

FIYTA Precision Technology Co., Ltd.
2020 Semi-annual Report

July, 2020

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.

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

All the directors attended the board meeting for reviewing the Annual Report.

Any perspective description, such as future plan, development strategy, etc. involved in the Semi-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 this report, the Company has described in detail the existing macro-economic risks as well as operation risks. Investors are advised to refer to the contents concerning risks possibly to be confronted with by the Company and the countermeasures to be taken in Section 4 Discussion and Analysis of the Operation

The Company intends neither to distribute any cash dividend or bonus shares nor to convert any reserve into share capital.

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2020 Semi-annual Report

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Definitions

Terms to be defined	Refers to	Definition
This Company, the Company or FIYTA	Refers to	FIYTA Precision Technology Co., Ltd.
AVIC	Refers to	Aviation Industry Corporation of China, Ltd.
AVIC International	Refers to	AVIC International Holding Corporation
AVIC International Shenzhen	Refers to	AVIC International Shenzhen Co., Ltd.
AVIC IHL	Refers to	AVIC International Holding Limited
The Sales Co.	Refers to	FIYTA Sales Co., Ltd.
Harmony	Refers to	Shenzhen Harmony World Watches Center Co., Ltd.
Precision Technology Co.	Refers to	Shenzhen FIYTA Precision Technology Co., Ltd.
Science & Technology Development Co.	Refers to	Shenzhen FIYTA Technology Development Co., Ltd.
the Hong Kong Co.	Refers to	FIYTA (Hong Kong) Limited
CMPO	Refers to	China Merchants Property Operation & Service Co., Ltd.
Rainbow Ltd.	Refers to	Rainbow Digital Commercial Co., Ltd.
Shennan Circuit	Refers to	Shennan Circuit Co., Ltd.
AVIC Property	Refers to	AVIC Property Management Co., Ltd.

Section 2 Company Profile and Financial Highlights

I. Company Profile

Short form of the stock:	FIYTA and FIYTAB	Stock Code	000026 and 200026
Short form of the stock after the change (if any)	FIYTA		
Stock Exchange Listed with	Shenzhen Stock Exchange		
Company Name in Chinese	FIYTA Precision Technology Co., Ltd.		
Abbreviation of Registered Company Name in Chinese	飞亚达公司		
Company name in English (if any)	FIYTA Precision Technology Co., Ltd.		
Abbreviation of the Company name in English (if any)	FIYTA		
Legal Representative	Huang Yongfeng		

II. Liaison Persons and Communication Information

	Secretary of the Board	Securities Affairs Representative
Name	Pan Bo	Zhang Yong
Liaison Address	18th Floor, FIYTA Technology Building, Gaoxin S. Road One, Nanshan District, Shenzhen	20th Floor, FIYTA Technology Building, Gaoxin S. Road One, Nanshan District, Shenzhen
Tel.	0755-86013669	0755-86013669
Fax	0755-83348369	0755-83348369
Email	investor@fiyta.com.cn	investor@fiyta.com.cn

III. Other Information

1. Way of Communication

There is no change in the registered address, office address and post code, company website and email during the reporting period. For the detail, refer to 2019 Annual Report.

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

There is no change in the newspapers designated for disclosing the information, the Internet website designated by China Securities Regulatory Commission for publishing the Semi-annual Report, and the place where the Company's Semi-annual Report is prepared and available for inquiry. For the detail, refer to 2019 Annual Report.

3. Other Relevant Information

The Company has changed its name in Chinese, its name in English and abbreviation of its A-share securities. For the detail, refer to the Announcement on Change of the Company Name and the Abbreviation of its A-share Securities 2020-006 published on the Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn.

IV. Summary of Accounting/Financial Data

Does the Company need to make retroactive adjustment or restatement of the accounting data of the previous years

No

	Reporting period	Same period of the previous year	Year-on-year increase/decrease in the reporting period
Revenue in CNY	1,581,834,715.03	1,785,036,020.23	-11.38%
Net profit attributable to the Company's shareholders, in CNY	77,738,906.30	123,495,460.90	-37.05%
Net profit attributable to the Company's shareholders less the non-recurring items, in CNY	68,669,477.45	113,627,146.69	-39.57%
Net cash flows arising from operating activities, in CNY	103,645,235.27	159,014,650.37	-34.82%
Basic earning per share (CNY/share)	0.1775	0.2788	-36.33%
Diluted earning per share (CNY/share)	0.1775	0.2788	-36.33%
Return on equity, weighted average	2.91%	4.69%	-1.78%
	End of the reporting period	End of the previous year	Increase/decrease at the end of the year over the end of the previous year
Total assets (in CNY)	3,837,627,638.42	3,760,923,285.37	2.04%
Net profit attributable to the Company's shareholders, in CNY	2,628,145,112.24	2,654,533,766.99	-0.99%

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

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

Inapplicable

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

Inapplicable

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

In CNY

Items	Amount	Note
Gain/loss from disposal of non-current assets, including the part offset from the provision for impairment of assets.	-200,140.17	
The government subsidies included in the profits and losses of the current period (excluding government grants which are closely related to the Company's business and conform with the national standard amount or quantity)	10,154,015.67	
Reversal of the impairment provision for receivables and contract assets which have been tested individually for impairment	296,622.87	
Other non-operating income and expenses other than the aforesaid items	1,273,213.01	
Less: Amount affected by the income tax	2,454,282.53	
Total	9,069,428.85	--

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. Main business the Company operated during the reporting period

FIYTA is engaged in principal business of watch brand management and brand watch retails. In respect of the technological nature, it belongs to precision technology industry. Depending on its accumulated technological and industrial advantages in the high-end precision technology field, the Company is also actively carrying forward development of innovation businesses, including precision technology, smart watches, etc.

Affected by the COVID-19 epidemic, the watch industry has been severely impacted. In the face of severe market challenges, the Company resolutely implements the strategic deployment of the Central Party Committee and the superior, and comprehensively promotes the epidemic prevention and control and the resumption of work and production. During the reporting period, there was no significant change in the Company's principal business and operation model, industry development status and the Company's status in the industry. For details, please refer to 2019 Annual Report.

II. Significant Movements in Prime Assets

1. Significant Movements in Prime Assets

Inapplicable

2. Major Overseas Assets

Inapplicable

III. Analysis on Core Competitiveness

During the reporting period, there was no significant change in the Company's core competitiveness. For the detail, refer to 2019 Annual Report.

Section 4 Discussion and Analysis of the Operation

I. General

At the beginning of 2020, a sudden outbreak of COVID-19 brought about an unprecedented impact on the economy. Being confronted with the severe challenge of the market situation, the Company resolutely implemented the strategic deployment of the CPC Central Committee and the superior, started the wartime combat system, comprehensively promoted the epidemic prevention and control work, and ensured employees to be “zero suspected and zero confirmed” for the disease. At the same time, the Company actively carried forward the resumption of work and production; through strict cost control, seized the market opportunity; through WeChat, live broadcast and other ways, actively expanded community marketing, social marketing and through continuous innovation, adapted to the market situation and competitive situation after the epidemic. In the first half of the year, in response to the progress of the epidemic, the Company successively planned and promoted the “epidemic prevention and control war”, “market recovery war” and “operation counterattack war”, which have demonstrated the Company’s strong market recovery and adjustment and adaptation ability. Having experienced the test of the epidemic, the Company has continuously improved its team fighting ability and profitability.

During the first half year, the Company achieved operating revenue amounting to CNY 1,581,834,700, a year-on-year decrease of 11.38%, and realized net profit attributable to the shareholders of the listed company amounting to CNY 77,738,900, a year-on-year decrease of 37.05%. Where, the operating revenue in the second quarter was CNY 993.4737 million, a year-on-year increase of 11.42%, and the net profit attributable to shareholders of the listed company was CNY 90.7137 million, a year-on-year increase of 53.40%, which set a new record in the single-quarter operating revenue and net profit attributable to the shareholders of the listed company. During the reporting period, the Company achieved a deep V-shaped rebound trend in its business. This February was the month in which the Company was affected worst by the COVID-19 - its revenue dropped by more than 70% year on year and recorded a significant loss in a single month. Since March, the operating revenue and profit rebounded rapidly, although the recovery of the offline customer volume was still below that as expected. Since May and June, the Company has achieved a significant growth in its operating revenue and profit.

In terms of different businesses, the current revenue from the self-owned brands has recovered to more than 90% in the same period of last year, and the current profit has achieved a sharp year-on-year growth in the second quarter. In terms of the business of the world brand watches, especially high-end Swiss watch brands, benefited from overseas consumption backflow and the Company’s continuous optimization of the channels and brands in recent years, the Company realized a high-speed growth in revenue and profit in the second quarter which have stimulated the Company in quick improvement of overall income and profitability. The Company has also a good performance in the growth of precision technology, has achieved an outstanding progress in accumulation of the technology and products of smart wears. The Company is optimistic about the follow-up business development and performance growth on overall basis.

During the reporting period, the Company carried out the following key work:

A. Having started the "wartime" command system and launched the "epidemic prevention and control war"

During the reporting period, the Company launched a “wartime system” and strictly followed the deployment of the central government and authorities of higher levels to do its best to prevent and control the epidemic. The Company’s current

production and operations have returned to normal, and the employees' operation and production resumption rate was 100%, and there was no suspected or confirmed case. To cope with the impact of the epidemic on its business, the Company quickly adjusted its business strategy, centered on supporting current sales, strictly controlled all non-essential expenses, and strengthened cash flow management. In the first half of 2020, the Company's overall expenses fell by 9.07% on year-on-year basis and a significant result was achieved.

B. Seizing the market opportunities and quickly launching the "market recovery war" and "market counterattack"

Under the personal direction of General Secretary Xi Jinping, China has brought the epidemic under fundamental control. The Chinese government is trying every means to support the whole people to get through this tough time with various policies and promote the economy recovery. The Company quickly adjusted its status in various businesses and carried out the "market recovery war" and "operation counterattack", and achieved rapid revenue rebound and profit overtaking, and further enhanced the competitive advantage of the principal businesses. During the reporting period, the new image of the "FIYTA" brand channel was gradually spread across the country, and the special work of excellent channel operation and sales excellence continued to be implemented; the Four-leaf Clover and Xtreme Series of new products were launched as scheduled, and the Company won the 2020 IF Design Award for its "FIYTA" brand dual visual display customization concept watch; the memorial watch of FIYTA fighting against the "epidemic" to pay tribute to the "heroes in harm's way" in the battle against COVID-19; the brand-new image blockbuster of "FIYTA" Brand spokesperson Gao Yuanyuan was officially released. The free public welfare promotion activities with "we always believe in love and the power of time" as the promotion theme were launched in all regions of the country. The performance of HARMONY World Watches exceeded the expectations. Meanwhile, HARMONY World Watches is continuously carrying forward the improvement of operational efficiency and keeping continuous improvement in gross margin, expense ratio, inventory turnover and other indicators; and the profit growth is significantly higher than revenue growth.

C. Implementing innovation-driven development, and continuing to enhance the Company's new growth momentum

During the reporting period, the Company continued to promote business innovation and development, and supported to constantly strengthen the new driving forces of the Company's future development. While carrying forward recovery and growth of the offline channel in the Company's brand cluster and Harmony World Watches business, the Company at the same time also speeded up investment in the online platform, accelerated the exploration of the new retail formats including "live webcasting", "community marketing", etc. , by using informatization means, continuously innovated new retail formats and service models. Invited by the Ministry of Commerce, "FIYTA" was elected as the only clock brand as a "Made-in-China" brand of the Ministry of Commerce to participate in the first live events at Alibaba "Dual-brand Online Shopping Festival" the Chinese first live events and achieved an extraordinary success; the Company accelerated the digital transformation and continuously built a customer-oriented digital operation system. The construction of the CRM system of brand cluster business and the digital retail system of HARMONY watch business has been successfully carried forward.

During the reporting period, the Company enjoyed a favorable growth trend in its precision technology innovation business, continued to consolidate the optical communication and laser device market, constantly strengthened the opportunity recognition of military, medical and other fields, FIYTA Technology Co., participated in LASER World of PHOTONICS CHINA and exhibited its powerful technology strength in precision parts and components with high dimensional accuracy and high design standard, and continuously developed new customer areas; the brand "Jeep" has accurately targeted urban women, and launched smart women's watch with fashionable appearance design and

female-exclusive and body temperature monitoring features.

II. Analysis on the Principal Business

Refer to “I. General” of “Discussion and Analysis of Business Conditions”

Movements of the Key Financial Items are summarized as follows:

In CNY

	Reporting period	Same period of the previous year	Year-on-year increase/decrease	Cause of the movement
Operating revenue	1,581,834,715.03	1,785,036,020.23	-11.38%	Inapplicable
Operating cost	977,435,676.87	1,051,504,075.22	-7.04%	Inapplicable
Sales costs	380,928,312.51	415,776,028.95	-8.38%	Inapplicable
Administrative expenses	98,240,348.73	116,352,835.42	-15.57%	Inapplicable
Financial expenses	16,528,943.36	16,238,965.89	1.79%	Inapplicable
Income tax expenses	13,907,911.89	40,615,187.57	-65.76%	mainly due to the decrease in the total profit in the year.
R&D input	20,704,270.76	19,526,410.93	6.03%	Inapplicable
Net cash flows arising from operating activities	103,645,235.27	159,014,650.37	-34.82%	mainly due to the decrease of payments received this year.
Net cash flows arising from investment activities	-53,892,827.56	-89,214,047.63	39.59%	Mainly due to year-on-year decrease of the payment for the construction project of the Watch Building and the rent of counters this year.
Net cash flow arising from financing activities:	-19,875,245.29	-8,308,417.60	-139.22%	Mainly due to the increase in total borrowings and the earlier allocation of equity this year over the previous year.
Net increase of cash and cash equivalents	29,813,076.59	61,693,492.45	-51.68%	Mainly due to decrease of net cash flow from operating activities.

Significant change in profit composition or profit sources during the reporting period.

Inapplicable

Composition of Revenues

In CNY

	Reporting period		Same period of the previous year		Year-on-year increase/decrease
	Amount	Proportion in the revenue	Amount	Proportion in the revenue	
Total operating revenue	1,581,834,715.03	100%	1,785,036,020.23	100%	-11.38%
Based on sectors					

Watches	1,463,489,661.92	92.52%	1,665,295,400.25	93.29%	-12.12%
Precision technology business	59,445,727.65	3.76%	42,946,232.05	2.41%	38.42%
Leases	56,149,280.30	3.55%	67,373,825.03	3.77%	-16.66%
Others	2,750,045.16	0.17%	9,420,562.90	0.53%	-70.81%
Based on products					
Watch brand business	378,593,080.99	23.93%	556,286,718.01	31.16%	-31.94%
Watch retail and services	1,084,896,580.93	68.58%	1,109,008,682.24	62.13%	-2.17%
Precision technology business	59,445,727.65	3.76%	42,946,232.05	2.41%	38.42%
Leases	56,149,280.30	3.55%	67,373,825.03	3.77%	-16.66%
Others	2,750,045.16	0.17%	9,420,562.90	0.53%	-70.81%
Based on regions					
South China	791,143,597.98	50.01%	816,517,312.49	45.74%	-3.11%
Northwest China	244,986,597.57	15.49%	307,450,222.84	17.22%	-20.32%
Northeast China	81,410,583.11	5.15%	115,213,698.49	6.45%	-29.34%
East China	207,949,022.33	13.15%	241,568,771.25	13.53%	-13.92%
Northeast China	81,751,729.88	5.17%	130,823,214.98	7.33%	-37.51%
Southwest China	174,593,184.16	11.04%	173,462,800.18	9.72%	0.65%

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

In CNY

	Operating revenue	Operating cost	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
Based on sectors						
Watches	1,463,489,661.92	910,076,516.90	37.81%	-12.12%	-8.93%	-2.18%
Precision technology business	59,445,727.65	49,288,212.11	17.09%	38.42%	39.59%	-0.70%
Leases	56,149,280.30	17,756,851.00	68.38%	-16.66%	21.67%	-9.96%
Others	2,750,045.16	314,096.86	88.58%	-70.81%	-86.43%	13.15%
Based on products						

Watch brand business	378,593,080.99	106,423,723.72	71.89%	-31.94%	-34.00%	0.87%
Watch retail and services	1,084,896,580.93	803,652,793.18	25.92%	-2.17%	-4.10%	1.49%
Precision technology business	59,445,727.65	49,288,212.11	17.09%	38.42%	39.59%	-0.70%
Leases	56,149,280.30	17,756,851.00	68.38%	-16.66%	21.67%	-9.96%
Others	2,750,045.16	314,096.86	88.58%	-70.81%	-86.43%	13.15%
Based on regions						
South China	791,143,597.97	477,635,892.51	39.63%	-3.11%	1.82%	-2.92%
Northwest China	244,986,597.57	160,970,051.46	34.29%	-20.32%	-11.63%	-6.46%
Northeast China	81,410,583.11	47,485,763.54	41.67%	-29.34%	-27.03%	-1.85%
East China	207,949,022.33	127,522,856.76	38.68%	-13.92%	-6.44%	-4.90%
Northeast China	81,751,729.88	56,114,620.18	31.36%	-37.51%	-38.72%	1.35%
Southwest China	174,593,184.16	107,706,492.42	38.31%	0.65%	0.39%	0.16%

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 in the latest year.

Inapplicable

Causes of the change in the relevant data by over 30%

Inapplicable

III. Analysis on Non-Principal Businesses

Inapplicable

IV. Analysis on the Status of Assets and Liabilities

1. Significant Changes in Assets Composition

In CNY

	End of the reporting period		End of the same period of the previous year		Proportion increased/decreased	Note to significant changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary fund	346,481,641.68	9.03%	226,521,552.42	6.19%	2.84%	Inapplicable
Accounts receivable	428,154,219.98	11.16%	448,122,115.59	12.24%	-1.08%	Inapplicable
Inventories	1,798,215,040.24	46.86%	1,727,402,092.53	47.19%	-0.33%	Inapplicable
Investment-oriented	399,881,983.38	10.42%	370,467,221.69	10.12%	0.30%	Inapplicable

real estate						
Long-term equity investment	48,584,749.77	1.27%	46,412,373.21	1.27%	0.00%	Inapplicable
Fixed assets	354,294,685.37	9.23%	414,522,443.81	11.32%	-2.09%	Inapplicable
Construction-in-process		0.00%	12,886,665.68	0.35%	-0.35%	Inapplicable
Short term loans	673,562,359.55	17.55%	550,078,332.26	15.03%	2.52%	Inapplicable
Long-term borrowings	4,295,595.00	0.11%	4,409,875.00	0.12%	-0.01%	Inapplicable

2. Assets and liabilities measured based on fair value

Inapplicable

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

A property owned by Switzerland based Montres Chouriet SA with net value of CNY 14,201,915.48 was used as a collateral for the overseas long term loan amounting to CNY 4,295,595.00.

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 measured with fair value

Inapplicable

5. Financial assets investment

(1) Portfolio investment

Inapplicable

(2) Investment in derivatives

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 name	Company type	Principal businesses	Registered capital	Total assets	Net assets	Operating revenue	Operation profit	Net profit
Shenzhen Harmony World Watches Center Co., Ltd.	Subsidiaries	Purchase & sale and repairing service of watches and components	600,000,000.00	1,605,024,722.18	857,960,826.78	1,105,078,780.80	67,394,014.39	51,134,197.54
FIYTA Sales Co., Ltd.	Subsidiaries	Design, R & D and sales of watches and components & parts	450,000,000.00	535,867,904.04	352,761,933.19	323,309,657.57	-70,100,242.77	-52,680,028.68
Shenzhen FIYTA Precision Technology Co., Ltd.	Subsidiary	Manufacture and production of watches and components	10,000,000.00	346,185,443.57	171,720,773.04	192,330,657.84	74,732,876.65	64,813,822.29
Shenzhen FIYTA Technology Development Co., Ltd.	Subsidiaries	Production and machining of sophisticated components and parts	10,000,000.00	119,601,765.14	82,350,678.80	69,486,985.85	4,970,078.30	4,951,245.05
FIYTA (Hong Kong) Limited	Subsidiaries	Trading of watches and accessories and	137,737,520.00	239,678,292.68	184,558,111.30	24,737,349.83	-3,900,522.29	-3,963,863.00

		investment						
Shiyuehui Boutique (Shenzhen) Co., Ltd.	Subsidiary	Design, R & D and sales of watches and components & parts	5,000,000.00	42,111,501.99	-1,793,433.45	17,564,716.67	2,927,775.59	2,195,312.53
Liaoning Hengdarui Commerce & Trade Co., Ltd.	Subsidiary	Purchase & sale of watches and components & parts	51,000,000.00	136,996,949.35	41,665,609.70	4,013,472.76	421,525.77	313,411.39
Shenzhen Harmony E-Commerce Co., Ltd.	Subsidiary	Purchase & sale of watches and components & parts	500,000.00	3,678,430.63	3,678,317.54		-363.96	1,025.36
Emile Chouriet (Shenzhen) Limited	Subsidiary	Design, R & D and sales of watches and components & parts	41,355,200.00	118,859,744.35	58,586,641.34	24,907,100.82	-6,802,583.05	-5,107,808.68
Shanghai Watch Industry Co., Ltd.	Mutual shareholding company	Production and sales of watches and components & parts	15,350,000.00	135,086,439.84	113,609,948.16	54,674,292.84	10,310,186.42	8,643,647.69

Acquisition and disposal of subsidiaries in the reporting period

Inapplicable

Note to the principal mutual shareholding companies

Inapplicable

VIII. Structurized Entities Controlled by the Company

Inapplicable

IX. Prediction of the Performances from January to September, 2020

Inapplicable

X. Risks Possibly to be Confronted with

A. The epidemic situation at home and abroad and the international political environment are still facing many uncertainties, and the watch industry is to be confronted with bigger challenge

Affected by the repetition of COVID-19 epidemic and the complex international political environment, the domestic

economy is still facing many challenges and uncertainties. As to the watch industry, the consumption structure and competition pattern in the market after the epidemic may undergo significant change. In the second half of 2020, the Company shall maintain its “wartime” command system, seize the opportunity of expanding domestic demand and recovering consumption while normalizing epidemic prevention and control, strengthen its attention to the market, and strive to achieve the core work objective of the year.

B. Affected by the lack of consumer confidence and willingness, the brand business shall still be facing greater market pressure

Against the backdrop of positive momentum in epidemic prevention and control and accelerating recovery of economic and social development, the government is constantly improving its consumption policy, optimizing the consumption environment and stabilizing consumption expectations. However, the offline customer counting is still very slow in recovery and the Company shall still be confronted with the big difficulty and challenge in its own brand business. In the second half of 2020, the Company shall continue to strengthen the construction of “brand power, product power and channel power”, and ensure to win the initiative in the market competition.

C. With rapid progress in technologies such as the Internet of Things, artificial intelligence and communications, innovative businesses are still under pressure to grow

At present, network information technologies represented by the Internet of Things, artificial intelligence, communication, etc., are rapidly evolving and accelerating their integration with traditional industries. The Company's innovation business of precision technology and smart wears is still of small size, and its technical strength is still in the process of improvement. Meanwhile, the Company's digital operation system is still in process of construction, and the deep integration effect of network information technology and the Company's watch business is still uncertain. In the second half of 2020, the Company shall continue to refine the development path of precision technology and smart wear business, and continue to build the core strength of precision technology. At the same time, with customers as the center, the Company shall accelerate the brand cluster business CRM system and the construction of the Harmony World Watches Business Digital Retail Phase II system and promote the success of the Company's business digital transformation.

Section 5 Significant Events

I. General meeting and extraordinary general meetings

1. General meetings

Sessions	Meeting type	Proportion of attendance of the investors	Meeting date	Date of disclosure	Disclosure index
2020 1st Extraordinary General Meeting	Extraordinary General Meeting	36.96%	April 13, 2020	April 14, 2020	http://www.cninfo.com.cn/
2019 Annual General Meeting	Annual general meeting	38.61%	June 04, 2020	June 05, 2020	http://www.cninfo.com.cn/

2. Extraordinary general meeting requested for holding by the preferred shareholders with the voting power recovered.

Inapplicable

II. Profit distribution and conversion of capital reserve into share capital in the reporting period

Inapplicable

III. Commitments finished in implementation by the Company's actual controller, shareholders, related parties, acquirer, the Company, etc. in the reporting period and commitments unfinished in implementation at the end of the reporting period

Inapplicable

IV. Engagement/disengagement of CPAs

Has the financial report to the Semi-Annual Report been audited

No

V. Explanation of the Board of Directors and the Supervisory Committee on the Qualified Auditors' Report for the reporting period issued by the CPAs

Inapplicable

VI. Explanation of the Board of Directors on the Qualified Auditors' Report for the previous year issued by the CPAs

Inapplicable

VII. Matters concerning bankruptcy reorganization

Inapplicable

VIII. Lawsuits

Inapplicable

IX. Matters questioned by the media

Inapplicable

X. Penalty and rectification

Inapplicable

XI. Integrity of the Company, its controlling shareholder and actual controller

Inapplicable

XII. Implementation of the Company's equity incentive plan, employee stock ownership plan or other employee incentive measures

The 3rd session of the Ninth Board of Directors held on November 12, 2018 and 2019 1st Extraordinary General Meeting held on January 11, 2019 decided to start 2018 A-Share Restricted Stock Incentive Program (Phase I), which was later on reviewed and approved at the 5th session of the Ninth Board of Directors held on January 11, 2019, and the Company eventually granted 4.224 million restricted A-shares to 128 persons eligible for the incentive. For the detail, refer to the relevant announcement disclosed in the Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn on January 12, 2019. This part of A-share restricted shares was all granted and registered for listing by January 30, 2019.

As three original incentive objects of the above incentive plan, namely Wu Yue (27,000 shares granted), Yang Shuzhi (20,000 shares granted), Lin Yichao (20,000 shares granted) have left the Company, according to the 2018 A-Share Restricted Stock Incentive Plan (Phase I) (Draft Revision), they have no longer met the incentive conditions. The Company has now completed the repurchase and write-off of 67,000 A-share restricted shares held by the above three incentive objects and granted but not yet released. For the detail, refer to the relevant announcement disclosed in the Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn on June 9, 2020.

As one of the original incentive objects of the incentive plan, Kong Mengqi (27,000 shares granted) has left the Company. According to the 2018 A-Share Restricted Stock Incentive Plan (Phase I) (Draft Revision), he has no longer met the incentive conditions. Approved at 2019 Annual General Meeting, as the notice to the creditor has expired, the

Company is now in process of handling the procedures of repurchase and write-off of the 27,000 A-share restricted shares held by the above incentive object and granted but not yet released. For the detail, refer to the relevant announcement disclosed in the Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn on June 5, 2020.

As one original incentive object of the above incentive plan, namely Liu Liyuan (20,000 shares granted) has left the Company, according to the 2018 A-Share Restricted Stock Incentive Plan (Phase I) (Draft Revision), she has no longer met the incentive conditions. Upon approval by 2020 2nd Extraordinary General Meeting, the Company will repurchase and write off the 20,000 A-shares restricted shares held by the incentive object granted but not yet released upon expiration of the notice of the debenturer. For the detail, refer to the relevant announcement disclosed in the Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn respectively on July 7, 2020 and July 24, 2019.

XIII. Significant related transactions

1. Related transactions related with day-to-day operations

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

Does there exist non-operating current associated rights of credit and liabilities

No

5. Other significant related transactions

Inapplicable

XIV. Non-operational occupancy of the Company's capital by the controlling shareholder and its related parties

Inapplicable

XV. 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 Guarantees	Date of the announcement on the guarantee line	Guarantee line	Date of occurrence	Actual amount of guarantee	Type of guarantee	Guarantee period	Implementation status	Guarantee to related party?
Total amount of outward guarantee approved in the report period (A1)				Total amount of outward guarantee actually incurred in the report period (A2)				
Total amount of outward guarantee already approved at the end of the report period (A3)				Total ending balance of outward guarantee at the end of the report period (A4)				
Guarantee to the subsidiaries								
Names of Guarantees	Date of the announcement on the guarantee line	Guarantee line	Date of occurrence	Actual amount of guarantee	Type of guarantee	Guarantee period	Implementation status	Guarantee to related party?
Harmony	March 15, 2019	20,000	December 30, 2019	10,000	Guarantee with joint responsibility	1 year	No	No
Harmony	March 20, 2020	4,000	April 21, 2020	4,000	Guarantee with joint responsibility	1 year	No	No
The Sales Co.	March 20, 2020	5,000	April 26, 2020	5,000	Guarantee with joint responsibility	1 year	No	No
Precision Technology Co.	March 20, 2020	3,000	April 24, 2020	3,000	Guarantee with joint responsibility	1 year	No	No
Science & Technology Development Co.	March 20, 2020	3,000	April 29, 2020	243	Guarantee with joint responsibility	1 year	No	No
the Hong Kong Co.	March 15, 2019	3,653.76	August 22, 2019	372	Guarantee with joint responsibility	1 year	No	No

the Hong Kong Co.	March 15, 2019		September 23, 2019	372	Guarantee with joint responsibility	1 year	No	No
the Hong Kong Co.	March 15, 2019		October 31, 2019	298	Guarantee with joint responsibility	1 year	No	No
Total guarantee quota to the subsidiaries approved in the reporting period (B1)		15,000		Total amount of guarantee to the subsidiaries actually incurred in the reporting period (B2)		12,243		
Total guarantee quota to the subsidiaries approved at the end of the reporting period (B3)		38,653.76		Total balance of actual guarantee to the subsidiaries at the end of the reporting period (B4)		23,285		
Guarantee among the subsidiaries								
Names of Guarantees	Date of the announcement on the guarantee line	Guarantee line	Date of occurrence	Actual amount of guarantee	Type of guarantee	Guarantee period	Implementation status	Guarantee to related party?
Inapplicable		0		0				
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		
Total amount of guarantees (i.e. Total of the previous three major items)								
Total guarantee quota to the subsidiaries approved in the reporting period (A1)		15,000		Total amount of outward guarantee actually incurred in the report period (A2)		12,243		
Total amount of guarantees already approved at the end of the report period (A3)		38,653.76		Total ending balance of guarantees at the end of the report period (A4)		23,285		
Proportion of the actual guarantees in the Company's net assets (namely A4+B4 + C4)				8.86%				
where								
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
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Description of the guarantee with complex method

Inapplicable

(2) Outward guarantee against regulations

Inapplicable

3. Finance management on commission

Inapplicable

4. Other important contracts

Inapplicable

XVI. Social responsibilities

1. Significant issues concerning environmental protection

Does the Company or any of its subsidiaries belong to a key pollutant discharging unit as announced to the public by the environmental protection authority?

Yes

Name of the Company or its Subsidiary	Description of the major pollutants or specific pollutant	Way of discharging	Number of discharging outlets	Distribution of the discharging outlets	Discharging concentration	Pollutant Discharge Standards in Force	Total discharge volume	Total discharge volume verified	Over-discharging
Shanghai Watch Industry Co., Ltd.	Nickel and hexavalent chromium waste water	Intermittent and interruption	1	At the port of effluent treatment equipment	Nickel < 0.1, hexavalent chromium < 0.1	Nickel is 0.1 and hexavalent chromium is 0.1	2640 tons/year	3960 tons/year	None

Construction and operation of the pollution prevention and control facilities

Shanghai Watch Co., Ltd. reconstructed the clean production facility in 2016 and added 2 sets of equipment in 2018 for the purpose of ensuring discharging of nickel and chromium effluent to comply with the Emission Standard of Pollutants for Electroplating in 2018. Up to now, the facility has been operating normally and its emission has never exceeded the limit as specified by the standard. The Company's online monitoring terminal has been docked with the government monitoring platform for timely testing. It complies with the standard in terms of emission factors.

Environmental impact assessment on construction projects and other environmental protection administrative licensing

In 2018 Yangpu District Environmental Protection Bureau of Shanghai organized and held the Clean Production Auditing and Assessment Seminar of Shanghai Watch Co., Ltd. where the company's clean production work was assessed, audited and approved. Shanghai Watch Co., Ltd. passed the pollution discharge verification organized by Yangpu District Environmental Protection Bureau of Shanghai and received the Pollutant Discharge Permit issued by the said authority at the end of 2019.

Contingency Plan for Emergent Environmental Incidents

Shanghai Watch Co., Ltd. prepared the Emergency Response Plan against Emergent Environmental Incidents and regularly organizes training and exercise every year. The aforesaid plan has been approved and filed for record by Yangpu District Environmental Protection Bureau of Shanghai and has been published on the Environmental Information Disclosure Platform of Enterprises and Institutions of Shanghai.

Environment Self-Monitoring Program

Yangpu District Environmental Protection Bureau of Shanghai conducts supervision once every quarter. The company has entrusted Shanghai Textile Energy Conservation & Environmental Protection Center, a competent independent agent to conduct the monitoring. The company is itself equipped with monitoring instruments and conducts self-monitoring at least 4 times every month.

Other environment information necessary to be disclosed

The company has disclosed the concerned information on the Environmental Information Disclosure Platform of Enterprises and Institutions of Shanghai according to the requirements of the local environmental protection authorities.

Website name: <http://xxgk.eic.sh.cn>.

Other information in connection with the environmental protection

None

2. Implementation of the social responsibility of precise poverty relief

During the reporting period of half a year, the Company had neither precise poverty relief work nor follow-up precise poverty relief plan to be carried out.

XVII. Notes to Other Significant Events

Amendment of the Articles of Association

The 18th Session of the Ninth Board of Directors held on May 11, 2020 and 2019 Annual General Meeting held on June 04, 2020 reviewed and approved the Proposal on Amendment of the Articles of Association and respectively reviewed and approved the Proposal for Amendment of the Articles of Association. For the detail, refer to the relevant announcements disclosed on the Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn.

XVIII. Significant Events of the Company's Subsidiaries

During the reporting period, FIYTA Sales Co., Ltd., a wholly-owned subsidiary of the Company, changed its business cope, and the procedures of application for the change with the authority of industry and commerce were completed on March 13, 2020.

Section 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	4,628,591	1.04%				-91,078	-91,078	4,537,513	1.06%
1. Shares held by the state	0	0.00%				0	0	0	0.00%
2. State corporate shares	0	0.00%				0	0	0	0.00%
3. Other domestic shares	4,628,591	1.04%				-91,078	-91,078	4,537,513	1.06%
Including: Domestic corporate shares	0	0.00%				0	0	0	0.00%
Shares held by domestic natural persons	4,628,591	1.04%				-91,078	-91,078	4,537,513	1.06%
4. Foreign invested shares	0	0.00%				0	0	0	0.00%
Including: Foreign corporate shares	0	0.00%				0	0	0	0.00%
Shares held by foreign natural persons	0	0.00%				0	0	0	0.00%
II. Unrestricted shares	438,340,290	98.96%				-14,705,922	-14,705,922	423,634,368	98.94%
1. CNY ordinary shares	356,692,290	80.53%				24,078	24,078	356,716,368	83.31%
2. Foreign invested shares listed in Mainland China	81,648,000	18.43%				-14,730,000	-14,730,000	66,918,000	15.63%
3. Foreign invested shares listed abroad	0	0.00%				0	0	0	0.00%
4. Others	0	0.00%				0	0	0	0.00%
III. Total shares	442,968,881	100.00%				-14,797,000	-14,797,000	428,171,881	100.00%

Cause of the change of shares

As of April 29, 2020, the Company completed the cancellation of some of its domestically listed foreign capital shares (B shares), with a total of 14,730,000 shares repurchased or cancelled this time. After cancellation of the repurchased shares, the total capital stock of the Company decreased from 442,968,881 shares to 428,238,881 shares.

As of June 5, 2020, the Company completed the repurchase and cancellation of partial restricted shares involved in in 2018 A-share Restricted Stock Incentive Plan (Phase I). The total number of shares repurchased and cancelled this time was 67,000 shares. After cancellation of the repurchased shares, the total capital stock of the Company decreased from 428,238,881 shares to 428,171,881 shares.

Approval of Change of the Shares

The Company held 2019 2nd Extraordinary General Meeting on April 23, 2019, authorized the Company's Board of Directors to fully handle matters related to the cancellation of the repurchased shares after the repurchase of some domestically listed foreign shares (B-shares) was completed.

The Company held 2020 1st Extraordinary General Meeting on April 13, 2020, authorized the Company's Board of Directors to repurchase and cancel 67,000 shares of restricted A-shares of the Company held by the three original incentive objects (Wu Yue, Yang Shuzhi and Lin Yichao) as they have left the Company but restriction on sales of these 67,000 shares of restricted A-shares has not been lifted yet.

Transfer of the Shares Changed

Verified by China Securities Depository & Clearing Corporation Limited Shenzhen Branch, as of April 29, 2020, the Company completed the cancellation of some of its domestically listed foreign capital shares (B shares).

Verified by China Securities Depository & Clearing Corporation Limited Shenzhen Branch, as of June 05, 2020, the Company completed the cancellation of partial A-share restricted stock.

Progress of implementation of the stock repurchase

The 7th session of the Ninth Board of Directors held on April 4, 2019 and 2019 2nd Extraordinary General Meeting held on April 23, 2019, reviewed and approved the "Proposal for the Repurchase of Partial Domestically Listed Foreign Shares in the Company (B-shares)". The share repurchase period expired on April 22, 2020. The Company has repurchased a total of 14,730,000 domestically listed foreign shares (B shares) during the validity period of the repurchase which have been cancelled according to law. In accordance with relevant regulations, the Company disclosed the result of the repurchase of the shares and published announcement on the completion of the cancellation. For the detail, please refer to the relevant announcement published on the Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn on April 24, 2020 and April 30, 2020.

Progress of implementation of reduction of the holding size of the shares repurchased by centralized bidding

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

Net return on equity, weighted average (%)		Earnings per share			
		Basic earnings per share (CNY/share)		Diluted earnings per share (CNY/share)	
June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
2.91%	4.69%	0.1775	0.2788	0.1775	0.2788

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

Inapplicable

2. Change of the Restricted Shares

In shares

Names of the Shareholders	Number of restricted shares at the beginning of the reporting period	Number of restricted shares relieved in the reporting period	Number of restricted shares increased in the reporting period	Number of restricted shares at the end of the reporting period	Cause of restriction	Date of relieving the restriction
Huang Yongfeng	160,000	0	0	160,000	Locked shares for senior executives and restricted shares as the granted locked shares	To be unlocked subject to the conditions of the locked shares for senior executives and the measures for the Company's equity incentive management
Chen Libin	160,000	0	0	160,000	Locked shares for senior executives and restricted shares as the granted locked shares	To be unlocked subject to the conditions of the locked shares for senior executives and the measures for the Company's equity incentive management
Lu Wanjun	117,500	0	0	117,500	Locked shares for senior executives and restricted shares as the granted locked shares	To be unlocked subject to the conditions of the locked shares for senior executives and the measures for the Company's equity incentive management
Liu Xiaoming	117,500	0	0	117,500	Locked shares for senior executives and restricted shares as the granted locked shares	To be unlocked subject to the conditions of the locked shares for senior executives and the measures for the Company's equity incentive management
Pan Bo	117,500	0	0	117,500	Locked shares for senior executives and restricted shares as the granted locked shares	To be unlocked subject to the conditions of the locked shares for senior executives and the measures for the Company's equity

							incentive management
Li Ming	117,530	0	0	117,530	Locked shares for senior executives and restricted shares as the granted locked shares		To be unlocked subject to the conditions of the locked shares for senior executives and the measures for the Company's equity incentive management
Chen Zhuo	118,250	0	0	118,250	Locked shares for senior executives and restricted shares as the granted locked shares		To be unlocked subject to the conditions of the locked shares for senior executives and the measures for the Company's equity incentive management
Tang Haiyuan	60,000	0	0	60,000	Restricted shares as the granted locked shares		To be unlocked subject to the conditions as specified in the measures for the Company's equity incentive management
Xu Chuangyue	50,000	0	0	50,000	Restricted shares as the granted locked shares		To be unlocked subject to the conditions as specified in the measures for the Company's equity incentive management
Lu Bingqiang	96,311	24,078	0	72,233	Locked shares for senior executives		To be unlocked subject to the conditions of the locked shares for senior executives
Other persons eligible for the incentive of A-share restricted stock	3,514,000	67,000	0	3,447,000	Restricted shares as the granted locked shares		To be unlocked subject to the conditions as specified in the measures for the Company's equity incentive management
Total	4,628,591	91,078	0	4,537,513		--	--

II. Issuing and Listing

Inapplicable

III. Number of Shareholders and Shareholding

In shares

Total common shareholders at the end of the reporting period		34,122	Total preference shareholders with the voting power recovered at the end of the reporting period (if any) (Refer to Note 8)	0				
Shares held by the common shareholders holding over 5% shares or the top 10 common shareholders								
Names of the Shareholders	Nature of the shareholder	Shareholding proportion	Number of common shares held at the end of the reporting period	Increase/decrease in the reporting period	Number of the restricted common shares held	Number of the unrestricted common shares held	Pledging or freezing	
							Status of the shares	Quantity
AVIC International Holding Limited	State corporate	38.06%	162,977,327	0	0	162,977,327		
#Yang Zugui	Domestic natural person	4.47%	19,144,621	2,125,815	0	19,144,621		
Yang Sancai	Domestic natural person	2.34%	9,999,933	4,797,233	0	9,999,933		
Zhang Sufen	Domestic natural person	0.80%	3,420,000	3,420,000	0	3,420,000		
Zhang Huaming	Domestic natural person	0.44%	1,873,800	1,398,800	0	1,873,800		
Qiu Hong	Domestic natural person	0.35%	1,500,000	1,500,000	0	1,500,000		
Na Zhizhong	Domestic natural person	0.35%	1,480,163	1,480,163	0	1,480,163		
# Li Yue	Domestic natural person	0.23%	1,000,000	1,000,000	0	1,000,000		
Penghua Fund - Minsheng Bank - Penghua Fund - Huili No. 1 Assets Management Plan	Domestic non-state-owned legal person	0.22%	951,700	0	0	951,700		
# Shen Xuewen	Domestic natural person	0.21%	883,920	500	0	883,920		
About the fact that a strategic investor or ordinary corporate became one of the top ten common shareholders due to placement of new shares (if any) (Refer to Note 3)	Inapplicable							
Explanation on associated relationship or consistent action of the above shareholders	Inapplicable							
Shares held by top 10 shareholders of unrestricted shares								
Names of the Shareholders	Quantity of unrestricted shares held at the end of the reporting period			Share type				
				Share type	Quantity			
AVIC International Holding Limited	162,977,327			CNY ordinary shares	162,977,327			

#Yang Zugui	19,144,621	CNY ordinary shares	19,144,621
Yang Sancai	9,999,933	CNY ordinary shares	9,999,933
Zhang Sufen	3,420,000	CNY ordinary shares	3,420,000
Zhang Huaming	1,873,800	CNY ordinary shares	1,873,800
Qiu Hong	1,500,000	CNY ordinary shares	1,500,000
Na Zhizhong	1,480,163	CNY ordinary shares	1,480,163
# Li Yue	1,000,000	CNY ordinary shares	1,000,000
Penghua Fund - Minsheng Bank - Penghua Fund - Huili No. 1 Assets Management Plan	951,700	CNY ordinary shares	951,700
# Shen Xuewen	883,920	CNY ordinary shares	883,920
Note to the associated relationship or consistent action among the top 10 shareholders of non-restricted common shares and that between the top 10 shareholders of non-restricted common shares and top 10 common shareholders.	Inapplicable		
Note to the top 10 common 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

IV. Change of the Controlling Shareholder or Actual Controller

Inapplicable

Section 7 About the Preferred Shares

Inapplicable

Section 8 About the Convertible Bonds

Inapplicable

Section 9 Directors, Supervisors and Senior Executives

I. Change in shares held by directors, supervisors and senior executives

Inapplicable

No change has taken place in the shares held by directors, supervisors and senior executives of the Company during the reporting period. For the detail, refer to 2019 Annual Report.

II. Personnel Change in Directors, Supervisors and Senior Executives

Inapplicable

No change has taken place in directors, supervisors and senior executives of the Company during the reporting period. For the detail, refer to 2019 Annual Report.

Section 10 Bond Related Information

Did there exist any company bonds which were issued to the public and listed with the stock exchange for trading and was due by the date when the Semi-annual Report was approved for issuing or failed to be fully cashed by the end of the reporting period?

No

Section 11 Financial Report

I. Auditors' Report

Has the semi-annual report been audited

No

II. Financial Statements

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

1. Consolidated Balance Sheet

Prepared by FIYTA Precision Technology Co., Ltd.

June 30, 2020

In CNY

Items	June 30, 2020	December 31, 2019
Current assets:		
Monetary fund	346,481,641.68	316,668,565.09
Settlement reserve		
Inter-bank lending		
Transactional financial assets		
Derivative financial assets		
Notes receivable	21,231,543.36	10,596,431.31
Accounts receivable	428,154,219.98	397,471,106.98
Financing with accounts receivable		
Advance payment	18,403,768.63	10,847,962.28
Receivable premium		
Reinsurance accounts receivable		
Reserve for reinsurance contract receivable		
Other receivables	106,768,399.40	47,239,844.58
Including: Interest receivable		
Dividends receivable		
Redemptory monetary capital for sale		
Inventories	1,798,215,040.24	1,808,820,089.92
Contract assets		

Held-for-sale assets		
Non-current assets due within a year		
Other current assets	44,538,051.17	68,858,096.74
Total current assets	2,763,792,664.46	2,660,502,096.90
Non-current assets:		
Loan issuing and advance in cash		
Equity investment		
Other equity investment		
Long term accounts receivable		
Long-term equity investment	48,584,749.77	46,423,837.85
Investment in other equity instruments	85,000.00	85,000.00
Other non-current financial assets		
Investment-oriented real estate	399,881,983.38	407,503,307.24
Fixed assets	354,294,685.37	363,997,098.94
Construction-in-process		
Productive biological asset		
Oil and gas assets		
Use right assets		
Intangible assets	37,857,017.44	38,711,821.26
Development expenses		
Goodwill		
Long-term expenses to be apportioned	126,571,325.96	152,587,491.33
Deferred income tax asset	96,067,247.70	83,739,383.37
Other non-current assets	10,492,964.34	7,373,248.48
Total non-current assets	1,073,834,973.96	1,100,421,188.47
Total assets	3,837,627,638.42	3,760,923,285.37
Current liabilities:		
Short term borrowings	673,562,359.55	567,908,833.21
Borrowings from central bank		
Loans from other banks		
Transactional financial liabilities		
Derivative financial liabilities		
Notes payable	1,400,000.00	
Accounts payable	191,041,428.35	279,772,787.37

Advance Receipts	7,251,488.79	23,433,463.57
Contract liabilities	21,475,843.30	
Income from sale of the repurchased financial assets		
Deposits taking and interbank placement		
Acting trading securities		
Income from securities underwriting on commission		
Payroll payable to the employees	62,233,409.51	82,602,845.67
Taxes payable	53,088,654.29	24,064,803.00
Other payables	190,515,397.99	119,616,721.63
Including: interest payable		
Dividends payable	53,887,144.07	848,233.27
Service charge and commission payable		
Payable reinsurance		
Held-for-sale liabilities		
Non-current liabilities due within a year	373,530.00	360,140.00
Other current liabilities		
Total current liabilities	1,200,942,111.78	1,097,759,594.45
Non-current liabilities:		
Reserve for insurance contract		
Long-term borrowings	4,295,595.00	4,321,680.00
Bonds payable		
Including: preferred shares		
Perpetual bond		
Lease liabilities		
Long-term accounts payable		
Long term payroll payable to the employees		
Estimated liabilities		
Deferred income	3,046,090.60	3,046,090.60
Deferred income tax liability	1,192,721.71	1,256,242.49
Other non-current liabilities		
Total non-current liabilities	8,534,407.31	8,624,013.09
Total liabilities	1,209,476,519.09	1,106,383,607.54
Owner's equity:		

Capital stock	428,171,881.00	442,968,881.00
Other equity instruments		
Including: preferred shares		
Perpetual bond		
Capital Reserve	1,019,385,022.79	1,081,230,215.32
Less: shares in stock	17,447,988.68	71,267,118.78
Other comprehensive income	3,389,668.49	-940,209.09
Special reserve		
Surplus Reserve	235,701,180.14	235,701,180.14
Provision for general risks		
Retained earnings	958,945,348.50	966,840,818.40
Total owners' equity attributable to the parent company	2,628,145,112.24	2,654,533,766.99
Minority shareholders' equity	6,007.09	5,910.84
Total owner's equity	2,628,151,119.33	2,654,539,677.83
Total liabilities and owners' equity	3,837,627,638.42	3,760,923,285.37

Legal representative: Huang Yongfeng
Accounting Department: Tian Hui

Chief Financial Officer: Chen Zhuo Person in charge of the

2. Balance Sheet, Parent Company

In CNY

Items	June 30, 2020	December 31, 2019
Current assets:		
Monetary fund	296,412,869.24	270,673,346.02
Transactional financial assets		
Derivative financial assets		
Notes receivable		
Accounts receivable	4,468,617.83	2,848,025.39
Financing with accounts receivable		
Advance payment		
Other receivables	697,541,260.60	783,647,732.22
Including: Interest receivable		
Dividends receivable		
Inventories		

Contract assets		
Held-for-sale assets		
Non-current assets due within a year		
Other current assets	14,411,160.44	12,380,243.67
Total current assets	1,012,833,908.11	1,069,549,347.30
Non-current assets:		
Equity investment		
Other equity investment		
Long term accounts receivable		
Long-term equity investment	1,385,319,621.50	1,380,895,239.27
Investment in other equity instruments	85,000.00	85,000.00
Other non-current financial assets		
Investment-oriented real estate	323,720,394.86	329,970,083.18
Fixed assets	232,525,547.05	238,594,698.50
Construction-in-process		
Productive biological asset		
Oil and gas assets		
Use right assets		
Intangible assets	28,849,765.24	30,925,974.54
Development expenses		
Goodwill		
Long-term expenses to be apportioned	11,407,352.44	12,106,759.98
Deferred income tax asset	1,376,549.26	1,125,840.75
Other non-current assets	4,798,820.13	4,707,236.86
Total non-current assets	1,988,083,050.48	1,998,410,833.08
Total assets	3,000,916,958.59	3,067,960,180.38
Current liabilities:		
Short term borrowings	540,581,988.89	540,650,622.50
Transactional financial liabilities		
Derivative financial liabilities		
Notes payable		
Accounts payable	1,484,563.53	12,952,934.93
Advance Receipts	7,251,488.79	3,434,407.04
Contract liabilities		

Payroll payable to the employees	16,173,553.17	19,019,554.57
Taxes payable	2,695,509.97	1,713,130.68
Other payables	132,347,479.64	82,631,590.46
Including: interest payable		
Dividends payable	53,887,144.07	848,233.27
Held-for-sale liabilities		
Non-current liabilities due within a year		
Other current liabilities		
Total current liabilities	700,534,583.99	660,402,240.18
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: preferred shares		
Perpetual bond		
Lease liabilities		
Long-term accounts payable		
Long term payroll payable to the employees		
Estimated liabilities		
Deferred income	3,046,090.60	3,046,090.60
Deferred income tax liability		
Other non-current liabilities		
Total non-current liabilities	3,046,090.60	3,046,090.60
Total liabilities	703,580,674.59	663,448,330.78
Owner's equity:		
Capital stock	428,171,881.00	442,968,881.00
Other equity instruments		
Including: preferred shares		
Perpetual bond		
Capital Reserve	1,025,040,563.89	1,086,885,756.42
Less: shares in stock	17,447,988.68	71,267,118.78
Other comprehensive income		
Special reserve		
Surplus Reserve	235,701,180.14	235,701,180.14
Retained earnings	625,870,647.65	710,223,150.82

Total owner's equity	2,297,336,284.00	2,404,511,849.60
Total liabilities and owners' equity	3,000,916,958.59	3,067,960,180.38

Legal representative: Huang Yongfeng
Accounting Department: Tian Hui

Chief Financial Officer: Chen Zhuo Person in charge of the

3. Consolidated Profit Statement

In CNY

Items	The first half year of 2020	The first half year of 2019
I. Turnover	1,581,834,715.03	1,785,036,020.23
Including: operating income	1,581,834,715.03	1,785,036,020.23
Interest income		
Earned insurance premium		
Service charge and commission income		
II. Total operating costs	1,501,108,535.92	1,634,493,191.74
Including: Operating costs	977,435,676.87	1,051,504,075.22
Interest payment		
Service charge and commission payment		
Surrender Value		
Compensation expenses, net		
Appropriation of deposit for duty, net		
Payment of policy dividend		
Reinsurance expenses		
Taxes and surcharges	7,270,983.69	15,094,875.33
Sales costs	380,928,312.51	415,776,028.95
Administrative expenses	98,240,348.73	116,352,835.42
R & D expenditures	20,704,270.76	19,526,410.93
Financial expenses	16,528,943.36	16,238,965.89
Where: Interest cost	13,485,670.67	12,023,843.93
Interest income	-2,482,721.82	-908,850.92
Plus: Other income	10,154,015.67	13,045,742.36
Investment income (loss is stated with "-")	2,160,911.92	1,531,310.06
Including: return on investment in associate and joint venture	2,160,911.92	1,531,310.06
Income from the derecognition of the		

financial assets measured at amortised cost		
Exchange income (loss stated with "-")		
Net exposure hedge income (loss stated with "-")		
Income from change of fair value (loss is stated with "-")		
Loss from impairment of credit (loss is stated with "-")	-2,467,361.35	-3,081,768.89
Loss from impairment of assets (loss is stated with "-")		2,514,740.86
Income from disposal of assets (loss is stated with "-")	-200,140.17	-212,010.13
III. Operating Profit (loss is stated with "-")	90,373,605.18	164,340,842.75
Plus: Non-operating income	1,391,859.42	294,311.70
Less: non-operating expenditures	118,646.41	524,505.98
IV. Total profit (total loss is stated with "-")	91,646,818.19	164,110,648.47
Less: Income tax expense	13,907,911.89	40,615,187.57
V. Net Profit (net loss is stated with "-")	77,738,906.30	123,495,460.90
(I) Classification based on operation sustainability		
1. Net Profit from sustainable operation (net loss is stated with "-")	77,738,906.30	123,495,460.90
2. Net Profit from termination of operation (net loss is stated with "-")		
(II) Classification by ownership		
1. Net profit attributable to the parent company's owner	77,738,906.30	123,495,460.90
2. Minority shareholders' gain/loss		
VI. Net of other comprehensive income after tax	4,329,973.83	1,749,420.87
Net of other comprehensive income after tax attributable to the parent company's owner	4,329,877.58	1,749,407.20
(I) Other comprehensive income which cannot be re-classified into gain and loss		
1. Movement of the net liabilities and net assets re-measured for setting the beneficial plan		
2. Other comprehensive income which cannot be converted into gain and loss based on the equity method		

3. Movement of the fair value of the investment in other equity instruments		
4. Movement of the fair value of the Company's own credit risk		
5. Others		
(II) Other comprehensive income which shall be re-classified into gain and loss	4,329,877.58	1,749,407.20
1. Other comprehensive income which can be converted into gain and loss based on the equity method		
2. Movement of the fair value of the investment in other debt instruments		
3. Amount of the reclassified financial assets counted to the other comprehensive income		
4. Provision for impairment of the credit of the other debt investment		
5. Reserve for cash flow hedge		
6. Conversion difference in foreign currency statements	4,329,877.58	1,749,407.20
7. Others		
Net amount of other comprehensive income after tax attributable to minority shareholders	96.25	13.67
VII. Total comprehensive income	82,068,880.13	125,244,881.77
Total comprehensive income attributable to the parent company's owner	82,068,783.88	125,244,868.10
Total comprehensive income attributable to minority shareholders	96.25	13.67
VIII. Earnings per share:		
(I) Basic earnings per share	0.1775	0.2788
(II) Diluted earnings per share	0.1775	0.2788

Legal representative: Huang Yongfeng
Accounting Department: Tian Hui

Chief Financial Officer: Chen Zhuo Person in charge of the

4. Profit Statement, Parent Company

In CNY

Items	The first half year of 2020	The first half year of 2019
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I. Operating revenue	57,313,218.41	64,124,939.95
Less: Operating cost	17,626,390.24	11,807,925.90
Taxes and surcharges	1,616,108.15	2,257,018.92
Sales costs	597,618.02	582,036.03
Administrative expenses	31,406,670.97	39,783,149.16
R & D expenditures	7,989,092.54	9,146,589.64
Financial expenses	3,458,375.39	3,247,689.32
Where: Interest cost	5,364,370.20	4,007,526.54
Interest income	-2,363,907.44	-776,046.44
Plus: Other income	4,334,756.32	7,743,695.89
Investment income (loss is stated with "-")	2,160,911.92	1,531,310.06
Including: return on investment in associate and joint venture	2,160,911.92	1,531,310.06
Gain from the derecognition of the financial assets measured at amortised cost (loss is stated with "-")		
Net exposure hedge income (loss stated with "-")		
Income from change of fair value (loss is stated with "-")		
Loss from impairment of credit (loss is stated with "-")	-100,902.52	-64,803.91
Loss from impairment of assets (loss is stated with "-")		
Income from disposal of assets (loss is stated with "-")	-15,641.58	-2,074.20
II. Operating Profit (loss is stated with "-")	998,087.24	6,508,658.82
Plus: Non-operating income	33,077.28	18,000.00
Less: non-operating expenditures		200,000.00
III. Total profit (total loss is stated with "-")	1,031,164.52	6,326,658.82
Less: Income tax expense	-250,708.51	1,174,172.39
IV. Net Profit (net loss is stated with "-")	1,281,873.03	5,152,486.43
(I) Net Profit from sustainable operation (net loss is stated with "-")	1,281,873.03	5,152,486.43
(II) Net Profit from termination of operation (net loss is stated with "-")		

V. Net of other comprehensive income after tax		
(I) Other comprehensive income which cannot be re-classified into gain and loss		
1. Movement of the net liabilities and net assets re-measured for setting the beneficial plan		
2. Other comprehensive income which cannot be converted into gain and loss based on the equity method		
3. Movement of the fair value of the investment in other equity instruments		
4. Movement of the fair value of the Company's own credit risk		
5. Others		
(II) Other comprehensive income which shall be re-classified into gain and loss		
1. Other comprehensive income which can be converted into gain and loss based on the equity method		
2. Movement of the fair value of the investment in other debt instruments		
3. Amount of the reclassified financial assets counted to the other comprehensive income		
4. Provision for impairment of the credit of the other debt investment		
5. Reserve for cash flow hedge		
6. Conversion difference in foreign currency statements		
7. Others		
VI. Total comprehensive income	1,281,873.03	5,152,486.43
VII. Earnings per share:		
(I) Basic earnings per share	0.0030	0.0116
(II) Diluted earnings per share	0.0030	0.0116

Legal representative: Huang Yongfeng
Accounting Department: Tian Hui

Chief Financial Officer: Chen Zhuo Person in charge of the

5. Consolidated Cash Flow Statement

In CNY

Items	The first half year of 2020	The first half year of 2019
I. Cash flows arising from operating activities:		
Cash received from sales of goods and supply of labor service	1,704,132,389.05	1,913,555,960.34
Net increase of customers' deposit and due from banks		
Net increase of borrowings from the central bank		
Net increase of borrowings from other financial institutions		
Cash received from the premium of the original insurance contract		
Net cash received from the reinsurance business		
Net increase of the reserve from policy holders and investment		
Cash received from interest, service charge and commission		
Net increase of loan from other banks		
Net increase of fund from repurchase business		
Net cash received from securities trading on commission		
Rebated taxes received	1,408,520.48	3,160,067.59
Other operation activity related cash receipts	31,287,429.73	40,976,127.91
Subtotal of cash flow in from operating activity	1,736,828,339.26	1,957,692,155.84
Cash paid for purchase of goods and reception of labor services	1,124,364,970.39	1,116,738,134.87
Net increase of loans and advances to customers		
Net increase of due from central bank and due from other banks		
Cash from payment for settlement of the original insurance contract		
Net increase of the lending capital		
Cash paid for interest, service charge and commission		
Cash for payment of policy dividend		

Cash paid to and for staff	280,396,366.01	314,068,308.62
Taxes paid	62,495,543.38	130,569,918.63
Other business activity related cash payments	165,926,224.21	237,301,143.35
Subtotal of cash flow out from operating activity	1,633,183,103.99	1,798,677,505.47
Net cash flows arising from operating activities	103,645,235.27	159,014,650.37
II. Net cash flows arising from investment activities		
Cash received from recovery of investment		
Cash received from investment income		
Net cash from disposal of fixed assets, intangible assets and recovery of other long term assets	19,552.47	84,258.51
Net cash received from disposal of subsidiaries and other operating units		
Other investment related cash receipts		
Subtotal of cash flow in from investment activity	19,552.47	84,258.51
Cash paid for purchase/construction of fixed assets, intangible assets and other long term assets	53,912,380.03	89,298,306.14
Cash paid for investment		
Net increase of the pledged loan		
Net cash paid for acquisition of subsidiaries and other operation units		
Other investment related cash payments		
Subtotal of cash flow out from investment activity	53,912,380.03	89,298,306.14
Net cash flows arising from investment activities	-53,892,827.56	-89,214,047.63
III. Cash flow arising from financing activities:		
Cash received from absorbing investment	0.00	18,585,600.00
Incl.: Cash received from the subsidiaries' absorption of minority shareholders' investment		
Cash received from loans	572,430,000.00	330,176,520.00
Other fund-raising related cash receipts		
Subtotal of cash flow in from fund raising activity	572,430,000.00	348,762,120.00
Cash paid for debt repayment	467,250,228.75	327,486,253.30
Cash paid for dividend/profit distribution or repayment of interest	98,229,142.76	12,018,884.30
Including: Dividend and profit paid by the subsidiaries to minority shareholders		

Cash paid for other financing activities	26,825,873.78	17,565,400.00
Sub-total cash flow paid for financing activities	592,305,245.29	357,070,537.60
Net cash flow arising from financing activities:	-19,875,245.29	-8,308,417.60
IV. Influence of the change of exchange rate on the cash and cash equivalents	-64,085.83	201,307.31
V. Net increase of cash and cash equivalents	29,813,076.59	61,693,492.45
Plus: Opening balance of cash and cash equivalents	315,093,565.09	162,623,059.97
VI. Ending balance of cash and cash equivalents	344,906,641.68	224,316,552.42

Legal representative: Huang Yongfeng
Accounting Department: Tian Hui

Chief Financial Officer: Chen Zhuo Person in charge of the

6. Cash Flow Statement, Parent Company

In CNY

Items	The first half year of 2020	The first half year of 2019
I. Net cash flows arising from operating activities:		
Cash received from sales of goods and supply of labor service	84,447,213.29	66,872,263.13
Rebated taxes received		
Other operation activity related cash receipts	1,761,219,003.00	1,733,050,857.61
Subtotal of cash flow in from operating activity	1,845,666,216.29	1,799,923,120.74
Cash paid for purchase of goods and reception of labor services		
Cash paid to and for staff	28,476,180.31	42,848,757.99
Taxes paid	5,608,474.08	5,460,385.81
Other business activity related cash payments	1,646,751,070.92	1,676,610,396.74
Subtotal of cash flow out from operating activity	1,680,835,725.31	1,724,919,540.54
Net cash flows arising from operating activities	164,830,490.98	75,003,580.20
II. Net cash flows arising from investment activities		
Cash received from recovery of investment		
Cash received from investment income		
Net cash from disposal of fixed assets, intangible assets and recovery of other long term assets	550.00	23,000.00
Net cash received from disposal of subsidiaries		

and other operating units		
Other investment related cash receipts		
Subtotal of cash flow in from investment activity	550.00	23,000.00
Cash paid for purchase/construction of fixed assets, intangible assets and other long term assets	15,073,283.59	31,845,425.44
Cash paid for investment		
Net cash paid for acquisition of subsidiaries and other operation units		
Other investment related cash payments		
Subtotal of cash flow out from investment activity	15,073,283.59	31,845,425.44
Net cash flow arising from investment activities	-15,072,733.59	-31,822,425.44
III. Cash flow arising from financing activities:		
Cash received from absorbing investment		18,585,600.00
Cash received from loans	450,000,000.00	310,000,000.00
Other fund-raising related cash receipts		
Subtotal of cash flow in from fund raising activity	450,000,000.00	328,585,600.00
Cash paid for debt repayment	450,000,000.00	295,000,000.00
Cash paid for dividend/profit distribution or repayment of interest	97,351,309.71	11,510,341.40
Cash paid for other financing activities	26,693,235.96	17,565,400.00
Sub-total cash flow paid for financing activities	574,044,545.67	324,075,741.40
Net cash flow arising from financing activities:	-124,044,545.67	4,509,858.60
IV. Influence of the change of exchange rate on the cash and cash equivalents	26,311.50	1,378.48
V. Net increase of cash and cash equivalents	25,739,523.22	47,692,391.84
Plus: Opening balance of cash and cash equivalents	269,098,346.02	134,970,466.27
VI. Ending balance of cash and cash equivalents	294,837,869.24	182,662,858.11

Legal representative: Huang Yongfeng
Accounting Department: Tian Hui

Chief Financial Officer: Chen Zhuo Person in charge of the

7. Consolidated Statement of Changes in Owner's Equity

Amount in the reporting period

In CNY

Items	The first half year of 2020
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	Owners' equity attributable to the parent company												Minority shareholders' equity	Total owner's equity	
	Capital stock	Other equity instruments			Capital Reserve	Less: shares in stock	Other comprehensive income	Special reserve	Surplus Reserve	Provision for general risks	Retained earnings	Others			Sub-total
		Preferred shares	Perpetual bond	Others											
I. Ending balance of the previous year	442,968,881.00				1,081,230,215.32	71,267,118.78	-940,209.09		235,701,180.14		966,840,818.40		2,654,533,766.99	5,910.84	2,654,539,677.83
Plus: Change in accounting policy															
Correction of previous errors															
Consolidation of enterprises under the same control															
Others															
II. Opening balance of the reporting year	442,968,881.00				1,081,230,215.32	71,267,118.78	-940,209.09		235,701,180.14		966,840,818.40		2,654,533,766.99	5,910.84	2,654,539,677.83
III. Decrease/increase of the report year (decrease is stated with "-")	-14,797,000.00				-61,845,192.53	-53,819,130.10	4,329,877.58				-7,895,469.90		-26,388,654.75	96.25	-26,388,558.50
(I) Total comprehensive income							4,329,877.58				77,738,906.30		82,068,783.88	96.25	82,068,880.13
(II) Owners' input and decrease of capital	-14,797,000.00				-61,845,192.53	-53,819,130.10							-22,823,062.43		-22,823,062.43
1. Common shares contributed by the owner	-14,797,000.00				-64,385,948.25	-53,819,130.10							-25,363,818.15		-25,363,818.15
2. Capital contributed by other equity instruments holders															
3. Amount of payment for shares counted to owners' equity					2,784,096.62								2,784,096.62		2,784,096.62
4. Others					-243,340.90								-243,340.90		-243,340.90
(III) Profit Distribution											-85,634,376.20		-85,634,376.20		-85,634,376.20
1. Provision of surplus reserve															

2. Provision for general risks															
3. Distributions to the owners (or shareholders)										-85,634.37 6.20		-85,634.37 6.20		-85,634.37 6.20	
4. Others															
(IV) Internal carry-over of owners' equity															
1. Conversion of capital reserve into capital (or capital stock)															
2. Conversion of surplus reserve into capital (or capital stock)															
3. Loss made up for with surplus reserve															
4. Setting of the amount involved in the movement of the beneficial plan carried over to the retained earnings															
5. Other comprehensive income carried-over to the retained earnings															
6. Others															
(V) Special reserve															
1. Provision in the reporting period															
2. Applied in the reporting period															
(VI) Others															
IV. Ending balance of the reporting period	428,171,881.00				1,019,385,022.79	17,447,988.68	3,389,668.49		235,701,180.14		958,945,348.50		2,628,145,112.24	6,007.09	2,628,151,119.31

Amount in the previous period

In CNY

Items	The first half year of 2019														
	Owners' equity attributable to the parent company												Minority shareholder	Total owner's	
	Capital	Other equity instruments	Capital	Less:	Other	Special	Surplus	Provision	Retained	Others	Sub-total				

	stock	Preferred shares	Perpetual bond	Others	Reserve	shares in stock	comprehensive income	reserve	Reserve	for general risks	earnings			's equity	equity
I. Ending balance of the previous year	438,744,881.00				1,062,455,644.22		-5,442,139.78		223,015,793.80		851,360,603.66		2,570,134,782.90	5,781.64	2,570,140,564.54
Plus: Change in accounting policy															
Correction of previous errors															
Consolidation of enterprises under the same control															
Others															
II. Opening balance of the reporting year	438,744,881.00				1,062,455,644.22		-5,442,139.78		223,015,793.80		851,360,603.66		2,570,134,782.90	5,781.64	2,570,140,564.54
III. Decrease/increase of the report year (decrease is stated with "-")	4,224,000.00				16,596,197.31	32,902,198.89	1,749,407.21				123,495,460.89		113,162,866.52	13.66	113,162,880.18
(I) Total comprehensive income							1,749,407.21				123,495,460.89		125,244,868.10	13.66	125,244,881.76
(II) Owners' input and decrease of capital	4,224,000.00				16,596,197.31	32,902,198.89							-12,082,001.58		-12,082,001.58
1. Common shares contributed by the owner	4,224,000.00				16,596,197.31	18,585,600.00							2,234,597.31		2,234,597.31
2. Capital contributed by other equity instruments holders															
3. Amount of payment for shares counted to owners' equity															
4. Others						14,316,598.89							-14,316,598.89		-14,316,598.89
(III) Profit Distribution															
1. Provision of surplus reserve															
2. Provision for general															

In CNY

Items	The first half year of 2020											
	Capital stock	Other equity instruments			Capital Reserve	Less: shares in stock	Other comprehensive income	Special reserve	Surplus Reserve	Retained earnings	Others	Total owners' equity
		Preferred shares	Perpetual bond	Others								
I. Ending balance of the previous year	442,968,88 1.00				1,086,885,75 6.42	71,267,118.7 8			235,701,180. 14	710,223,15 0.82		2,404,511,849.6 0
Plus: Change in accounting policy												
Correction of previous errors												
Others												
II. Opening balance of the reporting year	442,968,88 1.00				1,086,885,75 6.42	71,267,118.7 8			235,701,180. 14	710,223,15 0.82		2,404,511,849.6 0
III. Decrease/increase of the report year (decrease is stated with "-")	-14,797,000 .00				-61,845,192.5 3	-53,819,130.1 0				-84,352,50 3.17		-107,175,565.60
(I) Total comprehensive income										1,281,873. 03		1,281,873.03
(II) Owners' input and decrease of capital	-14,797,000 .00				-61,845,192.5 3	-53,819,130.1 0						-22,823,062.43
1. Common shares contributed by the owner	-14,797,000 .00				-64,385,948.2 5	-53,819,130.1 0						-25,363,818.15
2. Capital contributed by other equity instruments holders												
3. Amount of payment for shares counted to owners' equity					2,784,096.62							2,784,096.62
4. Others					-243,340.90							-243,340.90
(III) Profit Distribution										-85,634,37 6.20		-85,634,376.20
1. Provision of surplus reserve												
2. Distributions to the owners (or shareholders)										-85,634,37 6.20		-85,634,376.20
3. Others												
(IV) Internal carry-over of												

owners' equity												
1. Conversion of capital reserve into capital (or capital stock)												
2. Conversion of surplus reserve into capital (or capital stock)												
3. Loss made up for with surplus reserve												
4. Setting of the amount involved in the movement of the beneficial plan carried over to the retained earnings												
5. Other comprehensive income carried-over to the retained earnings												
6. Others												
(V) Special reserve												
1. Provision in the reporting period												
2. Applied in the reporting period												
(VI) Others												
IV. Ending balance of the reporting period	428,171.88 1.00				1,025,040.56 3.89	17,447,988.6 8			235,701,180. 14	625,870.64 7.65		2,297,336,284.0 0

Amount in the previous period

In CNY

Items	The first half year of 2019											
	Capital stock	Other equity instruments			Capital Reserve	Less: shares in stock	Other comprehensive income	Special reserve	Surplus Reserve	Retained earnings	Others	Total owners' equity
		Preferred shares	Perpetual bond	Others								
I. Ending balance of the previous year	438,744.88 1.00				1,068,111.18 5.32			223,015,793.80	683,798,086.83			2,413,669,946.95
Plus: Change in accounting policy												
Correction of previous errors												

Others												
II. Opening balance of the reporting year	438,744.88 1.00				1,068,111.18 5.32				223,015,793.80	683,798,086.83		2,413,669,946.95
III. Decrease/increase of the report year (decrease is stated with "-")	4,224,000.00				16,596,197.31	32,902,198.89				5,152,486.43		-6,929,515.15
(I) Total comprehensive income										5,152,486.43		5,152,486.43
(II) Owners' input and decrease of capital	4,224,000.00				16,596,197.31	32,902,198.89						-12,082,001.58
1. Common shares contributed by the owner	4,224,000.00				16,596,197.31	18,585,600.00						2,234,597.31
2. Capital contributed by other equity instruments holders												
3. Amount of payment for shares counted to owners' equity												
4. Others						14,316,598.89						-14,316,598.89
(III) Profit Distribution												
1. Provision of surplus reserve												
2. Distributions to the owners (or shareholders)												
3. Others												
(IV) Internal carry-over of owners' equity												
1. Conversion of capital reserve into capital (or capital stock)												
2. Conversion of surplus reserve into capital (or capital stock)												
3. Loss made up for with surplus reserve												
4. Setting of the amount												

involved in the movement of the beneficial plan carried over to the retained earnings													
5. Other comprehensive income carried-over to the retained earnings													
6. Others													
(V) Special reserve													
1. Provision in the reporting period													
2. Applied in the reporting period													
(VI) Others													
IV. Ending balance of the reporting period	442,968,881.00				1,084,707,382.63	32,902,198.89			223,015,793.80	688,950,573.26			2,406,740,431.80

Legal representative: Huang Yongfeng Chief Financial Officer: Chen Zhuo Person in charge of the Accounting Department: Tian Hui

III. Company Profile

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

On March 10, 1993, the Company, with approval by the People's Bank of China Shenzhen Special Economic Zone Branch [SHEN REN YIN FU ZI (1993) No. 070], issued publically domestic CNY based common shares (A-shares) and CNY based special shares (B-shares). In accordance with the Approval Document of Shenzhen Municipal Securities Regulatory Office SHEN ZHENG BAN FU [1993] No. 20 and the Approval Document of Shenzhen Stock Exchange SHEN ZHENG SHI ZI (1993) No. 16, the Company's A-shares and B-shares were all listed with Shenzhen Stock Exchange for trading commencing from June 3, 1993.

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

On July 4, 1997, according to the equity assignment agreement between China National Aero-Technology Corporation Shenzhen (CATIC Shenzhen Corporation) and CATIC Shenzhen Holdings Limited (with original name of Shenzhen

CATIC Group Co., Ltd. (hereinafter referred to as CATIC Shenzhen)), CATIC Shenzhen Corporation assigned 72.36 million corporate shares (taking 52.24% of the Company's total shares) to CATIC Shenzhen. From then on, the Company's controlling shareholder turned to be CATIC Shenzhen from CATIC Shenzhen Corporation.

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

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

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

On March 3, 2011, with approval by Shenzhen Municipal Administration for Industry and Commerce, the Company was renamed as FIYTA Holdings Ltd. On April 8, 2011, the Company took the total share capital of 280,548,479 shares as at December 31, 2010 as the base, converted its capital reserve into share capital at the rate of 4 shares for every 10 shares. After the conversion, the Company's total share capital became 392,767,870 shares.

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

On December 20, 2018, approved by State-owned Assets Supervision and Administration Commission of the State Council with the "Official Reply on FIYTA Holdings Ltd. to Implement the Restricted stock Incentive Program", GUO ZI KAO FEN [2018] No. 936, the Company awarded A-share restricted stock by less than 4.277 million shares. After completion of implementation of the A-share Restricted stock Incentive Program (Phase I) by January 30, 2019, the Company's registered capital increased to CNY 442,968,881 and AVIC IHL holds 36.79% of the Company's equity based capital.

According to the "Proposal on the Intentional Change of the Company Name and the Short Term of A-share Securities reviewed and approved at 2019 3rd Extraordinary General Meeting of the Company and approved by the Administration for Industry and Commerce of Shenzhen Municipality, commencing from January 9, 2020, the Company changed its name from FIYTA Holdings Limited to FIYTA Precision Technology Co., Ltd."

On April 30, 2020, the Company wrote off 14,730,000 B-shares repurchased by the Company, and on June 9, 2020, the number of A-share restricted stock to the original three retired incentive objects which were written-off after being repurchased was 67,000 in total. After the write-off, the total capital stock of the Company decreased from 428,238,881 shares to 428,171,881 shares. The equity capital of the Company held by AVIC IHL increased to 38.06%.

Ended June 30, 2020, the Company accumulatively issued altogether 428,171,881 shares. For the detail, refer to Note VII. 53 "Share Capital".

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

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

The financial statements was approved and issued through the resolution of the Board of Directors dated July 28, 2020.

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

IV. Basis for preparation of the financial statements

1. Preparation Basis

These financial statements are prepared in accordance with the Accounting Standards for Enterprises promulgated by the Ministry of Finance and its application guidelines, interpretations and other relevant provisions (collectively referred to as the "Accounting Standards for Enterprises"). In addition, the Group disclosed the relevant financial information according to the Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reports (2014 Revision) promulgated by China Securities Regulatory Commission.

2. Operation on Going Concern Basis

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

The Group follows the accrual basis for bookkeeping. With the exception of some financial instruments, these financial

statements are measured based on the historic cost basis. If impaired, the assets shall provide for impairment in accordance with the relevant regulations.

V. Important accounting policies and accounting estimates

Presentation on specific accounting policies and accounting estimates:

The Group determines the depreciation of fixed assets, amortization of intangible assets and income recognition policies according to its own production and operation characteristics. For the specific accounting policies, refer to Notes V.24, V.30 and V. 39.

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

The financial statements prepared by the Company in accordance with the requirements of accounting standards for enterprises truly and fully reflect the financial status of the Company as at June 30, 2020, and the relevant information, such as the operation result and cash flow for January to June, 2020.

2. Fiscal period

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

3. Business Cycle

The Company's operating cycle is 12 months.

4. Recording Currency

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

5. The accounting treatment on combination of enterprises under the joint control and not under the joint control

(1) Combination of enterprises under the joint control

For the combination of an enterprise under the joint control, the assets and liabilities of the merged party obtained by the merging party in process of consolidation are measured according to the book value of the merged party in the consolidated financial statements of the eventual controlling party on the date of merger, except for adjustment due to different accounting policies. The difference between the book value of the net assets which the merging party obtains and the book value of the consideration which it pays (or the total par value of the shares issued) shall adjust the capital reserve (capital stock premium). If the capital reserve (capital stock premium) is not sufficient to be offset, the retained

earnings shall be adjusted.

Combination of enterprises under the joint control realized in steps through repeated transactions

In some financial statements, the share of the book value of the shareholders' equity in the merged party enjoyable in the eventual controller's consolidated financial statements as at the consolidation day is taken as the initial investment cost of the long term equity investment; the difference between the initial investment cost of the long term equity investment and the sum of the book value of the long term equity investment before the consolidation plus the book value of the consideration newly paid for further acquiring the shares on the consolidation day is used to adjust the capital reserve (capital stock premium); if the capital reserve is not sufficient to be offset, the retained earnings should be adjusted.

In the consolidated financial statements, the assets and liabilities of the merged party that the merging party obtains in a business combination shall be measured on the basis of their book value in the consolidated financial statements of the eventual controller on the date of combination except the adjustment carried out due to different accounting policies; difference between the sum of the book value of the investment held before the consolidation plus the book value of the consideration newly paid on the consolidation day is used to adjust the capital reserve (capital stock premium); if the capital reserve is not sufficient to be offset, the retained earnings should be adjusted. For the long term equity investment held before the merging party has acquired the control power over the merged party, the concerned profit and loss are recognized commencing from the latter of the day when the original equity is acquired and the day when the merging party and the merged party are under the eventual joint control to the date of combination; the movement of other comprehensive income and other owner's equity respectively write down the retained earning or current profit and loss at the beginning of the period during the comparative statements.

(2) Combination of enterprises not under the joint control

For the combination of enterprises not under the joint control, the combination cost is the fair value of the assets, liabilities incurred or assumed and equity securities issued on the date of the acquisition for the purpose of acquiring the control over the acquired party. On the date of acquisition, the assets, liabilities and contingent liabilities of the acquired party are recognized based on the fair value.

The difference between the combination cost and the fair value share of the identifiable net assets of the acquired party obtained in the merger is recognized as goodwill, and subsequent measurement is made according to the accumulated impairment provision deducted from the cost; the difference between the combination cost and the fair value share of the identifiable net assets of the acquired party obtained in the combination is recorded in the current profit and loss after review.

Combination of enterprises not under the joint control realized in steps through repeated transactions

In individual financial statements, the sum of the book value of the equity investment held by the acquired party before the acquisition date and the new investment cost on the purchase date shall be taken as the initial investment cost of the investment. For the equity investment held before the date of acquisition, other comprehensive income recognized by means of the equity method does not undergo accounting treatment by using the this part of other comprehensive income on the date of acquisition; in disposal of the investment, the accounting treatment is carried out on the same basis used by the invested entity in direct disposal of the relevant assets or liabilities; the owner's equity recognized as a result of changes in owner's equity other than the net profit and loss of the investee, other comprehensive income and profit distribution are transferred to the current profit and loss during the disposal of the investment. If the equity investment held

before the acquisition date is measured at fair value, the accumulated fair value change originally included in other comprehensive income is transferred to the current profit and loss when it is calculated according to the cost method.

In the consolidated financial statement, the combined cost is the sum of the consideration paid on the acquisition date and the fair value of the equity held by the acquired party prior to the acquisition date. The equity held by the acquired party before the acquisition date is re-measured according to the fair value of the equity on the acquisition date, and the difference between the fair value and the book value is recorded in the current income; the equity held by the acquired party before the acquisition date involves other comprehensive income, and changes in other owners' equity converted into current income on the acquisition date, except for other comprehensive income generated by changes in net liabilities or net assets of the investee due to re-measurement of the defined income plan.

(3) Disposal of the relevant transaction expenses in business combination

Intermediary fees in connection with audit, law service, appraisal and consulting, etc. incurred to the business combination and other relevant administrative fees are counted to the current profit and loss at the time of incurrence. The transaction costs of equity securities or debt securities issued as merger consideration are included in the initial confirmation amount of equity securities or debt securities.

6. Method of preparing consolidated financial statements

(1) Consolidation scope

The consolidation scope of the consolidated financial statements is determined on the basis of control. Control refers to that the Company has the power over the investee, enjoys variable return by participating in the relevant activities of the investee and is able to impact the amount of return by using the power to the investee. A subsidiary refers to the entity under control of the Company (including the dividable part, structured entity, etc. in the enterprise and the investee, etc.)

(2) Method of preparing consolidated financial statements

The consolidated financial statements are based on the financial statements of the Company and its subsidiaries, and prepared by the Company according to other relevant information. In preparing the consolidated financial statements, the accounting policies and accounting period of the Company and its subsidiaries are required to maintain consistent, and the significant inter-company transactions and balances are written off.

The newly increased subsidiary as well as business as a result of a business combination under joint control during the reporting period, it is deemed that the subsidiaries and business are incorporated into the consolidation scope of the Company from the controlling date by the ultimate controlling party, and the operating results and cash flows from the date are included in the consolidated income statement and cash flow statement.

The newly increased subsidiary as well as business as a result of a business combination not under joint control, the subsidiaries and business from the acquisition date and the income, expenses and profit as at the end of reporting period are included in the consolidated income statement, and the cash flow is included in the consolidated statement of cash flows.

The part in the shareholders' equity of the subsidiaries that did not belong to the Company shall be separately presented as minority interest under the shareholders' equity in the consolidated balance sheet. The share attributable to minority interests of the subsidiaries in current profit and loss, shall be presented as "minority interests" under the net profit in the

consolidated income statement. When the loss of the subsidiaries shared by minority shareholders exceeded the shares enjoyed by the minority shareholders in the owners' equity of the subsidiaries in the beginning period, the balance shall offset the minority interests.

(3) Acquisition of the minority shareholders' equity of the subsidiaries

Where the Company acquires a minority interest from a subsidiary's minority shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the transaction is treated as equity transaction, and the book value of shareholder's equity attributed to the Bank and to the minority interest is adjusted to reflect the change in the Bank's interest in the subsidiaries. The difference between the proportion interests of the subsidiary's net assets being acquired or disposed and the amount of the consideration paid or received is adjusted to the capital reserve in the consolidated balance sheet, with any excess adjusted to retained earnings.

(4) Losing control over the subsidiary

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

Other comprehensive income related to the former subsidiary is transferred to profit or loss for the current period when the control is lost, except for the comprehensive income arising from the movement of net liabilities or assets in the former subsidiary's re-measurement of defined benefit plan.

7. Classification of Joint Venture Arrangements and Accounting Treatment of Joint Operations

The joint venture arrangement refers to an arrangement between two or more parties control jointly. The joint venture of the Group was divided in co-operation and joint venture.

(1) Joint Operation

Joint operation refers to the joint venture arrangement in which the Group enjoys the assets related to the arrangement and assumes the liabilities related to the arrangement.

The Group recognizes the following items related to the interests of the joint operation, and the accounting treatment is in accordance with the related accounting standards for enterprises:

- A. Confirmed the assets held individually and the common assets held in accordance with the shares;
- B. Confirmed the liabilities assumed separately and liabilities shared commonly in accordance with the shares;
- C. Confirmed income from the sale of joint operation shares;
- D. Confirmed income from the joint operation in accordance with the shares;
- E. Recognized expense occurred separately and confirmed the costs of joint operation in accordance with the shares.

(2) Joint Venture

Joint venture refers to the joint venture arrangements that the Group only has the rights of arranged net assets.

The accounting treatment of the joint venture investment in the Group was in accordance with long-term equity investment on equity method.

8. Standard for confirming cash and cash equivalent

Cash refers to the cash in stock of the Company and the deposit in hand available for payment at any time. The Company takes short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value as cash equivalents.

9. Foreign currency transactions and translation of foreign currency statements

(1) Foreign Currency Translation

For the foreign currency businesses incurred in the Group, the amount in a foreign currency shall be translated into amount in the functional currency at the spot exchange rate of the transaction date.

On the date of balance sheet, foreign currency monetary items should be translated into functional currency using the spot exchange rate at the balance sheet date. Exchange differences arising from the spot exchange rates at the balance sheet date being different from those at which the monetary items were translated on initial recognition during the period or those of previous balance sheet dates should be recognized in current period profit and loss. Non-monetary items that are measured at historical cost are still using the spot exchange rate at the transaction date. Non-monetary items that are measured at fair value adopts the spot exchange rates at the date when the fair value was determined, and the exchange differences thus arising should be recognized in the profit or loss for the period.

(2) Translation of Foreign Currency Financial Statement

On the balance sheet date, when the foreign currency financial statements of overseas subsidiaries are translated, the spot exchange rate on the balance sheet date shall be used for the translation of the assets and liabilities items, and the spot exchange rate on the date of incurrence shall be used for the translation of the shareholders' equity items except the "retained earnings".

The items of incomes and expenses in the profit statement are translated at the current average exchange rate on the transaction occurring date.

All the items in the cash flow statement are translated based on the spot rate of the day of incurrence of the cash flow. The amount of influence of exchange rate changes on cash is taken as the adjustment item, and the item of "influence of exchange rate changes on cash and cash equivalents" is separately listed in the cash flow statement.

The difference resulting from the translation of the financial statements is reflected under the "Other comprehensive income" under the item of stockholders' equity in the balance sheet.

If overseas operation is disposed and the control right is lost, the translated difference of foreign currency statements as listed under the item of stockholder's equity in balance sheet and related to overseas operation is transferred fully or at the ratio of disposing the overseas operation into the current profits and losses from disposal.

10. Financial instruments

Financial instruments refer to any contract that gives rise to a financial asset of the Bank and a financial liability or equity instrument of other entities.

(1) Recognition and derecognition of financial instruments

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

A financial asset is derecognized when one of the following criteria is met:

- ① the contractual rights to the cash flows from the financial asset expire;
- ② The Company transfers the financial asset and the transfer qualifies under the criteria for the derecognition of financial assets prescribed by transfer of financial assets as stated below.

The Company should derecognize a financial liability or part of a financial liability when the present obligation associated with the financial liability ceases or partly ceases. The Group (debtor) enters into an agreement with a creditor so as to substitute the existing financial liabilities by way of any new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, it shall terminate the recognition of the existing financial liability, and shall at the same time recognize the new financial liability.

The financial assets purchased or sold in any conventional manner are made accounting confirmation and termination of confirmation on the date of transaction.

(2) Classification and measurement of financial assets

In the initial recognition, the Group classifies financial assets into the following three categories according to the business model of financial assets management and the contractual cash flow characteristics of financial assets: financial assets measured at amortized cost, financial assets measured at fair value and whose movements are included in other comprehensive income, and financial assets measured at fair value and whose movements are included in current profit and loss.

Financial assets measured based on the amortized cost

The Group shall also meet the following conditions and is not designated as a financial asset measured at fair value and its movements recorded in the current profit and loss, classified as a financial asset measured at the amortized cost:

The business model of the Group to manage the financial assets is to collect the contract cash flow as the target;

According to the contractual terms of the financial asset, the cash flow created on the specific date is exclusively for payment of the principal and the interest based on the outstanding amount of the principal.

After the initial recognition, the effective interest rate method is adopted to measure the financial assets by amortized cost. Profit or loss of financial assets measured at the amortized cost but not belonging to part of any hedge relationship is recorded in the current profit and loss upon termination of recognition, amortization or recognition of the impairment in accordance with the effective interest rate method.

Financial assets measured at fair value with the movement recorded in the other comprehensive income.

The Group classifies the financial assets that as well meet the following conditions and not designated as fair value-measured financial assets and whose movement is recorded in the current profit and loss as the financial assets that are measured at fair value and whose movement is recorded in other comprehensive income:

The Group's business model for managing the financial asset is aimed at both collecting contractual cash flow and selling the financial asset according to the contractual terms of the financial asset, the cash flow created on the specific date is exclusively for payment of the principal and the interest based on the outstanding amount of the principal.

After the initial recognition, subsequent measurement of such financial assets is carried out at fair value. Interest, loss from impairment loss or profit calculated by the effective interest rate method and exchange profit and loss are recorded in the current profit and loss, while other profit and loss are recorded in other comprehensive income. When the recognition is terminated, the accumulated profit or loss included in other comprehensive income before is transferred out from other comprehensive income and included in the current profit and loss.

Financial assets measured at fair value with the movement recorded in the current profit and loss

Except for the above-mentioned financial assets measured at amortized cost and at fair value with movement included in other comprehensive income, the Group classifies all other financial assets as financial assets at fair value with movement included in current profits and losses. At the time of initial recognition, in order to eliminate or significantly reduce accounting mismatches, the Group irrevocably designates some financial assets that should be measured at amortized cost or at fair value and whose movement is included in other comprehensive income as being measured at fair value and its movement included in the financial assets of the current profit and loss.

After initial recognition, such financial assets are subsequently measured at fair value, and the resulting profit or loss (including interest and dividend income) are included in the current profit and loss, unless the financial assets are part of the hedging relationship.

However, for non-trading equity instrument investments, the Group irrevocably designates them as financial assets measured at fair value and whose movement is included in other comprehensive income at the time of initial recognition. The designation is made on the basis of a single investment, and the related investment meets the definition of an equity instrument from the issuer's perspective.

After the initial recognition, subsequent measurement of such financial assets is carried out at fair value. Dividend income meeting the conditions is included in profit and loss, and other profit or loss and the movement of the fair value are included in other comprehensive income. When the recognition is terminated, the accumulated profit or loss included in other comprehensive income before is transferred out from other comprehensive income and included in the retained earnings.

The business model of managing financial assets refers to how the Group manages financial assets to generate cash flow. The business model determines whether the source of the cash flow of the financial assets managed by the Group is to collect contractual cash flows, sell financial assets or a combination of both. The Group determines the business model for managing financial assets based on objective facts and the specific business objectives of managing financial assets

determined by key management personnel.

The Group evaluates the contractual cash flow characteristics of financial assets to determine whether the contractual cash flow generated by the relevant financial assets on a specific date is only the payment of principal and interest based on the outstanding principal amount. Where the principal refers to the fair value of financial assets at the time of initial recognition; interest includes consideration for the time value of money, credit risks related to the outstanding principal amount in a specific period, and other basic borrowing risks, costs and profits. In addition, the Group evaluates contract terms that may lead to changes in the time distribution or amount of contractual cash flows of financial assets to determine whether they meet the above-mentioned contractual cash flow characteristics.

Only when the Group changes the business model of managing financial assets, all affected financial assets will be reclassified on the first day of the first reporting period after the business model is changed; otherwise the financial assets shall not be reclassified after initial recognition.

Financial assets are measured at fair value at the time of initial recognition. For the financial assets measured at fair value with the movement counted to the current profit and loss, the relevant transaction expenses are directly included in the current profit and loss; the relevant transaction expenses for other categories of financial assets are counted to the amount of the initial recognition. For accounts receivable arising from the sale of products or the provision of labor services that do not contain or consider significant financing components, the amount of consideration that the Group is expected to be entitled to receive is the initial confirmation amount.

(3) Classification and measurement of financial liabilities

In the initial recognition, financial liabilities are classified as the financial liabilities measured at the amortized cost and that measured at fair value with the movement counted to the current profit and loss. For the financial assets which have not been classified as those measured at fair value with the movement counted to the current profit and loss, the relevant transaction expenses are directly counted to the amount of the initial recognition.

Financial liabilities measured at fair value with the movement recorded in the current profit and loss

Financial liabilities measured at their fair value with the movement counted to the current profit and loss include transactional financial liabilities and the financial liabilities measured at fair value with the movement counted to the current profit and loss directly designated at the initial recognition. For such financial liabilities with the follow-up measurement carried out at fair value, the profit or loss formed due to the movement of the fair value and dividends and interest expenses related to these financial liabilities included in the current profit and loss.

Financial liabilities measured based on the amortized cost

The gains or losses generating in case of terminated confirmation, occurrence of devaluation or amortization are included in the current profits and losses.

Distinction between financial liabilities and equity instruments

Financial liabilities refer to liabilities that meet one of the following conditions:

- ① Contractual obligations to deliver cash or other financial assets to other parties.

② Under a potentially unfavorable condition, the contractual obligation to exchange financial assets or financial liabilities with other parties.

③ A non-derivative contract that must use or may use the Company's own equity instruments for settlement in the future, and the Company shall deliver a variable amount of its own equity instrument according to the contract.

④ A derivative instrument contract that must use or may use the Company's own equity instruments for settlement in the future, except for derivative instrument contract that exchanges a fixed amount of cash or other financial assets for a fixed amount of its own equity instruments.

Equity instrument refers to the contract that can certify possession of the residual equity of the Company in the assets after deducting all liabilities.

If the Group cannot unconditionally avoid the delivery of cash or other financial assets to perform a contractual obligation, the contractual obligation meets the definition of a financial liability.

If a financial instrument must use or may use the Group's own equity instruments for settlement, it is necessary to consider whether the Group's own equity instruments are used as a substitute for cash or other financial assets to settle the instrument, or to enable the holder of the instrument to enjoy the residual equity in the issuer's assets after deducting all the liabilities. If it is the former, the instrument is a financial liability of the Group; if it is the latter, the instrument is an equity instrument of the Group.

(4) Fair value of financial instruments

Fair value refers to the price that a market participant can receive from selling an asset or is payable for transferring a liability in the orderly transactions occurring in the date of measurement.

The Group measures related assets or liabilities at fair value, assuming that the orderly transaction of selling assets or transferring liabilities takes place in the main market of related assets or liabilities; if there is no main market, the Group assumes that the transaction is most beneficial to the market of the related assets or liabilities. The main market (or the most favorable market) is the trading market that the Group can enter on the measurement date. The Group adopts the assumptions used by market participants to maximize their economic benefit when pricing the asset or liability.

For financial assets or financial liabilities in an active market, the Group uses quoted prices in the active market to determine their fair value. If there exists no active market for a financial instrument, the Group uses valuation techniques to determine its fair value.

When non-financial assets are measured at fair value, the ability of market participants to use the asset for the best use to generate economic benefits, or the ability to sell the asset to other market participants who can be used for the best use to generate economic benefits is taken into consideration.

The Group adopts valuation techniques that are applicable under the current circumstances and have sufficient available data and other information to support, take priority to use the relevant observable input values; use unobservable input values only if the observable input values are not available or not practicable.

For assets and liabilities that are measured or disclosed at fair value in financial statements, the fair value level to which they belong is determined based on the lowest level of input value that is important for fair value measurement as a whole:

the input value of the first level is the unadjusted quotation of the same asset or liability in the active market that can be obtained on the measurement date; the second-level input value is the directly or indirectly observable input value of related assets or liabilities other than the first-level input value; the input value of the third level is the unobservable input value of the related assets or liabilities.

On each balance sheet date, the Group re-evaluates the assets and liabilities recognized in the financial statements that are continuously measured at fair value to determine whether there is a conversion between the fair value measurement levels.

(5) Impairment of financial assets

Based on expected credit losses, the Group performs impairment accounting treatments on the following items and recognizes the provision for loss:

Financial assets measured based on the amortized cost;

Creditor's rights investment measured at fair value with the movement counted in the other comprehensive income;

Measurement of the predicted credit loss

Expected credit loss refers to the weighted average of the credit loss of financial instruments weighted based on the risk of default. Credit loss refers to the difference between all contractual cash flows receivable under the contract and all cash flows expected to be received by the Group discounted at the original effective interest rate, that is, the present value of all cash shortages.

The Group measures the expected credit losses of financial instruments at different stages. If the credit risk has not increased significantly since the initial recognition, the financial instrument is at the first stage, and the Group measures the provision for the loss according to the expected credit loss within the next 12 months; if the credit risk has increased significantly since the initial confirmation but impairment of the credit has not yet occurred, the financial instrument is at the second stage, the Group measures the provision for the loss according to the expected credit loss of the financial instrument for the entire duration; if impairment of the credit has taken place after the initial recognition, the financial instrument is at the third stage, and the Group measures the provision for the loss according to the expected credit loss of the financial instrument for the entire duration.

For financial instruments with lower credit risk on the balance sheet date, the Group assumes that its credit risk has not increased significantly since the initial recognition, and measures the provision for the loss according to the expected credit loss within the future 12 months.

The expected credit loss for the entire duration refers to the expected credit loss caused by all possible default events that may occur during the entire expected lifetime of a financial instrument. Expected credit loss in the next 12 months refers to the expected credit loss caused by the event of a financial instrument default that may occur within 12 months after the balance sheet date (if the expected duration of the financial instrument is less than 12 months, then the expected duration). It is part of the expected credit loss in the entire duration.

When measuring expected credit losses, the longest period that the Group needs to consider is the longest contract period for which the Group faces credit risk (including the consideration of the option of renewal).

For the financial instrument at the first stage or the second stage or with lower credit risk, the Group calculates the interest income according to the book balance without deduction of the provision for impairment and the effective interest rate. For the financial instrument at the third stage, the Group calculates the interest income according to the book balance less the amortized cost after provision for the impairment and effective interest rate

Regarding notes and accounts receivable, regardless of whether there is a significant financing component, the Group always measures its provision for loss at an amount equivalent to expected credit losses during the entire duration.

The Group divides the portfolio of notes receivable and accounts receivable based on credit risk characteristics, and calculates the expected credit losses on the basis of the portfolio. The basis for determining the portfolio is as follows:

A. Notes receivable

Notes receivable portfolio 1: Bank acceptance

Notes receivable portfolio 2: Trade acceptance

B. Accounts receivable

Accounts receivable portfolio 1: Receivables from related parties within the scope of consolidation

Accounts receivable portfolio 2: Accounts receivable from other customers

For notes receivable and accounts receivable divided into portfolios, the Group refers to historical credit loss experience with combination of the current conditions and forecasts of future economic conditions, and compiles a comparison table of accounts receivable aging and the entire duration of expected credit loss rate, and calculate the expected credit loss.

Other receivables

The Group divides the portfolio of other receivables based on credit risk characteristics, and calculates the expected credit losses on the basis of the portfolio. The basis for determining the portfolio is as follows:

Other receivables portfolio 1: Deposit and margin receivable

Other receivables portfolio 2: Reserve receivable from employees

Other receivables portfolio 3: Advance for another to the social insurance premium receivable

Accounts receivable portfolio 4: Receivables from related parties within the scope of consolidation

Other receivables portfolio 5: Other receivables

For other receivables classified into portfolios, the Group calculates expected credit losses based on the default risk exposure and the expected credit loss rate within the next 12 months or the entire duration.

Creditor's rights investment and other creditor's right investment

For creditor's right investments and other creditor's right investments, the Group calculates the expected credit loss with reference to the nature of the investment according to various types of counterparties and risk exposures, through the default risk exposure and the expected credit loss rate within the next 12 months or the entire duration loss.

Assessment of a significant increase in credit risk

The Group compares the default risk of financial instruments on the balance sheet date and the risk of default on the initial recognition day to determine the relative change in the default risk of the financial instrument during the expected life of the financial instrument to assess whether the credit risk of the financial instrument has increased significantly since the initial recognition.

When determining whether the credit risk has increased significantly since the initial recognition, the Group considers reasonable and evidence-based information that can be obtained without unnecessary additional costs or efforts, including forward-looking information. The information the Group concerns includes:

A debtor has failed to pay the principal and interest on the due date of the contract;

A serious deterioration in the external or internal credit rating (if any) of the financial instrument that has occurred or is expected;

A serious deterioration in the debtor's operating results that has occurred or is expected;

The existing or anticipated changes in technology, market, economic or legal environment will have a significant adverse impact on the debtor's ability to repay the Group.

According to the nature of financial instruments, the Group assesses whether the credit risk has increased significantly on the basis of individual financial instruments or a combination of financial instruments. When evaluating financial instruments based on a portfolio of financial instruments, the Group may classify financial instruments based on common credit risk characteristics, such as overdue information and credit risk ratings.

Financial assets which have experienced credit impairment

On the balance sheet date, the Group assesses whether financial assets measured at amortized cost and debt investments measured at fair value with the movement included in other comprehensive income have experienced credit impairment. When one or more events that have an adverse effect on the expected future cash flow of a financial asset occur, the financial asset becomes a financial asset with credit impairment. Evidence of credit impairment of financial assets includes the following observable information:

The issuer or debtor has experienced serious financial difficulty;

The debtor has violated the contract, such as the payment of the interest or the principal in default or overdue, etc.;

Due to economic or contractual considerations related to the debtor's financial difficulty, the Group gives the debtor concession that the debtor may not make under any other circumstances;

The debtor is likely to go into liquidation or carry out other financial restructuring;

The issuer or debtor's financial difficulty caused the disappearance of the active market for the financial asset.

Presentation of the provision for the predicted credit loss

In order to reflect the changes in the credit risk of financial instruments since the initial recognition, the Group re-measures expected credit losses on each balance sheet date, and the resulting increase in loss provision or the amount of reversal shall be counted as impairment loss or profit in the current profit and loss. For financial assets measured at amortized cost, the reserve for loss is deducted from the book value of the financial asset listed in the balance sheet; for creditor's right investments which is measured at fair value and whose movement is included in other comprehensive income, the Group recognizes the provision for the loss in other comprehensive income, and the book value of the financial asset is not offset.

Writing-off

If the Group no longer reasonably expects that the contractual cash flow of a financial asset can be recovered in full or in part, it will directly write down the book value of the financial asset. Termination of recognition of the relevant financial assets formed from such writing-down This situation usually occurs when the Group determines that the debtor has no assets or sources of income that can generate sufficient cash flow to repay the amount to be written down. However, in accordance with the Group's procedures for recovering due payments, the financial assets that have been written down may still be affected by execution activities.

If the written-down financial assets are later recovered, they shall be included in the current profit and loss as the reversal of the impairment loss.

(6) Transfer of financial assets

Transfer of financial assets refers to when the Group(the transferor) transfers or delivers a financial asset to a party (the transferee) other than the issuer of the financial asset.

The Group derecognizes a financial asset when it transfers substantially all the risks and rewards of ownership of the asset to the transferee, and the Group does not derecognize a financial asset when it retains substantially all the risks and rewards of ownership of the asset.

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

(7) Setoff of financial assets and financial liabilities

When the Group has the legal rights of setting off the recognized financial assets and financial liabilities and can currently these legal rights now, and if the Group has the plan to settle with net amount or synchronously realize these financial assets and discharge these financial liabilities, the financial assets and financial liabilities are listed in the balance sheet with the amount after mutual set-off. Except that, financial assets and financial liabilities are listed respectively in the balance sheet and are not set off mutually.

(8) Financial instruments that bear the risk of exchange rate fluctuation

Exchange rate risk refers to the risk of fluctuations in the fair value of financial instruments or future cash flows due to

movement in foreign exchange rates. Exchange rate risk may be derived from financial instruments denominated in foreign currencies other than the functional currency. The Company's overseas subsidiaries are mainly settled in Hong Kong dollars and Swiss francs. The Company's monetary assets and liabilities denominated in foreign currencies are all affected by the risk of foreign currency exchange rate fluctuations.

11. Notes receivable

For the detail, refer to Note V. Important Accounting Policies and Accounting Estimates and 10. Financial Instruments.

12. Accounts receivable

For the detail, refer to Note V. Important Accounting Policies and Accounting Estimates and 10. Financial Instruments.

13. Financing with accounts receivable

Inapplicable

14. Other receivables

Determination and accounting treatment of the predicted credit loss of other receivables

For the detail, refer to Note V. Important Accounting Policies and Accounting Estimates and 10. Financial Instruments.

15. Inventories

(1) Classification of Inventories

The Group's inventories are classified into raw materials, products-in-process and commodity in stock, etc.

(2) Valuation of Inventories Delivered

The Group's inventories are priced according to the actual cost. Raw materials, commodity in stock, etc. are priced respectively according to the weighted average (with brand world watch stocks exclusive), specific identification (for famous brand watch stocks) at the time of delivery.

(3) Basis for determining net realizable value of inventories and method for providing reserve for price falling of inventories

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

On the balance sheet date, if the cost of inventories is higher than its net realizable value, provision for falling prices of inventories is made. The Group makes provision for inventory depreciation for self-produced FIYTA watch inventory according to model classification, and makes provision for inventory depreciation for brand watches sold in accordance with individual inventory items. On the balance sheet date, if the factors affecting the previous write-down of the inventory value have disappeared, the provision for price falling of inventory shall be reversed within the amount originally provided.

(4) Inventory system

The Company adopts the perpetual inventory system in inventory accounting.

(5) Amortization of low value consumables and packing materials

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

16. Contract assets

1. Method and criteria for confirmation of contract assets

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between performance obligations and customer payments. The Company is entitled to receive consideration for the transfer of goods or services to customers (while such right depends on other factors other than the passage of time) listed as contract assets. Contract assets and liabilities under the same contract are presented in net. The Company's right to unconditionally (only depending on the passage of time) collect consideration from the customers are separately stated as accounts receivable.

2. Recognition and accounting treatment of the predicted credit loss of contract assets

For details on the recognition and accounting treatment method of the predicted credit losses of contract assets, please refer to the accounting treatment of accounts receivable under the new financial instrument standards in Note V. 10 Testing Methods of Financial Asset Impairment and Accounting Treatment Method.

17. Contract cost

The contract costs include the incremental cost incurred in obtaining the contract and the cost for performance of the contract.

The incremental cost incurred in obtaining the contract refers to the cost which will not incur as long as the Group does not obtain the contract (such as sales commission, etc.) If the cost is expected to be recoverable, the Group recognizes it as a contract acquisition cost as an asset. The Group's expenses incurred in obtaining the contract other than the incremental cost expected to be recovered are included in the current profit and loss when incurred.

If the cost incurred in implementing the contract does not fall within the scope of other accounting standards and regulations such as inventory and meets the following conditions at the same time, the Group shall recognize it as an asset as the contract performance cost:

- ① The cost is directly related to a current or expected contract, including direct labor, direct materials, manufacturing expenses (or similar expenses), clearly borne by the customer, and other costs incurred solely due to the contract;
- ② This cost increases the Group's resources for future performance obligations;
- ③ This cost is expected to be recoverable.

Assets recognized for contract acquisition costs and assets recognized for contract performance costs (hereinafter referred to as "assets related to contract costs") are amortized on the same basis as the revenue recognition of goods or services related to the asset and included in the current profit and loss. (If the amortization period does not exceed one year, it shall be included in the current profit and loss when it incurs.)

When the book value of the asset related to the contract cost is higher than the difference between the following two items, the Group makes provision for impairment of the excess part and recognizes it as an asset impairment loss:

- ① The residual consideration that the Group expects to obtain due to the transfer of the goods or services related to the asset;
- ② The costs that shall incur for transferring the related goods or services as estimated. The contract performance cost recognized as an asset is presented in the item of "inventories" with the amortization period not exceeding one year or one normal business cycle at the initial recognition, while it is presented in the item of "other non-current assets" with the amortization period not exceeding one year or one normal operation cycle.

The contract acquisition cost recognized as an asset is presented in the item of "other current assets" with the amortization period not exceeding one year or one normal business cycle at the initial recognition, while it is presented in the item of "other non-current assets" with the amortization period not exceeding one year or one normal operation cycle at the initial recognition.

18. Classified as assets held for sale

Inapplicable

19. Equity investment

Inapplicable

20. Other equity investment

Inapplicable

21. Long term accounts receivable

Inapplicable

22. Long-term equity investments

Long-term equity investments include equity investments in subsidiaries, joint ventures and associates. Those that the Group may exert significant influence on the investees are associates of the Group.

(1) Recognition of initial investment cost

Long-term equity investment that forms a business combination: For a long-term equity investment acquired through a business combination involving enterprises under joint control, the initial investment cost of the long-term equity investment is the absorbing party's share of the book value of the owners' equity of the party being absorbed at the date of combination; for a long-term equity investment acquired through a business combination involving enterprises not under joint control, the initial investment cost of the long-term equity investment is the merge cost.

For a long-term equity investment acquired through other ways rather than a business combination: long-term equity acquired by cash paid, the initial investment cost is the actual payment; long-term equity acquired by the issuing of equity securities, the initial investment cost is the fair value of the equity securities.

(2) Subsequent Measurement of Long-term Equity Investment

Where the Bank can exercise joint control over the investee, a long-term equity investment is accounted for using the cost method and a long-term equity investment is accounted for using the equity method for associated enterprises and joint ventures.

For long-term equity investments accounted for in the cost method, except for payments made actually from the investments or cash dividends or profits contained in the consideration which have been declared but not yet paid, the cash dividends or profits which have been declared distribution by investees are recognized and recorded in the current profit and loss as investment gains.

For long term equity investment calculated by the equity method, if the initial cost of a long-term equity investment is greater than the investor's attributable share of the fair values of the net identifiable assets of the investee enterprise at the acquisition date, no adjustment is made to the initial investment cost. If the initial cost of a long-term equity investment is less than the investor's attributable share of the fair value of the net identifiable assets of the investee enterprise at the acquisition date, the difference is charged to profit or loss for the current period, and the cost of the long-term equity investment is adjusted accordingly.

When the equity method is used for calculation, the net gains and losses realized by the investee and the share of the other comprehensive income enjoyable or sharable shall be respectively used to recognize the return on investment and other comprehensive income and at the same time the book value of the long term equity investment is adjusted; according to the profit announced for distribution by the investee or the part of the cash dividend enjoyable upon calculation, the book value of the long term equity investment is reduced correspondingly. For other change in the net profit and loss, other comprehensive income and owner's equity other than the profit distribution, the book value of the long term equity investment is adjusted and counted to the capital reserve (other capital reserve). In recognizing the share of the net profit or loss of an investee enjoyable by the Company, the Company takes the fair value of the distinguishable net assets of the investee at the time of investment as the base and recognizes it after the net profit of the investee has been recognized after adjustment.

If due to additional investment or other reasons, it is possible to exert significant influence on the investee or implement joint control but does not constitute control, on the conversion date, the total of the fair value of the original equity plus the new investment cost shall be used as the initial investment cost calculated according to the equity method. The difference between the fair value and the book value of the original equity on the conversion date, and the accumulated fair value changes originally included in other comprehensive income are transferred to the current profit and loss accounted for by the equity method.

If the joint control over or significant influence on the investee is lost due to the disposal of part of the equity investment, the remaining equity after the disposal shall undergo the accounting treatment according to the "Accounting Standards for Enterprises No. 22-Recognition and Measurement of Financial Instruments instead on the day when joint control or significant influence is lost. The difference between the fair value and the book value is counted in the current profit and loss. The other comprehensive income from the original equity investment calculated and recognized by means of the

equity method undergoes accounting treatment by using the same base as the investee directly disposes the relevant assets or liabilities when the calculation based on the equity method is terminated; the movement of the other owner's equity in connection with the original equity investment is transferred into the current profit and loss.

If the control over an investee is lost due to the disposal of part of the equity investment and other reasons, the residual equity after disposal may implement joint control or exert significant influence on the investee, the equity method may be used for accounting instead, and the remaining equity shall be regarded as self-acquisition, and the equity method shall be adopted for accounting adjustment; if the residual equity after disposal can no longer jointly control or exert significant influence on the investee, the accounting treatment shall be carried out in accordance with the relevant provisions of the Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments, and the difference between the fair value and the book value on the day when the control is lost shall be recorded in the current profit and loss.

If the Company's shareholding proportion decreases due to the increase of capital by other investors so that its control power has lost but can still exercise joint control over or exert significant influence on the invested entity, the new shareholding proportion shall be used to confirm the Company's share of the invested entity due to capital increase and the increase in the share of net assets due to share expansion and the difference between the original book value of the long-term equity investment corresponding to the decline in the shareholding proportion which should be carried forward is included in the current profit and loss; and subsequently according to the new shareholding proportion, it is deemed to be adjusted using the equity method when the investment is obtained

The unrealized internal transaction profit and loss between the Group and associates and joint ventures are calculated based on the shareholding proportion attributable to the Group, and the investment profit and loss are recognized on the basis of offsetting. However, the loss from the unrealized internal transaction between the Group and an investee shall not be offset if the loss belongs to impairment of the assets assigned.

(3) Recognition basis of the joint control over and significant influence upon an invested entity

Joint control refers to the joint control over some arrangement made according to the relevant agreement and the relevant activities for the arrangement must be jointly decided by all the parties sharing the control power. In judging whether there exists joint control, firstly determine whether all the participants or a combination of participants collectively control the arrangement, and secondly determine whether the decision-making on the related activities of the arrangement must be unanimously agreed by the participants collectively controlling the arrangement. If all the participants or a group of participants must act in concert to determine the relevant activities of an arrangement, then all the participants or the group of the participants are considered as collectively in control of the arrangement; If there exists a portfolio of two or more participants that can collectively control an arrangement, it does not constitute joint control. When judging whether there exists joint control, the protective right enjoyed shall not be taken into consideration.

Significant influence refers to the investor's power of participation in making an investee's financial and operation policies but the investor cannot control or jointly control with other parties to make such policies. When determining whether significant influence may be exerted on the investee, it is necessary to consider the influence from that the voting shares of the investee directly or indirectly held by the investor and the currently executable potential voting rights held by the investor and other parties are assumed to be converted into equity of the investee, including the influence of current convertible warrants, share options and convertible corporate bonds issued by the investee.

When the company directly or indirectly through its subsidiaries owns more than 20% (including 20%) but less than 50% of the voting shares of the investee, it is generally considered to have a significant influence on the investee, unless there is clear evidence that this condition is not allowed to participate in the production and operation decision-making of the invested entity, which means no significant influence has formed; when the Group owns less than 20% (with 20% exclusive) of the voting shares of the investee, it is generally not considered to have a significant influence on the investee unless there is clear evidence that it can participate in the production and operation decision-making of the investee under such circumstances, which means significant influence has formed.

(4) Method for testing the impairment and provision for impairment

About the investment in subsidiaries, associates and joint ventures, see Note V.31 Method of Provision for Impairment of Assets

23. Investment based real estate

Measurement model for investment real estate

Measured based on the cost method

Depreciation or amortization method

About the depreciation method of investment based real estate and the depreciation method of fixed assets, see Note V.24.

24. Fixed asset

(1) Recognition of fixed assets

Fixed assets are tangible assets that are held for product production, supply of services, lease or operation and administration with useful life more than one fiscal year. A fixed asset shall be recognized only when it is probable that economic benefits associated with the asset will flow into the enterprise and the cost of the asset can be measured reliably. The Group's fixed assets are initially measured at the actual cost at the time of acquisition.

(2) Depreciation methods

Categories	Depreciation methods	Depreciation life	Residual rate	Yearly depreciation rate
Plant & buildings	Average service life method	20 -35	5%	4.80%-2.70%
Machinery & equipment	Average service life method	10	5%-10%	9.50%-9.00%
Electronic equipment	Average service life method	5	5%	19%
Motor vehicle	Average service life method	5	5%	19%
Other equipment	Average service life method	5	5%	19%

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

Inapplicable

25. Construction-in-process

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

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

About the method of provision for asset impairment of construction-in-process, refer to Note V. 31.

26. Borrowing Costs

1. Principle for recognition of the capitalization of the borrowing costs

If the borrowing costs incurred to the Group may be directly attributable to the purchase, construction or production of assets that meet the capitalization conditions, they shall be capitalized and included in the cost of the relevant assets; other borrowing costs are recognized as the expenses based on the amount incurred at the time of occurrence, and counted to the current profit and loss. If the borrowing costs meet the following conditions at the same time, they shall be capitalized:

- ① The asset disbursements have already incurred, which shall include the cash, transferred non-cash assets or interest bearing debts paid for the acquisition and construction or production activities for preparing assets eligible for capitalization;
- ② The borrowing costs have already incurred; and
- ③ The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

(2) Capitalization period of borrowing costs:

When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased. The borrowing costs incurred after the qualified asset under acquisition and construction or production is ready for the intended use or sale shall be recognized as expenses at the incurred amount when they are incurred, and shall be recorded into the current profits and losses.

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended.

(3) Calculation for the capitalization rate and capitalization amount of the borrowing costs

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

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

27. Biological Assets

Inapplicable

28. Oil and Gas Assets

Inapplicable

29. Use right assets

Inapplicable

30. Intangible assets**(1) Pricing Method, Service Life and Impairment Test**

The Group's intangible assets include land use rights, software systems, trademark use rights, etc.

Intangible assets are initially measured at cost and the useful life of an intangible asset is analyzed and defined at the time of acquisition of the asset. An intangible asset with a finite useful life should be amortized over its estimated useful life using an amortization method that can reflect the expected consumption pattern of the economic benefits associated with the asset, commencing from the time when the intangible asset is available for use. When the expected consumption pattern cannot be determined reliably the asset should be amortized based on a straight-line method. An intangible asset with an indefinite useful life should not be amortized.

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

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

At the end of each year, the Group shall review the service life and amortization method of intangible assets with limited service life. If the former estimate is different, the previous estimate shall be adjusted and treated as the change of the accounting estimate.

If an intangible asset is no longer expected to bring future economic benefits to the enterprise on the balance sheet date, the book value of the intangible asset shall be transferred into the current profit and loss.

About the method of provision for asset impairment of intangible assets, refer to Note V. 31.

(2) Accounting policy for internal research and development expenditure

The internal research and development expenditures of the Group are divided into research expenditures and development expenditures.

Expenditures on research phase are recorded into profit or loss when it occurred.

Expenditure in development stage can be capitalized while meeting the following conditions, i.e. completing the intangible asset so that it is technically feasible to use or sale; has the intent to complete the intangible asset and use or sell it; the way of the intangibles to generate economic benefits, including being able to prove that the products that produced with the use of the intangibles have market or the intangible asset itself has market, the intangible assets will be used internally, and can prove its usefulness; have adequate technical, financial resources and other resources support to complete the development of the intangible assets, and have the ability to use or sell the intangible asset; the expenditure attributable to the intangible asset development phase can be reliably measured. Development expenditure does not meet the above conditions are recognized in the current profit and loss.

When the Group's research and development projects meet the above conditions, through technical feasibility and economic feasibility studies, the development stage begins after project is approved.

Expenditures on the development phase after capitalization is listed on the balance sheet as development expenditure and transferred to intangible assets after the project reach its intended use.

31. Impairment of long term assets

The impairment of subsidiaries, associates and joint ventures in the long-term equity investments, foreclosed assets, investment property subsequently measured at cost model, fixed assets, construction in progress, and intangible assets (with inventories, deferred income tax asset and financial assets exclusive) are determined as follows:

At each balance sheet date, the Group determines whether there may be indication of impairment of the assets, if there is any, the Group will estimate the recoverable amount of the asset, and perform test for impairment. For goodwill and the intangible assets with the service life undetermined and the intangible assets which have not reached applicable status, regardless whether there exists sign of impairment, the Group makes impairment test every year.

The recoverable amount shall be determined according to the net amount of the fair value of an asset minus the disposal expenses, and the current value of the expected future cash flow of the asset, whichever is higher. The recoverable amount of asset is estimated on individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Bank determines the recoverable amount of the asset group to which the asset belongs. The recognition of an asset group shall base on whether the main cash inflow generated by the asset group is independent of those generated by other assets or other group assets.

When the asset or asset group's recoverable amount is lower than its book value, the Group reduces its book value to its recoverable amount, the reduced amount is recorded in profit or loss for the current period and the provision for impairment of assets are recognized.

As far as the goodwill impairment test concerned, the book value of the goodwill formed by merger is apportioned to the relevant asset group according to the reasonable method commencing from the date of acquisition; in case it is difficult to be apportioned to the relevant asset group, it is apportioned to the portfolio of the relevant asset groups. The relevant asset group or portfolio of asset groups are those which get benefit from the coordinative effect of enterprise consolidation

but should not be greater than the reporting segment determined by the Group.

When the relevant asset group or portfolio of asset groups with goodwill included undergo the impairment testing, in case there exists impairment evidence in the goodwill related asset group or portfolio of asset groups, impairment testing should be first conducted on the asset group or portfolio of asset groups without goodwill and the recoverable amount is calculated, and the corresponding impairment loss is recognized. Impairment testing is then conducted on the asset group or portfolio of asset groups with goodwill included. In comparison with the book value and recoverable amount, in case the recoverable amount is lower than the book value, the loss of goodwill impairment is recognized.

The loss of asset impairment, once recognized, shall no longer be reversible in the future fiscal periods.

32. Long term expenses to be apportioned

Long-term expenses to be apportioned occurred by the Group are priced according to the actual cost, and are amortized averagely according to the expected period of benefit. As for the long-term deferred expenses that can not benefit the future accounting period, the amortized value is recognized in the current profit and loss.

33. Contract liabilities

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between performance obligations and customer payments. The obligation of the Company to transfer goods or provide services to customers after receiving or receivable consideration from customers are listed as contractual liabilities. Contract assets and liabilities under the same contract are presented in net.

34. Employees' Wages and Salaries

(1) Accounting treatment of short term salaries

During the accounting period in which the employees render services to the Group, the Group recognizes the actual wages, bonuses, medical insurance premiums, work-related injury insurance premiums, maternity insurance premiums and other social insurance premiums and housing provident funds paid for the employees in accordance with the prescribed standards and proportions as liabilities which are included in the current profit and loss or related asset costs. If the liability is not expected to be fully paid within twelve months after the end of the annual reporting period in which employees have rendered the related services while the financial impact is significant, the liability will be measured at the discounted amount.

(2) Post-employment benefits

A post-employment benefit plan consists of the defined contribution plan and the defined benefit plan. Where, the defined contribution plan refers to a post-employment benefit plan in which the Company no longer assumes further payment obligation after paying fixed fees to an independent fund; the defined benefit plan refers to a post-employment benefit plan other than the defined contribution plan.

Defined Contribution Plans

The defined contribution plan includes the basic pension insurance, unemployment insurance and enterprise annuity

plans.

In addition to basic pension insurance, the Group has established an enterprise annuity plan (the "annuity plan") in accordance with the relevant policies of the national enterprise annuity system, and employees may participate in the annuity plan voluntarily. With the exception of the above, the Group has no other significant social security commitments to employees.

During the accounting period in which employees provide services to the Group, the amount of the deposits calculated based on the defined contribution plan is recognized as a liability and counted in the current profit or loss or related asset costs.

The defined benefit plan

For the defined benefit plan, an independent actuary performs actuarial valuation on the annual balance sheet date, and uses the expected cumulative benefit unit method to determine the cost of providing benefits. The employee compensation cost resulting from the defined benefit plan of the Group includes the following components:

① Service costs include current service costs, past service costs, and settlement profit or loss. Where, the current service cost refers to the increase in the present value of the defined benefit plan obligations caused by the employees providing services in the current period; past service costs refer to the increase or decrease in the present value of defined benefit plan obligations related to previous employee services as a result of modification of the defined benefit plan.

② Net interest on net liabilities or net assets of the defined benefit plan, including interest income on the plan assets, interest expense on the defined benefit plan obligations, and interest on the asset cap effect.

③ Movement of the net liabilities and net assets re-measured for setting the beneficial plan.

Unless other accounting standards require or permit the cost of employee benefits to be included in the cost of assets, the Group will include the above Items ① and ② in the current profit and loss; Item ③ will be included in other comprehensive income and will not be converted back to profit and loss in subsequent accounting period. The part originally included in other comprehensive income will be carried forward to the retained earnings within the scope of equity at the end of the original defined benefit plan.

(3) Accounting treatment for termination benefits

If the Group provides termination benefits to employees, the employee compensation liabilities arising from the termination benefits shall be recognized as soon as possible and included in the current profit and loss: when the Group cannot unilaterally withdraw the termination benefits provided due to the termination of the labor relationship plan or reduction proposal; when the Group confirms the costs or expenses related to the reorganization involving the payment of termination benefits.

In the case of implementing an internal retirement plan, the economic compensation prior to the official retirement date shall be considered as termination benefit. During the period from the time when an employee ceases to render services to the day of normal retirement, the salary to the employee of internal retirement and the social insurance premium to be paid shall be recorded into the current profit and loss in a lump sum. The economic compensation after the official retirement date (such as normal old-age pension) shall be treated as post-employment benefits.

(4) Accounting treatment for other long term employees' welfare

Other long term employees' welfare provided by the Group to its employees shall undergo the accounting treatment according to the defined contribution plan as long as it complies with the defined contribution plan. If it meets the defined benefit plan, it shall be treated in accordance with the above relevant provisions of the defined benefit plan. However, in the relevant employee compensation cost, the part of "change caused by remeasurement of net liabilities or net assets of the defined benefit plan" shall be recorded into the current profit and loss or the cost of relevant assets.

35. Lease liabilities

Inapplicable

36. Predicted liabilities

If the obligation related to the contingencies meet the following conditions at the same time, the Group will recognize it as estimated liability:

- (1) The obligation is a current obligation of the Group;
- (2) The performance of this obligation is likely to lead to the outflow of economic benefit from the Group;
- (3) The amount of the obligation can be reliably measured.

The estimated liabilities shall be initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation, and the Bank shall take into full consideration of the risks, uncertainty, time value of money, and other factors pertinent to the Contingencies. If the time value of money is of great significance, the best estimate shall be determined after discounting the relevant future outflow of cash. On the balance sheet date, the Group re-checks the book value of the estimated debts and makes proper adjustment in order to reflect the best estimated amount at present.

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

37. Share-based payment

(1) Type of share-based payment

Share-based payments are divided into equity-settled share-based payment and cash-settled share-based payment.

(2) Method for determining the fair value of equity instruments

The Group determines the fair value of the equity instruments granted, such as options with an active market according to the price quoted in the active market. The fair value of equity instruments such as options without active market is determined by option pricing model. In selecting the option pricing model, the following factors have been taken into consideration: A. price for exercising the option; B. validity of the option; C. the current price of the underlying shares; D. the expected volatility of stock prices; E. the expected dividends on the shares; F. the risk-free interest rate within the term

of the option.

(3) Basis for determining the best estimate of the vested equity instruments

On each balance sheet date during the vesting period, the Group may make best estimate based on the subsequent information, such as the movement of the number of employees eligible for exercising the rights as latest obtained and the number of the vested equity instruments is corrected. On the vesting date, the number of the final estimated vested equity instrument should be equal to the number of the actually vested equity instruments.

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

Share-based payment settled with equity is measured with the fair value of the employee's equity instruments at the grant date. If the right may be exercised immediately after the grant, the fair value of the equity instruments shall, on the date of the grant, be included in the relevant cost or expense and the capital reserves shall be increased accordingly. As to a equity-settled share-based payment in return for employee services, if the right cannot be exercised until the vesting period comes to an end or until the prescribed performance conditions are met, then on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the number of vested equity instruments, be included in the relevant costs or expenses and the capital reserves at the fair value of the equities instruments on the date of the grant. The Group shall, after the vesting date, make no adjustment to the relevant costs or expenses as well as the total amount of the owner's equities which have been confirmed.

A cash-settled share-based payment shall be measured in accordance with the fair value of liability calculated and confirmed based on the shares or other equity instruments undertaken by the Group. As to a cash-settled share-based payment instruments, if the right may be exercised immediately after the grant, the fair value of the liability undertaken by the Group shall, on the date of the grant, be included in the relevant costs or expenses, and the liabilities shall be increased accordingly. As to a cash-settled share-based payment, if the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liability undertaken by the Group. The fair value of the liabilities is re-measured and the movement is counted in the current profits and losses on each balance sheet date and settlement day before the settlement of related liabilities.

When the Group amends the share-based payment plan, if the amendment increases the fair value of the equity instruments granted, the increase of the services obtained is recognized accordingly based on the increase of the fair value of the equity instruments. If the amendment increases the number of equity instruments granted, the fair value of the increased equity instruments is correspondingly recognized as increase in the services acquired. Increase of the fair value of the equity instrument refers to the difference between the fair value of the equity instrument on the amendment day before and after the amendment. If the amendment reduces the total fair value of the share-based payment or adopts any other method unfavorable to the employees, the service obtained will continue to undergo accounting treatment as if such amendment has never taken place unless the Group has canceled part or all of the granted equity instruments.

If the granted equity instrument has been canceled (unless the non-market condition which does not satisfy the right of feasibility is cancelled)during the vesting period, the Group shall treat the cancellation of the granted equity instrument as accelerated vesting, the amount which should be recognized during the remaining vesting period is counted to the current profit and loss immediately and at the same time the capital reserve is recognized. If an employee or other party can choose to meet the non-vesting conditions but fails to meet the vesting period, the Group shall treat it as a cancellation of

the granted equity instrument.

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

Inapplicable

39. Revenue

The accounting policy used for revenue recognition and measurement

The Company recognizes revenue when it has satisfied the performance obligation under the contract, that is, when the customer has obtained the right to control the relevant goods or services “Obtaining the right to control the relevant goods or services” means that it is able to dominate the use of the goods or services and derive almost all economic benefits therefrom.

If a contract contains two or more performance obligations, the Company shall allocate the transaction price to each individual performance obligation in accordance with the relative proportion of the stand-alone selling price of the goods or services promised by each individual performance obligation on the date of the contract The Company measures revenue based on the transaction price allocated to each individual performance obligation.

The transaction price refers to the amount of consideration that the company expects to be entitled to receive due to the transfer of goods or services to customers, excluding payments collected on behalf of third parties and payments expected to be returned to customers. The Company determines the transaction price in accordance with the terms of the contract with combination of its past customary practices. When determining the transaction price, the influence from variable consideration, major financing components in the contract, non-cash consideration, consideration payable to customers and other factors should be taken into consideration. The Company determines the transaction price that includes variable consideration at an amount that does not exceed the amount of accumulated recognized revenue that is unlikely to be materially reversed when the relevant uncertainty is eliminated. If there is a significant financing component in the contract, the Company determines the transaction price based on the amount payable in cash when the customer obtains control of the goods or services, and uses the actual interest method to amortize the difference between the transaction price and the contract consideration during the contract period. One of the following conditions shall be fulfilled within a certain period of time; otherwise, it shall be fulfilled at a certain point in time:

- A customer obtains and consumes the economic benefits brought by the Company's performance at the same time as the Company's performance.
- A customer may control the products under construction in the Company's performance process.
- The goods produced by the Company during the performance of the contract have irreplaceable uses, and the Company has the right to collect payment for the cumulative performance part that has been completed so far during the entire contract period.

For performance obligations performed within a certain period of time, the Company recognizes revenue in accordance with the performance progress during that period, except where the performance progress cannot be reasonably determined. The Company determines the progress of a contract by using the output method or input method with

consideration of the nature of goods or services. When the performance progress cannot be reasonably determined, and the costs incurred are expected to be compensable, the Company recognizes the revenue according to the amount of the costs incurred until the performance progress can be reasonably determined.

For performance obligations performed at a certain point of time, the Company recognizes revenue at the point when a customer obtains control of the relevant goods or services. In judging whether a customer has obtained control of goods or services, the Company considers the following signs:

- The Company has the current right to receive payment for the goods or services, that is, the customer has the current payment obligation for the goods or services.
- The Company has transferred the legal ownership of the product to the customer, that is, the customer has the legal ownership of the product.
- The Company has transferred the goods to the customer in kind, that is, the customer has taken possession of the goods in kind.
- The Company has transferred the main risks and rewards of the ownership of the goods to the customer, that is, the customer has obtained the main risks and rewards of the ownership of the goods.
- The customer has accepted the goods or services, etc.

Differences in revenue recognition accounting policies caused by different business models in similar businesses

Nil

40. Government subsidies

Government subsidies are recognized when they meet the conditions attached to the government subsidies and can be received.

Government subsidies for monetary assets are measured according to the amount received or receivable. If a government subsidy is a non-monetary asset, it shall be measured at its fair value. If its fair value cannot be obtained in a reliable way, it shall be measured at its nominal amount.

The government subsidies pertinent to assets mean the government subsidies that are obtained by the Group used for purchase or construction, or forming the long-term assets by other ways with those pertinent to income exclusive.

If the subsidy recipient is not specified in the government documents and long-term assets can be formed, the part of the government subsidies corresponding to the asset value is regarded as the government subsidy pertinent to the asset, and the rest is regarded as the government subsidy pertinent to the income; if it is difficult to distinguish, the government subsidies as a whole are regarded as the government subsidies pertinent to the income.

Government subsidies pertinent to assets are recognized as deferred income and recorded in profit and loss in installments in accordance with a reasonable and systematic method within the useful life of the relevant assets. If government subsidies pertinent to income are used to compensate related cost or loss already incurred, they are included

in the current profit and loss or offsets the related costs; if they are used to compensate related costs or losses in subsequent periods, they shall be included in the deferred income, and included in the current profit and loss or offset the related costs during the recognition period of the related costs or losses. The government subsidy measured at a nominal amount is directly counted to the current profit and loss. The Group adopts the same method to deal with the same or similar government subsidy business.

Government subsidies pertinent to daily activities are included in other income in accordance with the nature of economic business. Government subsidies irrelevant with the daily activities are included in non-operating revenue and expenditure.

When the government subsidy already recognized needs to be returned, if there is a relevant deferred income balance, the book balance of the relevant deferred income shall be offset, and the excess part shall be included in the current profit and loss; in other cases, it shall be directly included in the current profit and loss.

41. Deferred income tax asset/deferred income tax liability

Income tax includes current income tax and deferred income tax. Income taxes should be recognized as income tax expenses in profit or loss for current period except for deferred income tax associated with goodwill arising from business combination, or transactions or events that are directly recognized in owners' equity, which should be recorded under owners' equity.

A deferred income tax asset or liability is recognized based on the temporary differences between the book value of an asset or a liability at the balance sheet date and its tax basis using the balance sheet liability method.

A deferred income tax liability should be recognized for all taxable temporary differences, except to the extent that the deferred income tax liability arises from the following transactions:

(1) The initial recognition of goodwill; or the initial recognition of an asset or liability in a transaction that has both of the following characteristics: the transaction is not a business combination; and at the time of the transaction, it neither affects the accounting profit nor taxable profit.

(2) A deferred income tax liability should be recognized for all taxable temporary differences arising from the investments in subsidiaries, joint ventures and associates, except to the extent that both of the following conditions are satisfied: A. the Group 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.

In respect of deductible temporary differences, the carry-forward of deductible losses and tax deductions, the Group should recognize deferred tax assets to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, the deductible losses and tax deductions can be utilized, unless the deductible temporary differences arises from the following transactions.

(1) The transaction is not business combination and at the time of the transaction, it neither affects accounting profit nor taxable profit.

(2) Deferred tax assets should be recognized for all deductible temporary differences associated with investments in subsidiaries, joint ventures and associates if all of the following conditions are satisfied: it is probable that the deductible temporary difference will reverse in the foreseeable future and it is probable that taxable profit in the future will be

available against which the deductible temporary difference can be utilized.

At the balance sheet date deferred income tax assets and liabilities should be measured at tax rates expected to be applied to the period when the asset is recovered or the liability is settled and the measurement of deferred income tax assets and liabilities should reflect the tax consequences that would follow from the manner in which The Bank expects, at the balance sheet date, to recover or settle the book value of its assets and liabilities.

At the balance sheet date the Bank should review the book value of deferred income tax assets. The book value of a deferred income tax asset should be reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of the deferred income tax asset to be utilized. Any such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

42. Lease

(1) Accounting process for operating lease

A. The Group as the Lessor

The rents from operating leases shall be recorded in the profits and losses of the current period by using the straight-line method over each period of the lease term. The initial direct costs incurred shall be recorded into the profits and losses of the current period.

B. The Group as the Tenant

Lease income from operating leases shall be recorded in the profits and losses of the current period using the straight-line method over each period of the lease term. The initial direct costs incurred shall be recorded into the profits and losses of the current period.

(2) Accounting treatment method for finance lease

Inapplicable

43. Other important accounting policy and accounting estimate

(1) Repurchased shares

The shares repurchased by the Company shall be managed as treasury stock before they are cancelled or transferred, and all expenditures for the repurchase of shares shall be transferred to the cost of treasury stock. The consideration and transaction costs paid in the repurchase reduce the owner's equity. In process of repurchasing, transferring or canceling the Company's shares, no profit or loss is recognized.

When transferring treasury shares, the difference between the actual amount received and the book value of treasury shares is included in the capital reserve. If the capital reserve is insufficient to offset, the surplus reserve and retained earnings shall be offset. For the cancellation of treasury shares, the share capital shall be reduced according to the book value of the shares and the number of shares cancelled, and the capital reserve shall be reduced according to the difference between the book balance and the book value of the cancelled treasury shares. If the capital reserve is insufficient, the surplus reserve and retained earnings shall be written-down.

(2) Restricted stocks

In the equity incentive plan, the Company grants restricted stocks to the motivated objects. The motivated objects first subscribe for the stocks. If the unlocking conditions stipulated in the equity incentive plan are not met subsequently, the Company shall repurchase the stocks at the previously agreed price. If the restricted stocks issued to employees have fulfilled the capital increase procedures such as registration in accordance with relevant regulations, on the grant date, the Company shall confirm the share capital and capital reserve (share capital premium) based on the subscription monies paid by the employees; at the same time, the treasury stock and other payables are confirmed for the repurchase obligation.

44. Changes in significant accounting policies and accounting estimates**(1) Change in significant accounting policies**

Contents and cause of the change in the accounting policy	Examination and approval procedures	Remarks
<p>On July 5, 2017, the Ministry of Finance revised and issued the "Accounting Standards for Enterprises No. 14-Revenue". According to the requirements of the Ministry of Finance, companies listed both at home and abroad or listed overseas should prepare their financial statements according to the IFRS or the Accounting Standards for Enterprises commencing from January 1, 2018; other domestically listed companies implement the same commencing from January 1, 2020; non-listed companies implementing the Accounting Standards for Business Enterprises shall implement the same commencing from January 1, 2021.</p>	<p>The Company reviewed and approved the implementation at its 16th Session of the Ninth Board of Directors.</p>	

The Ministry of Finance revised the "Accounting Standards for Enterprises No. 14 - Revenue" in 2017. The revised standards stipulate that in the initial implementation of the standards, an enterprise should adjust the amount of retained earnings and other related items in the financial statements at the beginning of the year based on the cumulative impact, and no adjustments should be made to comparable period information.

The Company started to implement the new standards for revenue commencing from January 1, 2020. According to the standards, the Company only adjusts the accumulated impact of contracts that have not been completed on the date of first implementation. The retained earnings at the beginning of 2020 and the amount of other related items in the financial statements would not be adjusted in the 2019 financial statements. The implementation of these standards has no impact on retained earnings at the beginning of 2020 and the amount of other related items in the financial statements.

The main impacts of the changes in accounting policies caused by the above new standards for revenue in the financial statements on January 1, 2020 are as follows::

Consolidated Financial Statements:

	Book value as presented according to the previous standards (December 31, 2019)	Reclassified	Book value as presented according to the new standards January 1, 2020)
Advance Receipts	23,433,463.57	-19,999,056.53	3,434,407.04
Contract liabilities		19,999,056.53	19,999,056.53

Financial Statements, Parent Company

	Book value as presented according to the previous standards (December 31, 2019)	Reclassified	Book value as presented according to the new standards January 1, 2020)
Advance Receipts	3,434,407.04		3,434,407.04
Contract liabilities			

(2) Change in significant accounting estimates

Inapplicable

(3) Adjustment of the relevant financial statements at the current year beginning according to the new standards for revenues and the new standards for lease initially implemented commencing from 2020

Consolidated Balance Sheet

In CNY

Items	December 31, 2019	January 01, 2020	Amount involved in the adjustment
Current assets:			
Monetary fund	316,668,565.09	316,668,565.09	
Settlement reserve			
Inter-bank lending			
Transactional financial assets			
Derivative financial assets			
Notes receivable	10,596,431.31	10,596,431.31	
Accounts receivable	397,471,106.98	397,471,106.98	
Financing with accounts receivable			
Advance payment	10,847,962.28	10,847,962.28	
Receivable premium			
Reinsurance accounts receivable			
Reserve for reinsurance contract receivable			
Other receivables	47,239,844.58	47,239,844.58	

Including: Interest receivable			
Dividends receivable			
Redemptory monetary capital for sale			
Inventories	1,808,820,089.92	1,808,820,089.92	
Contract assets			
Held-for-sale assets			
Non-current assets due within a year			
Other current assets	68,858,096.74	68,858,096.74	
Total current assets	2,660,502,096.90	2,660,502,096.90	
Non-current assets:			
Loan issuing and advance in cash			
Equity investment			
Other equity investment			
Long term accounts receivable			
Long-term equity investment	46,423,837.85	46,423,837.85	
Investment in other equity instruments	85,000.00	85,000.00	
Other non-current financial assets			
Investment-oriented real estate	407,503,307.24	407,503,307.24	
Fixed assets	363,997,098.94	363,997,098.94	
Construction-in-process			
Productive biological asset			
Oil and gas assets			
Use right assets			
Intangible assets	38,711,821.26	38,711,821.26	
Development expenses			
Goodwill			
Long-term expenses to be apportioned	152,587,491.33	152,587,491.33	
Deferred income tax asset	83,739,383.37	83,739,383.37	
Other non-current assets	7,373,248.48	7,373,248.48	
Total non-current assets	1,100,421,188.47	1,100,421,188.47	

Total assets	3,760,923,285.37	3,760,923,285.37	
Current liabilities:			
Short term borrowings	567,908,833.21	567,908,833.21	
Borrowings from central bank			
Loans from other banks			
Transactional financial liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payable	279,772,787.37	279,772,787.37	
Advance Receipts	23,433,463.57	3,434,407.04	-19,999,056.53
Contract liabilities		19,999,056.53	19,999,056.53
Income from sale of the repurchased financial assets			
Deposits taking and interbank placement			
Acting trading securities			
Income from securities underwriting on commission			
Payroll payable to the employees	82,602,845.67	82,602,845.67	
Taxes payable	24,064,803.00	24,064,803.00	
Other payables	119,616,721.63	119,616,721.63	
Including: interest payable			
Dividends payable	848,233.27	848,233.27	
Service charge and commission payable			
Payable reinsurance			
Held-for-sale liabilities			
Non-current liabilities due within a year	360,140.00	360,140.00	
Other current liabilities			
Total current liabilities	1,097,759,594.45	1,097,759,594.45	
Non-current liabilities:			
Reserve for insurance contract			
Long-term borrowings	4,321,680.00	4,321,680.00	
Bonds payable			

Including: preferred shares			
Perpetual bond			
Lease liabilities			
Long-term accounts payable			
Long term payroll payable to the employees			
Estimated liabilities			
Deferred income	3,046,090.60	3,046,090.60	
Deferred income tax liability	1,256,242.49	1,256,242.49	
Other non-current liabilities			
Total non-current liabilities	8,624,013.09	8,624,013.09	
Total liabilities	1,106,383,607.54	1,106,383,607.54	
Owner's equity:			
Capital stock	442,968,881.00	442,968,881.00	
Other equity instruments			
Including: preferred shares			
Perpetual bond			
Capital Reserve	1,081,230,215.32	1,081,230,215.32	
Less: shares in stock	71,267,118.78	71,267,118.78	
Other comprehensive income	-940,209.09	-940,209.09	
Special reserve			
Surplus Reserve	235,701,180.14	235,701,180.14	
Provision for general risks			
Retained earnings	966,840,818.40	966,840,818.40	
Total owners' equity attributable to the parent company	2,654,533,766.99	2,654,533,766.99	
Minority shareholders' equity	5,910.84	5,910.84	
Total owner's equity	2,654,539,677.83	2,654,539,677.83	
Total liabilities and owners' equity	3,760,923,285.37	3,760,923,285.37	

Note to the Adjustment

Balance Sheet, Parent Company

In CNY

Items	December 31, 2019	January 01, 2020	Amount involved in the adjustment
Current assets:			
Monetary fund	270,673,346.02	270,673,346.02	

Transactional financial assets			
Derivative financial assets			
Notes receivable			
Accounts receivable	2,848,025.39	2,848,025.39	
Financing with accounts receivable			
Advance payment			
Other receivables	783,647,732.22	783,647,732.22	
Including: Interest receivable			
Dividends receivable			
Inventories			
Contract assets			
Held-for-sale assets			
Non-current assets due within a year			
Other current assets	12,380,243.67	12,380,243.67	
Total current assets	1,069,549,347.30	1,069,549,347.30	
Non-current assets:			
Equity investment			
Other equity investment			
Long term accounts receivable			
Long-term equity investment	1,380,895,239.27	1,380,895,239.27	
Investment in other equity instruments	85,000.00	85,000.00	
Other non-current financial assets			
Investment-oriented real estate	329,970,083.18	329,970,083.18	
Fixed assets	238,594,698.50	238,594,698.50	
Construction-in-process			
Productive biological asset			
Oil and gas assets			
Use right assets			
Intangible assets	30,925,974.54	30,925,974.54	
Development expenses			
Goodwill			
Long-term expenses to be	12,106,759.98	12,106,759.98	

apportioned			
Deferred income tax asset	1,125,840.75	1,125,840.75	
Other non-current assets	4,707,236.86	4,707,236.86	
Total non-current assets	1,998,410,833.08	1,998,410,833.08	
Total assets	3,067,960,180.38	3,067,960,180.38	
Current liabilities:			
Short term borrowings	540,650,622.50	540,650,622.50	
Transactional financial liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payable	12,952,934.93	12,952,934.93	
Advance Receipts	3,434,407.04	3,434,407.04	
Contract liabilities			
Payroll payable to the employees	19,019,554.57	19,019,554.57	
Taxes payable	1,713,130.68	1,713,130.68	
Other payables	82,631,590.46	82,631,590.46	
Including: interest payable			
Dividends payable	848,233.27	848,233.27	
Held-for-sale liabilities			
Non-current liabilities due within a year			
Other current liabilities			
Total current liabilities	660,402,240.18	660,402,240.18	
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: preferred shares			
Perpetual bond			
Lease liabilities			
Long-term accounts payable			
Long term payroll payable to the employees			
Estimated liabilities			
Deferred income	3,046,090.60	3,046,090.60	
Deferred income tax liability			

Other non-current liabilities			
Total non-current liabilities	3,046,090.60	3,046,090.60	
Total liabilities	663,448,330.78	663,448,330.78	
Owner's equity:			
Capital stock	442,968,881.00	442,968,881.00	
Other equity instruments			
Including: preferred shares			
Perpetual bond			
Capital Reserve	1,086,885,756.42	1,086,885,756.42	
Less: shares in stock	71,267,118.78	71,267,118.78	
Other comprehensive income			
Special reserve			
Surplus Reserve	235,701,180.14	235,701,180.14	
Retained earnings	710,223,150.82	710,223,150.82	
Total owner's equity	2,404,511,849.60	2,404,511,849.60	
Total liabilities and owners' equity	3,067,960,180.38	3,067,960,180.38	

Note to the Adjustment

Inapplicable

(4) Note to the retroactive adjustment of the previous comparative data according to the new standards for revenue and the new standards for lease to be implemented commencing from year 2020

Inapplicable

45. Miscellaneous

Inapplicable

VI. Taxation

1. Types of major taxes and tax rates

Type of taxes	Tax basis	Tax rates
Value-added tax	Taxable income	13%, 10%, 9%, 6% and 5%
Consumption tax	Taxable income	20%
Urban maintenance and construction tax	Amount of payable turnover tax	5% and 7%
Enterprise income tax	Taxable income amount	Refer to the Note
Real estate tax	Cost of the property or rental income	1.2% and 12%

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

Taxpayers	Income tax rates
The Company	25.00%
Shenzhen Harmony World Watches Center Co., Ltd. (HARMONY)	25.00%
Shenzhen FIYTA Precision Technology Co., Ltd.	15.00%
FIYTA (Hong Kong) Limited (FIYTA HK)	16.50%
Station-68 Co.	16.50%
Shenzhen FIYTA Technology Development Co., Ltd. (Technology Development Co.)	15.00%
Shiyuehui Boutique (Shenzhen) Co., Ltd. (Shiyuehui)	25.00%
Shenzhen Harmony E-Commerce Co., Ltd.	20.00%
Emile Chouriet (Shenzhen) Limited (Emile Choureit Shenzhen Company)	25.00%
FIYTA Sales Co., Ltd. (FIYTA Sales Co.)	25.00%
Liaoning Hengdarui Commerce & Trade Co., Ltd. (Hengdarui)	25.00%
Montres Chouriet SA (the Swiss Co.)	30.00%

2. Tax Preferences

(1) According to Article 2 of the Circular on Transmission of the Provisions on the Policy in Connection with the Property Tax and Urban Land Use Tax Promulgated by the State Administration of Taxation (SHEN DI SHUI FA [2003] No. 676: for the new properties newly constructed or purchased by taxpayers, the property tax may be exempted for three years commencing from the next month after completion of the construction or purchase. Our FIYTA Watch Building located at Guangming New Zone of Shenzhen enjoys exemption from the property tax for three years commencing from the next month of completion of the construction in September 2016.

(2) In accordance with Notice of the Ministry of Finance and the State Administration of Taxation on Extending the Loss Carryover Period for High and New Technology Enterprises and Small and Medium-Sized Technological Enterprises (CAI SHUI [2018] No. 76), beginning on January 1, 2018, the losses of an enterprise currently qualified as a high and new technology enterprise that occurred during the prior five years and are still not fully covered may be carried over for covering in subsequent years, and the maximum carryover period shall be extended from 5 years to 10 years.

3. Others

Note: Property tax

According to the provisions of Article 5 of the Notice of Shenzhen Local Tax Bureau on the Issuance of the "Questions and Answers on the Policy for the Property Tax and Vehicle & Vessel Use Tax": Production and business units leasing its properties should pay real estate tax based on 70% of the cost of the properties at the tax rate of 1.2%.

The Group pays the property tax for its properties located in Shenzhen at the tax rate specified in the said Notice, and pays the property tax for its properties located in other cities according to local regulations.

VII. Notes to items of consolidated financial statements

1. Monetary capital

In CNY

Items	Ending balance	Opening balance
Cash in stock	215,989.73	229,258.38
Bank deposit	343,931,215.59	285,306,297.62
Other Monetary Funds	2,334,436.36	31,133,009.09
Total	346,481,641.68	316,668,565.09
Including: total amount deposited overseas	1,156,395.61	3,641,389.51
Total amount with restrictions on use due to mortgage, pledge or freezing of account	1,575,000.00	1,575,000.00

Other notes

Of other monetary fund, CNY 1,575,000.00 (December 31, 2017: CNY 1,575,000.00) was the margin deposits deposited by the Company for application to banks for unconditional and irrevocable letter of guarantee.

2. Transactional financial assets

Inapplicable

3. Derivative financial assets

Inapplicable

4. Notes receivable

(1) Presentation of classification of notes receivable

In CNY

Items	Ending balance	Opening balance
Bank acceptance	6,593,239.62	6,187,353.98
Trade acceptance	14,638,303.74	4,409,077.33
Total	21,231,543.36	10,596,431.31

In CNY

Categories	Ending balance			Opening balance		
	Book balance	Bad debt reserve	Book value	Book balance	Bad debt reserve	Book value

	Amount	Proportion	Amount	Provision proportion		Amount	Proportion	Amount	Provision proportion	
where										
Notes receivable for which bad debt reserve has been provided based on portfolios	21,448,726.09	100.00%	217,182.73	1.01%	21,231,543.36	10,813,614.04	100.00%	217,182.73	2.01%	10,596,431.31
where										
Bank acceptance	6,593,239.62	30.74%			6,593,239.62	6,187,353.98	57.22%			6,187,353.98
Trade acceptance	14,855,486.47	69.26%	217,182.73	1.46%	14,638,303.74	4,626,260.06	42.78%	217,182.73	4.69%	4,409,077.33
Total	21,448,726.09	100.00%	217,182.73	1.01%	21,231,543.36	10,813,614.04	100.00%	217,182.73	2.01%	10,596,431.31

Individual provision for bad and doubtful debts:

Inapplicable

Total provision for bad and doubtful debts based on portfolio:

In CNY

Description	Ending balance		
	Book balance	Bad debt reserve	Provision proportion
Trade acceptance	14,855,486.47	217,182.73	1.46%
Total	14,855,486.47	217,182.73	--

Note to the basis for determining the combination:

Inapplicable

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

Provision for bad debt during the reporting period

In CNY

Categories	Opening balance	Amount of movement during the reporting period				Ending balance
		Provision	Amount recovered or reversed	Writing-off	Others	
Trade acceptance	217,182.73					217,182.73
Total	217,182.73					217,182.73

Where the significant amount of the reserve for bad debt recovered or reversed:

Inapplicable

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

Inapplicable

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

Inapplicable

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

Inapplicable

(6) Notes receivable actually written off in current period

Inapplicable

5. Accounts receivable**(1) Accounts receivables disclosed by types**

In CNY

Categories	Ending balance					Opening balance				
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		Book value
	Amount	Proportion	Amount	Provision proportion		Amount	Proportion	Amount	Provision proportion	
Accounts receivable for which bad debt reserve has been provided based on individual items	18,435,421.50	4.01%	17,685,254.65	95.93%	750,166.85	24,140,377.57	5.66%	17,562,041.15	72.75%	6,578,336.42
where										
Accounts receivable from other customers	18,435,421.50	4.01%	17,685,254.65	95.93%	750,166.85	24,140,377.57	5.66%	17,562,041.15	72.75%	6,578,336.42
Accounts receivable for which bad debt reserve has been provided based on portfolios	441,309,124.89	95.99%	13,905,071.76	3.15%	427,404,053.13	402,376,052.00	0.94%	11,483,281.44	2.85%	390,892,770.56
where										
Portfolios 1 (Receivables from related parties within the scope of consolidation)										
Portfolios 2 (Accounts	441,309,124.89	95.99%	13,905,071.76	3.15%	427,404,053.13	402,376,052.00	94.34%	11,483,281.44	2.85%	390,892,770.56

receivable from other customers)	.89		76		13	00		4		
Total	459,744,546.39	100.00%	31,590,326.41	6.87%	428,154,219.98	426,516,429.57	100.00%	29,045,322.59	6.81%	397,471,106.98

Individual provision for bad and doubtful debts:

In CNY

Description	Ending balance			
	Book balance	Bad debt reserve	Provision proportion	Provision reason
Accounts receivable from other customers	18,435,421.50	17,685,254.65	95.93%	Expected to be unrecoverable
Total	18,435,421.50	17,685,254.65	--	--

Individual provision for bad and doubtful debts:

Inapplicable

Total provision for bad and doubtful debts based on portfolio:

In CNY

Description	Ending balance		
	Book balance	Bad debt reserve	Provision proportion
Accounts receivable from other customers	441,309,124.89	13,905,071.76	3.15%
Total	441,309,124.89	13,905,071.76	--

Note to the basis for determining the combination:

Inapplicable

Disclosed based on aging

In CNY

Aging	Ending balance
Within 1 year (with 1 year inclusive)	449,801,260.02
1 to 2 years	7,015,459.22
2 to 3 years	942,383.55
Over 3 years	1,985,443.60
3 to 4 years	1,953,085.41
4 to 5 years	32,358.19
Total	459,744,546.39

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

Provision for bad debt during the reporting period

In CNY

Categories	Opening balance	Amount of movement during the reporting period				Ending balance
		Provision	Amount recovered or reversed	Writing-off	Others	
Accounts receivable from other customers	29,045,322.59	2,928,414.87	383,411.05			31,590,326.41
Total	29,045,322.59	2,928,414.87	383,411.05			31,590,326.41

Where the significant amount of the reserve for bad debt recovered or reversed:

Inapplicable

(3) Accounts receivable actually written off in current period

Inapplicable

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

In CNY

Description of Units	Ending balance of accounts receivable	Proportion of the ending balance of the accounts receivable	Ending balance of the provision for bad debts
Accounts receivable from the top five debtors	70,888,754.40	15.41%	3,544,437.72
Total	70,888,754.40	15.41%	

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

Inapplicable

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

Inapplicable

6. Financing with accounts receivable

Inapplicable

7. Advance payments

(1) Advance payments are presented based on ages

In CNY

Aging	Ending balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	15,017,714.46	81.60%	10,221,061.48	94.23%
1 to 2 years	2,759,153.37	14.99%	284,733.40	2.62%
2 to 3 years	284,733.40	1.55%	342,167.40	3.15%
Over 3 years	342,167.40	1.86%		
Total	18,403,768.63	--	10,847,962.28	--

Note to the reason why the prepayment with age exceeding 1 year and a significant amount of money has not been settled in time:

Inapplicable

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

The total amount of advance payment to the top five payees of the ending balance collected based on the payees of the advance payment was CNY 10,980,253.84, taking 59.66% of the total ending balance of the advance payment.

Other notes:

Inapplicable

8. Other receivables

In CNY

Items	Ending balance	Opening balance
Other receivables	106,768,399.40	47,239,844.58
Total	106,768,399.40	47,239,844.58

(1) Interest receivable

1) Classification of interest receivable

Inapplicable

2) Significant overdue interest

Inapplicable

3) Provision for bad debts

Inapplicable

(2) Dividends receivable**1) Classification of dividends receivable**

Inapplicable

2) Significant dividends receivable with age exceeding 1 year

Inapplicable

3) Provision for bad debts

Inapplicable

(3) Other receivables**1) Classification of other receivables based on nature of payment**

In CNY

Nature of Payment	Ending book balance	Opening book balance
Reserve	5,462,300.98	2,147,617.27
Cash deposits	45,511,609.60	45,014,657.70
Commodity promotion fee	749,974.83	2,518,891.09
Advance payment for equity allocation	53,183,393.38	
Others	12,376,982.56	7,903,069.93
Total	117,284,261.35	57,584,235.99

2) Provision for bad debts

In CNY

Bad debt reserve	The 1st stage	The 2nd stage	The 3rd stage	Total
	Predicted credit loss in the future 12 months	Predicted credit loss in the whole duration (no credit impairment taken place)	Predicted credit loss in the whole duration (credit impairment already taken place)	
Balance as at January 01, 2020	2,450,903.29		7,893,488.12	
Balance as at January 01, 2020 during the reporting period	—	—	—	—

Provision in the reporting period	49,663.99			
Reversal in the reporting period	120,707.78			
Other changes			242,514.33	
Balance as at June 30, 2020	2,379,859.50		8,136,002.45	

Movement of the book balance of provision for loss with significant amount in the reporting period

Inapplicable

Disclosed based on aging

In CNY

Aging	Ending balance
Within 1 year (with 1 year inclusive)	93,144,499.37
1 to 2 years	6,207,121.99
2 to 3 years	4,015,241.00
Over 3 years	13,917,398.99
3 to 4 years	11,790,568.98
4 to 5 years	1,922,066.01
Over 5 years	204,764.00
Total	117,284,261.35

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

Provision for bad debt during the reporting period

In CNY

Categories	Opening balance	Amount of movement during the reporting period				Ending balance
		Provision	Amount recovered or reversed	Writing-off	Others	
Bad debt reserve	10,344,391.41	49,663.99	120,707.78		242,514.33	10,515,861.95
Total	10,344,391.41	49,663.99	120,707.78		242,514.33	10,515,861.95

Where the significant amount of the provision for bad debt recovered or reversed:

Inapplicable

4) Accounts receivable actually written off in the reporting period

Inapplicable

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

In CNY

Description of Units	Nature of Payment	Ending balance	Aging	Proportion in total ending balance of other receivables	Ending balance of the provision for bad debts
A	Payment for goods	6,293,233.44	Over 3 years	5.37%	6,293,233.44
B	Deposit in security	3,166,648.00	Within 1 year	2.70%	158,332.40
C	Deposit in security	1,672,563.00	Within 1 year	1.43%	83,628.15
D	Deposit in security	1,151,403.00	Within 1 year	0.98%	57,570.15
E	Deposit in security	946,179.00	Within 1 year	0.81%	47,308.95
Total	--	13,230,026.44	--	11.28%	6,640,073.09

6) Accounts receivable involving government subsidy

Inapplicable

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

Inapplicable

8) Amount of assets and liabilities formed through transfer of account receivable and continuing to be involved

Inapplicable

9. Inventories

Does the Company need to comply with the disclosure requirements of real estate industry

No

(1) Classification of inventories

In CNY

Items	Ending balance			Opening balance		
	Book balance	Provision for price falling of inventories or provision for impairment of contract performance costs	Book value	Book balance	Provision for price falling of inventories or provision for impairment of contract performance costs	Book value
Raw materials	198,721,964.25	21,420,955.08	177,301,009.17	195,644,341.20	21,197,269.90	174,447,071.30
Products in process	6,274,467.37		6,274,467.37	11,707,382.99		11,707,382.99
Commodities in stock	1,676,669,349.53	62,029,785.83	1,614,639,563.70	1,684,674,585.69	62,008,950.06	1,622,665,635.63

Total	1,881,665,781.15	83,450,740.91	1,798,215,040.24	1,892,026,309.88	83,206,219.96	1,808,820,089.92
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(2) Provision for price falling of inventories or provision for impairment of contract performance costs

In CNY

Items	Opening balance	Increase in the reporting period		Decrease in the reporting period		Ending balance
		Provision	Others	Reversal or Offset	Others	
Raw materials	21,197,269.90		223,685.19			21,420,955.08
Commodities in stock	62,008,950.06		20,835.76			62,029,785.83
Total	83,206,219.96		244,520.95			83,450,740.91

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

Inapplicable

(4) Note to the amortized amount of the contract performance costs in the reporting period

Inapplicable

10. Contract assets

Inapplicable

11. Classified as assets held for sale

Inapplicable

12. Non-current assets due within a year

Inapplicable

13. Other current assets

In CNY

Items	Ending balance	Opening balance
Input VAT to be offset	28,805,937.14	47,626,820.11
Income tax paid in advance	3,248,429.93	1,313,954.49
Others - short-term expenses to be apportioned	11,240,638.19	15,661,429.95
VAT paid in advance	1,243,045.91	4,255,892.19
Total	44,538,051.17	68,858,096.74

Other notes:

Inapplicable

14. Equity investment

Inapplicable

15. Other equity investment

Inapplicable

16. Long term accounts receivable

(1) About long term accounts receivable

Inapplicable

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

Inapplicable

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

Inapplicable

17. Long-term equity investments

In CNY

Investees	Opening balance (book value)	Increase/ Decrease (+ / -) in the reporting period								Ending balance (book value)	Ending balance of the provision for impairment
		Additional investment	Decrease of investment	Income from equity investment recognized under equity method	Other comprehensive income adjustment	Other equity movement	Announced for distributing cash dividend or profit	Provision for impairment	Others		
I. Joint Venture											
II. Associates											
Shanghai Watch Industry Co., Ltd. (Shanghai	46,423,837.85			2,160,911.92						48,584,749.77	

Watch)											
Sub-total	46,423,837.85			2,160,911.92						48,584,749.77	
Total	46,423,837.85			2,160,911.92						48,584,749.77	

Other notes

Inapplicable

18. Investment in other equity instruments

In CNY

Items	Ending balance	Opening balance
Xi'an Tangcheng Co., Ltd.	85,000.00	85,000.00
Total	85,000.00	85,000.00

Itemized disclosure of investment in non-trading equity instruments in the reporting period

Inapplicable

19. Other non-current financial assets

Inapplicable

20. Investment based real estate

(1) Investment property measured based on the cost method

In CNY

Items	Housing and buildings	Land use right	Construction-in-process	Total
I. Original book value				
1. Opening balance	603,886,647.35			603,886,647.35
2. Increase in the reporting period				
(1) Purchased				
(2) Inventories/ fixed assets/construction- in – process transferred in				
(3) Increase of enterprise consolidation				
3. Amount decreased in the				

reporting period				
(1) Disposal				
(2) Other transfer out				
4. Ending balance	603,886,647.35			603,886,647.35
II. Accumulative depreciation and accumulative amortization				
1. Opening balance	196,383,340.11			196,383,340.11
2. Increase in the reporting period	7,621,323.86			7,621,323.86
(1) Provision or amortization	7,621,323.86			7,621,323.86
3. Amount decreased in the reporting period				
(1) Disposal				
(2) Other transfer out				
4. Ending balance	204,004,663.97			204,004,663.97
III. Provision for impairment				
1. Opening balance				
2. Increase in the reporting period				
(1) Provision				
3. Amount decreased in the reporting period				
(1) Disposal				
(2) Other transfer out				
4. Ending balance				
IV. Book value				
1. Book value at the end of the reporting period	399,881,983.38			399,881,983.38
2. Book value at the beginning of the reporting period	407,503,307.24			407,503,307.24

(2) Investment property measured based on fair value

Inapplicable

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

Inapplicable

21. Fixed asset

In CNY

Items	Ending balance	Opening balance
Fixed assets	354,294,685.37	363,997,098.94
Total	354,294,685.37	363,997,098.94

(1) About fixed assets

In CNY

Items	Plant & buildings	Machinery & equipment	Motor vehicle	Electronic equipment	Others	Total
I. Original book value						
1. Opening balance	399,884,182.37	88,576,975.77	15,357,879.37	45,484,697.66	46,262,752.19	595,566,487.36
2. Increase in the reporting period	1,673,662.24	2,374,605.84		987,842.49	602,909.94	5,639,020.51
(1) Purchase	1,673,662.24	2,374,605.84		987,842.49	602,909.94	5,639,020.51
(2) Construction-in-process transferred in						
(3) Increase of enterprise consolidation						
3. Amount decreased in the reporting period		418,674.85		779,760.00	406,310.94	1,604,745.79
(1) Disposal or scrapping		418,674.85		779,760.00	406,310.94	1,604,745.79
4. Ending balance	401,557,844.61	90,532,906.76	15,357,879.37	45,692,780.15	46,459,351.19	599,600,762.08
II. Accumulative depreciation						

1. Opening balance	99,134,756.79	49,325,868.54	13,492,690.81	32,184,334.98	37,431,737.30	231,569,388.42
2. Increase in the reporting period	6,968,805.33	3,933,316.11	201,480.66	2,214,596.73	1,601,335.24	14,919,534.07
(1) Provision	6,968,805.33	3,933,316.11	201,480.66	2,214,596.73	1,601,335.24	14,919,534.07
3. Amount decreased in the reporting period		217,213.16		643,229.61	322,403.01	1,182,845.78
(1) Disposal or scrapping		217,213.16		643,229.61	322,403.01	1,182,845.78
4. Ending balance	106,103,562.12	53,041,971.49	13,694,171.47	33,755,702.10	38,710,669.53	245,306,076.71
III. Provision for impairment						
1. Opening balance						
2. Increase in the reporting period						
(1) Provision						
3. Amount decreased in the reporting period						
(1) Disposal or scrapping						
4. Ending balance						
IV. Book value						
1. Book value at the end of the reporting period	295,454,282.49	37,490,935.27	1,663,707.90	11,937,078.05	7,748,681.66	354,294,685.37
2. Book value at the beginning of the reporting period	300,749,425.58	39,251,107.23	1,865,188.56	13,300,362.68	8,831,014.89	363,997,098.94

(2) About temporarily idle fixed assets

Inapplicable

(3) Fixed assets rented through finance lease

Inapplicable

(4) Fixed assets leased through operating lease

Inapplicable

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

Items	Book value	The reason why the property ownership certificate has not been granted
Office occupancy of Harbin Office	247,083.50	There existed problem in ownership

(6) Disposal of fixed assets

Inapplicable

22. Construction-in-process

Inapplicable

(4) Engineering materials

Inapplicable

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

Inapplicable

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

Inapplicable

24. Oil and Gas Assets

Inapplicable

25. Use right assets

Inapplicable

26. Intangible assets

(1) About the intangible assets

In CNY

Items	Land use right	Patent Right	Non-patent technology	Software system	Trademark rights	Total
I. Original book value						
1. Opening balance	34,933,822.40			24,114,126.36	11,930,531.38	70,978,480.14
2. Increase in the reporting period				1,268,215.40	1,711,282.42	2,979,497.82
(1) Purchase				1,268,215.40	1,711,282.42	2,979,497.82
(2) Internal R & D						
(3) Increase of enterprise consolidation						
3. Amount decreased in the reporting period						
(1) Disposal						
4. Ending balance	34,933,822.40			25,382,341.76	13,641,813.80	73,957,977.96
II. Accumulative amortization						
1. Opening balance	11,353,509.97			15,410,275.67	5,502,873.24	32,266,658.88
2. Increase in the reporting period	366,776.65			2,197,060.87	1,270,464.12	3,834,301.64
(1) Provision	366,776.65			2,197,060.87	1,270,464.12	3,834,301.64
3. Amount decreased in the reporting period						
(1) Disposal						
4. Ending balance	11,720,286.62			17,607,336.54	6,773,337.36	36,100,960.52
III. Provision for						

impairment						
1. Opening balance						
2. Increase in the reporting period						
(1) Provision						
3. Amount decreased in the reporting period						
(1) Disposal						
4. Ending balance						
IV. Book value						
1. Book value at the end of the reporting period	23,213,535.78			7,775,005.22	6,868,476.44	37,857,017.44
2. Book value at the beginning of the reporting period	23,580,312.43			8,703,850.69	6,427,658.14	38,711,821.26

Proportion 0% of the intangible assets formed through the Company's internal R & D in the balance of the intangible assets at the end of the reporting period.

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

Inapplicable

27. Development expenditure

Inapplicable

28. Goodwill

(1) Original book value of the goodwill

Inapplicable

(2) Provision for impairment of the goodwill

Inapplicable

29. Long term expenses to be apportioned

In CNY

Items	Opening balance	Increase in the reporting period	Amount amortized in the reporting period	Other decrease	Ending balance
Charge of fabrication of special counters	41,961,947.89	11,476,444.96	23,585,536.88		29,852,855.97
Refurbishment expenses	95,266,200.86	13,998,397.46	23,273,140.55		85,991,457.77
Others	15,359,342.58	0.00	4,632,330.36		10,727,012.22
Total	152,587,491.33	25,474,842.42	51,491,007.79		126,571,325.96

Other notes

Inapplicable

30. Deferred income tax asset/deferred income tax liability**(1) Deferred income tax asset without offsetting**

In CNY

Items	Ending balance		Opening balance	
	Offsetable provisional difference	Deferred income tax asset	Offsetable provisional difference	Deferred income tax asset
Asset impairment reserve	103,310,389.63	22,788,457.81	100,912,679.00	22,188,996.64
Unrealized profit from the intracompany transactions	156,287,413.96	38,840,027.68	179,676,673.34	44,654,504.04
Offsetable loss	122,599,534.04	30,135,383.47	50,678,682.32	12,074,057.61
Deferred income	3,046,090.60	761,522.65	3,046,090.60	761,522.65
Share-based payment	7,606,027.81	1,823,052.62	4,440,625.91	1,062,967.67
Advertisement fee available for carrying-forward to the next year	8,221,847.42	1,718,803.47	14,988,443.65	2,997,334.76
Total	401,071,303.46	96,067,247.70	353,743,194.82	83,739,383.37

(2) Deferred income tax liabilities without offsetting

In CNY

Items	Ending balance		Opening balance	
	Taxable provisional difference	Deferred income tax liability	Taxable provisional difference	Deferred income tax liability
One-time pre-tax deduction of fixed assets	7,951,478.07	1,192,721.71	8,374,949.93	1,256,242.49
Total	7,951,478.07	1,192,721.71	8,374,949.93	1,256,242.49

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

Inapplicable

(4) Statement of deferred income tax asset not recognized

In CNY

Items	Ending balance	Opening balance
Offsetable loss	68,005,378.21	64,205,351.75
Provision for impairment of assets	22,775,235.70	22,200,437.70
Total	90,780,613.91	86,405,789.45

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

In CNY

Year	Amount at the end of the reporting period	Amount at the beginning of the reporting period	Remarks
2020			
2021			
2022			
2023	2,417,279.16	2,417,279.16	
2024	7,798,677.32	7,798,677.32	
2025	11,684,299.22	11,684,299.22	
2026	18,449,678.50	18,449,678.50	
2027	23,855,417.55	23,855,417.55	
2028	3,800,026.46		
Total	68,005,378.21	64,205,351.75	--

Other notes:

Inapplicable

31. Other non-current assets

In CNY

Items	Ending balance			Opening balance		
	Book balance	Impairment reserve	Book value	Book balance	Impairment reserve	Book value
Advance payment for engineering works and equipment	10,492,964.34		10,492,964.34	7,373,248.48		7,373,248.48
Total	10,492,964.34		10,492,964.34	7,373,248.48		7,373,248.48

Other notes:

Inapplicable

32. Short term loans

(1) Classification of short-term loans

In CNY

Items	Ending balance	Opening balance
Secured loan	60,512,090.66	37,271,502.38
Credit loan	613,050,268.89	530,637,330.83
Total	673,562,359.55	567,908,833.21

Note to classification of short term borrowings:

Inapplicable

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

Inapplicable

33. Transactional financial liabilities

Inapplicable

34. Derivative financial liabilities

Inapplicable

35. Notes payable

In CNY

Categories	Ending balance	Opening balance
Trade acceptance	1,400,000.00	0.00
Total	1,400,000.00	0.00

Total amount of notes payable due but not paid amounting to CNY 0 at the end of the reporting period.

36. Accounts payable

(1) Statement of accounts payable

In CNY

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

Payment for goods	189,556,864.82	254,887,129.91
Payment for materials		11,932,722.53
Construction cost payable	1,484,563.53	12,952,934.93
Total	191,041,428.35	279,772,787.37

(2) Significant accounts payable with age exceeding 1 year

Inapplicable

37. Advance Receipts**(1) Statement of advances from customers**

In CNY

Items	Ending balance	Opening balance
Payment for goods		
Engineering fees		
Rent	7,251,488.79	3,434,407.04
Unfinished projects formed in the construction contract but already settled		
Total	7,251,488.79	3,434,407.04

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

Inapplicable

38. Contract liabilities

In CNY

Items	Ending balance	Opening balance
Payment for goods	21,475,843.30	19,999,056.53
Total	21,475,843.30	19,999,056.53

Amount and reason of the significant change in the book value during the reporting period

Inapplicable

39. Employee remuneration payable**(1) Statement of employee remuneration payable**

In CNY

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance
I. Short term remuneration	75,434,545.00	254,001,441.87	271,417,606.03	58,018,380.84
II. Post-employment benefit program - defined contribution plan.	7,067,511.52	6,552,660.39	9,405,143.24	4,215,028.67
III. Dismissal welfare	100,789.15	614,333.23	715,122.38	
Total	82,602,845.67	261,168,435.49	281,537,871.65	62,233,409.51

(2) Presentation of short term remuneration

In CNY

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance
1. Salaries, bonus, allowances and subsidies	74,919,776.81	229,817,392.02	247,521,739.12	57,215,429.71
2. Staff's welfare		5,604,972.00	5,604,972.00	
3. Social security premium		6,959,476.34	6,791,592.13	167,884.21
Including: medical insurance premium		6,408,859.43	6,259,816.74	149,042.69
Work injury insurance		117,511.50	117,078.36	433.14
Maternity Insurance		433,105.41	414,697.03	18,408.38
4. Public reserve for housing		8,279,142.71	8,233,410.71	45,732.00
5. Trade union fund and staff education fund	514,768.19	3,308,991.61	3,234,424.88	589,334.92
6. Short-term paid leave		31,467.19	31,467.19	
Total	75,434,545.00	254,001,441.87	271,417,606.03	58,018,380.84

(3) Presentation of the defined contribution plan

In CNY

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance
1. Basic endowment insurance premium	255,571.47	5,508,582.11	5,376,258.34	387,895.24
2. Unemployment insurance premium		137,321.18	329,926.24	-192,605.06
3. Contribution to the enterprise annuity scheme	6,811,940.05	906,757.10	3,698,958.66	4,019,738.49
Total	7,067,511.52	6,552,660.39	9,405,143.24	4,215,028.67

Other notes:

Inapplicable

40. Taxes payable

In CNY

Items	Ending balance	Opening balance
Value-added tax	26,548,335.81	6,929,833.12
Enterprise income tax	24,101,242.37	15,512,840.60
Individual income tax	1,487,307.93	1,227,923.78
Urban maintenance and construction tax	127,921.38	91,612.52
Education Surcharge	84,988.48	65,887.11
Others	738,858.32	236,705.87
Total	53,088,654.29	24,064,803.00

Other notes:

Inapplicable

41. Other payables

In CNY

Items	Ending balance	Opening balance
Dividends payable	53,887,144.07	848,233.27
Other payables	136,628,253.92	118,768,488.36
Total	190,515,397.99	119,616,721.63

(1) Interest payable

Inapplicable

(2) Dividend payable

In CNY

Items	Ending balance	Opening balance
Dividends of common shares	53,887,144.07	848,233.27
Total	53,887,144.07	848,233.27

Other note, including the significant dividends payable remaining outstanding for more than 1 year and necessary to disclose the reason of unpayment:

Inapplicable

(3) Other payables**1) Other payments stated based on nature of fund**

In CNY

Items	Ending balance	Opening balance
Cash pledge or cash deposit	68,019,256.56	45,114,205.97
Fund for shop-front activities	1,535,874.76	16,636,771.40
Personal account payable	1,280,092.78	1,321,518.82
Refurbishment	3,558,722.65	4,556,469.41
Obligation for repurchase of the restricted stocks	17,442,566.73	17,737,366.73
Others	44,791,740.44	33,402,156.03
Total	136,628,253.92	118,768,488.36

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

Inapplicable

42. Held-for-sale liabilities

Inapplicable

43. Non-current liabilities due within a year

In CNY

Items	Ending balance	Opening balance
Long-term liabilities due within a year	373,530.00	360,140.00
Total	373,530.00	360,140.00

Other notes:

Inapplicable

44. Other current liabilities

Inapplicable

45. Long-term Loan**(1) Classification of Long-term Borrowings**

In CNY

Items	Ending balance	Opening balance
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Mortgage loan	4,295,595.00	4,321,680.00
Total	4,295,595.00	4,321,680.00

Note to classification of long term borrowings:

- (1) The Company has no overdue and outstanding long term borrowing.
- (2) The Company has no secured borrowings in the balance of the long term borrowings during the reporting period

Other notes, including the interest rate interval:

The interest rate of long term borrowings is 3.00%.

46. Bonds Payable

(1) Bonds payable

Inapplicable

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

Inapplicable

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

Inapplicable

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

Inapplicable

47. Lease liabilities

Inapplicable

48. Long term accounts payable

Inapplicable

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

Inapplicable

(2) Special accounts payable

Inapplicable

49. Long term payroll payable**(1) Statement of long term payroll payable**

Inapplicable

(2) Change of defined benefit plans

Inapplicable

50. Predicted liabilities

Inapplicable

51. Deferred income

In CNY

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance	Cause of formation
Government subsidies	3,046,090.60			3,046,090.60	Income to be recognized
Total	3,046,090.60			3,046,090.60	--

Items involving government subsidies:

In CNY

Liabilities	Opening balance	Amount of newly added subsidy in the reporting period	Amount counted to the non-operating income in the reporting period	Amount counted to the other income in the reporting period	Amount offsetting costs and expenses in the reporting period	Other changes	Ending balance	Related with assets/related with income
Special purpose fund of Shenzhen industrial design development (Note (1))	729,945.01						729,945.01	Related with assets
Funding project for construction of enterprise technology center designated by the state (Note (2))	1,218,274.51						1,218,274.51	Related with assets
Special purpose fund for 2017 Industry and	1,031,833.34						1,031,833.34	Related with income

Informationization at Provincial Level (Note (3))								
Special fund for upgrading standard and quality of consumer goods	66,037.74						66,037.74	Related with income

Other notes:

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

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

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

52. Other non-current liabilities

Inapplicable

53. Capital stock

In CNY

	Opening balance	Increase / Decrease (+/-)					Ending balance
		New issuing	Bonus shares	Shares converted from reserve	Others	Sub-total	
Total Shares	442,968,881.00				-14,797,000.00	-14,797,000.00	428,171,881.00

Other notes:

(1) The Company held the 7th session of the Ninth Board of Directors on April 4, 2019 and the 2nd Extraordinary General Meeting 2019 on April 23, 2019, and reviewed and approved the "Proposal for Repurchase of the Company's Partial Domestically Listed Foreign Shares (B-shares)", according to which the Company was approved to repurchase the Company's partial domestically listed foreign shares (B-shares) by means of centralized bidding to reduce its registered capital. Ended April 29, 2020, the Company completed the cancellation of the above shares (14,730,000 shares) repurchased with China Securities Depository and Clearing Corporation Limited Shenzhen Branch. After cancellation of the repurchased shares, the total capital stock of the Company decreased from 442,968,881 shares to 428,238,881

shares.

(2) On January 10, 2020 and March 18, 2020, the Company held the 15th and 16th sessions of the Ninth Board of Directors and reviewed and approved the "Proposal for Repurchase and Cancellation of the Partially Restricted Shares Involved in 2018 A-Share Restricted Stock Incentive Plan (Phase 1)", according to which the Company intended to repurchase and cancel a total of 67,000 A-share restricted stock jointly held, already granted but with the restriction not released to three former incentive objects who have left the Company.

54. Other equity instruments

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

Inapplicable

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

Inapplicable

55. Capital reserve

In CNY

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance
Capital premium (capital stock premium)	1,062,297,140.76	0.00	65,007,645.82	997,289,494.94
Other capital reserve	18,933,074.56	3,165,401.89	2,948.60	22,095,527.85
Total	1,081,230,215.32	3,165,401.89	65,010,594.42	1,019,385,022.79

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

(1) The Company held the 7th session of the Ninth Board of Directors on April 4, 2019 and the 2nd Extraordinary General Meeting 2019 on April 23, 2019, and reviewed and approved the "Proposal for Repurchase of the Company's Partial Domestically Listed Foreign Shares (B-shares)", according to which the Company was approved to repurchase the Company's partial domestically listed foreign shares (B-shares) by means of centralized bidding to reduce its registered capital. The Company accumulatively repurchased 14,730,000 domestically listed foreign shares (B shares) by means of centralized bidding through special securities repurchase accounts, and the capital reserve (capital stock premium) decreased by CNY 65,007,645.82 (converted in Hong Kong dollars, including the service fees of CNY 243,340.90).

(2) Other capital reserve increased by CNY 3,165,401.89 in the reporting period are the restricted stock incentive expenses of A-shares in January, 2020 provided from January to June, 2020.

56. Treasury shares

In CNY

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance
Shares in stock	71,267,118.78	25,969,974.82	79,789,104.92	17,447,988.68
Total	71,267,118.78	25,969,974.82	79,789,104.92	17,447,988.68

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

The increase of the shares in stock during the reporting period consisted of two parts. One part was the cancelled retired employees' restrictive shares in stock with total amount of CNY 294,800.00 and the other part was the amount from the repurchase of B-shares totaling CNY 25,969,974.82 and the repurchased B-shares in stock cancelled subsequently with total amount of CNY 79,494,304.92.

57. Other comprehensive income

In CNY

Items	Opening balance	Amount incurred in the reporting period					Ending balance	
		Amount incurred before income tax in the reporting period	Less: the amount counted to the profit and loss during the reporting period which had been counted to the other comprehensive income in the previous period.	Less: the amount counted to the retained earnings during the reporting period which had been counted to the other comprehensive income in the previous period.	Less: Income tax expense	Attributable to the parent company after tax		Attributable to minority shareholders after tax
II. Other comprehensive income which shall be re-classified into profit and loss	-940,209.09	4,329,973.83				4,329,877.58	96.25	3,389,668.49
Conversion difference in foreign currency statements	-940,209.09	4,329,973.83				4,329,877.58	96.25	3,389,668.49
Total other comprehensive income	-940,209.09	4,329,973.83				4,329,877.58	96.25	3,389,668.49

Other notes include the valid part of gain and loss of a cash-flow hedge converted into initial amount of arbitrated items for adjustment:

The net amount of the other comprehensive income after tax incurred in the reporting period was CNY 4,329,973.83.

Where, the net after-tax amount of other comprehensive income attributable to shareholders of the parent company was CNY 4,329,877.58; the net after-tax amount of other comprehensive income attributable to the minority shareholders incurred in the reporting period was CNY 96.25.

58. Special reserve

Inapplicable

59. Surplus Reserve

In CNY

Items	Opening balance	Increase in the reporting period	Decrease in the reporting period	Ending balance
Statutory surplus reserve	173,716,286.14	0.00	0.00	173,716,286.14
Discretionary surplus reserve	61,984,894.00	0.00	0.00	61,984,894.00
Total	235,701,180.14	0.00	0.00	235,701,180.14

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

Inapplicable

60. Retained earnings

In CNY

Items	Reporting period	Previous period
Before adjustment: Retained earnings at the end of the previous period	966,840,818.40	851,360,603.66
After adjustment: Retained earnings at the beginning of the reporting period	966,840,818.40	851,360,603.66
Plus: Net profit attributable to the parent company's owner in the report period	77,738,906.30	215,909,014.15
Less: Provision of statutory surplus public reserve		12,685,386.34
Dividends of common shares payable	85,634,376.20	87,743,413.07
Retained earnings at the end of the reporting period	958,945,348.50	966,840,818.40

Statement of adjustment of retained earnings at the beginning of the reporting period:

- 1) The amount involved in the retroactive adjustment according to the Enterprise Accounting Standards and the relevant new provisions influencing the retained earnings at the beginning of the reporting period was CNY 0.00.
- 2) The amount involved in change of the accounting policy influencing the retained earnings at the beginning of the reporting period was CNY 0.00.
- 3) The amount involved in correction of the significant accounting errors influencing the retained earnings at the beginning of the reporting period was CNY 0.00.
- 4) The amount involved in change of the consolidation scope caused by the joint control influencing the retained earnings at the beginning of the reporting period was CNY 0.00.
- 5) The total amount involved in other adjustments influencing the retained earnings at the beginning of the reporting period was CNY 0.00.

period was CNY 0.00.

61. Operation Income and Costs

In CNY

Items	Amount incurred in the reporting period		Amount incurred in the previous period	
	Income	Costs	Income	Costs
Principal business	1,579,084,669.87	977,121,580.01	1,775,615,457.33	1,049,188,996.85
Other businesses	2,750,045.16	314,096.86	9,420,562.90	2,315,078.37
Total	1,581,834,715.03	977,435,676.87	1,785,036,020.23	1,051,504,075.22

Revenue related information:

Inapplicable

Information in connection with the performance obligation:

Inapplicable

Information related to the transaction price allocated to the remaining performance obligations:

Inapplicable

Other notes:

Inapplicable

62. Business Taxes and Surcharges

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Consumption tax	39,803.71	184,399.06
Urban maintenance and construction tax	2,489,349.64	6,395,004.36
Education Surcharge	1,762,953.17	4,548,531.69
Resource tax	0.00	0.00
Real estate tax	1,403,403.52	1,886,754.77
Land use tax	119,304.10	211,126.82
Tax on using vehicle and boat	2,880.00	1,035.00
Stamp duty	1,007,174.51	1,102,915.98
Others	446,115.04	765,107.65
Total	7,270,983.69	15,094,875.33

Other notes:

Inapplicable

63. Sales expenses

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Salaries & bonus	139,307,052.85	145,512,139.90
Employees' welfare	2,813,685.58	3,159,080.44
Public reserve for housing	5,258,301.65	5,750,656.98
Social security premium	9,151,865.67	22,997,809.84
Shopping mall and rental fees	89,783,779.60	83,986,057.93
Advertising, exhibition and market promotion fee	61,631,796.14	72,972,500.97
Depreciation and amortization	44,191,277.25	43,315,834.35
Packing expenses	3,301,568.93	5,502,133.20
Water & power supply and property management fee	8,864,424.63	9,561,119.07
Freight	5,368,007.05	6,971,013.87
Office expenses	2,324,895.41	2,779,674.92
Business travel expenses	1,975,223.92	4,887,148.59
Others	6,956,433.83	8,380,858.89
Total	380,928,312.51	415,776,028.95

Other notes:

Inapplicable

64. Administrative expenses

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Salaries & bonus	61,814,187.62	67,718,045.37
Employees' welfare	1,940,091.63	1,790,667.18
Social security premium	2,319,177.99	5,755,767.56
Public reserve for housing	2,231,934.56	2,077,719.29
Enterprise annuity	961,256.78	1,125,994.66
Labor union dues	2,548,950.92	2,630,194.16
Training fee	341,994.77	518,230.67
Depreciation and amortization	13,362,685.84	14,295,251.10
Business travel expenses	967,235.20	3,353,907.41
Office expenses	2,085,464.53	1,688,108.77
Service fee to intermediary agencies	1,598,683.57	1,625,961.96

Others	8,068,685.32	13,772,987.29
Total	98,240,348.73	116,352,835.42

Other notes:

Inapplicable

65. R & D expenditures

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Salaries & bonus	12,250,034.26	10,860,114.59
Employees' welfare	198,645.82	205,127.58
Social security premium	392,814.93	924,124.54
Public reserve for housing	412,951.55	304,138.80
Cost of materials	9,453.09	63,256.68
Intellectual property fee	276,918.12	277,815.00
Payment for samples	593,599.24	868,357.42
Consulting fee	240,576.67	875,841.49
Depreciation and amortization	3,162,020.53	2,627,949.69
Technical cooperation fee	1,536,929.13	560,030.37
Others	1,630,327.42	1,959,654.77
Total	20,704,270.76	19,526,410.93

Other notes:

Inapplicable

66. Financial expenses

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Interest payment	13,485,670.67	12,023,843.93
Less: capitalized interest	0.00	0.00
Less: Interest income	2,482,721.82	908,850.92
Exchange gain & loss	713,188.07	-134,740.68
Financial service charges and miscellaneous	4,812,806.44	5,258,713.56
Total	16,528,943.36	16,238,965.89

Other notes:

Inapplicable

67. Other income

In CNY

Source of arising of other income	Amount incurred in the reporting period	Amount incurred in the previous period
Government subsidies	10,154,015.67	13,045,742.36
Total	10,154,015.67	13,045,742.36

68. Return on investment

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Income from long term equity investment based on equity method	2,160,911.92	1,531,310.06
Total	2,160,911.92	1,531,310.06

Other notes:

Inapplicable

69. Net exposure hedge income

Inapplicable

70. Income from change of the fair value

Inapplicable

71. Loss from impairment of credit

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Provision for bad debt of other receivables	-1,851.58	-301,318.07
Loss from bad debt of accounts receivable	-2,465,509.77	-2,780,450.82
Total	-2,467,361.35	-3,081,768.89

Other notes:

Inapplicable

72. Loss from impairment of assets

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
II. Loss from price falling of inventories or loss from	0.00	2,514,740.86

impairment of contract performance costs		
Total	0.00	2,514,740.86

Other notes:

Inapplicable

73. Income from disposal of assets

In CNY

Source of income from disposal of assets	Amount incurred in the reporting period	Amount incurred in the previous period
Profit from disposal of assets	0.00	1,720.00
Loss from disposal of assets	-200,140.17	-213,730.13
Total	-200,140.17	-212,010.13

74. Non-operating expenses

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period	Amount counted to the current non-operating gain and loss
Disposal of account payable impossible to be paid	877,410.33	212,175.93	877,410.33
Carry-over of inventory overage	226,888.80		226,888.80
Others	287,560.29	82,135.77	287,560.29
Total	1,391,859.42	294,311.70	1,391,859.42

Government subsidy counted to the current profit and loss:

Inapplicable

75. Non-operating expenditure

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period	Amount counted to the current non-operating gain and loss
Outward donation	0.00	200,000.00	0.00
Others	118,646.41	324,505.98	118,646.41
Total	118,646.41	524,505.98	118,646.41

Other notes:

Inapplicable

76. Income tax expense**(1) Statement of income tax expenses**

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Income tax expense in the reporting period	26,235,776.22	22,066,289.48
Deferred income tax expense	-12,327,864.33	18,548,898.09
Total	13,907,911.89	40,615,187.57

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

In CNY

Items	Amount incurred in the reporting period
Total profit	91,646,818.19
Income tax expense calculated based on the statutory/ applicable tax rate	22,911,704.55
Influence of different tax rates applicable to subsidiaries	-9,197,395.81
Influence of adjustment of the income tax in the previous period	-49,934.25
Influence of the non-taxable income	0.00
Influence of the non-offsetable costs, expenses and loss	891,927.62
Influence from the offsetable loss of the unrecognized deferred income tax asset at the end of the previous period	0.00
Influence from the offsetable provisional difference or offsetable loss of the unrecognized deferred income tax asset at the end of the reporting period	1,140,007.94
Influence from the addition of the R & D expenses upon deduction of tax payment (to be stated with "-")	-1,788,398.15
Others	0.00
Income tax expenses	13,907,911.89

Other notes

Inapplicable

77. Other comprehensive income

For the detail, refer to Note 57.

78. Cash Flow Statement Items**(1) Other operation activities related cash receipts**

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Commodity promotion fee	5,210,311.30	7,326,827.42
Government subsidies	10,154,015.67	13,045,742.36
Cash deposit	7,315,744.37	6,493,217.88
Interest income	2,482,721.82	908,850.92
Reserve	1,303,065.89	687,618.62
Others	4,821,570.68	12,513,870.71
Total	31,287,429.73	40,976,127.91

Note to other cash received in connection with operating activities:

Inapplicable

(2) Other cash paid in connection with operation activities

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Market promotion	30,650,504.85	55,480,743.21
Rent	56,722,191.19	54,742,365.90
Shopping mall fees	12,740,511.78	30,786,192.52
Advertisement fee	6,000,177.41	11,083,207.52
Packing expenses	3,491,359.91	5,703,500.29
Business travel expenses	2,955,291.84	8,284,981.38
Water and electricity fees	5,422,039.82	6,714,986.63
R & D expenses	3,588,855.18	4,322,224.36
Office expenses	5,169,903.19	5,207,489.18
Freight	5,917,126.15	7,747,014.23
Exhibition fee	45,727.87	6,546,230.71
Property management fee	9,544,159.17	7,982,065.97
Business entertainment	1,310,428.39	2,683,582.53
Service fee to intermediary agencies	2,671,307.29	2,043,210.38
Others	19,696,640.17	27,973,348.54
Total	165,926,224.21	237,301,143.35

Note to other cash paid in connection with operating activities:

Inapplicable

(3) Other investment activities related cash receipts

Inapplicable

(4) Other investment activities related cash payments

Inapplicable

(5) Other fund-raising activities related cash receipts

Inapplicable

(6) Other fund-raising activities related cash payments

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Repurchase of B-shares	26,825,873.78	17,565,400.00
Total	26,825,873.78	17,565,400.00

Note to other cash paid in connection with fund-raising activities:

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

79. Supplementary information of the cash flow statement**(1) Supplementary information of the cash flow statement**

In CNY

Supplementary information	Amount in the reporting period	Amount in the previous period
1. Net cash flows arising from adjustment of net profit into operating activities:	--	--
Net profit	77,738,906.30	123,495,460.90
Plus: Provision for impairment of assets	2,467,361.35	567,028.03
Depreciation of fixed assets, depletion of oil and gas asset, depreciation of productive biological asset	21,037,291.58	21,385,076.08
Amortization of intangible assets	3,829,094.00	3,291,008.97
Amortization of the long-term expenses to be apportioned	50,739,190.23	46,754,405.36
Loss (income is stated in "-") from disposal of fixed assets, intangible assets and other long term assets	200,140.17	212,010.13
Financial expenses (income is stated with "-")	13,485,670.67	12,023,843.93
Investment loss (income is stated with "-")	-2,160,911.92	-1,531,310.06
Decrease of the deferred income tax asset (increase is stated with "-")	-12,327,864.33	17,382,217.94
Increase of deferred income tax liability (decrease is stated with "-")	-63,520.78	

Decrease of inventories (Increase is stated with "-")	10,360,528.74	57,362,696.37
Decrease of operative items receivable (Increase is stated with "-")	-57,935,867.20	-112,532,040.70
Increase of operative items payable (Decrease is stated with "-")	-3,724,783.54	-9,395,746.58
Net cash flows arising from operating activities	103,645,235.27	159,014,650.37
2. Significant investment and fund-raising activities with no cash income and expenses involved:	--	--
3. Net change in cash and cash equivalents:	--	--
Ending cash balance	344,906,641.68	224,316,552.42
Less: Opening balance of cash	315,093,565.09	162,623,059.97
Net increase of cash and cash equivalents	29,813,076.59	61,693,492.45

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

Inapplicable

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

Inapplicable

(4) Composition of cash and cash equivalents

In CNY

Items	Ending balance	Opening balance
I. Cash	344,906,641.68	315,093,565.09
Including: Cash in stock	344,906,641.68	315,093,565.09
Bank deposit available for payment at any time	215,989.73	229,258.38
Other monetary fund used for payment at any time	343,931,215.59	285,306,297.62
Due from central bank available for payment	759,436.36	29,558,009.09
III. Ending balance of cash and cash equivalents	344,906,641.68	315,093,565.09
Including: cash and cash equivalents restricted for use from the parent company or other subsidiaries of the Group	1,575,000.00	3,641,389.51

Other notes:

Inapplicable

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

Specify the description of the item "others" and the adjusted amount of the balance at the end of last year:

Inapplicable

81. Assets restricted in ownership or use right

In CNY

Items	Book value at the end of the reporting period	Cause of restriction
Monetary fund	1,575,000.00	Deposit for L/G
Fixed assets	14,201,915.48	Security guarantee
Total	15,776,915.48	--

Other notes:

Inapplicable

82. Foreign currency monetary items**(1) Foreign currency monetary items**

In CNY

Items	Ending balance of foreign currency	Conversion rate	Ending balance of Renminbi converted
Monetary fund	--	--	
Including: USD	2,733,938.06	7.07950	19,354,914.51
Euro	30,154.43	7.96100	240,059.40
HKD	8,747,941.93	0.91344	7,990,720.07
SF	138,202.79	7.44340	1,028,698.65
Accounts receivable	--	--	
Including: USD	603,055.08	7.0795	4,269,328.45
Euro	30,425.59	7.9610	242,218.13
HKD	2,970,361.11	0.91344	2,713,246.66
SF	30,527.96	7.4434	227,231.82
Long-term Loan	--	--	
Including: USD	0.00	7.07950	0.00
Euro	0.00	7.96100	0.00
HKD	0.00	0.91344	0.00
SF	577,101.19	7.44340	4,295,595.00
Advance payment for goods			

Including: USD	0.00	7.07950	0.00
Euro	0.00	7.96100	0.00
HKD	0.00	0.91344	0.00
SF	859,637.54	7.44340	6,398,626.07
JP Yen	10,477,519.30	0.06581	689,504.59
Accounts payable			
Including: USD	0.00	7.07950	0.00
Euro	0.00	7.96100	0.00
HKD	1,771,811.89	0.91344	1,618,443.85
SF	29,675.49	7.44340	220,886.54
Other receivables			
Including: USD	0.00	7.07950	0.00
Euro	0.00	7.96100	0.00
HKD	146,038.44	0.91344	133,397.35
SF	908,889.21	7.44340	6,765,225.95
Advance from customers			
Including: USD	31,617.09	7.07950	223,833.19
Euro	0.00	7.96100	
HKD	1,179,628.55	0.91344	1,077,519.90
SF		7.44340	
Other payables			
Including: USD	4,702.87	7.07950	33,293.97
Euro	1,090.35	7.96100	8,680.28
HKD	416,145.72	0.91344	380,124.15
SF	71,910.54	7.44340	535,258.91
Short term loans			
Including: USD	0.00	7.07950	0.00
Euro	0.00	7.96100	0.00
HKD	58,302.42	0.91344	53,255.76
SF	1,405,115.26	7.44340	10,458,834.93
Non-current liabilities due within a year			
Including: USD	0.00	7.07950	0.00
Euro	0.00	7.96100	0.00
HKD	0.00	0.91344	0.00

SF	50,182.71	7.44340	373,530.00
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Other notes:

Inapplicable

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

Inapplicable

83. Hedging

Inapplicable

84. Government subsidies

(1) Basic information of government subsidies

In CNY

Categories	Amount	Items presented	Amount counted to the current profit and loss
Qualification of the enterprise in Guangming District for Baselworld 2019	150,000.00	Other income	150,000.00
Financing the enterprises for project development in the domestic market in 2020	88,280.00	Other income	88,280.00
The 1st fund allocation of the first R&D financial support (A) in 2019	571,000.00	Other income	571,000.00
Financial support for improving both technical innovation and brands (B) in 2020	800,000.00	Other income	800,000.00
Funding and award in the Shenzhen Standard Field in 2019	176,681.00	Other income	176,681.00
Export credit insurance premiums for the second half year of 2018	34,123.00	Other income	34,123.00
Financial support for improving both quality and brand in the technical innovation doubling special subsidy program (C) in 2020	800,000.00	Other income	800,000.00
Business subsidy	3,601.49	Other income	3,601.49
Subsidy to the employees of the Education	500.00	Other income	500.00

Bureau of Xiacheng District engaged in nursing service			
Business opening bonus received from the Bureau of Commerce	100.00	Other income	100.00
Local government subsidy for COVID-19 prevention	6,577.35	Other income	6,577.35
Refunded education surcharge	273.22	Other income	273.22
Financial support for improving both quality and brand in the technical innovation doubling special subsidy program (C) in 2020	800,000.00	Other income	800,000.00
Social insurance subsidy	12,100.00	Other income	12,100.00
Allowance for the Endowment and Medical Insurance for the Disabled in the Second Half of 2019 from Guangming District	3,590.52	Other income	3,590.52
Financial support for exhibition at Guangdong Industrial Expo	20,000.00	Other income	20,000.00
Financial support for certifying the second national hi-tech enterprises in 2019 from Guangming District	100,000.00	Other income	100,000.00
Financing the enterprises for project development in the domestic market in 2020	71,510.00	Other income	71,510.00
Special fund subsidy in the field of Shenzhen Standards in 2019	60,814.00	Other income	60,814.00
Salary delivered to the employees still not starting work as subsidy in Switzerland	1,078,243.40	Other income	1,078,243.40
Special financial support for 2019 Nanshan District Excellence-Creation Rating Independent Innovation Project (National Design Center) (D)	1,618,800.00	Other income	1,618,800.00
Special financial support for 2019 Nanshan District Innovation Carrier Support Technology Project (E)	776,500.00	Other income	776,500.00
Special fund for 2019 Nanshan District Patent Support Program	9,500.00	Other income	9,500.00
Special fund for 2019 Nanshan District Standardization Work Support Plan	57,000.00	Other income	57,000.00
Award for 2019 Nanshan District Technology Innovation (China Award for	200,000.00	Other income	200,000.00

Excellence in Design)			
Financial support from 2019 Nanshan District Enterprise R & D Investment Support Plan (F)	657,400.00	Other income	657,400.00
Basic electricity charge for February paid on behalf by the municipal government	103,740.00	Other income	103,740.00
Special fund subsidy in the field of Shenzhen Standards in 2019 from the Market Supervision & Administration Bureau of Shenzhen Municipality (G)	741,665.00	Other income	741,665.00
Financing the enterprises for project development in the domestic market in 2020	1,473.34	Other income	1,473.34
Subsidies to the affected enterprises in 2019 (H)	499,019.60	Other income	499,019.60
Employment stabilization subsidies	433,480.80	Other income	433,480.80
Refunded individual income tax	278,042.95	Other income	278,042.95
Total	10,154,015.67		10,154,015.67

Notes:

A. It is the government subsidy obtained according to the Notice of Shenzhen Municipal Science & Technology Innovation Commission on the First Supporting Fund Application Materials and Appropriation Materials for the Advance Reception of the Enterprise R & D Funding Plan in 2019.

B. It is the government subsidy obtained according to the Notice of the Bureau of Industry and Information Technology of Shenzhen Municipality on the Disclosure of the Intentional Financial Support Scheme for Quality Brand Double Promotion of the Special Subsidy Plan for Technology Improvement Multiplication in 2020.

C. It is the government subsidy obtained according to the Notice of the Bureau of Industry and Information Technology of Shenzhen Municipality on the Disclosure of the Intentional Financial Support Scheme for Quality Brand Double Promotion of the Special Subsidy Plan for Technology Improvement Multiplication (Batch I) in 2020.

D. It is the government subsidy obtained according to the "Measures of the Bureau of Industry and Information Technology of Nanshan District for Management of the Special Fund for Development of the Independent Innovation Industry in Nanshan District" and the "Rules for Implementation of the Special Fund for Independent Innovation Industry Development in Nanshan District - the Itemized Fund for Economic Development".

E. It is the government subsidy obtained according to the Notice of the General Office of Nanshan District People's Government of Shenzhen Municipality on the Printing and Issuing of the "Measures for Management of the Special Fund for Development of the Independent Innovation Industry in Nanshan District" SHEN NAN FU BAN GUI [2019] No. 2.

F. It is the government subsidy obtained according to the Notice of the General Office of Nanshan District People's Government of Shenzhen Municipality on the Printing and Issuing of the "Measures for Management of the Special Fund for Development of the Independent Innovation Industry in Nanshan District" SHEN NAN FU BAN GUI [2019] No. 2.

G. It is the government subsidy obtained according to the Notice of the Market Supervision and Administration Bureau of Shenzhen Municipality on the Special Fund Support and Incentive Scheme for the Standard Fields 2019 in Shenzhen.

H. It is the government subsidy obtained according to the Notice of the Small and Medium-sized Enterprise Service Bureau of Shenzhen Municipality for Allocating the Subsidy for the Domestic Market Development Projects to the Program of Innovative Development, Fostering and Support of Shenzhen Local Private and Small & Medium-sized Enterprises in 2020.

(2) Refunding of the government subsidies

Inapplicable

85. Others

Inapplicable

VIII. Change in consolidation scope

1. Consolidation of enterprises not under the joint control

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

Inapplicable

(2) Consolidation cost and goodwill

Inapplicable

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

Inapplicable

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

Does there exist any transaction in which the enterprise consolidation is realized step by step through several transactions and the control power is obtained within the reporting period.

No

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

Inapplicable

(6) Other notes

No change took place in the consolidation scope of the Company in 2020

2. Consolidation of enterprises under the joint control

(1) Consolidation of enterprises under joint control during the reporting period

Inapplicable

(2) Consolidation cost

Inapplicable

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

Inapplicable

3. Counter purchase

Inapplicable

4. Disposal of subsidiaries

Does there exist any such situation that a single disposal may cause the control power over the investment in a subsidiary lost?

No

Does there exist any such situation that disposal in steps through a number of transactions may cause the control power over the investment in a subsidiary lost during the reporting period?

No

5. Change of consolidation scope due to other reason

Note to the change in the consolidation scope (e.g. new subsidiaries, liquidation subsidiaries, etc.) caused by other reasons and relevant information:

Inapplicable

6. Others

Inapplicable

IX. Equity in other entities**1. Equity in a subsidiary****(1) Composition of an enterprise group**

Subsidiaries	Main business location	Place of registration	Nature of business	Shareholding proportion		Way of acquisition
				Direct	Indirect	
HARMONY	Shenzhen	Shenzhen	Commerce	100.00%	0.00%	Establishment or investment
Precision Technology Co.	Shenzhen	Shenzhen	Manufacture	90.00%	10.00%	Establishment or investment
the Hong Kong Co.	Hong Kong	Hong Kong	Commerce	100.00%	0.00%	Establishment or investment
Station-68 Co.	Hong Kong	Hong Kong	Commerce	0.00%	60.00%	Establishment or investment
Shenzhen Harmony E-Commerce Co., Ltd.	Shenzhen	Shenzhen	Commerce	100.00%	0.00%	Establishment or investment
Science & Technology Development Co.	Shenzhen	Shenzhen	Manufacture	100.00%	0.00%	Establishment or investment
SHIYUEHUI	Shenzhen	Shenzhen	Commerce	100.00%	0.00%	Establishment or investment
Emile Choureit (Shenzhen)	Shenzhen	Shenzhen	Commerce	100.00%	0.00%	Establishment or investment
FIYTA Sales Co., Ltd.	Shenzhen	Shenzhen	Commerce	100.00%	0.00%	Establishment or investment
Hengdarui	Shenyang	Shenyang	Commerce	100.00%	0.00%	Consolidation of enterprises under the joint control
Swiss Company	Switzerland	Switzerland	Commerce	0.00%	100.00%	Consolidation of enterprises not under the joint control

Other notes:

Inapplicable

(2) Important non-wholly-owned subsidiaries

Inapplicable

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

Inapplicable

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

Inapplicable

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

Inapplicable

2. Transaction with a subsidiary with the share of the owner's equity changed but still under control**(1) Note to change in the share of the owner's equity in subsidiaries**

Inapplicable

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

Inapplicable

3. Equity in joint venture arrangement or associates**(1) Important joint ventures or associates**

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

(2) Key financial information of important joint ventures

Inapplicable

(3) Key financial information of important associates

In CNY

	Ending balance/amount incurred in the reporting period	Opening balance/amount incurred in the reporting period
Current assets	119,900,356.87	117,096,911.21
Non-current assets	15,186,082.97	13,556,720.58
Total assets	135,086,439.84	130,653,631.79
Current liabilities	21,476,491.68	22,661,506.61
Non-current liabilities	-	7,978,869.84
Total liabilities	21,476,491.68	30,640,376.45
Equity attributable to the parent company's shareholders	113,609,948.16	100,013,255.34
Share of net assets calculated according to the shareholding proportion	28,402,487.04	25,003,313.84
Book value of the equity investment in associates	48,584,749.77	46,423,837.85
Revenue	54,674,292.84	57,039,155.07
Net profit	8,643,647.69	6,125,240.23
Total comprehensive income	8,643,647.69	6,125,240.23

Other notes

Inapplicable

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

Inapplicable

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

Inapplicable

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

Inapplicable

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

Inapplicable

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

Inapplicable

4. Important joint operation

Inapplicable

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

Inapplicable

6. Others

Inapplicable

X. Financial instruments and risk management

The Group's main financial instruments include monetary funds, notes receivable, accounts receivable, other receivables, other equity instrument investments, accounts payable, other payables, short-term borrowings, non-current liabilities due within 1 year, and long-term borrowings. Details of the financial instruments have been disclosed in the relevant notes. The risks involved in these financial instruments and the Group's risk control policies aiming at reducing these risks are stated as follows. The Group's management conducts management and monitoring of these risk exposures so as to ensure risks to be controlled within a specific limitation.

1. Risk management goals and policies

The Group's objective in risk management is to achieve a proper balance between risk and return and to reduce the adverse impact of financial risks on the Group's financial performance. Based on this risk management objective, the Group has developed risk management policies to identify and analyze the risks faced by the Group, set appropriate acceptable levels of risks and design corresponding internal control procedures to monitor the risk level of the Group. The Group regularly reviews these risk management policies and relevant internal control systems to respond to changes in market conditions or the Group's business activities. The Group's internal audit department also periodically or randomly checks whether the implementation of the internal control system conforms to the risk management policy.

The main risks caused by the Group's financial instruments are credit risk, liquidity risk and market risk (including exchange rate risk, interest rate risk and commodity price risk).

The Board of Directors is responsible for planning and establishing the risk management framework of the Group, formulating the risk management policies and relevant guidelines of the Group and supervising the implementation of risk management measures. The Group has formulated risk management policies to identify and analyze the risks faced by the Group. These risk management policies clearly specify specific risks and cover many aspects such as market risk, credit risk and liquidity risk management. The Group regularly evaluates the market environment and changes in the Group's business activities to determine whether or not to update the risk management policy and system. The risk management of the Group is carried out by the Risk Management Committee in accordance with policy approved by the Board of Directors. The Risk Management Committee works closely with other business units of the Group to identify, evaluate and mitigate risks. The internal audit department of the Group conducts regular audits of risk management controls and procedures and reports the audit results to the audit committee of the Group.

The Group diversifies the risk of financial instruments through appropriate diversification of investments and business

portfolios and reduces the risk of being concentrated in a single industry, a specific region or a specific counterparty by developing appropriate risk management policy.

(1) Credit risk

Credit risk refers to the risk of the Group's financial loss caused by the counterparty's failure to fulfill its contractual obligations.

The Group manages credit risk by portfolio classification. Credit risk mainly arises from bank deposits, notes receivable, accounts receivable, other receivables, etc.

The Group places its bank deposits mainly with financial institutions with good reputation and high credit rating, and the Group does not expect that there exists any significant credit risk to the bank deposits.

For notes receivable, accounts receivable and other receivables, the Group has set the relevant policy to control credit exposure. The Group evaluates the customer's credit qualification and sets the corresponding credit period based on their financial position, credit history and other factors such as current market conditions. The Group shall regularly monitor customers' credit records. For customers with poor credit records, the Group shall use such methods as written payment reminders, shortening or canceling credit periods to ensure that the overall credit risks of the Group are under control.

The Group's debtors of accounts receivable are customers engaged in different industries and located in different regions. The Group continues to conduct credit assessment of the financial position of accounts receivable and, where appropriate, purchases credit guarantee insurance.

The maximum credit risk exposure the Group accesses to is the book value of each financial asset in the balance sheet. The Group is also exposed to credit risks due to the provision of financial guarantees, as detailed in Note XII.2.

In the Group's accounts receivable, the amount owed by the top five customers took 15.42% of the Group's total accounts receivable (2019: 25.39%); in the Group's other receivables, the amount owed by the top five customers took 11.28% of the Group's total other receivables (2019: 40.94%).

(2) Liquidity risks

Liquidity risk refers to the risk that the Group encounters a shortage of funds in fulfilling its obligation to settle by delivery of cash or other financial assets.

When managing flow risks, each of the Group's affiliates is responsible for its own cash flow forecast. The Group's financial center monitors long - and short-term fund demands at the Group level based on the cash flow forecast results of each member enterprise. The Group manages the surplus fund within the Group through the capital pool plan established with some large banking financial institution, and ensures that each member enterprise has sufficient cash reserves to meet the payment obligations due for settlement. In addition, the Group has entered into agreements for line of financing credit with its major correspondent banks to support the Group in fulfilling its obligations related to commercial paper.

The Group raises working capital through funds generated from its operations and bank borrowings. As at June 30,2020, the amount of the bank loans not yet used by the Group was CNY 2,316.68 million (December 31,2019: CNY 1,970.39 million).

(3) Market risks

Market risk of financial instruments refers to the risk that the fair value or future cash flow of financial instruments may fluctuate due to changes in market prices, including interest rate risk, exchange rate risk and other price risk.

Interest rate risks

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flow may fluctuate due to changes in market interest rates. Interest rate risk may arise from recognized interest bearing financial instruments and unrecognized financial instruments (such as certain loan commitments).

The interest rate risk of the Group is mainly generated from short-term bank borrowing, long-term bank borrowing and other interest-bearing debts. Financial liabilities with floating interest rate expose the Group to interest rate risk of cash flow while financial liabilities with fixed interest rate expose the Group to interest rate risk of fair value. The Group determines the relative proportion of fixed and floating rate contracts in accordance with prevailing market conditions and maintains an appropriate portfolio of fixed and floating rate instruments through regular reviews and monitoring.

The interest-bearing financial instruments held by the Group are as follows (In CNY 10,000) :

Items	Amount in the reporting year	Amount in the previous year
Financial instruments with fixed interest rate		
Financial liabilities		
Where: short-term borrowings	67,356.24	48,710.37
Long-term Loan	466.91	468.18
Sub-total	67,823.15	49,178.55
Financial instruments with floating interest rate		
Financial liabilities		
Where: short-term borrowings		8,000.00
Total	67,823.15	57,178.55

For the financial instruments held on the balance sheet date that expose the Group to fair value interest rate risk, the impact of net profit and shareholders' equity in the sensitivity analysis above is the impact after the re-measurement of the financial instruments according to the new interest rate, assuming that the daily interest rate of the balance sheet changes. For floating rate non-derivative instruments held at the balance sheet date that expose the Group to cash flow interest rate risk, the impact on net profit and shareholders' equity in the sensitivity analysis above is the impact of the above interest rate change on the annualized estimated interest expense or income. The previous year's analysis was based on the same assumptions and methodology.

Exchange rate risk

Exchange rate risk refers to the risk of fluctuations in the fair value of financial instruments or future cash flows due to movement in foreign exchange rates. Exchange rate risk may be derived from financial instruments denominated in foreign currencies other than the functional currency.

Exchange rate risk mainly refers to the Group's financial position and cash flow affected by foreign exchange rate fluctuations. In addition to the subsidiary established in Hong Kong holding assets in Hong Kong dollars and the

sub-subsidiary established in Switzerland holding assets in Swiss Francs, the Group's other major business activities are mainly settled in Renminbi. However, foreign exchange risks still exist in the foreign currency assets and liabilities recognized by the Group and in future foreign currency transactions.

As of June 30, 2020, the amount of foreign currency financial assets and foreign currency financial liabilities held by the Group converted into Renminbi is listed as follows (In CNY 10,000) :

Items	Foreign currency liabilities		Foreign currency assets	
	Amount at the end of the reporting period	Amount at the beginning of the reporting period	Amount at the end of the reporting period	Amount at the beginning of the reporting period
US\$	25.71	-	2,362.42	4,601.89
HK\$	312.93	1,939.47	1,083.74	1,072.77
CHF	1,588.41	1,700.89	1,441.98	3,497.65
Euro	0.87	-	48.23	359.81
JP Yen	-	-	68.95	-
Total	1,927.93	3,640.36	5,005.32	9,532.12

The Group pays close attention to the impact of exchange rate fluctuations on exchange rate risks of the Group. The Group is not currently taking any measures to protect itself from exchange rate risk. However, the management is responsible for monitoring currency risks and will consider hedging significant currency risks as needed.

On June 30, 2020, for the Group's foreign currency monetary funds, bank loans and other financial instruments, and so on, may lead to appreciation or depreciation of the Group's shareholders' equity and net profit by about CNY 1.2494 million (December 31, 2019: about CNY 2.9459 million) with the assumption that that Renminbi to foreign currencies (mainly against US Dollars, HK Dollars and Swiss Franc) may be appreciated or depreciated by 5% with other factors remain unchanged.

2. Capital management

The objective of the Group's capital management policy is to ensure that the Group is a going concern, thus providing returns to shareholders and benefits to other stakeholders, while maintaining an optimal capital structure to reduce the cost of capital.

In order to maintain or recapitalize, the Group may adjust the way of financing, adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and other equity instruments, or sell assets to reduce its debts.

The Group monitors its capital structure on the basis of the asset-liability ratio (that is, the total liabilities are divided by the total assets). As at 30 June 2020, the Group's gearing was 31.52% (December 31, 2019: 29.420%).

XI. Disclosure of Fair Value

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

Inapplicable

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

Level 1: the quotation of the same assets or liabilities in an active market (unadjusted)

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

Level 2: either directly (i.e., price) or indirectly (i.e., derived from price) use observable input value other than market quotations for assets or liabilities at Level 1.

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

Level 3: The asset or liability has used any input value not based on observable market data (non-observable input value).

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

Inapplicable

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

This year, the fair value measurement of the Group's financial assets and financial liabilities has neither experienced any conversion between Level 1 and Level 2, nor experienced transfer-in or transfer-out to/from Level 3.

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

Inapplicable

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

The Group's financial assets and financial liabilities measured with amortized costs mainly include monetary funds, notes receivable, accounts receivable, other receivables, short-term loans, accounts payable, other payables, long-term loans due within a year, long-term loans, etc.

The difference between the book value and fair value of the above financial assets and financial liabilities not measured with fair value is very little.

9. Others

Inapplicable

XII. Related parties and transactions

1. Details of the parent company of the Company

Name of the parent company	Place of registration	Nature of business	Registered capital	Shareholding ratio of the parent company in the Company	Ratio of vote right of the parent company in the Company
AVIC IHL	Shenzhen	Investment in industries, domestic trade, material supply and distribution	CNY 1,166.162 million	38.06%	38.06%

Note to the parent company:

The proportion of the equity held by AVIC International Shenzhen Co., Ltd. in AVIC International Holdings Limited is 33.93%. AVIC International Shenzhen is a wholly owned subsidiary of AVIC International Holdings Limited (AVIC IHL) and China Aviation Industry Corporation (AVIC) directly holds 91.14% of the equity of AVIC IHL. Therefore, the Company's ultimate controller is AVIC.

Other notes:

Inapplicable

2. Subsidiaries of the Company

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

3. Joint venture and association of the Company

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

4. Other related parties of the Company

Names of other related parties	Relationship between other related parties and the Company
AVIC Property Management Co., Ltd. (AVIC Property)	An associate of the holding shareholder
Shenzhen AVIC Building Technology Co., Ltd. (AVIC Building Co.)	An associate of the holding shareholder
China Merchants Jiyou Industry Operation & Service Co., Ltd. (China Merchants JIYOU)	An associate of the holding shareholder
Shenzhen AVIC Guanlan Real Estate Development Co., Ltd. (AVIC Guanlan Real Estate)	An associate of the holding shareholder
Shenzhen AVIC 9 Square Assets Management Co., Ltd. (9 Square Asset)	An associate of the holding shareholder
Shenzhen AVIC City Investment Co., Ltd. (AVIC City Investment)	An associate of the holding shareholder
Ganzhou CATIC 9 Square Commerce Co., Ltd. (Ganzhou 9 Square)	An associate of the holding shareholder
AVIC City Property (Kunshan) Co., Ltd. (AVIC City Property (Kunshan))	An associate of the holding shareholder
Shenzhen AVIC Security Service Co., Ltd. (AVIC Security Service)	An associate of the holding shareholder
Shenzhen AVIC Property Asset Management Co., Ltd. (AVIC Property Asset)	An associate of the holding shareholder

Management)	
Jiujiang 9 Square Commerce Management Co., Ltd. (9 Square Commerce Management)	An associate of the holding shareholder
Shenzhen AVIC Real Estate Development Co., Ltd. (AVIC Real Estate)	An associate of the holding shareholder
Shenzhen AVIC Nanguang Elevator Co., Ltd.	An associate of the holding shareholder
Rainbow Department Store Co., Ltd. and its subsidiaries (RAINBOW)	Controlled by the same party
Shennan Circuit Co., Ltd. and its subsidiaries (Shennan Circuit)	Controlled by the same party
Shenzhen AVIC City Commerce development Co., Ltd. (AVIC City Development)	Controlled by the same party
Shenzhen AVIC Huacheng Commerce development Co., Ltd. (AVIC Huacheng Commerce development)	Controlled by the same party
Shenzhen AVIC City Parking Lots Management Co., Ltd. (AVIC Parking Lots Management)	Controlled by the same party
Shenzhen CATIC Technical Testing Office Co., Ltd. (CATIC Technical Testing)	Controlled by the same party
Tianma Micro-electronics Co., Ltd. (SHEN TIANMA)	Controlled by the same party
AVIC Securities Co., Ltd. (AVIC Securities)	Controlled by the same party
Xi'an Skytel Hotel Co., Ltd. (Skytel Hotel)	Controlled by the same party
Shenzhen AVIC Changtai Investment Development Co., Ltd. (AVIC Changtai)	Controlled by the same party
Shenzhen CATIC Group Training Center (CATIC Training Center)	Controlled by the same party
Shenzhen Grand Skylight Hotel Management Co., Ltd. (Grand Skylight Hotel Management)	Controlled by the same party
AVIC Finance Co., Ltd. (AVIC Finance)	Controlled by the same party
Shenzhen AVIC Grand Skylight Hotel Management Co., Ltd. (Grand Skylight Hotel)	Controlled by the same party
Gongqingcheng CATIC Cultural Investment Co., Ltd. (Gongqingcheng CATIC Cultural Investment)	Controlled by the same party
AVIC International Complete Set Equipment Co., Ltd. (AVIC Complete Set Equipment)	Controlled by the same party
AVIC International Aero-Development Corporation	Controlled by the same party
AVIC XI'AN AERONAUTICS COMPUTING TECHNIQUE RESEARCH INSTITUTE	Controlled by the same party
AVIC JINCHENG NANJING ENGINEERING INSTITUTE OF AIRCRAFT SYSTEM	Controlled by the same party
AVIC Lutong Industrial Co., Ltd.	Controlled by the same party
AVIC East China Optoelectronic Co., Ltd.	Controlled by the same party
AVIC East China Optoelectronic (Shanghai) Co., Ltd.	Controlled by the same party
China Aviation Industry Supply and Marketing Zhongnan Co., Ltd.	Controlled by the same party
Huang Yongfeng	A senior executive
Wang Mingchuan	A senior executive
Fu Debin	A senior executive

Xiao Zhanglin	A senior executive
Wang Bo	A senior executive
Chen Libin	A senior executive
Wang Jianxin	A senior executive
Zhong Hongming	A senior executive
Tang Xiaofei	A senior executive
Wang Baoying	A senior executive
Sheng Qing	A senior executive
Fang Jiasheng	A senior executive
Lu Wanjun	A senior executive
Liu Xiaoming	A senior executive
Pan Bo	A senior executive
Li Ming	A senior executive
Chen Zhuo	A senior executive
Tang Haiyuan	A senior executive
Xu Chuangyue	A senior executive

Other notes

Inapplicable

5. Related transactions

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

Statement of purchase of commodities and acceptance of labor services

In CNY

Related parties	Description of Related Transactions	Amount incurred in the reporting period	Transaction quota as approved	Has it exceeded the transaction quota	Amount incurred in the previous period
AVIC Property	Property management fee	5,938,619.97	1,800.00	No	4,665,553.46
Rainbow Ltd.	Shopping mall fees/purchase of goods	2,389,264.94	1,000.00	No	3,005,499.82
SHEN TIANMA	Purchase of goods	31,309.90	800.00	No	
Ganzhou 9 Square	Shopping mall fees	92,549.84	200.00	No	
9 Square Commerce Management Co., Ltd.	Shopping mall fees	43,147.68		No	
AVIC Building Co.	Refurbishment	32,924.52		No	
Shenzhen AVIC Nanguang	Repairing fee	122,830.20		No	

Elevator Co., Ltd.					
AVIC City Commerce Development	Shopping mall fees	19,346.13		No	

Statement of sales of goods/supply of labor services

In CNY

Related parties	Description of Related Transactions	Amount incurred in the reporting period	Amount incurred in the previous period
Rainbow Ltd.	Products and labor services	29,669,833.80	35,273,411.88
Ganzhou 9 Square	Products and labor services	8,748.67	68,392.00
Shennan Circuit	Sales of materials and supply of labor	3,086,589.15	4,656,548.21
Gongqingcheng CATIC Cultural Investment	Sales of products	182,271.24	
AVIC International	Sales of products	4,424.78	
AVIC International Aero-Development Corporation	Sales of products	140,884.97	
Shanghai Watch	Sales of products	1,812,292.04	
AVIC City Commerce Development	Sales of products	94,585.88	
AVIC Changtai	Sales of products	0	
AVIC XI'AN AERONAUTICS COMPUTING TECHNIQUE RESEARCH INSTITUTE	Sales of products	7,061.95	
AVIC JINCHENG NANJING ENGINEERING INSTITUTE OF AIRCRAFT SYSTEM	Sales of products	176,991.15	
AVIC Lutong Industrial Co., Ltd.	Sales of products	14,123.89	
AVIC East China Optoelectronic Co., Ltd.	Sales of products	212,389.38	
AVIC East China Optoelectronic (Shanghai) Co., Ltd.	Sales of products	35,398.23	
China Aviation Industry Supply and Marketing Zhongnan Co., Ltd.	Sales of products	7,079.65	

Note to the related transactions of purchase and sale of commodities and supply and acceptance of labor services
Inapplicable

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

Inapplicable

(3) Related lease

The Company as lessor:

In CNY

Names of lessees	Categories of leasehold properties	Rental income recognized in the current period	Rental income recognized in the previous period
AVIC Property	Housing	6,196,298.09	9,236,271.13
Tianyue Hotel	Housing		2,095,238.09
CMPO	Housing	972,906.73	926,577.86
AVIC City Investment	Housing	139,986.58	133,320.56
AVIC Securities	Housing	657,257.16	527,428.55
Rainbow Ltd.	Housing	696,114.82	289,764.58
AVIC Huacheng Commerce Development	Housing		117,566.50
9 Square Assets	Housing	1,042,900.03	993,238.13
CATIC Public Security Service Co.	Housing	502,635.07	706,043.41
Guanlan Real Estate	Housing	69,993.29	172,145.99
AVIC City Property	Housing		149,630.10
AVIC Real Estate	Housing	140,569.86	133,876.07

The Company as lessee:

In CNY

Names of lessees	Categories of leasehold properties	Rental fee recognized in the current period	Rental fee recognized in the previous period
Ganzhou 9 Square	Housing	449,741.52	538,609.84
AVIC City Property (Kunshan)	Housing		87,666.38
9 Square Commerce Management Co., Ltd.	Housing	192,860.44	191,570.45
AVIC City Commerce Development	Housing	68,807.29	203,568.04

Note to related lease

Inapplicable

(4) Related guarantee

The Company as a guarantor

In CNY

Guarantees	Amount guaranteed	Effective date	Expiring date	Is the guarantee finished
Harmony	100,000,000.00	December 30, 2019	December 29, 2020	No
Harmony	40,000,000.00	April 21, 2020	April 21, 2021	No
the Hong Kong Co.	3,721,700.00	August 22, 2019	August 19, 2020	No
the Hong Kong Co.	3,721,700.00	September 23, 2019	September 19, 2020	No
the Hong Kong Co.	2,977,360.00	October 31, 2019	October 25, 2020	No

The Sales Co.	50,000,000.00	April 26, 2020	April 26, 2021	No
Precision Technology Co.	30,000,000.00	April 24, 2020	April 24, 2021	No
Science & Technology Development Co.	2,430,000.00	April 29, 2020	April 29, 2021	No

The Company as a guarantee

Inapplicable

(5) Borrowings and lendings among related parties

In CNY

Related parties	Borrowing amount	Starting date	Due date	Note
Borrowed from				
AVIC Financial Co.	50,000,000.00	March 26, 2019	March 26, 2020	
AVIC Financial Co.	100,000,000.00	April 02, 2019	April 02, 2020	
AVIC Financial Co.	60,000,000.00	October 25, 2019	October 25, 2020	
Lending				

(6) Assets assignment and liabilities reorganization of related parties

Inapplicable

(7) Remuneration to senior executives

Inapplicable

(8) Other related transactions

The balance of the Company's deposit at the end of the current year with AVIC Finance amounted to CNY 289,316,243.49, of which the interest received in the current year amounted to CNY 469,992.60.

6. Accounts receivable from and payable to related parties

(1) Receivables

In CNY

Project name	Related parties	Ending balance		Opening balance	
		Book balance	Bad debt reserve	Book balance	Bad debt reserve
Accounts receivable:					
	Rainbow Ltd.	8,983,247.13	449,162.36	633,187.49	31,596.06
	Shennan Circuit	1,421,361.72	71,068.09	1,704,634.58	85,061.27

	Gongqingcheng CATIC Cultural Investment	31,387.08	1,569.35		
	AVIC City Commerce Development	29,251.10	1,462.56		
	AVIC Property	227,167.05	11,358.35		
	Tianyue Hotel	7,630.00	381.50		
	CATIC Public Security Service Co.	271,533.23	13,576.66		
	Shanghai Watch			140,000.00	6,986.00
Notes receivable:					
	Shennan Circuit	2,094,782.89		2,263,719.32	
Advance payment:					
	SHEN TIANMA	581,280.00		31,309.90	
Other receivables:					
	Rainbow Ltd.	1,208,200.00	60,410.00	975,867.00	50,647.50
	Ganzhou 9 Square	122,665.60	6,366.34	122,665.60	6,366.34
	AVIC City Property (Kunshan)	40,000.00	2,000.00	32,000.00	1,660.80
	Gongqingcheng CATIC Cultural Investment	5,500.00	275.00		
	9 Square Commerce Management Co., Ltd.	50,000.00	2,595.00	50,000.00	2,595.00
	AVIC City Commerce Development	59,923.00	3,110.00	59,923.00	3,110.00
	AVIC IHL	11,101.80	576.18	11,101.80	576.18

(2) Payables

In CNY

Project name	Related parties	Ending book balance	Opening book balance
Accounts payable:			
	AVIC Building Co.		23,300.97
	SHEN TIANMA		3,415.84
Advance receipts:			
	China Aviation Industry Supply and Marketing Zhongnan Co., Ltd.	29,175.00	
Other payables:			

	AVIC Property	1,994,524.54	1,237,403.65
	CMPO	442,407.92	442,407.92
	AVIC City Investment	309,732.00	309,732.00
	AVIC Securities	213,000.00	213,000.00
	AVIC Building Co.	71,153.70	54,691.44
	AVIC City Commerce Development	0.00	99,052.32
	AVIC Huacheng Commerce Development	0.00	73,819.68
	9 Square Assets	378,483.84	378,483.84
	Rainbow Ltd.	257,490.98	155,672.90
	AVIC Real Estate	51,014.88	51,014.88
	Guanlan Real Estate	25,401.60	25,401.60
	CATIC Public Security Service Co.	226,603.44	226,603.44
	Tianyue Hotel	57,718.82	28,886.00

7. Related parties' commitments

Inapplicable

8. Others

Inapplicable

XIII. Stock payment

1. General

Inapplicable

2. Stock payment for equity settlement

In CNY

Method for determining the fair value of equity instruments as at the granting day	Closing price of the Company's shares as at the granting day
Basis for determining the quantity of exercisable equity instruments	Employee service period, achievement rate of performance indicators and individual performance evaluation result
Cause of significant difference between the estimation of the reporting period and that of the previous period	Nil
Accumulated amount of the equity-settled share-based payment counted to the capital reserve	17,447,988.68
Total expenses recognized in the equity-settled share-based payment during the reporting	3,165,401.89

period	
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Other notes

Inapplicable

3. Stock payment for cash settlement

Inapplicable

4. Correction and termination of stock payment

Inapplicable

5. Others

Inapplicable

XIV. Commitments and contingencies

1. Important commitments

Important commitments existing as at the balance sheet date

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

Minimum rent payment for irrevocable operational lease	Ending balance	Opening balance
1st year after the balance sheet date	75,083,458.13	69,420,770.36
2nd year after the balance sheet date	34,286,090.53	40,749,688.35
3rd year after the balance sheet date	14,875,155.04	15,620,420.28
Subsequent years	5,240,332.87	11,333,148.34
Total	129,485,036.57	137,124,027.33

2. Contingencies

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

As of June 30, 2020, the guarantee status within the Group is as follows (in CNY 10,000) :

Guarantees	Guarantors	The guarantees	Line of credit	Used credit line	Effective date	Expiring date
Harmony	The Company	Letter of guarantee	20,000.00	10,000.00	December 30, 2019	December 29, 2020
Harmony	The Company	Loan	4,000.00	4,000.00	April 21, 2020	April 21, 2021
the Hong Kong Co.	The Company	Loan	3,653.76	372.17	August 22, 2019	August 19, 2020
the Hong Kong Co.	The Company	Loan		372.17	September 23, 2019	September 19, 2020
the Hong Kong Co.	The Company	Loan		297.74	October 31, 2019	October 25, 2020
The Sales Co.	The Company	Loan	5,000.00	5,000.00	April 26, 2020	April 26, 2021

Precision Technology Co.	The Company	Loan	3,000.00	3,000.00	April 24, 2020	April 24, 2021
Science & Technology Development Co.	The Company	Loan	3,000.00	243.00	April 29, 2020	April 29, 2021
Total			38,653.76	23,288.88		

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

Inapplicable

3. Others

As of June 30, 2020, there exist no other contingencies in the Group necessary to be disclosed.

XV. Events after balance sheet date

1. Significant non-adjustment events

Inapplicable

2. Profit distribution

In CNY

Profit or dividend to be distributed	85,634,376.20
Profit or dividend announced to be distributed after review and approval	85,634,376.20

3. Sales return

Inapplicable

4. Note to other matters after the balance sheet date

Inapplicable

XVI. Other significant events

1. Correction of the accounting errors in the previous period

(1) Retroactive restatement

Inapplicable

(2) Prospective application

Inapplicable

2. Liabilities restructuring

Inapplicable

3. Replacement of assets**(1) Non-monetary assets exchange**

Inapplicable

(2) Other assets exchange

Inapplicable

4. Pension plan

Inapplicable

5. Discontinuing operation

Inapplicable

6. Segment information**(1) Basis for determining the reporting segments and accounting policy**

Inapplicable

(2) Financial information of the reporting segments

Inapplicable

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

Inapplicable

(4) Other notes

Inapplicable

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

Inapplicable

8. Others

Inapplicable

XVII. Notes to the parent company's financial statements**1. Accounts receivable****(1) Accounts receivables disclosed by types**

In CNY

Categories	Ending balance					Opening balance				
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		Book value
	Amount	Proportion	Amount	Provision proportion		Amount	Proportion	Amount	Provision proportion	
where										
Accounts receivable for which provision for bad debt is based on portfolios	4,699,542.96	100.00%	230,925.13	5.00%	4,468,617.83	2,997,921.46	100.00%	149,896.07	5.00%	2,848,025.39
where										
Accounts receivable from other customers	4,699,542.96	100.00%	230,925.13	5.00%	4,468,617.83	2,997,921.46	100.00%	149,896.07	5.00%	2,848,025.39
Total	4,699,542.96	100.00%	230,925.13	5.00%	4,468,617.83	2,997,921.46	100.00%	149,896.07	5.00%	2,848,025.39

Individual provision for bad and doubtful debts:

Inapplicable

Provision for bad debts based on portfolio: accounts receivable from other customers

In CNY

Description	Ending balance		
	Book balance	Bad debt reserve	Provision proportion
Accounts receivable from other customers	4,699,542.96	230,925.13	5.00%
Total	4,699,542.96	230,925.13	--

Note to the basis for determining the combination:

Inapplicable

Disclosed based on aging

In CNY

Aging	Ending balance
Within 1 year (with 1 year inclusive)	4,699,542.96
Total	4,699,542.96

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

Provision for bad debt during the reporting period

In CNY

Categories	Opening balance	Amount of movement during the reporting period				Ending balance
		Provision	Amount recovered or reversed	Writing-off	Others	
Bad debt reserve	149,896.07	230,925.13	149,896.07	0.00	0.00	230,925.13
Total	149,896.07	230,925.13	149,896.07	0.00	0.00	230,925.13

Where the significant amount of the reserve for bad debt recovered or reversed:

Inapplicable

(3) Accounts receivable actually written off in current period

Inapplicable

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

In CNY

Description of Units	Ending balance of accounts receivable	Proportion of the ending balance of the accounts receivable	Ending balance of the provision for bad debts
Receivable from the top five customers	2,421,654.32	52.00%	121,082.71
Total	2,421,654.32	52.00%	

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

Inapplicable

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

Inapplicable

2. Other receivables

In CNY

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

Other receivables	697,541,260.60	783,647,732.22
Total	697,541,260.60	783,647,732.22

(1) Interest receivable**1) Classification of interest receivable**

Inapplicable

2) Significant overdue interest

Inapplicable

3) Provision for bad debts

Inapplicable

(2) Dividends receivable**1) Classification of dividends receivable**

Inapplicable

2) Significant dividends receivable with age exceeding 1 year

Inapplicable

3) Provision for bad debts

Inapplicable

(3) Other receivables**1) Classification of other receivables based on nature of payment**

In CNY

Nature of Payment	Ending book balance	Opening book balance
Collateral and Deposit	235,761.90	235,761.90
Inter-company current account	643,492,028.31	783,005,800.85
Advance payment for equity allocation	53,183,393.38	0.00
Others	739,511.33	495,730.33
Total	697,650,694.92	783,737,293.08

2) Provision for bad debts

In CNY

Bad debt reserve	The 1st stage	The 2nd stage	The 3rd stage	Total
	Predicted credit loss in the future 12 months	Predicted credit loss in the whole duration (no credit impairment taken place)	Predicted credit loss in the whole duration (credit impairment already taken place)	
Balance as at January 01, 2020	89,560.86			
Balance as at January 01, 2020 during the reporting period	—	—	—	—
Provision in the reporting period	19,873.46			
Balance as at June 30, 2020	109,434.32			

Movement of the book balance of provision for loss with significant amount in the reporting period

Inapplicable

Disclosed based on aging

In CNY

Aging	Ending balance
Within 1 year (with 1 year inclusive)	697,403,235.59
1 to 2 years	10,127.53
2 to 3 years	197,281.80
Over 3 years	40,050.00
3 to 4 years	40,050.00
4 to 5 years	0.00
Over 5 years	0.00
Total	697,650,694.92

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

Provision for bad debt during the reporting period

In CNY

Categories	Opening balance	Amount of movement during the reporting period				Ending balance
		Provision	Amount recovered or reversed	Writing-off	Others	
Bad debt reserve	89,560.86	19,873.46	0.00	0.00	0.00	109,434.32
Total	89,560.86	19,873.46	0.00	0.00	0.00	109,434.32

Where the significant amount of the provision for bad debt recovered or reversed:

Inapplicable

4) Accounts receivable actually written off in the reporting period

Inapplicable

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

In CNY

Description of Units	Nature of Payment	Ending balance	Aging	Proportion in total ending balance of other receivables	Ending balance of the provision for bad debts
Harmony	Inter-company current account	447,480,015.30	Within 1 year	64.00%	0.00
Hengdarui	Inter-company current account	93,350,157.00	Within 1 year	13.00%	0.00
Precision Technology Co.	Inter-company current account	63,956,637.59	Within 1 year	9.00%	0.00
SHIYUEHUI	Inter-company current account	27,809,145.33	Within 1 year	4.00%	0.00
Emile Chouriet (Shenzhen) Limited	Inter-company current account	10,896,073.09	Within 1 year	2.00%	0.00
Total	--	643,492,028.31	--	92.00%	0.00

6) Accounts receivable involving government subsidy

Inapplicable

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

Inapplicable

8) Amount of assets and liabilities formed through transfer of account receivable and continuing to be involved

Inapplicable

3. Long-term equity investments

In CNY

Items	Ending balance			Opening balance		
	Book balance	Impairment reserve	Book value	Book balance	Impairment reserve	Book value
Investment in subsidiaries	1,336,734,871.73	0.00	1,336,734,871.73	1,334,471,401.42	0.00	1,334,471,401.42
Investment in	48,584,749.77	0.00	48,584,749.77	46,423,837.85	0.00	46,423,837.85

associates and joint ventures						
Total	1,385,319,621.50	0.00	1,385,319,621.50	1,380,895,239.27	0.00	1,380,895,239.27

(1) Investment in subsidiaries

In CNY

Investees	Opening balance (book value)	Increase/ Decrease (+ / -) in the reporting period				Ending balance (book value)	Ending balance of the provision for impairment
		Additional investment	Decrease of investment	Provision for impairment	Others		
Harmony	602,538,761.04	0.00	0.00	0.00	875,279.56	603,414,040.60	0.00
The Sales Co.	451,377,582.46	0.00	0.00	0.00	970,532.34	452,348,114.80	0.00
Precision Technology Co.	9,344,923.49	0.00	0.00	0.00	255,455.31	9,600,378.80	0.00
Science & Technology Development Co.	10,126,964.71	0.00	0.00	0.00	57,199.69	10,184,164.40	0.00
the Hong Kong Co.	137,737,520.00	0.00	0.00	0.00	0.00	137,737,520.00	0.00
SHIYUEHUI	5,000,000.00	0.00	0.00	0.00	0.00	5,000,000.00	0.00
Shenzhen Harmony E-Commerce Co., Ltd.	2,184,484.39	0.00	0.00	0.00	0.00	2,184,484.39	0.00
Hengdarui	36,867,843.96	0.00	0.00	0.00	0.00	36,867,843.96	0.00
Emile Chouriet (Shenzhen) Limited	79,293,321.37	0.00	0.00	0.00	105,003.41	79,398,324.78	0.00
Total	1,334,471,401.42	0.00	0.00	0.00	2,263,470.31	1,336,734,871.73	0.00

(2) Investment in associates and joint ventures

In CNY

Investees	Opening balance (book value)	Increase/ Decrease (+ / -) in the reporting period								Ending balance (book value)	Ending balance of the provision for impairment
		Additional investment	Decrease of investment	Income from equity investment recognized under equity method	Other comprehensive income adjustment	Other equity movement	Announced for distributing cash dividend or profit	Provision for impairment	Others		
I. Joint Venture											
II. Associates											
Shanghai	46,423,837.85	0.00	0.00	2,160,911.92	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Watch Industry Co., Ltd.										48,584,749.77	
Sub-total	46,423,837.85	0.00	0.00	2,160,911.92	0.00	0.00	0.00	0.00	0.00	48,584,749.77	0.00
Total	46,423,837.85	0.00	0.00	2,160,911.92	0.00	0.00	0.00	0.00	0.00	48,584,749.77	0.00

(3) Other notes

Inapplicable

4. Operation Income and Costs

In CNY

Items	Amount incurred in the reporting period		Amount incurred in the previous period	
	Income	Costs	Income	Costs
Principal business	57,329,018.41	17,626,390.24	64,124,939.95	11,807,925.90
Other businesses	-15,800.00	0.00	0.00	0.00
Total	57,313,218.41	17,626,390.24	64,124,939.95	11,807,925.90

5. Return on investment

In CNY

Items	Amount incurred in the reporting period	Amount incurred in the previous period
Income from long term equity investment based on equity method	2,160,911.92	1,531,310.06
Total	2,160,911.92	1,531,310.06

6. Others

Inapplicable

XVIII. Supplementary information**1. Statement of non-recurring gains and losses in the reporting period**

In CNY

Items	Amount	Note
1. Gain/Loss from disposal of non-current assets	-200,140.17	
The government subsidies included in the profits and	10,154,015.67	

losses of the current period (excluding government grants which are closely related to the Company's business and conform with the national standard amount or quantity)		
Reversal of the impairment provision for receivables and contract assets which have been tested individually for impairment	296,622.87	
Other non-operating income and expenses other than the aforesaid items	1,273,213.01	
Less: Amount affected by the income tax	2,454,282.53	
Total	9,069,428.85	--

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

Inapplicable

2. ROE and EPS

Profit in the reporting period	Return on equity, weighted average	Earnings per share	
		Basic earning per share (CNY/share)	Diluted earning per share (CNY/share)
Net profit attributable to the Company's shareholders of ordinary shares	2.91%	0.1775	0.1775
Net profit attributable to the Company's shareholders of ordinary shares less non-recurring gains and loss	2.57%	0.1568	0.1568

3. Discrepancy in accounting data between IAS and CAS

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

Inapplicable

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

Inapplicable

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

Inapplicable

4. Others

Inapplicable

Section 12 Documents Available for Inspection

I. Financial statements signed by and under the seal of the legal representative, the chief financial officer and the person in charge of the accounting office.

II. 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.