902.19
Total	2,970,063,248.20	1,768,925,745.88	3,127,774,670.18	1,920,619,137.50

36. Tax and surcharges

Item	2016	2015
Urban maintenance and construction tax	14,331,544.59	13,940,149.40
Educational surcharge	6,164,701.57	5,962,188.92
Local educational surcharge	3,995,655.71	3,938,882.37
Property tax	3,549,967.35	-
Business tax	2,121,487.67	5,596,456.29
Stamp duty	1,693,557.27	-
Land use tax	376,717.97	-
Consumption tax	104,504.27	-
Tax for usage of vehicle and ship	6,880.00	-
Others	1,702,039.82	1,236,833.20
Total	34,047,056.22	30,674,510.18

Note: The criteria of business taxes and surcharges accrued and paid refer to Note V. Taxation.

37. Selling and distribution expenses

Item	2016	2015
Wages	259,810,602.50	263,308,344.47
Market promotion expense	100,031,268.23	84,050,882.70
Amortization of long-term deferred expense	97,209,529.89	93,564,343.23
Rental	63,307,076.99	65,286,842.09
Department store expense	56,958,278.01	56,462,314.77
Worker's insurance expenses	37,852,584.71	37,804,708.38
Advertising expense	34,834,870.71	49,861,317.33
Depreciation	13,173,164.73	12,622,585.92
Packing expense	12,855,655.45	15,478,171.90
Utilities	12,773,584.17	13,570,654.19
Others	71,723,740.64	87,526,355.61
Total	760,530,356.03	779,536,520.59

38. Administrative expenses

Item	2016	2015
Wages	99,141,867.32	93,399,507.02
R & D expenses	41,757,819.70	37,481,362.43
Worker's insurance expenses	10,082,904.32	11,091,233.56
Depreciation	8,929,957.04	8,122,537.00
Travel expense	5,709,780.05	6,647,853.61
Office expenses	3,735,209.01	3,512,382.34
Housing fund	3,550,020.93	3,613,504.12
Amortization of long-term deferred expense	3,267,454.60	2,957,005.19
Agents fee	3,037,733.23	1,417,596.75
Employee welfare	2,816,468.55	2,077,444.14
Others	19,244,927.27	27,757,440.60

Item	2016	2015
Total	201,274,142.02	198,077,866.76

39. Finance expenses

Item	2016	2015
Interest expense	64,906,633.47	89,096,566.16
Less: Interest capitalization	3,565,443.23	2,869,675.80
Less: Interest income	3,371,147.87	1,997,798.65
Exchange gain or losses	-261,437.55	-1,457,015.95
Bank charges and others	11,178,960.09	11,575,389.03
Total	68,887,564.91	94,347,464.79

Note: Amount of interest capitalization is included in construction in progress. The capitalization rate used for determining the amount of interest capitalization is 4.53%.

40. Impairment losses

Item	2016	2015
Bad debt loss	10,188,287.61	-108,134.50
Inventory impairment loss	19,189,596.79	6,362,133.33
Total	29,377,884.40	6,253,998.83

41. Investment gain

Item	2016	2015
Investment gain from the long-term equity investment measured by equity method	585,802.82	831,812.14
Investment gain from disposal of long-term equity investment	-139,209.59	-
Total	446,593.23	831,812.14

42. Non-operating income

Item	2016	2015	Amount included in current year's non-recurring profit or loss
Total gain on disposal of the non-current assets	5,779.00	94,316.07	5,779.00
Including: gain on disposal of fixed assets	5,779.00	94,316.07	5,779.00

Item	2016	2015	Amount included in current year's non-recurring profit or loss
Government grant (see details below)	17,234,482.25	10,889,579.23	17,234,482.25
Clearing of payables that cannot be paid	503,383.76	23,568.41	503,383.76
Others	836,873.03	1,029,788.11	836,873.03
Total	18,580,518.04	12,037,251.82	18,580,518.04

Details of government grants that are included in current period are as follows:

Projects under subsidy	2016	2015	Related to assets/income
Special Fund for Industrial Transferring and Upgrading ①	10,550,000.00	5,758,000.00	Related to Income
Special fund of 2016 e-commerce development provided by Shenzhen Economy & Trade and Information System Steering Committee ②	2,240,400.00	-	Related to Income
Special subsidy for developing self-dependent innovation provided by Nanshan District ③	1,231,000.00	469,000.00	Related to Income
2016 Shenzhen subsidy for enterprise R&D ④	1,051,000.00	-	Related to Income
Award for 17th National Patent Award ⑤	600,000.00	100,000.00	Related to Income
Government Subsidiaries for Basel Watch Fair ⑦	551,039.25	900,271.23	Related to Income
2016 subsidy fund for Shenzhen industrial design and innovation results transferred into application ⑥	510,000.00	-	Related to Income
Co-subsidy from Guangdong Province for 17th National Patent Award ⑧	250,000.00	50,000.00	Related to Income
Supporting subsidy for promoting international competitive strength for 2015 ⑨	140,043.00	-	Related to Income
Award for first Ordos international innovative design competition	50,000.00	-	Related to Income
Subsidiaries for 1 Standardized Research Projects of Shenzhen Baoan Bureau of Finance	50,000.00	264,250.00	Related to Income
Subsidiaries for Patent in 2016 of Shenzhen Market Supervisory	10,000.00	-	Related to Income

Projects under subsidy	2016	2015	Related to assets/income
Authority			
Subsidiaries for Commerce Circulation of Shenzhen Economy and Trade Commission	1,000.00	1,000.00	Related to Income
Special Fund for Development of Shenzhen Industrial Designing	-	1,500,000.00	Related to asset
Electronic Clock Technical Research Project for Civil Aviation Flight Deck	-	1,200,000.00	Related to Income
Subsidiaries for Merit Rating of Shenzhen Nanshan Economy Promoting Bureau	-	300,000.00	Related to Income
Fund for Performing Standardized Strategy of Shenzhen in 2015	-	230,000.00	Related to Income
Subsidiaries for Standardized Projects of Nanshan Bureau of Science and Technology	-	35,000.00	Related to Income
2nd Batch of Supportive Fund for Register abroad in 2015 of Shenzhen	-	33,000.00	Related to Income
2nd Government Subsidiaries for Supporting Improving the Ability of International Trading in 2014	-	27,258.00	Related to Income
Bonus for Famous Industrial Designing in 2015	-	20,000.00	Related to Income
2nd Subsidiaries for Copyright in 2015 of Shenzhen Market Supervisory Authority	-	1,800.00	Related to Income
Total	17,234,482.25	10,889,579.23	—

Note:

①: Special Fund for Industrial Transferring and Upgrading was obtained according to Shen Cai Gui (2014) No. 21 “Interim Administration Method for Shenzhen Special Fund for Industrial Transferring and Upgrading”, Shen Jingmao Xinxi Yusuan Zi [2016] No.212 “Notice of Shenzhen Economy, Trade and Information Commission on Publicity to Proposed Subsidy Projects Of 2016 China Manufacturing 2025 Special Fund to Promote Advantage Industry”, Shen Jingmao Xinxi Yusuan Zi [2016] No.249 “Notice of Shenzhen Economy, Trade and Information Commission on Issuing Plan to Award Brand in Advantage Industry with 2016 Industrial Transferring and Upgrading Subsidy”, and “Publicity List of Shenzhen Economy, Trade and Information Commission on Subsidy Projects of 2016 Merging of Industrialization and Information”.

②: It is special subsidy received from Shenzhen Economy, Trade and Information Commission according to Shen Fu Ban (2007) No. 68 “Shenzhen Municipality Method of Administration of Developing E-commerce” and Shen Jingmao Yusuan Zi (2016) No. 112 “Notice of Shenzhen Economy, Trade and Information Commission on Publicity of First Batch of Projects under 2016 Special Fund for Service Industry Development”, Shen Jingmao Xinxi Yusuan Zi (2016) No. 126 “Notice of Shenzhen Economy, Trade and Information Commission on Publicity of Subsidy of 2016 E-commerce Development Special Fund for E-commerce Logistic System Construction Project”,

and Shen Jingmao Xinxi Yusuan Zi (2016) No. 274 “Notice of Shenzhen Economy, Trade and Information Commission on Publicity of 2016 Enterprise Competitive Power Promotion – Plan of Award to E-commerce Examples”.

③：It is special subsidy received in accordance with “Method of Administration of Nanshan Independent Innovation Industrial Development Fund” and related operation guidelines

④：It is 2016 enterprise R&D subsidy received from Shenzhen Science and Technology Innovation Committee according to Shen Fu (2004) No. 205 “Administration Method of Shenzhen Municipality Science and Technology R&D Fund” and “Publicity of First Batch of Enterprises Enjoyed 2016 Enterprise R&D Subsidy”

⑤：It is received according to “Decision of Awarding the 17th China Patent Award” (Guo Zhi Fa Guan Zi (2015) No. 67) issued by State Intellectual Property Office

⑥：It is received according to Shen Cai ke (2013) No.169 “Pilot Administration Method of Shenzhen Municipality Industry Development of Industrial Design” and Shen Jingmao Xinxi Yusuan Zi (2016) No. 237 “Notice of Shenzhen Science and Technology Innovation Committee on 2016 Subsidy Fund for Shenzhen Industrial Design and Innovation Results Transferred into Application”

⑦：It is government subsidy fund for Basel Watch Fair for 2015 obtained from Shenzhen Association of Timepieces.

⑧：It is co-subsidy for the 17th Patent Award received from Guangdong Province according to Yue Fu Ling No. 202“Guangdong Provincial Patent Award Method”

⑨：It is obtained according to Shen Jingmao Xinxi Yusuan Zi [2015] No.180 “Details of Supporting Improving the Ability of International Trading of which the amount of import or export is below USD65,000,000.00” and Shen Jingmao Xinxi Yusuan Zi[2016] No.68 “Notice of Notice of Shenzhen Economy, Trade and Information Commission on Publicity of the Special Fund for the 8th to 10th Batch of 2015 Promoting International Business Strength”, and Shen Jingmao Xinxi Yusuan Zi[2016] No.96 “Notice of Notice of Shenzhen Economy, Trade and Information Commission on Publicity of the Special Fund for the 11th to 12th Batch of 2015 Promoting International Business Strength”.

43. Non-operating expenses

Item	2016	2015	Amount included in non-recurring profit or loss in current year
Loss on non-current assets disposal	526,699.33	59,880.75	526,699.33
Incl. loss on fixed assets disposal	526,699.33	59,880.75	526,699.33
External donation	300,000.00	608,200.00	300,000.00
Others	104,961.81	462,946.58	104,961.81

Item	2016	2015	Amount included in non-recurring profit or loss in current year
Total	931,661.14	1,131,027.33	931,661.14

44. Income tax expenses

(1) Details of income taxes expenses

Item	2016	2015
Current income tax	23,934,294.77	28,719,188.67
Deferred income tax	10,722,147.90	-15,232,647.06
Total	34,656,442.67	13,486,541.61

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

Item	2016
Profit before tax	145,031,289.97
Income tax expenses calculated at legal (or applicable) tax rate (profit before tax *25%)	36,257,822.49
Impact from tax preferential rate in certain subsidiaries	-5,281,217.00
Adjustment for income tax in prior year	2,581,291.85
Income not subject to tax	-
Expenses not deductible for tax purposes	1,150,393.52
Super deduction of R&D expenses	-3,176,308.76
Gains or losses in joint venture and associates entities in equity method	-146,450.71
Taxation influence by using unrecognized deductible loss and deductible temporary difference of prior periods("-")	-234,378.49
Taxation influence of unrecognized deductible loss and deductible temporary difference	3,505,289.77
Effect of tax rate change on opening deferred tax	-
Income tax expenses	34,656,442.67

45. Notes to cash flow statement

(1) Cash received from other operating activities

Item	2016	2015
Government grant	19,234,482.25	10,989,579.23
Product promotion fee	14,523,999.82	22,758,667.54

Item	2016	2015
Security deposit	4,986,127.60	2,440,915.22
Interest income	3,371,147.87	1,997,798.65
Petty cash	3,145,832.73	56,039.62
Others	6,306,636.72	3,017,213.86
Total	51,568,226.99	41,260,214.12

(2) Cash paid to other operating activities

Item	2016	2015
Marketing promotion fee	89,496,418.02	78,338,971.48
Rental	52,433,881.38	63,610,470.17
Departmental store expenses	36,836,635.88	39,025,574.70
Advertising fee	34,754,870.71	48,741,600.33
Travel expenses	15,886,202.66	18,058,641.50
R & D expenses	17,310,721.96	15,655,827.82
Office expenses	10,718,987.61	12,486,686.57
Transportation expenses	9,182,675.27	8,976,276.33
Exhibition expenses	8,092,580.22	10,675,009.25
Posting and telecommunication expenses	6,320,786.58	6,574,954.85
Business entertainment	6,248,672.51	7,248,539.21
Packing expenses	5,218,194.15	4,913,593.92
Utilities	5,096,450.47	9,200,243.52
Petty cash	4,110,308.75	2,084,579.88
Intermediary agents expense	3,612,765.87	2,186,252.23
Conference expenses	2,731,897.48	2,873,671.57
Insurance expense	2,722,194.96	3,011,959.23
Security deposit	2,497,794.19	1,398,962.71
Vehicle expenses	2,462,877.78	3,052,469.63
Consultation expenses	1,874,553.54	2,023,389.06

Item	2016	2015
Others	28,465,361.09	11,386,258.67
Total	346,074,831.08	351,523,932.63

(3) Cash received from other investment activities

Item	2016	2015
Letter of credit	-	13,500,000.00

(4) Cash paid to other investment activities

Item	2016	2015
Financing expenses for placing of stock	992,669.19	1,582,574.12
Security deposit for issuing of letter of guarantee	-	433,125.00
Borrowings to AVIC Intl	-	150,000,000.00
Bank charges for issuing letter of credit	-	13,500,000.00
Total	992,669.19	165,515,699.12

46. Supplement to cash flow statement

(1) Supplement to Cash Flow Statement

Supplement	2016	2015
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	110,374,847.30	122,043,680.73
Add: Impairment for assets	29,377,884.40	6,253,998.83
Depreciation of fixed asset investment property	36,573,787.99	34,146,910.99
Amortization of intangible assets	1,699,311.44	1,400,047.31
Amortization of long-term deferred expenses	106,609,093.71	104,114,182.05
Losses on disposal of fixed assets, intangible assets, and other long-term assets ("-" for gain)	520,920.33	-34,435.32
Loss on retirement of fixed assets ("-" for gain)	-	-
Loss on changes of fair value ("-" for gain)	-	-
Financial expenses ("-" for gain)	61,341,190.24	86,226,890.36
Investment losses ("-" for gain)	-446,593.23	-831,812.14

Supplement	2016	2015
Decrease in deferred tax assets ("-" for increase)	10,722,147.90	-15,232,647.06
Increase in deferred tax liabilities ("-" for decrease)	-	-
Decrease in inventories ("-" for increase)	76,404,230.12	37,457,546.34
Decrease in operating receivables("-" for increase)	4,954,173.34	40,599,512.23
Increase in operating payables ("-" for decrease)	17,628,100.61	-19,906,881.91
Others	-	-
Net cash flows from operating activities	455,759,094.15	396,236,992.41
2. Significant investment or financing activities not involving cash:		
Debts converted to capital	-	-
Convertible debts mature within one year	-	-
Fixed assets acquired under finance leases	-	-
3. Net increase / (decrease) in cash and cash equivalents:		
Cash as at 31/12/2016	427,227,755.81	637,387,875.93
Less: cash as at 31/12/2015	637,387,875.93	114,880,070.54
Plus: cash equivalents as at 31/12/2016	-	-
Less: cash equivalents as at 31/12/2015	-	-
Net increase in cash and cash equivalents	-210,160,120.12	522,507,805.39

(2) Cash and cash equivalents

Item	31 Dec 2016	31 Dec 2015
I. Cash	427,227,755.81	637,387,875.93
Incl. Cash on hand	478,898.11	387,241.40
Bank deposit available for immediate payment	426,743,336.84	636,995,113.67
Other monetary funds available for immediate payment	5,520.86	5,520.86
II. Cash equivalents	-	-
Incl. Bond investment due in three months	-	-
III. Cash and cash equivalents as at 31/12/2016	427,227,755.81	637,387,875.93
Incl: restricted cash and cash equivalents for the Company	-	-

47. Assets of restricted ownership or use rights

Item	Amount as of 31/12/2016	Restriction reason
Currency funds	1,575,000.00	Security deposit
Fixed assets	20,013,482.66	Guarantee
Total	21,588,482.66	—

48. Monetary item denominated in foreign currency

(1) Monetary item denominated in foreign currency

Item	Balance denominated in foreign currency as at 31/12/2016	Exchange rate	Balance translated in RMB as at 31/12/2016
Currency fund			
Incl.: USD	1,146,692.09	6.9370	7,954,603.03
HKD	16,239,211.11	0.89451	14,526,136.48
EUR	575,768.17	6.7989	3,914,590.22
CHF	2,991.45	7.3068	21,857.93
Accounts receivable			
Incl.: USD	98,267.56	6.9370	681,682.06
HKD	5,616,856.23	0.89451	5,024,334.07
CHF	46,213.90	6.7989	314,203.68
Accounts payable			
Incl.: HKD	14,744,176.21	0.89451	13,188,813.06
CHF	214,728.07	6.7989	1,459,914.68
Other receivable			
Incl.: HKD	331,279.00	0.89451	296,332.38
Other payables			
Incl.: HKD	2,506,826.92	0.89451	2,242,381.75
CHF	47,243.75	6.7989	321,205.53
Short-term loan			
Incl.: HKD	157,000,000.00	0.89451	140,438,070.00

Item	Balance denominated in foreign currency as at 31/12/2016	Exchange rate	Balance translated in RMB as at 31/12/2016
Non-current liability due in one year			
Incl.: HKD	20,253,979.86	0.89451	18,117,387.52
Long-term bank loan			
Incl.: CHF	800,000.00	6.7989	5,439,120.00

(2) Overseas operational entity

For main business location and recording currency of important overseas operational entity, refer to Note IV. 3.

VII. Changes of consolidation scope

1. Reasons for changes of consolidation scope

Lishan Department Store was de-registered on 28 Dec 2016 with “Notice of Approval for De-registration” obtained from Kunming Industrial and Commerce Administration, as a result, it is excluded from the scope of consolidation as at the year-end.

VIII. 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
TEMPORAL Company	Shenzhen	Shenzhen	Commerce	100.00	-	Establishment or investment

Name of subsidiary	Main business location	Place of registration	Nature of business	Shareholding ratio%		Ways acquired
				Direct	Indirect	
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
Swiss Company	Switzerland	Switzerland	Commerce	-	100.00	Business combination not under common control
Nature Art Limited	Hong Kong	Hong Kong	Commerce	-	-	①

Note: ① According to the equity trust agreement signed by and between Station 68, a subsidiary of FIYTA Hong Kong, and the trustee of ProTop Limited on 10 December 2009, Station 68, as the trustor, owns shares, stock rights and related rights of Nature Art Limited and ProTop Limited, and both parties agree that trustee may transfer its right anytime according to the instructions of trustor. Therefore, Station 68 owns the control right of Nature Art Limited and ProTop Limited, and include them into its scope of consolidation. ProTop Limited was deregistered in 2015.

2. Equity in joint arrangement or associated

(1) Significant joint venture or associate

Name	Principal place of business	Registration place	Business nature	Shareholding ratio (%)		Accounting treatment for joint ventures or associates
				Direct	Indirect	
Shanghai Watch	Shanghai	Shanghai	Manufacture	25.00	-	Equity method

(2) Principal financial information of significant associate company:

Item	Balance as of 31/12/2016 or 2016	Balance as of 31/12/2015 or 2015
Current assets	85,987,663.95	85,404,253.13
Non-current assets	19,468,754.45	20,902,422.63
Total assets	105,456,418.40	106,306,675.76

Item	Balance as of 31/12/2016 or 2016	Balance as of 31/12/2015 or 2015
Current liabilities	7,546,723.24	9,638,478.88
Non-current liabilities	-	-
Total liabilities	7,546,723.24	9,638,478.88
Minority shareholders' interests	-	-
Owners' equity attributable to parent company	97,909,695.16	96,668,196.88
Share of net assets calculated as shareholding percentage%	24,477,423.79	24,167,049.22
Adjustment matters		
Incl.: goodwill	-	-
Unrealized profit or losses from internal transaction	-	-
Others	-	-
Book value of investment to associate	43,423,624.87	43,221,572.05
Operating income	86,054,541.55	91,465,902.16
Net profit	2,343,211.28	3,327,248.55
Other comprehensive income		
Total comprehensive income	2,343,211.28	3,327,248.55
Dividends received from associated company during the year	383,750.00	-

IX. Risk related to financial instruments

Main financial instruments of the Company include monetary fund, account receivable, notes receivable, other receivables, other current assets, available-for-sale financial assets, account payable, interest payable, dividend payables, other payables, short-term loan, non-current liabilities in one year, long-term loan and bond payable. The Company 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 Company 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 Company. Based on the goal, the Company has formulated risk management policies to identify and analyze risks the Company 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 Company 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 Company caused due to default of contract obligation of transaction counterparty.

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

Bank deposit of the Company 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 Company 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 Company evaluates credit qualification of debtor and set corresponding debt limit and credit period. The Company will regularly supervise credit record of debtor. For debtor with bad credit record, the Company will ensure the whole credit risk of the Company 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 Company is carrying amount of each financial asset in balance sheet. The Company sets guarantees to any other credit risks that the Company may bear.

For amount of accounts receivable, the amount of top 5 accounts receivable accounts for 7.32% of total accounts receivable of the Company (2015: 7.98%). In other receivables, the amount of top 5 accounts receivable accounts for 22.06% of total other receivable of the Company (2015: 17.79%).

(2) Liquidity risk

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

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

The Company finances working capital through capital and bank and other borrowings incurred in business operation. As at 31 December 2016, bank borrowing facility that the Company has not yet used is about RMB1,742,300,000 (31 December 2015: RMB886,288,400).

Maturity analysis of financial assets, financial liabilities and off-balance-sheet guarantee items by undiscounted remaining contract cash flow as of 31 Dec 2016 (Unit: RMB ten thousands):

Item	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Financial assets:					
Cash and bank balance	42,880.28	-	-	-	42,880.28
Notes receivable	766.26	-	-	-	766.26
Accounts receivable	31,421.28	-	-	-	31,421.28
Other receivables	3,543.71	-	-	-	3,543.71
Total financial assets	78,611.53	-	-	-	78,611.53
Financial liabilities:					
Short-term loans	109,843.81	-	-	-	109,843.81
Accounts payable	21,542.21	-	-	-	21,542.21
Payable interest	247.60	-	-	-	247.60
Other payables	5,373.31	-	-	-	5,373.31
Other current liabilities(excluding deferred income)	237.91	-	-	-	237.91
Non-current liabilities due in one year	2,611.74	-	-	-	2,611.74
Long-term loan	-	3,500.00	3,500.00	4,530.10	11,530.10
Financial guarantee	22,566.53	-	13,789.02	-	36,355.55
Total of financial liability and contingent liability	162,423.11	3,500.00	17,289.02	4,530.10	187,742.23

Maturity analysis of financial assets, financial liabilities and off-balance-sheet guarantee items by undiscounted remaining contract cash flow as of 31 Dec 2015 (Unit: RMB ten thousands):

Item	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Financial assets:					
Cash and bank balance	63,896.29	-	-	-	63,896.29
Notes receivable	719.78	-	-	-	719.78
Accounts receivable	31,258.19	-	-	-	31,258.19
Other receivables	4,169.98	-	-	-	4,169.98
Total financial assets	100,044.24	-	-	-	100,044.24
Financial liabilities:					

Item	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Short-term loans	98,818.62	-	-	-	98,818.62
Accounts payable	15,593.97	-	-	-	15,593.97
Interest payable	1,921.16	-	-	-	1,921.16
Other payables	4,813.16	-	-	-	4,813.16
Other current liabilities(excluding deferred income)	198.83	-	-	-	198.83
Non-current liabilities due in one year	10,891.40	-	-	-	10,891.40
Long-term loan	-	2,255.35	2,000.00	4,844.15	9,099.50
Bonds payable	40,000.00	-	-	-	40,000.00
Financial guarantee	-	-	39,710.02	1,675.60	41,385.62
Total of financial liability and contingent liability	172,237.14	2,255.35	41,710.02	6,519.75	222,722.26

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

(3) Market risk

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

Interest risk

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

The interest risk of the Company mainly arises from long-term bank loans and bonds payable and long-term interest-bearing debt. Financial liabilities with floating rate lead the Company to cash flow interest risk. Fixed interest rate financial liabilities lead the Company to fair value interest risk. According to current market environment the Company 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 2016, if borrowing rate measured at floating rate rises or drops 50 base points, and other factors keep unchanged, net profit and shareholders' equity of the Company will decrease or increase about RMB1,441,600(at 31 December 2015: RMB1,311,100).

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 Company 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 VI 48 for 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 Company are formulated to guarantee the Company 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 Company may adjust amounts of dividends paid for shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The Company monitors capital structure based on asset liability ratio (total liabilities divided by total assets). As at 31 December 2016, the asset-liability ratio of the Company is 40.70% (31 December 2015: 45.77%).

X. 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 2016, 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.

XI. Related party relationship and transactions

1. Details of the parent company of the Company

Name	Registration place	Type of business	Registered capital	Shareholding ratio of parent company to the Company %	Ratio of vote right of parent company to the Company%
China National Aviation Group	Shenzhen	investment in industries, domestic trade, material supply and distribution	1,166,161,996	37.15	37.15

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

2. Subsidiaries

Details of subsidiaries refer to Note VIII.1 “Equity in subsidiary”.

3. Joint venture and association

Details of joint ventures and associates refer to Note VIII.2 “Equity in joint arrangement or joint venture”.

4. Other related parties

Name	Relationship with the Company
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
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 Guanlan 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
Shenzhen CATIC Theme Real-estate Co., Ltd (CATIC Theme Company)	Controlled by the same party

AVIC Training Center	Controlled by the same party
Ganzhou CATIC 9 Square Trading Co, Ltd(Ganzhou 9 Square Company)	Controlled by the same party
Jiujiang CATIC City Estate Co, Ltd (Jiujiang CATIC Estate Company)	Controlled by the same party
CATIC City Estate (Kunshan) Co, Ltd (Kunshan Company)	Controlled by the same party
Shenzhen CATIC Huacheng Real Estate Development Co, Ltd (CATIC Huacheng Company)	Controlled by the same party
Shenzhen CATIC Curtain Co, Ltd (CATIC Curtain Company)	Controlled by the same party
CATIC Technical International Development Co, Ltd (CATIC Tech. Development Company)	Controlled by the same party
AVIC Finance Co., Ltd. (AVIC Finance Company)	Controlled by the same party
Shenzhen AVIC Security Service Co., Ltd (AVIC Security Service)	Controlled by the same party
Shenzhen AVIC Property Asset Management Co., Ltd.(AVIC Property Asset Management)	Controlled by the same party
Jiujiang 9 Square Business Management Co., Ltd (Jiujiang Business Management)	Controlled by the same party
Shenzhen CATIC Grand Skylight Hotel Co., Ltd (Grand Skylight Hotel)	Controlled by the same party
Diao Weicheng	Key management member
Xu Dongsheng	Key management member
Wang Mingchuan	Key management member
Liu Aiyi	Key management member
Zhong Sijun	Key management member
Cao Zhen	Key management member
Zhang Hongguang	Key management member
Zhang Shunwen	Key management member
Wangyan	Key management member
Sui Yong	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
Fu Debin	Key management member
Sheng Qing	Key management member
Wang Jingqi	Key management member
Liu Xiaoming	Key management member
Pan Bo	Key management member
Li Ming	Key management member

5. Transactions with related parties

(1) Details of related party purchase and sale

① Purchasing goods and receiving services

Related party	Type of transaction	2016	2015
CATIC Property Management	Property management	5,275,437.71	3,236,163.68
Rainbow Department Store	Department store expenses	4,708,288.04	4,457,644.68
CATIC Building co., Ltd.	Engineering	1,842,225.92	281,621.61
CATIC Technical Development co., Ltd.	Engineering	169,811.32	100,000.00
CATIC Nanguang co., Ltd.	Engineering	156,086.60	163,913.80
AVIC Training center	Training	129,432.54	107,296.20
CATIC curtain wall engineering co., Ltd.	Engineering	-	198,113.16
Shanghai Watch	Material purchase	-	132,051.28
AVIC Securities Company	Securities underwriting fee	-	7,250,000.00

② Selling products and providing services

Related party	Type of transaction	2016	2015
Rainbow Department Store	Product sales and services	72,415,842.70	81,677,865.75
AVIC	Product sales	266,944.55	485,755.56
Shennan Circuits	Material sales	5,021,182.68	11,668,906.38

(2) Lease

① The Company as a lessor

Lessee	Type of leased assets	Recognized rental income in current period	Recognized rental income in prior period
CATIC Property Management	Property	6,813,776.40	6,516,962.97
Skytel Hotel	Property	4,395,238.09	4,700,000.00
CATIC Real Estate Company	Property	1,603,091.94	1,569,802.84
CATIC City Investment	Property	1,461,596.16	950,861.29
AVIC Securities Company	Property	1,152,634.31	1,139,550.00
CATIC City Real Estate Company	Property	586,541.62	376,300.82
Rainbow Department Store	Property	501,285.16	465,520.04

CATIC Huacheng Company	Property	442,067.62	277,419.12
CATIC Jiufang Asset Mgmt Company	Property	369,408.00	363,636.00
AVIC Security Service	Property	180,133.64	-
CATIC Guanlan Property	Property	94,857.51	92,887.74
AVIC Property Asset Management	Property	84,507.18	-
CATIC City Development Company	Property	23,714.37	23,221.94
CATIC Changtai Company	Property	-	480,384.00
CATIC Theme Company	Property	-	353,338.00

② The Company as a lessee

Lessor	Type of leased assets	Rental expenses charged in current period	Rental expenses charged in prior period
Ganzhou 9 Square Company	Property	1,042,003.04	1,029,856.96
CATIC Changtai Company	Property	311,667.98	208,433.59
Jiujiang CATIC Estate Company	Property	287,408.00	321,880.50
Kunshan Company	Property	192,515.80	33,272.96
Jiujiang Business Management	Property	17,004.85	-
Chengdu CATIC Property Company	Property	400.00	1,206.09

(3) Guarantees provided

① The Company as a guarantor

Guarantee	Amount	Effective date	Expiring date	Guarantee obligation expired (Yes/No)
FIYTA Hong Kong	17,890,200.00	2014-3-3	2019-1-11	No
FIYTA Hong Kong	67,088,250.00	2016-7-4	2017-6-24	No
FIYTA Hong Kong	44,725,500.00	2016-8-3	2017-6-24	No
FIYTA Hong Kong	20,573,730.00	2016-9-7	2017-10-31	No
FIYTA Hong Kong	4,025,295.00	2016-10-14	2017-10-31	No
FIYTA Hong Kong	4,025,295.00	2016-11-24	2017-10-31	No
HARMONY Company	85,000,000.00	2016-12-30	2017-12-29	No

② The Company as a guaranteed party

Guarantor	Amount	Effective date	Expiring date	Guarantee obligation expired (Yes/No)
China National Aviation Group	3,361,928.00	2014-1-15	2019-6-24	No
China National Aviation Group	638,072.00	2014-9-5	2019-6-24	No
China National Aviation Group	4,000,000.00	2014-9-5	2019-12-24	No
China National Aviation Group	5,361,928.00	2014-9-5	2020-6-24	No
China National Aviation Group	10,000,000.00	2015-1-8	2020-6-24	No
China National Aviation Group	2,138,072.00	2015-1-26	2020-6-24	No
China National Aviation Group	17,500,000.00	2015-1-26	2020-12-24	No
China National Aviation Group	361,928.00	2015-1-26	2021-6-24	No
China National Aviation Group	6,000,000.00	2015-5-27	2021-6-24	No
China National Aviation Group	10,000,000.00	2015-10-28	2021-6-24	No
China National Aviation Group	1,138,072.00	2015-12-1	2021-6-24	No
China National Aviation Group	5,861,928.00	2015-12-1	2021-12-24	No
China National Aviation Group	10,000,000.00	2016-1-18	2021-12-24	No
China National Aviation Group	1,638,072.00	2016-1-26	2021-12-24	No
China National Aviation Group	13,361,928.00	2016-1-26	2022-6-24	No
China National Aviation Group	2,000,000.00	2016-4-20	2022-6-24	No
China National Aviation Group	2,138,072.00	2016-5-5	2022-6-24	No
China National Aviation Group	5,361,928.00	2016-5-5	2022-12-24	No
China National Aviation Group	12,138,072.00	2016-5-19	2022-12-24	No
China National Aviation Group	4,861,928.00	2016-5-19	2023-6-24	No
HARMONY Company	50,000,000.00	2016-10-24	2019-10-19	No
HARMONY Company	70,000,000.00	2016-4-11	2019-4-11	No

(4) Remuneration for key management members

Item	2016	2015
Remuneration for key management members	15,558,400.00	11,462,400.00

(5) Other related transactions

① In 2016, the Company paid interest of RMB1,281,666.67 to China National Aviation Group.

②The year-end balance of the Company's cash is RMB26,007,518.83, which is deposited with AVIC Finance Company. The interests received from the deposit are RMB4,647.18.

6. Receivables from and payables to related parties

(1) Receivables

Item	31/12/2016		31/12/2015	
	Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Accounts receivable				
Rainbow Department Store	9,332,325.17	466,616.26	8,012,826.57	400,641.33
Shennan Circuits	555,224.70	27,761.24	1,474,023.97	73,701.20
Ganzhou 9 Square Company	-	-	289,621.00	14,481.05
AVIC	-	-	13,500.00	675.00
Total	9,887,549.87	494,377.50	9,789,971.54	489,498.58
Notes receivable				
Shennan Circuits	854,616.60	-	5,697,788.08	-
Other receivable				
Rainbow Department Store	687,471.00	34,373.55	563,140.00	28,157.00
CATIC Property Management	-	-	225,853.69	11,292.68
Ganzhou 9 Square Company	122,665.60	6,133.28	122,665.60	6,133.28
Chengdu CATIC Property Company	-	-	115,616.40	5,780.82
CATIC Changtai Company	50,000.00	2,500.00	50,000.00	2,500.00
Jiujiang CATIC Estate Company	50,000.00	2,500.00	50,000.00	2,500.00
Kunshan Company	42,120.00	2,106.00	37,120.00	1,856.00
Grand Skylight Hotel	32,000.00	1,600.00	-	-
Total	984,256.60	49,212.83	1,164,395.69	58,219.78

(2) Payables

Item	31/12/2016	31/12/2015
Advances from customer		
CATIC Real Estate Company	133,848.00	133,848.00

Item	31/12/2016	31/12/2015
CATIC Guanlan Property	7,920.00	-
CATIC City Development Company	1,980.00	-
Total	143,748.00	133,848.00
Other payables		
CATIC Property Management	1,993,817.45	472,032.00
CATIC Real Estate Company	424,800.00	424,800.00
CATIC City Investment Company	244,068.00	244,068.00
AVIC Securities Company	187,440.00	187,440.00
CATIC Building Company	103,424.92	9,630.00
CATIC City Real Estate Company	97,912.32	97,912.32
CATIC Huacheng Company	73,819.68	73,819.68
CATIC Jiufang Asset Mgmt Company	66,666.60	60,606.00
Rainbow Department Store	60,000.00	60,000.00
CATIC City Development Company	3,960.00	3,960.00
Chengdu CATIC Property Company	-	16,492.75
Total	3,255,908.97	1,650,760.75

XII. Commitments and contingencies

1. Significant commitments

(1) Operating lease commitment

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

Item	31/12/2016	31/12/2015
The minimum lease payment for irrevocable operating lease:		
The 1 st year after the balance sheet day	32,454,718.47	19,070,208.30
The 2 nd year after the balance sheet day	14,752,206.79	12,683,143.50
The 3 rd year after the balance sheet day	3,856,133.62	6,603,532.25
After 3 years	3,353,900.00	4,116,940.51
Total	54,416,958.88	42,473,824.56

(2) Other commitments

As at 31 December, 2016, the Company has no commitment that shall be disclosed.

2. Contingencies

(1) Contingent liabilities and financial influence formed by providing liability guarantee to other units

Refer to Note XI. 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 2016, there is no other contingency that shall be disclosed by the Company.

XIII. Post balance sheet date events

1. Profit distribution after balance sheet date

The resolution of 2016 profit distribution proposal has been passed on the 13th Board Meeting of the 8th Board of Directors on 8 March 2017. It proposed to distribute cash dividend of RMB1.00 (tax inclusive) for every 10 shares held by shareholders based on the total 438,744,881 shares as at 31 December 2016. Cash dividend that proposed to be distributed amounts to RMB43,874,488.10, no bonus shares and no capitalization of reserves. The proposal is subject to approval from Annual General Shareholders' Meeting.

2. Other significant non-adjusting events after balance sheet date

(1) Pursuant to the resolution passed on the 13th Board Meeting of the 8th Board of Directors on 8 March 2017, the Company plans to apply credit facility of no more than RMB 1,500,000,000.00 from banks in form of guaranteed loan, mortgage loan etc... in 2017. The proposal of credit facility application is subject to approval from Annual General Shareholders' Meeting.

(2) Pursuant to the resolution passed on the 13th Board Meeting of the 8th Board of Directors on 8 March 2017, the Company plans to provide guarantee to the Company's wholly-owned subsidiaries for their application of credit facility of no more than RMB1,000,000,000.00 in 2017. This credit facility is included in the total credit facility of RMB1,500,000,000.00 to be applied in 2017 mentioned above. The proposal of credit facility application is subject to approval from Annual General Shareholders' Meeting.

XIV. Other significant events

Lishan Department Store de-registered on 28 Dec 2016.

XV. Notes to the Company's financial statements

1. Accounts receivable

(1) Accounts receivable by categories:

Category	31/12/2016					Book value
	Carrying amount		Provision			
	Amount	Percentage%	Amount	Provision rate %		

Category	31/12/2016				
	Carrying amount		Provision		Book value
	Amount	Percentage%	Amount	Provision rate %	
Receivables that are individually significant in amount and provided for bad debt separately	-	-	-	-	-
Receivables provided for bad debt by portfolio	269,469.10	100.00	13,473.46	5.00	255,995.64
Receivables that are individually insignificant in amount but provided for bad debt separately	-	-	-	-	-
Total	269,469.10	100.00	13,473.46	5.00	255,995.64

(continued)

Category	31/12/2015				
	Carrying amount		Provision		Book value
	Amount	Percentage%	Amount	Provision rate %	
Receivables that are individually significant in amount and provided for bad debt separately	-	-	-	-	-
Receivables provided for bad debt by portfolio	-	-	-	-	-
Receivables that are individually insignificant in amount but provided for bad debt separately	-	-	-	-	-
Total	-	-	-	-	-

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

Aging	31/12/2016		
	Amount	Provision	Provision rate %
Within 1 year	269,469.10	13,473.46	5.00

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

The amount of Bad debt provision reversed is RMB13,473.46 in current period. There was no received or reversal of bad debt provision in current period.

(3) Top 5 accounts receivable as at the year end

The amount of top 5 receivables based on year-end receivable balance is RMB269,469.10 accounts for 100% of total receivables as at 31 Dec 2016. Corresponding bad debt provision is RMB13,473.46.

2. Other receivable

(1) Other receivables disclosed by categories:

Category	31/12/2016				
	Carrying amount		Provision		Book value
	Amount	Percentage %	Amount	Provision rate %	
Other receivables that are individually significant in amount and provided for bad debt separately	-	-	-	-	-
Other receivables provided for bad debt by portfolio	1,191,963,803.24	100.00	16,748.67	0.00	1,191,947,054.57
Other receivables that are individually insignificant in amount but provided for bad debt separately	-	-	-	-	-
Total	1,191,963,803.24	100.00	16,748.67	0.00	1,191,947,054.57

(continued)

Category	31/12/2015				
	Carrying amount		Provision		Book value
	Amount	Percentage%	Amount	Provision rate %	
Other receivables that are individually significant in amount and provided for bad debt separately	-	-	-	-	-
Other receivables provided for bad debt by portfolio	1,527,784,369.59	100.00	27,552.41	0.00	1,527,756,817.18
Other receivables that are individually insignificant in amount but provided for bad debt separately	-	-	-	-	-
Total	1,527,784,369.59	100.00	27,552.41	0.00	1,527,756,817.18

① Other receivables that are provided for bad debt based on ageing analysis:

Aging	31/12/2016		
	Other receivable	Provision	Provision rate %
1 to 2 years	167,486.73	16,748.67	10.00

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

Name of portfolio	31/12/2016		
	Receivable	Provision	Provision rate %
Portfolio of special accounts	1,191,796,316.51	-	-

Based on historical experience, the Company's receivables from petty cash advanced to employees, from subsidiaries of the Company and sales revenue between the last settlement date of the same department store

and the balance sheet date are with high recoverability and low possibility of incurring bad debt, as a result, no bad debt provisions are provided for such receivables.

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

The amount of Bad debt provision accrued is RMB10,803.74 in current period. There was no received or reversed of bad debt provision in current period.

(3) Other receivables by nature

Item	31/12/2016	31/12/2015
Related party balances within consolidated scope	1,191,058,623.23	1,527,077,899.87
Petty cash	737,693.28	155,421.46
Security deposit	40,050.00	64,050.00
Others	127,436.73	486,998.26
Total	1,191,963,803.24	1,527,784,369.59

(4) Top 5 other receivable accounts as at the year end

Company name	Nature	Balance	Aging	Percentage in total closing balance of other receivables (%)	Provision for bad and doubtful debts
HARMONY Company	Transaction	892,656,386.22	Within 1 year 717,564,654.35; 1 – 2 years 175,091,731.87	74.89	-
Sales Company	Transaction	226,170,548.39	Within 1 year	18.97	-
Emile Choureit Shenzhen Company	Transaction	63,455,799.72	Within 1 year	5.32	-
TEMPORAL Company	Transaction	6,308,114.89	Within 1 year	0.53	-
Technology Company	Transaction	2,467,774.01	Within 1 year	0.21	-
Total	—	1,191,058,623.23	—	99.92	-

3. Long-term equity investments

(1) types of long-term equity investment

Item	31/12/2016	31/12/2015
------	------------	------------

	Carrying amount	provision	Book value	Carrying amount	provision	Book value
Investment in subsidiaries	1,213,169,720.00	-	1,213,169,720.00	770,899,720.00	-	770,899,720.00
Investment to associated companies	43,423,624.87	-	43,423,624.87	43,221,572.05	-	43,221,572.05
Total	1,256,593,344.87		1,256,593,344.87	814,121,292.05		814,121,292.05

(2) Investment in subsidiaries

Invested units	31/12/2015	Increase	Decrease	31/12/2016	Provision accrue in 2016	Balance of provision as at 31/12/2016
HARMONY Company	601,307,200.00	-	-	601,307,200.00	-	-
Harbin Company	125,000.00	-	-	125,000.00	-	-
Manufacturing Company	9,000,000.00	-	-	9,000,000.00	-	-
Technology Company	10,000,000.00	-	-	10,000,000.00	-	-
FIYTA Hong Kong	95,467,520.00	42,270,000.00	-	137,737,520.00	-	-
TEMPORAL Company	5,000,000.00	-	-	5,000,000.00	-	-
FIYTA Sales Company	50,000,000.00	400,000,000.00	-	450,000,000.00	-	-
Total	770,899,720.00	442,270,000.00	-	1,213,169,720.00	-	-

(3) Investment to joint venture and association

Invested units	31/12/2015	Movements in 2016				
		Addition	Withdraw	Investment income/loss recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity
① Associates						
Shanghai Watch	43,221,572.05	-	-	585,802.82	-	-

(continued)

Invested units	Movements in 2016	31/12/2016	Balance of provision
----------------	-------------------	------------	----------------------

	Cash dividend or profit announced to be issued	Provision for impairment	Other		
Associates					
Shanghai Watch	383,750.00	-	-	43,423,624.87	-

4. Operating revenue and operating cost

Item	2016		2015	
	Revenue	Cost	Revenue	Cost
Main businesses	98,387,059.04	13,573,121.98	95,422,259.18	14,944,207.19
Other businesses	-	-	12,923.08	8,613.00
Total	98,387,059.04	13,573,121.98	95,435,182.26	14,952,820.19

5. Investment income

Item	2016	2015
Investment income from long-term equity investment measured by cost method	135,344,660.36	131,388,140.58
Investment income from long-term equity investment measured by equity method	585,802.82	831,812.14
Total	135,930,463.18	132,219,952.72

XVI. Supplementary information

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

Item	Amount	Note
Disposal gain or loss of non-current assets	-660,129.92	
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)	17,234,482.25	
Charges for the possessions of funds collected from non-monetary enterprises	-	
Investment cost of subsidiaries, joint venture and cooperative enterprises less than the profit incurred in identifiable net asset fair value of invested unit when investment	-	
Profit and loss of non-monetary assets exchange	-	
Profit and loss from entrusting others to invest or manage assets	-	
Asset impairment provision accrued due to force majeure such as natural disasters	-	
Profit and loss of debt restructuring	-	
Enterprise restructuring expenses, such as expenses for arranging employees,, integrating cost	-	
Profit and loss over fair value part accrued in transactions of unreasonable transaction price	-	
Current net profit and loss of subsidiaries from business combination under common control from the opening period to combination date	-	
Profit and loss incurred contingent matters unrelated to normal operating business	-	
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	-	
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 property 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	935,294.98	
Profit and loss items pursuant to the definition of non-recurring profit and loss	-	
Subtotal	17,509,647.31	
Less: effect of income tax of non-recurring profit or loss	4,047,506.36	
Less: effect of non-recurring profit or losses attributable to minority shareholders (after tax)	-	

Item	Amount	Note
Total	13,462,140.95	

Note: “+” refer to gain or income and “-” means loss or expense.

The Company recognize non-recurring gain or loss according to “Interpretation Announcement to Information Disclosure of Companies with Shares Offered Publicly No. 1 – Non-recurring gain or loss” (CSRC (2008) No. 43).

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

Profit of the reporting period	Weighted average ROE %	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	4.74	0.2522	0.2522
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	4.16	0.2215	0.2215

Chapter 12 Documents Available for Inspection

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

II. Original of the Auditors’ Report under the seal of the accounting firm and signed by and under the seals of certified public accountants.

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